

LOAN AGREEMENT
DULUTH, ECONOMIC DEVELOPMENT
AUTHORITY, LENDER
DULUTH PLAYHOUSE, INCORPORATED
BORROWER

THIS AGREEMENT entered into this _____ day of _____, 2015, by and between the DULUTH ECONOMIC DEVELOPMENT AUTHORITY, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469, hereinafter referred to as “DEDA” and the DULUTH PLAYHOUSE, INC., a Minnesota non-profit corporation, hereinafter referred to as the “Playhouse” .

WHEREAS, DEDA and Playhouse are participants in a project for the redevelopment and operation of the historic NorShor Theatre, located on the below-described Property, in Downtown Duluth as a community theater and performing arts venue for the benefit of the City of Duluth, Duluth’s residents, the surrounding area and the local performing arts community (the “Project”); and

WHEREAS, the Project is located on the following-described property (the “Property”) in St. Louis County, Minnesota:

Tract B, Registered Land Survey No. 132, St. Louis County, Minnesota; and

WHEREAS, Playhouse has determined to invest Four Million Five Hundred Thousand Dollars (\$4,500,000) as an equity investment in the Project to assist in making it successful and has agreed to enter into a long-term operating agreement with the developer of the Project pursuant to which Playhouse will be the operator and principal user of the Project; and

WHEREAS, Playhouse is in need of a long-term bridge loan to fund Three Million, Five Hundred Thousand Dollars (\$3,500,000) of its equity investment in the Project, subject to its obligation to make payments as set forth below to amortize said loan and;

WHEREAS, Playhouse is committed to use its best efforts to raise donations to be applied to the early repayment of the loaned funds; and

WHEREAS, as a co-participant with Playhouse in the Project, DEDA is willing to lend to Playhouse Three Million, Five Hundred Thousand Dollars (\$3,500,000) as hereinafter provided for to provide bridge funding for said portion of said equity investment under the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth, the parties hereto hereby agree as follows:

1. Loan

DEDA hereby agrees to lend to Playhouse and Playhouse hereby agrees to borrow from DEDA the sum of Three Million Five Hundred Thousand Dollars (\$3,500,000) (the "Loan"), payable from Fund 865 District No. 22, as a bridge loan to fund on behalf of Playhouse Playhouse's investment in the Project in accordance with the terms of that Development Agreement between the parties hereto and NorShor Theatre LLC, Sherman Associates, Inc. and Sherman Associates Development LLC. The term of the Loan shall be deemed to commence on the date of the Closing of the financing of the Project and shall run through December 31, 2025 unless sooner paid or this Agreement is sooner terminated (the "Term"). On December 31, 2025, the entire unpaid principal and any accrued interest shall be due and payable in its entirety, subject to the rights of the parties to negotiate an extension of this Agreement or the renegotiation of the Loan to be evidenced by a new loan agreement. The Loan shall be non-interest bearing during the Term of the Loan. If the Loan is not repaid at the end of the Term or otherwise refinanced or the terms thereof are not renegotiated, the unpaid portion of the Loan shall thereafter bear interest at the rate of Five (5.00%) Percent simple interest compounded annually.

2. Loan Payments

Commencing on the first quarterly date, as hereinafter described, following the first anniversary of the date that the Project is completed and available for use by Playhouse and quarterly thereafter, on each January 1, April 1, July 1 and October 1 of each year during the Term of the Loan, Playhouse agrees that it will pay to DEDA a loan payment in the amount of at least Twenty-five Thousand Dollars (\$25,000.00) against the outstanding principal amount of the Loan in addition to such additional amounts as are payable pursuant to Paragraph 3 below. It is agreed that said payments shall be due and payable only from available Net Income of the Playhouse as such term is defined in accordance with Generally Accepted Accounting Principles (GAAP) from Playhouse's most recently ended fiscal year end preceding the applicable quarterly Loan payment date. For illustrative purposes, Net Income means revenue from all sources including, but not limited to, investment income, gains and losses from investments and asset

dispositions; less operating expenses, depreciation and amortization, interest expense, and other expenses. In the event that any payment or payments are not made when due or are not paid in the amounts set forth above, such delinquent payments shall bear interest at the rate of Five (5.00%) Percent per year simple annual interest from the date due until paid in full, unless the time for payment thereof has been extended in writing or waived in writing by the DEDA Board. There are no prepayment penalties and nothing herein shall be deemed to prevent Playhouse from making payments against the principal amount of the Loan in excess of those provided for above in this Paragraph.

