

**REGULAR COUNCIL MEETING
CITY OF CROSSLAKE
MONDAY, NOVEMBER 14, 2016
7:00 P.M. – CITY HALL**

The Crosslake City Council met in the Council Chambers of City Hall on Monday, November 14, 2016. The following Council Members were present: Mayor Steve Roe, Gary Heacox, Mark Wessels, Brad Nelson and Dave Schrupp. Also present were City Administrator/Consultant Dan Vogt, Finance Director/Treasurer Mike Lyonais, City Clerk Char Nelson, Public Works Director Ted Strand, Park and Rec. Director Jon Henke, Police Chief Bob Hartman, Crow Wing County Land Service Supervisor Chris Pence, Land Services Specialist Jon Kolstad, City Attorney Brad Person, City Engineer Dave Reese, Northland Press Reporter Kate Perkins, and Echo Publishing Reporter Theresa Bourke. There were approximately twelve people in the audience.

- A. CALL TO ORDER** – Mayor Roe called the Regular Council Meeting to order at 7:04 P.M. MOTION 11R-01-16 WAS MADE BY DAVE SCHRUPP AND SECONDED BY GARY HEACOX TO APPROVE THE ADDITIONS TO THE AGENDA. MOTION CARRIED WITH ALL AYES.
- B. CONSENT CALENDAR** – MOTION 11R-02-16 WAS MADE BY MARK WESSELS AND SECONDED BY BRAD NELSON TO APPROVE THE FOLLOWING ITEMS LISTED ON THE CONSENT CALENDAR:
1. REGULAR COUNCIL MEETING MINUTES OF OCTOBER 10, 2016
 2. BUDGET WORKSHOP MEETING MINUTES OF OCTOBER 24, 2016
 3. CITY – MONTH END REVENUE REPORT DATED OCTOBER 2016
 4. CITY – MONTH END EXPENDITURES REPORT DATED OCTOBER 2016
 5. 10/31/16 PRELIMINARY BUDGET TO ACTUAL ANALYSIS
 6. PLEDGED COLLATERAL STATEMENT DATED OCTOBER 31, 2016
 7. REMOVE PARK EMPLOYEE FROM PROBATION STATUS EFFECTIVE 10/17/16 AND MOVE FROM STEP 8 TO STEP 9 ON AFSCME UNION CONTRACT
 8. ADJUST LAYOFF DATE OF PARK EMPLOYEE FROM 12/1/16 TO 12/9/16
 9. POLICE REPORT FOR CROSSLAKE – OCTOBER 2016
 10. POLICE REPORT FOR MISSION TOWNSHIP – OCTOBER 2016
 11. FIRE DEPARTMENT REPORT – OCTOBER 2016
 12. EDA MEETING MINUTES OF OCTOBER 5, 2016
 13. MONTHLY PLANNING & ZONING STATISTICS
 14. PLANNING AND ZONING COMMISSION MEETING MINUTES OF SEPTEMBER 23, 2016
 15. WASTE PARTNERS RECYCLING REPORT FOR SEPTEMBER 2016
 16. RESOLUTION NO. 16-25 REGARDING UNPAID SEWER CHARGES
 17. RESOLUTION NO. 16-26 ACCEPTING DONATIONS
 18. APPROVAL TO ORDER 2017 FORD POLICE INTERCEPTOR FROM NELSON AUTO CENTER AT A COST OF \$27,000.95 TO BE PAID IN 2017
 19. RESOLUTION NO. 16-27 AUTHORIZING PARTICIPATION IN THE PERA POLICE AND FIRE PLAN FOR ANTON MARKS
 20. LETTER DATED NOVEMBER 1, 2016 FROM CROW WING POWER RE: VEGETATION MANAGEMENT PROJECT ON ANCHOR POINT ROAD

21. LETTER DATED NOVEMBER 8, 2016 FROM WSN RE: 2016 STREET IMPROVEMENTS – PARTIAL PAYMENT ESTIMATE NO. 1 TO TRI-CITY PAVING IN THE AMOUNT OF \$258,397.05
22. LETTER DATED NOVEMBER 9, 2016 FROM WSN RE: ACCEPTANCE OF ADDI LANE IN WHITEFISH BUSINESS PARK
23. BILLS FOR APPROVAL IN THE AMOUNT OF \$111,510.20 AND
24. ADDITIONAL BILLS FOR APPROVAL IN THE AMOUNT OF \$19,288.26. MOTION CARRIED WITH ALL AYES.

C. CRITICAL ISSUES –

1. A memo from Char Nelson dated November 9, 2016 included a Certification of Election Results which requires action by the City Council as the Canvassing Board for the City for the election that was held on November 8, 2016. The combined number of votes cast in the two precincts was 1,626 with 128 new registrations. For the office of Mayor, Patty Norgaard received 820 votes and Mark Wessels received 738 votes. For City Council David Nevin received 850 votes, Gary Heacox received 788 votes, and Darrell Shannon received 748 votes. MOTION 11R-03-16 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO APPROVE THE CERTIFICATION OF ELECTION RESULTS AS PRESENTED. MOTION CARRIED WITH ALL AYES.
2. The Council reviewed a letter from Jim Lowe of 36572 Pine Bay Drive complaining that his neighbor, Nicholas Buckentin, listed his off-lake home for sale with the amenity of having “lake access.” Mr. Buckentin purchased a lake home in the same development as the off-lake home, and is offering the buyer of the off-lake home a 20’ easement on his new lot on Daggett Lake with a new dock. Attorney Person explained that the City does not control easements and that easements are not the same as controlled accesses. The City does not control the number of docks on a property and that determining who was using the docks would be difficult. Mark Wessels stated that the violation could be caught if the easement was recorded. Brad Nelson asked if this were an isolated issue. Attorney Person stated that he is aware of many easements of this type and that the problem will probably continue to grow. Mark Wessels stated that neighbors are the best resource for reporting violations. It was the consensus of the Council to direct the Planning and Zoning Commission to review the current ordinance and to recommend a change to restrict this type of activity.

D. PUBLIC FORUM – None.

E. MAYOR’S REPORT

1. MOTION 11R-04-16 WAS MADE BY STEVE ROE AND SECONDED BY GARY HEACOX TO ACCEPT THE RESIGNATION OF GARY NORDSTROM FROM THE PARK/LIBRARY COMMISSION. MOTION CARRIED WITH ALL AYES. Mayor Roe announced that the Planning and Zoning Commission, Park/Library Commission and EDA would all have vacancies in January and asked that all interested parties pickup applications at City Hall.
2. Dean Fitch gave a brief update on the implementation process of Minnesota Design Team work groups.

