

FIRST AMENDMENT TO INTERCREDITOR AGREEMENT

This First Amendment to Intercreditor Agreement ("Amendment") is made and entered into as of _____, 2017, by and between **Republic Bank** ("Bank"), **City of Duluth** ("City"), **Duluth 1200 Fund, Inc.** ("1200 Fund") and **Northland Foundation** ("Northland"), (Bank, City, 1200 Fund and Northland shall be collectively referred to as the "Secured Creditor Group").

BACKGROUND RECITALS

A. Bank, City and 1200 Fund entered into an Intercreditor Agreement ("Agreement") dated February 8, 2007. Northland was not a party to the Agreement and but has joined as a party to this Amendment.

B. Northstar Machine & Tool Co. Inc. d/b/a Northstar Aerospace ("Northstar") has been suffering severe financial difficulties and is in default of its lease and loan obligations.

C. On February 14, 2017, the Seaway Port Authority of Duluth ("Port") terminated Northstar's lease.

D. To avoid the immediate eviction of Northstar, Bank has entered into a two-year lease with the Port and a sublease to Northstar to allow Northstar additional time to restructure and or sell its business or business assets in an orderly manner.

E. Due to its protracted financial difficulties, Northstar is in imminent danger of going out of business, which would result in the loss of the jobs at Northstar and the liquidation of Northstar's assets. Liquidation of Northstar's assets would result in substantial losses to the Secured Creditor Group.

F. The Secured Creditor Group has agreed to restructure its respective loans to allow Northstar an opportunity to financially restructure or seek a buyer for North Star's business or business assets.

G. The Secured Creditor Group desires to set forth their understandings with respect to the restructuring of their respective loans during the two-year forbearance period provided to Northstar.

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Incorporation of Background Recitals. The background recitals set forth above are true and correct statements of fact and are hereby incorporated into this Agreement as express terms and conditions.

2. **Effect of Amendment.** Except as amended or modified by Amendment, all of the terms and conditions of the Intercreditor Agreement shall remain in full force and effect.

3. **Entire Amendment.** This is the entire agreement between the Secured Creditor Group regarding amendments to the Intercreditor Agreement. There are no other agreements or understandings, express or implied, amending the Intercreditor Agreement, except as set forth in this Amendment. This Amendment may be amended or modified only in writing signed by the Secured Creditor Group. The agreements contained herein are agreements between the Secured Creditor Group and, except for the Minnesota Department of Employment and Economic Development (DEED), are not intended to nor do they create any rights in any other person or entity that is not a party to this Amendment, including, without limitation, Northstar.

4. **Adequacy of Consideration.** The Secured Creditor Group acknowledges that they have given good, valuable and adequate consideration for all of the terms and conditions of this Amendment and the Intercreditor Agreement.

5. **Distribution of Loan Payments.** Commencing on April 1, 2017, and continuing until February 14, 2019, the Secured Creditor Group agrees to accept a reduced pro-rata share of the monthly loan payments from Northstar in the amount of \$15,000.00 to be distributed as follows:

Secured Creditor Group Members	Principal Balances as of March 1, 2017	Percentage of Outstanding Loan Totals	Distribution of \$15,000.00 Monthly Payment
Bank	\$2,277,089.23	69.3%	\$10,395.00
Northland	\$ 350,200.60	10.7%	\$ 1,605.00
City of Duluth	\$ 330,296.02	10.1%	\$ 1,515.00
1200 Fund	\$ 323,442.82	9.9%	\$ 1,485.00

The reduced loan payment will be paid by Northstar to Bank and distributed to the other members of the Secured Creditor Group in the ordinary course. To the extent more or less is received from Northstar on any given month, it shall be distributed on a “pro-rata” basis pursuant to the actual percentages of the outstanding loan balances held by each member of the Secured Creditor’s Group.

6. **Offer for the Sale or Liquidation of Northstar.** In the event of a proposed sale, liquidation or auction of Northstar or its assets which is acceptable to the members of the Secured Creditor Group holding at least 85% of the outstanding secured loan balances, the Secured Creditor Group shall approve such sale, liquidation or auction and cooperate in good faith to effectuate such sale, liquidation or auction in a commercial reasonable manner, subject to internal approvals which may be necessary by each respective member of the Secured Creditor Group.