3. Audit Requirement

For purposes of the Loan repayment requirements of paragraph 2 of this Agreement, Playhouse shall engage a qualified certified public accounting firm to perform an audit of its financial position and operations for its fiscal year and provide a copy of such audit report to the Executive Director no later than 120 days following the close of Playhouse's fiscal year end. Such audit will be performed in accordance with GAAP.

4. Fund Raising-Loan Payments

It is acknowledged between the parties that the purpose of the Loan is to provide bridge financing to the Playhouse to fund its equity investment in the Project and that it is the intention of the parties, to the extent possible, to fund said investment on a permanent basis through fundraising on the part of the Playhouse or through a refinancing of the Loan by Playhouse or both and to use the proceeds of such fundraising efforts or refinancing to pay off the Loan from DEDA as quickly as possible. DEDA also acknowledges that Playhouse's initial capital contribution to the Project is supported by fundraising pledges which must be realized and that normal operating budget is supported in part by fundraising in addition to revenues and that this is expected to continue into the foreseeable future. Playhouse hereby commits to use its best efforts to raise funds sufficient to pay off the Loan from DEDA as quickly as possible and Playhouse pledges to not divert its fundraising efforts from the goal of raising sufficient funds to pay off the Loan or to divert any funds generated from such fundraising efforts from the purpose of repaying the Loan until the Loan has been fully repaid.

5. Refinance or Mortgage

A. Refinance

Upon the end of the Term of this Agreement, if any portion of the Loan or interest thereon remains unpaid, Playhouse agrees to use its best efforts to refinance said unpaid Loan balance and interest with a third-party funding agency and to use the proceeds thereof to repay the unpaid Loan balance and interest to DEDA.

B. Mortgage

If at any time any portion of the Loan or interest thereof remains unpaid and if Playhouse or an affiliate of Playhouse acquires an interest in the Property which would allow it to do so, Playhouse hereby commits and agrees to place a mortgage on the Property running in favor of DEDA in an amount equal to the outstanding balance on the Loan at such time. Failure to execute and deliver to DEDA the mortgage contemplated by this paragraph shall constitute an event of default under this Agreement.

6. Playhouse's Operating Covenant

Playhouse further covenants and agrees that in its operations and use of the Project and the Property it will:

A. Theater Operating Commitment

Agree and commit for the benefit of DEDA and the City of Duluth that for a term of at least Fifty (50) years from and after the date of this Agreement the Property and the Project must be operated as community theater, performing arts and cultural venue as such terms are commonly used in the industry, including live theater, film, music, dance, and education and that it will be operating in a first-class manner so as to meet the needs of the performing arts community in the City of Duluth and of the general public.

B. Nondiscrimination

Agree and commit to not engage in discriminatory employment practices or discriminate in granting access to the Project for various elements of the arts and performance community in its operation or management of the Project and the Facility, and shall, with respect to such activities, fully comply with all of the provisions contained in Minn. Stat. Chapters 363A and 181 that exists as of the

date of this Agreement and as such may subsequently be amended, modified or replaced from time to time. In addition, Playhouse shall operate the Project and grant access to and use of the Project to a wide and diverse variety of users in the arts and performance community, locally, regionally and nationally and shall operate the Project in a manner which encourages as wide a variety of users as possible, subject to applicable law and sound business practices.

C. Sound Business Practices

Subject to the other requirements of this Agreement, agree and commit to use its best efforts to operate the Project in manner consistent with sound business practices in order to insure that the Project can generate sufficient revenues to meet its operating obligations and to insure the long-term financial stability and operating success of the Project.

D. Maintenance

At all times cause the Project and the Property to be operated, and maintained in a neat, orderly condition, to maintain and preserve and keep in good repair, working order and condition said Project and the property upon which it is located (the "Property") and to perform all needful and proper repairs, renewals and replacements necessary to be made thereto. The obligation to maintain the Project and the Property shall include but not be limited to maintenance of all foundations, external walls, doors, windows, utility openings and all roofing systems. Playhouse shall also be responsible for maintenance of the Property outside of the Project, including snow removal and landscape maintenance and all other exterior maintenance to said Property.