F. CITY ADMINISTRATOR'S REPORT

1. MOTION 11R-05-16 WAS MADE BY GARY HEACOX AND SECONDED BY BRAD NELSON TO APPROVE THE REQUEST FOR PROPOSAL FOR AN UPDATE TO THE COMPREHENSIVE PLAN. Dan Vogt noted that this is not a request for a rewrite of the plan, just an update which would include information from the Minnesota Design Team visit. MOTION CARRIED WITH ALL AYES.
2. Dan Vogt reported that the non-contract employees have requested a wage increase of 3% for 2017 which he considers reasonable based on the adjustments for union employees which included step increases for some and a 2% COLA increase which averages to approximately 3.6% overall.

The non-union employees also requested a severance benefit that deals with unused sick leave which would be paid out at separation from the City. Mr. Vogt explained that most severance policies are paid upon retirement. If the Council chooses to consider a severance benefit, Mr. Vogt asked that the Council consider the request from staff and discuss it at the January meeting. Dave Schrupp asked if Springsted could provide information on what other cities provide for severance packages. The current sick leave policy allows an employee to accrue 2.77 hours of deferred sick time per pay period for all hours accrued above 800 hours. Upon separation from the City, an employee is paid out any accrued hours in the deferred sick time category. The 800 hours of sick time is not paid out. There is no incentive for employees to not use sick time. Department heads hope their proposal would be an incentive for employees to come to work. Brad Nelson stated that he is in favor of the proposed policy and that sick time costs the City money and makes departments run inefficiently.

MOTION 11R-06-16 WAS MADE BY BRAD NELSON AND SECONDED BY DAVE SCHRUPP TO APPROVE THE WAGE INCREASE OF 3% FOR 2017 FOR NON-CONTRACT EMPLOYEES. MOTION CARRIED WITH ALL AYES.

3. Dan Vogt requested approval of his 2017 consulting fees in a memo dated November 10, 2016. Mr. Vogt's hourly rate increased from \$65 per hour to \$75 per hour. Mr. Vogt asked that the Council pay for actual travel costs for him to attend the January and March meetings. Mr. Vogt will attend the February and April meetings via Skype or phone. The contract includes a 90-day cancellation clause for either party. Dave Schrupp stated that the increase from \$65 to \$75 is 15% and that the department heads only received 3% increase. Mr. Vogt replied that he receives no benefits and that this is his first increase in 3 years. As a comparison, the labor attorney from Duluth charges mileage and \$215 per hour which equates to approximately \$1,000 per visit. Brad Nelson stated that this is an unusual situation for a City to have and that the Council should start considering a long-term fix. Mr. Vogt agreed that this was never meant to be a permanent position. Mark Wessels stated that most people he talks to think the City is running well. MOTION 11R-07-16 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO EXTEND THE CONTRACT WITH DJV CONSULTING FOR 1 YEAR WITH A 90-DAY CANCELLATION PROVISION, INCREASE RATE FROM \$65 TO \$75 PER HOUR AND REIMBURSE TRAVEL EXPENSES. MOTION CARRIED 4-1 WITH SCHRUPP OPPOSED. Dan Vogt thanked the Council.
4. Dan Vogt reported that Zorbaz of Cross Lake has changed partners and the Council must approve the change for the liquor license. Matias Latorre addressed the Council and stated that he is the new partner of Zorbaz of Cross Lake. Mr. Latorre is a former chef

from Chile and holds a green card to work in the U.S. He has lived in Minnesota for 10 years. Mr. Vogt reported that Mr. Latorre's background check came back clear. MOTION 11R-08-16 WAS MADE BY BRAD NELSON AND SECONDED BY STEVE ROE TO APPROVE THE TRANSFER OF OWNERSHIP FROM JONATHAN W. ALLEN TO MATIAS LATORRE. MOTION CARRIED WITH ALL AYES.

5. Dan Vogt reported that he and Ted Strand met with Jim Anderson and his maintenance worker to discuss snow plowing in Town Square. To avoid paying fees to the City for plowing, Town Square would need to deed the roads to the City. Mr. Anderson is not in favor of giving up control of the roads at this time. It was the consensus of the Council that this issue is resolved unless Mr. Anderson brings it forward in the future.
6. Mike Lyonais presented the Proposed 2017 Tax Rates from Crow Wing County. Crosslake's estimated tax rate increased by 0.481%. Steve Roe asked whether or not the tandem dump truck in the Public Works 2017 budget was removed. Mr. Lyonais replied that the Council discussed the need for a dump truck but gave no direction. MOTION 11R-09-16 WAS MADE BY STEVE ROE AND SECONDED BY MARK WESSELS TO REMOVE THE TANDEM DUMP TRUCK FROM THE 2017 PROPOSED BUDGET. MOTION CARRIED WITH ALL AYES.

G. COMMISSION REPORTS

1. ECONOMIC DEVELOPMENT AUTHORITY

- a. Sheila Haverkamp of BLAEDC gave a brief update on the proposed BLAEDC Unified Fund (BUF). The purpose of the fund would be to pool revolving loan funds from small communities in Crow Wing County. The BUF would coordinate marketing and management processes in order to streamline financing for businesses which would result in the funds being invested in development projects throughout Crow Wing County. Because the City sold Crosslake Communications, Crosslake has the choice to return \$300,000 to United States Rural Development and keep the approximate \$140,000 in receivables or transfer the combined \$440,000 to an eligible utility to manage the funds.

Char Kinzer of Crow Wing Power addressed the Council and stated that Crow Wing Power has a loan program with approximately \$350,000 which is used as gap financing for development projects. The Crow Wing Power board will have ultimate say how the funds are disbursed, but the board has two Crosslake residents, LuAnn Nelson and Doris Mezzenga.

Bob Perkins of 35333 County Road 37 stated that he has had the opportunity to work with BLAEDC and suggested that the Council transfer the revolving loan funds to Crow Wing Power and BLAEDC.

Brad Nelson stated that he is in favor of the transfer and that the purpose of the revolving loan fund was never for the City to make a profit.

