

COLLATERAL ASSIGNMENT OF SUBGRANT AGREEMENT

This COLLATERAL ASSIGNMENT OF SUBGRANT AGREEMENT (this "Agreement") is made and entered into as of [____], 2016 by and among DULUTH PLAYHOUSE, INCORPORATED, a Minnesota non-profit corporation ("Playhouse") and BMO HARRIS BANK N.A., a national banking association ("Lender").

RECITALS

A. The Duluth Economic Development Authority, an economic development authority created and existing under Minnesota Statutes (1989) Chapter 469 ("DEDA") has been awarded a grant from the State of Minnesota through the State of Minnesota Department of Employment and Economic Development ("DEED") in the amount of \$6,950,000 (the "Grant") to pay for the cost of certain of the improvements incurred in connection with the design, construction, furnishing and equipping of the property commonly known as the NorShor Arts Center (the "Project").

B. Pursuant to that certain Conditional Subgrant Agreement dated as of [____] entered into by Playhouse and DEDA (the "Subgrant Agreement"), DEDA has subgranted the right to draw upon Grant proceeds to Playhouse to facilitate the financing of the Project (the "Subgrant").

C. Playhouse has agreed to execute and deliver this Agreement to secure the obligations under [insert description of BMO's loans (the "BMO Loan") and related documents (the "BMO Loan Documents")].

AGREEMENT

NOW, THEREFORE, in consideration of the premises and in order to induce Lender to extend the BMO Loan, Playhouse and Lender hereby agree as follows:

1. Playhouse hereby grants, assigns, transfers, delivers, grants a security interest in, and sets over to Lender all of its right, title and interest in and to the Subgrant Agreement and the Subgrant, and the proceeds and products thereof (the "Collateral"), and Lender hereby accepts the same. This Assignment secures the payment and performance of the obligations arising under the BMO Loan Documents (collectively the "Secured Obligations"). This Agreement shall constitute a perfected, absolute and present assignment.

2. Playhouse and Lender agree that Lender does not assume any of the rights, obligations or duties of Playhouse under and with respect to the Subgrant Agreement unless and until Lender shall have given DEDA written notice that it has affirmatively exercised its right to draw upon Subgrant proceeds following the occurrence of an Event of Default (hereinafter defined). Lender may in its absolute discretion, reassign its right, title and interest in the Subgrant Agreement.

3. Playhouse represents and warrants that there have been no prior assignments of the Collateral by Playhouse, that the Subgrant Agreement is a valid and enforceable agreement, that neither party thereto is in default thereunder and that all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof. Playhouse agrees, so long as this Agreement remains in effect: (i) to faithfully to abide by, perform and discharge each and every material obligation, covenant and agreement to be performed by it under the Subgrant Agreement and related documents; (ii) without the prior written consent of Lender, not to amend, modify or terminate the Subgrant Agreement or an

related document; (iii) not to further assign, sell, pledge, transfer, mortgage or otherwise encumber in any manner its rights in, to and under the Collateral; (iv) at Playhouse's sole cost and expense, to appear in

and defend any action or proceeding arising under, growing out of, or in any manner connected with, the Collateral or the obligations, duties or liabilities of Playhouse in connection therewith, and (v) to pay all costs and expenses of Lender including, but not limited to, reasonable attorneys' fees, in any such action or proceeding in which Lender may appear. Playhouse hereby irrevocably constitutes and appoints Lender as attorney-in-fact to demand, receive and enforce Playhouse's rights with respect to the Subgrant Agreement.

4. The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any Event of Default under any of the BMO Loan Documents, as defined therein; (b) any representation or warranty made by Playhouse in this Agreement proves to have been incorrect in any material respect when made; (c) Playhouse fails to observe or perform any obligation or agreement contained herein; or (d) any attachment or like levy on any portion of the Collateral.

5. Upon the occurrence of an Event of Default, Lender may, without affecting any of its rights or remedies against Playhouse under any other instrument, documents, or agreement, exercise its rights under this Agreement as Playhouse's attorney-in-fact in any manner permitted by law and in addition Lender shall have the right to exercise and enforce any or all rights and remedies available under default to a secured party under the Uniform Commercial Code, as adopted in the State of Minnesota. If notice to Developer of any intended disposition of the collateral or of any intended action is required by law in any particular instance, such notice shall be deemed commercially reasonable if given at least ten (10) days prior to the date of intended disposition or other action.

6. Playhouse hereby agrees to pay all costs and expenses (including, without limitation, reasonable attorneys' fees) which Lender may incur in exercising any of its rights under this Agreement.

7. Subject to the aforesaid limitation of further assignment by Playhouse, this Agreement shall be binding upon Playhouse, its successors and assigns, and shall inure to the benefit of Lender, its successors and assigns.

8. This Agreement can be waived, modified, amended, terminated or discharged only explicitly in writing signed by the Lender and Playhouse. A waiver signed by Lender shall be effective only in a specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any Lender's rights or remedies hereunder. All rights and remedies of Lender shall be cumulative and shall be exercised singularly or concurrently, at Lender's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other.

9. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Minnesota.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, Playhouse and Lender have executed this instrument as of the date and year first above written.

DULUTH PLAYHOUSE, INCORPORATED

By: _____
Name: _____
Title: _____

BMO HARRIS BANK, N.A.

By: _____
Tania Kadakia, Vice President

CONSENT TO COLLATERAL ASSIGNMENT

The undersigned consent to the foregoing Collateral Assignment of Subgrant Agreement, and agree that Lender shall have the right to enforce the Subgrant Agreement as provided therein. The undersigned acknowledge and agree that during any cure period afforded Playhouse under the Subgrant Agreement, the undersigned shall take no action to effect a termination of the Subgrant Agreement by reason of an event of default by Playhouse and will accept performance during any such cure period from Lender on behalf of Playhouse. The undersigned shall concurrently provide a copy of any notice of default given or received under the Subgrant Agreement to BMO Harris Bank N.A., Attn: Tania Kadakia, 115 S. LaSalle 20W, Chicago, IL 60603, Facsimile: (312) 765-8348.

DULUTH ECONOMIC DEVELOPMENT AUTHORITY

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____