E. Utilities

Pay any and all charges for utilities furnished to the Project and the Property including but not limited to hook-up charges and assessments related to all utilities, including but not limited to steam, water, sewer, gas, telephone, cable TV and electrical power.

F. Licenses and Permits

Preserve Playhouse's existence and all of its licenses, permits and consents to the extent necessary and desirable to the operation of its business and affairs and to be

qualified to do business in each jurisdiction where its conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its licenses, permits or consents which are no longer useable.

G. Obey All Laws

Conduct its affairs and carry on its business and operations in such a manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations and requirements of any governmental authority related to the conduct of its business; provided that nothing herein contained shall require it to comply with, observe and conform to any such law or regulation or requirement so long as the validity thereof shall be contested by Playhouse in good faith through proper legal action.

H. Payment of Taxes

Promptly pay or cause to be paid all lawful taxes and governmental charges, including real estate taxes and assessments at any time levied upon or against it or the Property if required to do so by obligations pursuant to other Project documents.

I. Assessment Fees and Charges

To pay or cause to be paid when due or payable all special assessments levied upon or with respect to the Property, or any part thereof if required to do so by obligations pursuant to other Project documents and to pay all fees, charges and rentals for utilities, service or extensions for the Property and all other charges lawfully made by any governmental body for public improvements if required to do so by obligations pursuant to other Project documents.

J. Obligations and Claims

Promptly to pay or otherwise satisfy and discharge all of the obligations and indebtedness and all demands and claims against as and when the same becomes due and payable other than any thereof whose validity, amount or collectability is being contested in good faith by appropriate proceedings.

7. Indemnification By Playhouse

A. Generally

Playhouse will to the fullest extent permitted by law, protect, indemnify and save DEDA and the City of Duluth and their officers, agents, servants, employees and any person who controls DEDA within the meaning of Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses, including attorneys' fees and expenses, causes of action, suits, claims demands and judgments of any nature arising from:

1. Any injury to or death of any person or damage to property in or upon the Project or the Property or growing out of or in connection with the use or non-use, condition or occupancy of the Project or the Property or any part thereof and the construction or installation of the Project on any portion of the Project and the Property. The foregoing indemnification shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefits payable by or for the developer, Guarantor and Playhouse customers, suppliers or affiliated organizations under any Workers' Compensation Act, Disability Benefit Acts or any other Employee Benefit Acts.
2. Any violation by Playhouse of any provision of this Agreement.
3. Any violation of any contract, agreement or restriction related to the Project which shall have existed at the commencement of the term of this Agreement or shall have been approved by the Playhouse.
4. Any violation of any law, ordinance, court order or regulation affecting the Project or the Property, or the ownership, occupancy or use thereof.

B. Environmental Indemnification

In addition to the generality of the foregoing above Playhouse hereby agrees that for itself, its successors and assigns that it will indemnify and save the DEDA and the City of Duluth and their officers, agents, servants and employees and any person who controls the DEDA or the City within the meaning of the Securities Act of 1933 harmless from and against all liabilities, losses, damages, costs, expenses, including reasonable attorneys' fees and expenses, causes of action,

suits, claims, demands and judgments arising out of any condition created in the Project or the Property after the date of the signing of this Agreement which constitutes a violation of any environmental law or laws with regard to pollutants or hazardous or dangerous substances promulgated by the government of the United States or of the State of Minnesota or of any such duly promulgated rules and regulations of the United States Environmental Protection Agency or the Minnesota Pollution Control Agency or the presence in the Project or the Property of any element, compound, pollutant, contaminant, or toxic or hazardous substance, material or waste, or any mixture thereof, which otherwise causes injury or death to persons or damage to property and that indemnification granted hereby shall include all costs of clean-up, remediation, together with the costs incurred in proceedings before court of law or administrative agency including attorney's fees, expenses, the fees and expenses of persons providing technical expertise addressing such problems, including expert witnesses, the costs of preparing and securing approval of Response Action Plans as may be necessary to meet the requirements of the aforesaid agencies and any other costs and expenses of any kind whatsoever arising out of such conditions existing in the Project or on the Property.