MOTION 11R-10-16 WAS MADE BY BRAD NELSON AND SECONDED BY DAVE SCHRUPP TO APPROVE RESOLUTION NO. 16-28 RELATING TO THE TRANSFER OF RURAL UTILITIES SERVICE FUNDS TO CROW WING

COOPERATIVE POWER & LIGHT COMPANY. MOTION CARRIED WITH ALL AYES.

MOTION 11R-11-16 WAS MADE BY MARK WESSELS AND SECONDED BY BRAD NELSON TO DIRECT STAFF TO CLOSE ACCOUNT NO. 500868 AT FIRST NATIONAL BANK OF WALKER AFTER THE TRANSFER OF FUNDS IS MADE TO CROW WING POWER. MOTION CARRIED WITH ALL AYES.

Dan Vogt reported that Crow Wing Power will be removing vegetation along Anchor Point Road and asked if Char Kinzer had any comments. Ms. Kinzer stated that residents were given a 6-month notice and that anyone with concerns should call Crow Wing Power.

2. PARK AND RECREATION/LIBRARY

- a. Jon Henke gave an update on activities at the Community Center including: AAA driving classes, community blood drive, yoga and holiday hours.

3. PUBLIC SAFETY

- a. Chief Hartman reported that the City is required to adopt a Use of Body-Worn Cameras Policy. A draft policy was included in the packets and public comment will be taken at the December meeting.

H. CITY ATTORNEY REPORT – Attorney Person stated that he spoke with the DNR office in Brainerd regarding a deer harvest and they said a study would need to be conducted before a decision would be made.

I. OLD BUSINESS – None.

J. NEW BUSINESS – None.

K. PUBLIC FORUM – None.

L. ADJOURN - MOTION 11R-12-16 WAS MADE BY MARK WESSELS AND SECONDED BY STEVE ROE TO ADJOURN THE MEETING AT 8:47 P.M. MOTION CARRIED WITH ALL AYES.

Respectfully submitted by,



Charlene Nelson
City Clerk
City Clerk/Minutes/11-14-16

RESOLUTION NO. 16-25

CITY OF CROSSLAKE
COUNTY OF CROW WING
STATE OF MINNESOTA

RESOLUTION REGARDING UNPAID SEWER CHARGES

WHEREAS, Minnesota Statute Section 444.075 subd. 3 provides that municipalities may make the charges for connection to sewer facilities and the use charges for such sewer facilities a charge against the owner, lessee, occupant of the property, and may provide a covenant for certifying unpaid charges to the County Auditor with taxes against the property served for collection as other taxes are collected; and

WHEREAS, the City of Crosslake City Code, Chapter 50 Section 50-624 provides that each and every sewer service charge levied by and pursuant to this Chapter is hereby made a lien upon the lot or premises served, and all such charges which are on May 15th or October 15th of each year past due and delinquent, shall be certified to the County Auditor as taxes or assessments on the real estate; and

WHEREAS, as of October 15, 2016, the following sewer charges were past due and delinquent:

<u>TAX PAYER NAME</u>	<u>REAL ESTATE CODE</u>	<u>AMOUNT</u>
William Johnson	14607000004C009	<u>193.50</u>
	Total	\$193.50

THEREFORE, BE IT RESOLVED that the City of Crosslake City Council hereby certifies as delinquent the following sewer service charges as of October 15, 2016, as taxes or assessments on the real estate identified above:

Adopted by the Crosslake City Council this 14th day of November 2016.



Steve Roe
Mayor



Charlene Nelson
City Clerk

City of Crosslake

RESOLUTION 16-26

RESOLUTION ACCEPTING DONATION(S)

WHEREAS, the City of Crosslake encourages public donations to help defray costs to the general public of providing services and improving the quality of life in Crosslake; and

WHEREAS, the City of Crosslake is generally authorized to accept donations of real and personal property pursuant to Minnesota Statutes Section 465.03 for the benefit of citizens; and

WHEREAS, said Statute 465.03 requires that all gifts and donations of real or personal property be accepted only with the adoption of a resolution approved by two-thirds of the members of the City Council; and

WHEREAS, the following person/persons and/or entity/entities has/have donated real and/or personal property as follows:

FROM	DONATION	INTENDED PURPOSE
Mr. and Mrs. Leo Fraser	25.00	Orval Nelson Memorial to Fire Dept
PAL Foundation	300.00	Bird Feeder Maintenance
PAL Foundation	509.29	Halloween Party Expenses

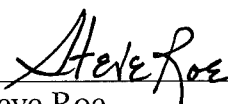
; and

WHEREAS, the City of Crosslake will strive to use the donation as intended by the donor; and

WHEREAS, the City Council finds that it is appropriate to accept said donation(s) as offered.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Crosslake that the donation(s) as described above are accepted as allowed by law.

Passed this 14th day of November, 2016.



Steve Roe
Mayor

ATTEST:



Charlene Nelson
City Clerk
(SEAL)

**CITY OF CROSSLAKE
RESOLUTION NO. 16-27**

**RESOLUTION AUTHORIZING PARTICIPATION IN THE
PERA POLICE AND FIRE PLAN**

WHEREAS, the policy of the State of Minnesota as declared in Minnesota Statutes 353.63 is to give special consideration to employees who perform hazardous work and devote their time and skills to protecting the property and personal safety of others; and

WHEREAS, Minnesota Statutes Section 353.64 permits governmental subdivisions to request coverage in the Public Employees Police and Fire plan for eligible employees of police departments whose position duties meet the requirements stated therein and listed below.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CROSSLAKE, MINNESOTA hereby declares that the position titled Part-Time Police Officer, currently held by **ANTON MARKS** meets all of the following Police and Fire membership requirements:

1. Said position requires a license by the Minnesota peace officer standards and training board under sections 626.84 to 626.863 and this employee is so licensed;
2. Said position's primary (over 50%) duty is to enforce the general criminal laws of the state;
3. Said position charges this employee with the prevention and detection of crime;
4. Said position gives this employee the full power of arrest, and
5. Said position is assigned to a designated police or sheriff's department.

BE IT FURTHER RESOLVED that this governing body hereby requests that the above-named employee be accepted as a member of the Public Employees Police and Fire Plan effective the date of this employee's initial Police and Fire salary deduction by the governmental subdivision.