7. **Division of Proceeds.** Any net proceeds resulting from a sale of Northstar as a going concern or arising out of a lump sum payment to the Secured Creditor Group for which the

payment is not allocated to any specific item(s) of collateral shall be shared among the Secured Creditor Group on a “pro-rata” basis in the following estimated percentages:

Secured Creditor Group Members	Distribution Percentage
Bank	69.3%
Northland	10.7%
City of Duluth	10.1%
1200 Fund	9.9%

8. Legal Fees, Expenses and Loan Servicing Fees. The City, 1200 Fund and Northland shall reimburse Bank for a pro-rata share of legal fees and expenses, including, but not limited to, the equipment appraisal in the amount of \$2,750.00, incurred by Bank in connection with the Bank’s administration and/or enforcement of the Loans dating back to September 1, 2016, when negotiations with Cirrus Aircraft Corporation and Northstar were commenced through the date hereof. To the extent Northstar has additional funds available to reimburse the legal fees and expenses, Bank will seek to recover those. However, Bank is authorized to deduct the legal fees and expenses attributable to the other members of the Secured Creditor Group by deducting the same from the monthly loan payments made by Northstar. As of March 1, 2017, the amounts to be reimbursed by each Secured Creditor Group member pursuant to this Section 8 are:

Secured Creditor Group Members	Reimbursement Amount
Northland	\$2,939.61
City of Duluth	\$2,774.77
1200 Fund	\$2,719.83

Additional fees and expenses beyond those set forth above shall be provided to the members of the Secured Creditor Group in itemized form and subject to approval at the quarterly meetings of the Secured Creditor Group as set forth in Section 9. The City’s approval of additional fees and expenses shall be through City’s Director of Business and Economic Development.

Bank is also authorized to deduct a .25% loan servicing fee from the 1200 Fund’s share of monthly loan payments made by Northstar.

9. Quarterly Meetings. Members of the Secured Creditor Group agree to meet quarterly beginning June 1, 2017, to discuss the status of Northstar including efforts to sell the business.

10. Notices. Each party hereto will provide the other parties hereto with copies of any notices of default it provides or gives to Northstar as contemporaneously as possible to the giving or providing of such notice to Northstar but no later than five (5) days after such notice is given to Northstar.

11. Representation by Attorney. The parties signing this Amendment acknowledge that they have been represented by an attorney with respect to this Amendment, or they have had an adequate opportunity to be represented by an attorney, and have knowingly and voluntarily entered into this Amendment without representation by an attorney.

12. Security Interests, Priorities and Other Agreements. Other than as specifically modified herein, this Amendment is not intended to waive, release, subordinate or compromise any rights held by any part to this Amendment. Furthermore, the members of the Secured Creditor Group shall retain all of their rights pursuant to their loan documents and maintain their relative priorities on collateral pursuant to their respective security interests. This Amendment only applies to the provisions of the Intercreditor Agreement and does not waive, release or change any other agreement between the parties, including, without limitation, any participation agreements between 1200 Fund and Bank.

13. Authority and Capacity. The parties signing this Amendment warrant and represent that they have full legal authority to enter into this Amendment and full and complete capacity to read and understand the terms and conditions of this Amendment and any documents attached hereto.

14. Mutual Release. The parties hereby mutually release each other from any and all liability in connection with the administration, negotiation and collection efforts undertaken by the Secured Creditor Group to the effective date of this Amendment.

15. Counterparts & Electronic Signatures. This Amendment may be signed in counterparts, with all such counterparts constituting the entire Amendment, and faxed, scanned or other electronic signatures shall be deemed as good as an original.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered effective as of the date set above.

REPUBLIC BANK

By: _____
Its: _____

CITY OF DULUTH

By: _____
Mayor

By: _____
City Clerk

APPROVED AS TO FORM

By: _____
City Attorney

COUNTERSIGNED

By: _____
City Auditor

DULUTH 1200 FUND, INC.

By: _____

Its: _____

NORTHLAND FOUNDATION

By: _____

Its: _____