C. Indemnification Procedures

Promptly after receipt by DEDA or the City of notice of the commencement of any action with respect to which the other party is required to indemnify the party receiving such notice under this Article, such indemnitee shall notify the indemnitor in writing of the commencement thereof, and, subject to the provisions as hereinafter stated, the indemnitor shall assume the defense of such action, including the employment of counsel satisfactory to the indemnitee and the payment of expenses. In so far as such action shall relate to any alleged liability of the indemnitee with respect to which indemnity may be sought against the indemnitor, the indemnitee shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and the fees and expenses of such separate counsel shall be at the expense of the indemnitor.

8. Insurance

Playhouse shall provide for purchase and maintenance of such insurance as will protect Playhouse, DEDA and the City against risk of loss or damage to the Project and the Property and any other property permanently located or exclusively used at the Project site and against claims which may arise or result from the maintenance and use of the Project, including operations conducted in connection with construction of improvements thereupon. Such coverages shall include but shall not necessarily be limited to the following.

A. Permanent Insurance

Playhouse shall procure and continuously maintain, except as otherwise provided below, insurance covering all risks of injury to or death of persons or damage to property arising in any way out of or as a result of Playhouse's ownership of, occupancy of or use of the Project and the Property, carried in the names of the Playhouse, any subtenant and DEDA as their respective interests may appear, as follows:

1. Property Insurance

From and after the date of acceptance of the project and prior to expiration of the buildings' risk coverage specified above, the Project and the Property, including all fixtures, equipment and machinery, shall be insured to the full replacement value thereof against all risk of Direct Physical Loss, except that such insurance may provide for a deductible amount not to exceed One Thousand and 00/100ths (\$1,000.00) Dollars per occurrence. For the purposes hereof, all risk means insurance equivalent in scope to protect against all risks of direct physical loss ordinarily insured against in the region. Playhouse hereby waives any and all claims or causes of action against DEDA for damages caused by an insured peril hereunder, except such rights hereinafter set forth to an interest in the insurance proceeds payable in the event of such loss. In time of war in which the United States of America is a belligerent, the Playhouse will procure and maintain continuously in effect such insurance as may be available from the United States of America to the extent of the full replacement value of the project and insuring against loss thereof or

damage thereto from the risks and hazards of war, provided that the cost of such insurance is economically reasonable. The State of Minnesota shall be named as an additional insured with regard to the insurance required by this sub-subparagraph.

2. Liability Insurance

Playhouse shall procure and maintain continuously in force Public Liability Insurance written on an occurrence basis under a Comprehensive General Liability Form in limits of not less than Five Million and 00/100ths (\$5,000,000.00) Dollars aggregate per occurrence for personal bodily injury and death, and limits of Five Million and 00/100ths (\$5,000,000.00) Dollars for property damage liability. If person limits are specified, they shall be for not less than One Million Five Hundred Thousand and 00/100ths (\$1,500,000.00) Dollars per person and be for the same coverages. DEDA shall be named as an additional insured therein. Insurance shall cover:

- a. Public liability, including premises and Operations coverage;
- b. Independent contractors—protective contingent liability;
- c. Personal injury;
- d. Owned, non-owned and hired vehicles;
- e. Contractual liability covering the indemnity obligations set forth herein; and
- f. Products--completed operations.

3. Workers' Compensation

Worker's Compensation Coverage in statutory amounts with all states endorsement unless qualified as a self-insurer under Minnesota Law, and evidence of such qualification is furnished to the DEDA. Employees' liability insurance shall be carried in limits of One Hundred Thousand and 00/100ths (\$100,000.00) Dollars per employee.

B. Modification of Insurance Requirements

It is agreed between the parties that DEDA shall have the right to modify the forms of the insurance provided for in Paragraphs A and B above and the limits set forth with regard thereto provided that any such modification and policy forms or limits shall be of such a character and in such amounts as are reasonably necessary to provide DEDA with the types and amounts of protection provided for in this Agreement at the time of its execution. In the event that DEDA shall desire to so modify said insurance requirements, DEDA shall notify Playhouse of the proposed modifications not less than sixty (60) days prior to the date set by DEDA for said modifications to go into effect. In the event that Playhouse believes said modifications to be unjustified under the standards set forth in this Paragraph, Playhouse shall promptly so notify DEDA and the parties hereto agree to meet as soon as practical thereafter and to negotiate in good faith the character and amounts of any said modifications meeting the standards hereinbefore set forth.