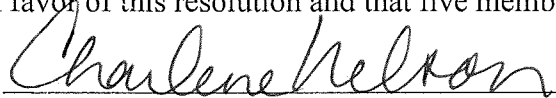
Michael Lyonais, Finance Director



Steve Roe, Mayor

STATE OF MINNESOTA
COUNTY OF CROW WING

I, Charlene Nelson, Clerk of the City of Crosslake, Minnesota, do hereby certify that this is a true and correct transcript of the resolution that was adopted at a meeting held on the 14th day of November, 2016; the original of which is on file in this office. I further certify that five members voted in favor of this resolution and that five members were present and voting.

Signed:  Date: 11-14-16

BILLS FOR APPROVAL
November 14, 2016

VENDORS	DEPT		AMOUNT
Ace Hardware, hardware	PW		8.28
Ace Hardware, hardware	Park		18.17
Ace Hardware, sealant	Park		8.99
Ace Hardware, sealant	Park		8.99
Ace Hardware, sealant	Park		17.98
Ace Hardware, great stuff, interchange ball, pens	Sewer		45.96
Ace Hardware, hose shut off	Sewer		14.97
Ace Hardware, sprayer, concrete	Fire		56.93
Ace Hardware, concrete	Fire		25.96
Ace Hardware, antifreeze	Park		3.98
Ace Hardware, clamp, glue	Park		6.48
Ace Hardware, bait station, conduit	Park		24.30
Ace Hardware, antifreeze	Park		3.98
Ace Hardware, floor sweeper, janitorial supplies	Sewer		46.93
Ace Hardware, trowel, concrete, hardware	PW		43.05
Ace Hardware, hardware	PW		26.19
Ace Hardware, spark plug, universal joint, bar	PW		37.97
Ace Hardware, 4 cycle fuel, thermometer	Sewer		36.77
Ace Hardware, great stuff, caulk gun	Sewer		13.98
Ace Hardware, totes, flashlight, flash drive, plumbing	Sewer		244.58
Ace Hardware, knife, toilet tank repair	Gov't		36.98
Ace Hardware, door sweep	Fire		11.99
Ace Hardware, mouse trap	Park		9.98
Ace Hardware, blades	Park		37.98
Ace Hardware, drill bits, hardware	Park		54.97
Ace Hardware, gloves, hardware	Park		22.49
Ace Hardware, batteries	Park		8.99
Ace Hardware, hardware	PW		4.60
Ace Hardware, rocker switch	Sewer		11.99
Ace Hardware, hardware	Sewer		23.62
Ace Hardware, tarps	Fire		211.94
Ace Hardware, tarps	Fire		169.96
Ace Hardware, power cord, reel, connector	Fire		68.97
Advanced Diesel Service, DOT inspection	PW		70.53
Alex Air Apparatus, compressor service	Fire		615.00
American Tire Distributors, tires	Police	pd 11-10	551.20
American Welding & Gas, hat, nozzle, brush, gloves, wheel	PW		79.78
AW Research, water testing	Sewer		1,026.90
Baker & Taylor, books	Library		1,198.37
Batteries Plus, batteries	Fire		66.98
Batteries Plus, bulb recycling	PW		65.41
Batteries Plus, bulb recycling	PW		70.11
Batteries Plus, battery	PW		3.55
Birchdale Fire & Security, replace transformers	PW		144.00
Birchdale Fire & Security, replace battery	PW		117.00

Birchdale Fire & Security, replace door switch	PW		128.00
Birchdale Fire & Security, labor	Gov't		255.00
Blue Cross Blue Shield, health insurance	ALL		20,047.00
Bob Hartman, reimburse for uniform	Police	pd 11-1	44.47
Brainerd Hydraulics, repairs	PW		387.52
Brainerd Hydraulics, parts	PW		92.10
Breen & Person, legal fees	ALL		1,065.00
Build All Lumber, sewer project	Sewer		58.62
City of Crosslake, sewer utilities	PW/Gov't		90.00
Clean Team, november cleaning	PW/Gov't		1,082.50
Corey Ledin, reimburse travel expenses	Fire		579.35
Council #65, union dues	Gov't		385.00
Crosslake Communications, phone, fax, cable, internet	ALL	pd 11-10	1,285.66
Crosslake Communications, reimburse for audit preparation	Phone		9,428.75
Crosslake Rolloff, recycling	Gov't		2,695.00
Crow Wing County Highway Dept, fuel	ALL		1,915.95
Crow Wing County Recorder, filing fee	PZ		46.00
CTC I.T., october 2016 IT labor	ALL		750.00
Culligan, water and cooler rental	PW/Gov't	pd 11-10	62.61
Dacotah Paper, janitorial supplies	Gov't		91.08
David Drown Associates, continuing disclosure fee	Gov't		937.50
Deferred Comp	ALL		300.00
Delta Dental, dental insurance	ALL		1,686.25
DJV Consulting, october/november services	Admin		2,161.25
East Side Oil, oil recycling	Gov't		50.00
Election Judges, general election services and supplies	Election	pd 11-10	2,500.00
Equity Builders, sewer plant upgrades	Sewer		4,200.00
Fire Instruction & Rescue, auto extrication, professional dev	Fire		1,400.00
Fortis, disability	ALL		610.32
Fyles, portable restrooms	Park		187.50
Guardian Pest Solutions, pest control	ALL		77.60
Herculift, annual inspection	PW		141.36
Jon Henke, reimburse mileage	Park		69.66
Lakes Area Rental, oil, chain saw	Park		549.95
Lakes Printing, brochures	MDT		430.25
Marco, copier lease	Park	pd 11-10	223.30
Mastercard, Amazon.com, labels	Park		18.86
Mastercard, Chemska, gym equipment wipes	Park	pd 10-25	539.21
Mastercard, Dell, computer, monitor, software	Admin		1,617.36
Mastercard, Demco, book tape, jacket covers, stamp	Library		223.37
Mastercard, Fleet Farm, tractor marker	Park		17.02
Mastercard, Reeds Market, halloween party	Park		10.70
Mastercard, Reeds Market, litchen supplies	Park		15.84
Mastercard, Shoebuy, boots	Police		134.00
Mastercard, Smart Sign, signs	Park		157.66
Mastercard, travel expenses	Fire		603.51
Mastercard, Walmart, halloween party, batteries, gloves	Park		278.42
Menards, roof and gutter cable, crimp tool, post mount, battery	PW		509.70
Menards, step ladder, cement mixer, steel beam and frame	PW		646.60
Menards, quartz slab, 40 ft tape, steel racking beam	PW		346.94

Mike Lyonais, reimburse petty cash	ALL		87.98
Mills Motors, replace rad hose	PW		269.47
MN Life, life insurance	ALL		456.40
MN State Fire Dept Assn, membership dues	Fire		148.00
Moonlite Square, fuel, water	Fire		67.02
MPCA, permit renewal	Sewer	pd 10-27	1,240.00
Napa, spark plugs	PW		50.32
Napa, fuel oil mix, jump pack, gauge	PW		546.08
Napa, battery	Police		154.99
Napa, cable	PW		14.98
Napa, wiper blades	Police		19.98
NCPERS-Life Insurance	ALL		96.00
Northland Press, mdt thank you	MDT		259.20
Northland Press, business cards	PW		80.65
Northland Press, voter ad	Election		42.50
Northland Press, ordinance 335	Park		144.50
Ole's Shuttle Service, bus tours	MDT	pd 10-27	300.00
People's Security, alarm monitoring	Park		251.88
Pine Island Bank, equipment certificates	Gov't		5,610.00
Premier Auto, mount and balance tires	Police		60.00
Riteway, w2's, 1099's	Admin		152.00
Robb Reed, soccer and basketball clubs	Park	pd 11-10	440.00
Ron Harkin, reimburse uniform expense	Park	pd 11-1	104.40
Select Seamless, sewer plant upgrades	Sewer		775.00
Shipman Auto Parts, cutting edge kit	PW		444.00
Simonson Lumber, treated lumber	PW		58.58
Simonson Lumber, lumber	Park		418.35
Simonson Lumber, concrete crack	PW		59.08
Simonson Lumber, concrete	Park		50.60
Simonson Lumber, concrete	PW		60.72
Teamsters, union dues	Police	pd 11-1	201.00
The Office Shop, copy paper	ALL		265.35
The Office Shop, steno pads, legal pads	Admin		26.82
Triangle Oil, hose, valves, swivel	PW		133.22
Uniforms Unlimited, uniform	Police		39.98
US Bank, copier lease	ALL	pd 11-1	156.00
USA Bluebook, circular chart	Sewer		133.02
USA Bluebook, vacuum pump	Sewer		732.45
USA Bluebook, drive mixer	Sewer		2,064.43
Xcel Energy, gas utilities	ALL	pd 11-10	323.70
Verizon, ipad, aircard, and internet charges	ALL	pd 11-1	342.58
Verizon, cell phone charges	ALL		452.00
Waste Partners, trash removal	ALL		278.70
WSN, engineering fees	ALL		27,386.80
TOTAL			111,510.20

ADDITIONAL BILLS FOR APPROVAL
November 14, 2016

VENDORS	DEPT		AMOUNT
Birchdale Fire & Security, replace door magnet and switch	PW		113.50
Brainerd Hydraulics, hardware	PW		2.50
Crow Wing County Recorder, filing fee	PZ		46.00
Crow Wing Power, electric services	ALL		5,852.28
Fastenal, drill set, driver, torch canister	PW		335.21
Grand Forks Fire Equipment, safety and rescue equipment	Fire		7,241.84
Hawkins, chemicals	Sewer		1,007.87
Jenny Henderson, cleaning services	MDT		100.00
Johnson, Killen & Seiler, labor atty fees	Gov't		322.50
Mills Motors, install camera and running boards	Sewer		1,114.94
MN Dept of Agriculture, tree care registry renewal	Gov't		25.00
MR Sign, address sign	PW		25.77
Neil Luzar, reimburse travel expenses	Fire		587.36
Northland Press, meeting notice of 11-23	PZ		59.50
Rich Irish, reimburse travel expenses	Fire		210.28
The Office Shop, cleaner	Gov't		27.25
The Office Shop, office furniture	Sewer		2,095.89
USA Bluebook, ph buffer pack	Sewer		120.57
TOTAL			19,288.26

CITY OF CROSSLAKE

RESOLUTION NO. 16-28

**RESOLUTION RELATING TO THE TRANSFER OF RURAL
UTILITIES SERVICE FUNDS TO CROW WING
COOPERATIVE POWER & LIGHT COMPANY**

BE IT RESOLVED by the City Council ("Council") of the City of Crosslake, Minnesota ("City"):

Section 1. Background.

1.01. Pursuant to authority granted by Minnesota Statutes, Chapter 237.19, the City Council of the City previously created and operated the Crosslake Telecommunications Company (the "Utility") to serve residents of the City and surrounding areas.

1.02. Pursuant to authority granted under the Rural Electrification Act of 1936, the Utility applied for and received funding in the amount of \$300,000 from the United States Department of Agriculture/Rural Development ("RD") through its Rural Economic Development Loan and Grant Program (the "Program") to establish a revolving loan fund to support local economic development projects (the "RLF").

1.03. The City has recently sold the Utility, and no longer operates or administers a local utility organization as described in the Program.

1.04. When the Utility was sold, the RLF was retained by the City.

1.05. Under the Program, only local utility organizations may manage and administer an RLF, and the City has been advised by RD that it must either return the Utility's RLF to RD, or transfer the RLF to an eligible local utility organization.

1.06. The City finds and determines that it is in the best interests of the proper administration of the affairs of the City to effect the transfer of the Utility's RLF to Crow Wing Cooperative Power & Light Company a cooperative electric utility and eligible local utility organization under the Program ("Crow Wing Power").

Section 2. Transfer.

2.01. Attached as Exhibit A is a list of all outstanding loans serviced by the Utility. The rights, duties and obligations pursuant to each of the loan agreements listed in Exhibit A are transferred, assigned and released, without qualification, to Crow Wing Power. All documents executed pursuant to the loan agreements including, but not limited to, bank participation agreements, promissory notes, mortgages, security agreements, and guaranties are also transferred, assigned and released, without qualification, to Crow Wing Power.

2.02. Attached as Exhibit B is an account of the current balance of the RLF available for loans. The balance of the RLF available for loans under the Program is transferred, assigned, and released, subject to the requirements of the Program, to Crow Wing Power.

2.03. The City assigns and transfers to Crow Wing Power, and releases all claims to any and all RLF funds in its possession and all interest in and claims to moneys in the process of collection.

Section 3. Indemnification.