C. Requirements for All Insurance

All insurance required in this Paragraph 6 shall be taken out and maintained in responsible insurance companies organized under the laws of the states of the United States and licensed to do business in Minnesota.

D. Certifications

The Playhouse shall be required to supply to the DEDA written certifications of insurance as required by the DEDA requiring the insurer to give the DEDA thirty (30) days' written notice prior to cancellation or modification of said insurance.

9. Playhouse Defaults and Remedies

A. General Events of Default

The following shall be deemed to be general events of default by Playhouse under the terms and conditions of this Agreement to which the remedies set forth in Subparagraph 2 below shall be applicable except as otherwise set forth in this Agreement.

1. Failure to pay Ad Valorem Real Estate Taxes as and when due and payable if required to do so by obligations pursuant to other Project documents.
2. Playhouse shall fail to observe or perform any of the terms, conditions, covenants or agreements required to be observed or performed by it or any successor or assigns of Playhouse pursuant to this Agreement and such failure shall continue for a period of sixty (60) calendar days after DEDA has, pursuant to the provisions of this Agreement, given written notice to Playhouse of such default or, in the event that such default shall be incapable of cure during said sixty (60) day period, shall have failed to commence to cure said default within sixty (60) days of the date of said notice and to diligently pursue the same to completion.
3. Playhouse shall permit valid liens, not cured or contested within sixty (60)) days, to be placed on the Project or Property or Playhouse loses title to the Project or Property or both with the exception of assignments approved pursuant to the terms of this Agreement.
4. Playhouse makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts as they become due; or an adjudication of bankruptcy or insolvency as made as to Playhouse or its business; or Playhouse files a petition of bankruptcy or files a petition seeking any reorganization, dissolution, liquidation, or rearrangement, composition, readjustment or similarly under any present or future bankruptcy or insolvency, statute, law or regulation; or Playhouse files an answer admitting to or not contesting to the material allegations of a petition filed against in such proceeding or fails to have dismissed or vacated within sixty (60) days after its filing such a petition or seeks or consents or acquiesces in the appointment of any trustee, receiver or liquidator of a material part of Playhouse's properties or fails to have dismissed or vacated within sixty (60) days after the appointment without the consent or acquiescence of Playhouse of any trustee, receiver or liquidator of any material part of Playhouse's properties.

5. Playhouse sells, conveys, transfers or assigns in any manner its interest in the Project or Property or any portion thereof without the prior written consent of DEDA or of its successors in interest if any.

B. General Remedies

Except as otherwise set forth in this Agreement, DEDA shall have the following remedies in the event of a default by Playhouse:

1. Seek and be entitled to monetary damages from Playhouse for any damages.
2. Seek and be entitled to injunctive or declaratory relief as is necessary to prevent Playhouse's violation of the terms and conditions of this Agreement or to compel Playhouse's performance of its obligations hereunder.
3. Seek such other legal or equitable relief as a court of competent jurisdiction may determine is available to DEDA.

B. Non-Waiver

The waiver by either party of any default on the part of the other party or the failure of said party to declare default on the part of the other party of any of its obligations pursuant to this Agreement shall not be deemed to be a waiver of any subsequent event of default on the part of the defaulting party of the same or of any other obligation of the defaulting party hereunder. And, to be effective, any waiver of any default by the defaulting party hereunder shall be in writing by the non-defaulting party.

C. Remedies Cumulative

Except as specifically set forth herein, the remedies provided under this Agreement shall be deemed to be cumulative and non-exclusive and the election of one remedy shall not be deemed to be the waiver of any other remedy with regard to any occasion of default hereunder.

D. Attorneys' Fees

In the event that either party is in Default of any of the terms and conditions of this Agreement and the non-defaulting party shall successfully take legal action to enforce said rights herein, in addition to the foregoing, such non-defaulting party

shall be entitled to reimbursement for its reasonable attorney's fees and costs and otherwise for its costs and disbursements occasioned in enforcing its rights hereunder.

10. Notices

Any notice, demand or other communication under this Agreement by either party to the other shall be deemed to be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid to:

In the case of DEDA:

Duluth Economic Development Authority
Room 402 City Hall
411 West First Street
Duluth, MN 55802

In the case of Playhouse:

Duluth Playhouse, Inc.
506 West Michigan Street
Duluth, MN 55802

11. Applicable Law

This Agreement together with all of its Articles, paragraphs, terms and provisions is made in the State of Minnesota and shall be construed and interpreted in accordance with the laws of the State of Minnesota.