3.01. City agrees to indemnify and hold harmless Crow Wing Power for any damages or monetary loss incurred by Crow Wing Power as a result of non-action, negligence, or wrongdoing on the part of the Utility or City, their governing body members, agents, servants or employees, arising on or before the effective date of acceptance by Crow Wing Power.

Section 4. Miscellaneous.


4.01. It is the intent of the City in adopting this resolution that all of the Utility's interest, rights, duties, responsibilities and obligations in each and every loan administered or contemplated pursuant to the Program be effectively transferred to Crow Wing Power.

4.02. City staff and consultants are authorized and directed to transmit a certified copy of this resolution to the local office of RD, the Mayor of the City, and the governing board of Crow Wing Power and to transmit a certified copy of this resolution to the County Auditor and the County Recorder for filing in the appropriate records of Crow Wing County, and to assist Crow Wing Power in performing all necessary actions and submitting all required materials to the local office of RD for the purpose of effectuating the transfer of the RLF.

4.03. The Mayor is authorized in the name and in behalf of the City to execute all such instruments necessary or appropriate to carry out the purposes and intent of the foregoing resolution.

4.04. This resolution is effective as of the date of acceptance by Crow Wing Power.

Adopted by the Crosslake City Council this 14th day of November 2016.



Mayor

ATTEST:



City Clerk

Exhibit A

Loan Agreements

Exhibit B

Available RLF Funds

EXHIBIT A – MIDWEST PROPERTIES

ORIGINAL

LOAN AGREEMENT

BY AND BETWEEN

CITY OF CROSSLAKE, MINNESOTA

AND

MIDWEST PROPERTIES OF CROSSLAKE, LLC

This document drafted by: Paul J. Sandelin
Sandelin Law Office
30849 First Street
P.O. Box 298
Pequot Lakes, Minnesota 56472

LOAN AGREEMENT

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LOAN AGREEMENT

THIS AGREEMENT, made as of the 15th day of November, 2007, by and between the City of Crosslake, Minnesota (the "City"), a municipal corporation and political subdivision of the State of Minnesota, and Midwest Properties of Crosslake, LLC, a Minnesota limited liability company (the "Developer"):

WITNESSETH:

WHEREAS, the City believes that the development of a certain Project as more fully set forth in, and pursuant to the terms of, this Agreement, and fulfillment of this Agreement, are vital and are in the best interests of the City, will result in preservation and enhancement of the tax base, provide employment opportunities and a necessary service to the community, and are in accordance with the public purpose and provisions of the applicable state and local laws and requirements under which the Project has been undertaken and is being assisted;

WHEREAS, the City is authorized pursuant to Minnesota Statutes, Section 469.192 to make a loan to the Developer for the purpose of undertaking the Project;

WHEREAS, the requirements of the Business Subsidy Law, Minnesota Statutes, Section 116J.993 through 116J.995, apply to this Agreement; and

WHEREAS, the City has adopted criteria for awarding business subsidies that comply with the Business Subsidy Law, after a public hearing for which notice was published; and

WHEREAS, the Council has approved this Agreement, as well as a Tax Increment Financing Development Agreement which constitutes a subsidy agreement under the Business Subsidy Law;

NOW, THEREFORE, in consideration of the premises 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. All capitalized terms used and not otherwise defined herein shall have the following meanings unless a different meaning clearly appears from the context:

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

City means City of Crosslake, Minnesota, or any successor to its functions;

Construction Plans means the plans, specifications, drawings and related documents of the construction work to be performed by the Developer on the Project and the Development Property and the plans (a) shall be as detailed as the plans, specifications drawings and related documents which are submitted to the building inspector of the City, and (b) shall include at least the following: (1) site plan; (2) foundation plan; (3) basement plans; (4) floor plan for each floor; (5) cross sections of each (length and width); (6) elevations (all sides); (7) grading and drainage; and (8) landscape;

Developer means Midwest Properties of Crosslake, LLC, a Minnesota limited liability company, its successors and assigns;

Development Property means the real property (including any improvements thereon) legally described in **Exhibit A** of this Agreement;

Disbursing Agreement: the Disbursing Agreement among the Developer, the lender of the construction financing for the Project and the title company or law office responsible for disbursing proceeds of the Loan and the construction financing for the Project;

Event of Default means any of the events described in Section 5.1 of this Agreement;

Guaranty means the personal guaranty of the Note, executed by Charles Lane and Kent Marthaler in the form attached as **Exhibit D**;

Loan means the loan by the City to the Developer pursuant to this Agreement;

Loan Repayments means the payments made or to be made by the Developer pursuant to Section 3.2(3) of this Loan Agreement.

Note means the Note dated as of TBB, 2008 executed by the Developer evidencing the Loan in substantially the form attached as **Exhibit C**;

Project means the construction of an Assisted Living Facility and Memory Care Unit of approximately 25000 square feet on the Development Property;

State means the State of Minnesota.

Tax Increment Financing Development Agreement means the Tax Increment Financing Development Agreement dated Nov. 15th, 2007 by and between the City and the Developer, including the Tax Increment Revenue Note issued in conjunction therewith.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the City. The City makes the following representations and warranties:

(1) The City is a political subdivision of the State and has the power to enter into this Agreement and carry out its obligations hereunder.

(2) To finance a portion of the costs of the Project to be undertaken by the Developer, the City proposes to make a loan to the Developer at below market rates as further provided in this Agreement.

Section 2.2 Representations and Warranties of the Developer. The Developer makes the following representations and warranties:

(1) The Developer is a limited liability company validly existing under the laws of this State and has full power and to enter into this Agreement and carry out the covenants contained herein.

(2) The Developer will cause the Project to be constructed in accordance with the terms of this Agreement and all local, state and federal laws and regulations (including, but not limited to, all applicable environmental, zoning, energy conservation, building code and public health laws and regulations).

(3) The Developer will obtain or cause to be obtained, in a timely manner, all required permits, licenses and approvals, and will meet, in a timely manner, all requirements of all applicable local, state, and federal laws and regulations which must be obtained or met before the Project may be lawfully constructed

(4) The construction of the Project would not be undertaken by the Developer, and in the opinion of the Developer would not be economically feasible within the reasonably foreseeable future, without the assistance and benefit to the Developer provided for in this Agreement.

(5) 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 contractual restriction, 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.

(6) 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 or violation of its articles, operating agreement or member control agreement or any local, state or federal laws.

(7) The Developer will cooperate fully with the City with respect to any litigation commenced with respect to the Project to the extent that the City and the Developer are not adverse parties to the litigation.

(8) The Developer will cooperate fully with the City in resolution of any traffic, parking, trash removal or public safety problems which may arise in connection with the construction and operation of the Project.

ARTICLE III

THE LOAN

Section 3.1 City Loan.

(1) Subject to satisfaction of the conditions set forth in this Article III, the City (by and through its Economic Development Authority Revolving Loan Fund) agrees to loan the Developer \$75,000.00 to be used to pay a portion of the construction costs of the Project (the "Loan").

(2) The Loan shall occur simultaneously with the closing on the permanent financing for the Project but only upon the satisfaction of the conditions set forth in Section 3.3.

Section 3.2 Terms of the Loan.

(1) The Developer acknowledges that the City is loaning \$75,000.00 to the Developer (the "Loan").

(2) \$75,000.00 of the Loan proceeds will be disbursed at the closing on the permanent financing for the Project to finance in part the constructions costs for the Project.

(3) The Developer covenants and agrees to repay the Loan in 120 payments as follows: 119 equal and consecutive installments in the amount of \$795.49 each, commencing approximately thirty days after closing on the permanent financing for the Project (estimated to be April 15, 2008), and on the first day of each month thereafter for a period of 119 months (approximately April 15, 2018) and one final installment in the amount of \$792.31 being due thirty days thereafter (approximately May 15, 2018). All accrued interest on this Note shall be due and payable at each time principal installments are due and payable. The entire unpaid balance of principal and interest on this Note shall be due and payable in full at maturity (approximately May 15, 2018). Payments

shall be applied first against accrued interest and the balance against the unpaid principal balance in accordance with the terms of the Note.

Section 3.3 Conditions to Making the Loan. As conditions precedent to the making of the Loan by the City:

(1) The Developer shall provide the City an executed Guaranty by Charles Lane and Kent Marthaler in the form attached hereto as **Exhibit D**; and

(2) The Developer shall provide the City an executed opinion of counsel to the Developer in the form attached hereto as **Exhibit B**.

(3) The Developer shall be in material compliance with all the terms and provisions of this Agreement and the Tax Increment Financing Development Agreement;

(4) The Developer shall execute and deliver to the City the Note in substantially the form attached as **Exhibit C**.

(5) The Developer shall have submitted to the City Construction Plans for the Project and such Construction Plans shall have been approved by the City pursuant to Section 3.4 of this Agreement in accordance with City ordinances;

(6) The Developer shall have obtained a building/zoning permit for the Project;

(7) The Developer shall furnish the City evidence that the Developer has obtained construction and permanent financing for the Project in an amount sufficient, together with equity commitments and the Loan, to complete the Project in conformance with the Construction Plans.

Section 3.4 Construction Plans. The Developer shall cause to be provided to the City Construction Plans, which shall be subject to approval by the City as provided in this Section 3.4. The Construction Plans shall provide for the Project to be constructed on the Development Property, and shall be in conformity with this Agreement, and all applicable state and local laws and regulations. The City shall approve the Construction Plans in writing if: (a) the Construction Plans conform to the terms and conditions of this Agreement; (b) the Construction Plans conform to all applicable federal, state and local laws, ordinances, rules and regulations; (c) the Construction Plans are adequate for purposes of this Agreement to provide for the construction of the Project; and (d) no Event of Default under the terms of this Agreement has occurred; provided, however, that any such approval of the Construction Plans pursuant to this Section 3.4 shall constitute approval for the purposes of this Agreement only and shall not be deemed to constitute approval or waiver by the City with respect to any building, zoning or other ordinances or regulation of the City, and shall not be deemed to be sufficient plans to serve as the basis for the issuance of a building permit if the Construction Plans are not as detailed or complete as the plans otherwise required for the issuance of a building permit.

The Construction Plans must be rejected in writing by the City within thirty (30) days of submission or shall be deemed to have been approved by the City. If the City rejects the

Construction Plans in whole or in part, the Developer shall submit new or corrected Construction Plans within thirty (30) days after receipt by the Developer of written notification of the rejection, accompanied by a written statement of the City specifying the respects in which the Construction Plans submitted by the Developer fail to conform to the requirements of this Section 3.4. The provisions of this Section 3.4 relating to approval, rejection and resubmission of corrected Construction Plans shall continue to apply until the Construction Plans have been approved by the City; provided, however, that in any event the Developer shall submit Construction Plans which are approved prior to commencement of construction of the Project. Approval of the Construction Plans by the City shall not relieve the Developer of any obligation to comply with the terms and provisions of this Agreement, or the provision of applicable federal, state and local laws, ordinances and regulations, nor shall approval of the Construction Plans by the City be deemed to constitute a waiver of any Event of Default.

If the Developer desires to make any material change in the Construction Plans after their approval by the City, the Developer shall submit the proposed change to the City for its approval. If the Construction Plans, as modified by the proposed change, conform to the approval criteria listed in this Section 3.4 with respect to the original Construction Plans and do not constitute a material modification to the scope, size or use of the Project or to the site plan therefor, the City shall approve the proposed change. Such change in the Construction Plans shall be deemed approved by the City unless rejected in writing within ten (10) days by the City with a statement of the City's reasons for such rejection.

Section 3.5 Prepayment.

(1) Prepayment at Option of Developer. The Developer may at its option prepay the Loan, in whole or in part, on any date.

(2) Mandatory Prepayment. The Developer shall prepay the Loan, in whole, upon any sale, transfer, assignment or lease of the Project or if the Developer dissolves or otherwise disposes of all or substantially all of its assets, or consolidates with or merges into another corporation or other business entity or permits any other corporation or other business entity to consolidate with or merge into it.

Section 3.6 Business Subsidy Law.

(1) In order to satisfy the provisions of Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Law"), the Developer acknowledges and agrees that the amount of the "Business Subsidy" granted to the Developer under this Agreement is \$75,000.00 which is the principal amount of the Loan and that the Business Subsidy is needed because the Project is not sufficiently feasible for the Developer to undertake without the Business Subsidy. The public purpose of the Business Subsidy is to encourage the construction of an Assisted Living Facility and Memory Care Unit in the City, enhancement of economic growth and diversity, the retention of jobs and high quality job growth; and providing a necessary service the community.