IN WITNESS WHEREAS, the parties have hereunto set their hands the day and date first above shown.

DULUTH ECONOMIC DEVELOPMENT
AUTHORITY, an economic development
authority under Minn. Stat. § 469 (1989)

DULUTH PLAYHOUSE, INCORPORATED,
A Minnesota Non-profit Corporation

By: _____

Its President

Its: _____

Its Secretary

Date January , 2016

NOTE

Name of Borrower: Duluth Playhouse Incorporated.

Address of Borrower: 506 West Michigan Street, MN 55802

Name of "Lender": Duluth Economic Development Authority

Address of "DEDA": 402 West First Street, Room 402 City Hall, Duluth, MN 55802

For Value received, the undersigned promises to pay to the order of the Duluth Economic Development Authority (DEDA) at the above location or at any other place designated at any time by the holder hereof, in lawful money of the United States of America, the principal sum of Three Million Five Hundred Thousand and 00/100 dollars (\$ 3,500,000.00) together with accrued interest (calculated on the basis of actual days elapsed in a 360 day year) on the unpaid balance hereof from the date hereof until January, , 2026 or until this Note has been fully paid, whichever shall occur first, at an annual rate of Zero percent and thereafter at an annual rate of _____ percent (__ %) , subject to the right of the parties to renegotiate the terms of this Note.

The undersigned promises to pay the principal and interest thereof as follows:

Commencing on the first quarterly date, as hereinafter described, following the first anniversary of the date that the Project is completed and available for use by Playhouse and quarterly thereafter, on each January 1, April 1, July 1 and October 1 of each year during the Term of the Loan, Playhouse agrees that it will pay to DEDA a loan payment in the amount of at least Twenty-five Thousand Dollars (\$25,000.00) against the outstanding principal amount of the Loan until January 1, 2026, when the entire unpaid principal and accrued and unpaid interest hereon shall become due and payable. It is agreed that said payments shall be due and payable only from available Net Income of the Playhouse as such term is defined in accordance with Generally Accepted Accounting Principles (GAAP) from Playhouse's most recently ended fiscal year end preceding the applicable quarterly Loan payment date. For illustrative purposes, Net Income means revenue from all sources including, but not limited to, investment income, gains and losses from investments and asset dispositions; less operating expenses, depreciation and amortization, interest expense, and other expenses. Any partial payment when paid shall be applied first in payment of accrued interest and the balance thereof shall be applied in reduction of principal.

The undersigned may prepay the principal amount outstanding in whole or in part without penalty or premium

If any installment of principal and/or interest hereunder is not paid when due, or if any other indebtedness of the undersigned to the DEDA is not paid when due, or if any event of default

shall occur under any mortgage, security agreement or other instrument securing this Note, or if a garnishment summons or writ of attachment is issued against or served upon the DEDA for the attachment of any property of the undersigned in the DEDA's possession or any indebtedness owing to the undersigned, or if the holder hereof shall at any time in good faith believe that the prospect of due and punctual payment of this Note is impaired, then in any such event, the holder hereof may, at its option, declare this Note to be immediately due and payable and thereupon this Note shall be immediately due and payable together with all unpaid interest accrued hereon, without notice or demand. Upon the occurrence of an event of default, the DEDA shall also have the right to set off the indebtedness evidenced by this Note against any indebtedness of DEDA to the undersigned.

Unless prohibited by law, the undersigned agrees to pay all costs of collection, including reasonable attorney's fees and legal expenses, incurred by the holder hereof in the event this Note is not duly paid. The holder hereof may change any term of payment of this Note, including extensions of time and renewals, and release any security for or any part to, this Note without notifying or releasing any accommodation maker, endorser or guarantor from liability on this Note. Presentment or other demand for payment, notice of dishonor and protest are hereby waived by the undersigned and each endorser or guarantor. The undersigned agree(s) that each provision whose box is checked is part of this Note and that this Note may not be changed orally, but only upon agreement in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. This Note shall be governed by the substantive Laws of the State of Minnesota.

This Note is secured by the undersigned's Security Agreement dated _____ covering certain collateral therein described.

X _____