(2) If the Project is not completed, the City will require the Developer to repay all or a part of the Business Subsidy to the City, plus interest ("Interest") set at the

implicit price deflator defined in Minnesota Statutes, Section 275.70, Subdivision 2, accruing from and after the Benefit Date, compounded semiannually.

(3) The Tax Increment Financing Development Agreement shall constitute the Business Subsidy Agreement pursuant to Chapter 116J of the Minnesota Statutes.

Section 3.7 Release and Indemnification Covenants.

(a) The Developer releases the City and its governing body members, officers, agents, servants and employees thereof (hereinafter, for purposes of this Section 3.7, the "indemnified parties") from, covenants and agrees that the indemnified parties shall not be liable for, and agrees to indemnify, defend 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 Project or resulting from or occurring on the Development Property.

(b) Except for any willful misrepresentation or any willful or wanton misconduct or any unlawful act of the indemnified parties, the Developer agrees to protect and defend the Indemnified Parties, now or forever, and further agrees to hold the Indemnified Parties harmless, from any claim, demand, suit, action or other proceeding whatsoever by any person or entity whatsoever arising or purportedly arising (i) from any violation of any agreement or condition of this Agreement (except with respect to any suit, action, demand or other proceeding brought by the Developer against the City to enforce its rights under this Agreement) or (ii) the acquisition, construction, installation, ownership, and operation of the Project or (iii) any pollutant, contaminant or hazardous substance located in or on the Development Property.

(c) The Indemnified Parties shall not be liable for any damage or injury to the persons or property of the Developer or its officers, agents, servants or employees or any other person who may be about the Project due to any act of negligence of any person, other than any act of negligence on the part of any such Indemnified Party or its officers, agents, servants or employees.

(d) All covenants, stipulations, promises, agreements and obligations of the City contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City, respectively, and not of any governing body member, officer, agent, servant or employee of the City in the individual capacity thereof.

(e) The provisions of this Section 3.7 shall survive the termination of this Agreement.

ARTICLE IV

EVENTS OF DEFAULT

Section 4.1 Events of Default Defined. The following shall be "Events of Default" under this Agreement and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(1) If (a) the Developer shall fail to make any payments required under Section 3.2 of this Agreement on the date due, or (b) any other payment due under this Agreement on or before the date that the payment is due and such default continues for ten (10) days after written notice given to the Developer by the City.

(2) Failure by the Developer to substantially observe or perform any other covenant, condition, obligation or agreement on its part to be observed or performed under this Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, given to the Developer by the City.

(3) An event of default shall have occurred and be continuing under the Tax Increment Financing Development Agreement and any other loan, note or mortgage issued in connection with financing of the Project.

(4) The Developer shall:

(a) file any petition in bankruptcy or for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the United States Bankruptcy Act of 1978, as amended, or under any similar federal or state law; or

(b) make an assignment for the benefit of its creditors; or

(c) admit in writing its inability to pay its debts generally as they become due; or

(d) be adjudicated a bankrupt or insolvent; or if a petition or answer proposing the adjudication of the Developer as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof; or a receiver, trustee or liquidator of the Developer or of the Project, or part thereof, shall be appointed in any proceeding brought against the Developer, and shall not be discharged within ninety (90) days after such appointment, or if the Developer shall consent to or acquiesce in such appointment.

Section 4.2 Remedies on Default. Whenever any Event of Default referred to in this Agreement occurs and is continuing, the City, as specified below, may take any one or more of the following actions:

(a) The City may declare immediately due and payable the unpaid principal of the Loan.

(b) The City may suspend its performance under this Agreement and/or the Tax Increment Financing Development Agreement until it receives assurances from the Developer, deemed adequate by the City, that the Developer will cure its default and continue its performance under this Agreement, or alternatively and within the sole discretion of the City, the City may offset any or all amounts due under the Tax

Increment Revenue Note in order to cure the default under the Loan and/or this Agreement.

(c) The City may cancel and rescind this Agreement or the Tax Increment Financing Development Agreement.

(d) The City may take any action, including legal or administrative action, which may appear necessary or desirable to collect any payments due under this Agreement, or to enforce performance and observance of any obligation, agreement, or covenant of the Developer under this Agreement.

Section 4.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other available remedy or remedies, but each and every such 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 or by statute. 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.

Section 4.4 No Implied Waiver. In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any 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 4.5 Agreement to Pay Attorneys' Fees and Expenses. Whenever any Event of Default occurs and the City shall employ attorneys or incur other expenses for the collection of payments due or to become due or for the enforcement or performance or observance of any obligation or agreement on the part of the Developer herein contained, the Developer agrees that it shall, on demand therefor, pay to the City the reasonable fees of such attorneys and such other expenses so incurred by the City.

ARTICLE V

ADDITIONAL PROVISIONS

Section 5.1 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 5.2 Notices and Demands. Except as otherwise expressly provided in this Agreement, a notice, demand or other communication under this Agreement by any party to any other shall be sufficiently given or delivered if it is dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and

(a) in the case of the Developer, is addressed to or delivered personally to the Developer at:

Midwest Properties of Crosslake, LLC
734 First Street South
Waite Park, MN 56387
Attn: Kent Marthaler

(b) in the case of the City, is addressed or delivered personally to the
City at:

City of Crosslake
37028 County Road 66
Crosslake, MN 56442
Attn: City Administrator

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

Section 5.3 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute one and the same instrument.

Section 5.4 Modification. If the Developer is requested by the holder of a mortgage or by a prospective holder of a prospective mortgage to amend or supplement this Agreement in any manner whatsoever, the City will, in good faith, consider the request with a view to granting the same unless the City, in its reasonable judgment, concludes that such modification is not in the public interest, or will significantly and undesirably weaken the financial security provided to the interests of the City by the terms and provisions of this Agreement.

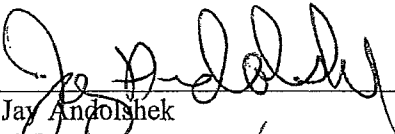
Section 5.5 Law Governing. This Agreement will be governed and construed in accordance with the laws of the State.

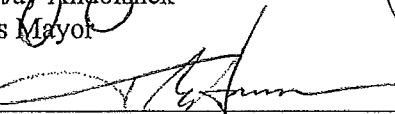
Section 5.6 City Approvals. Any approval, execution of documents, or other action to be taken by the City pursuant to this Agreement, for the purpose of carrying out the terms of this Agreement or for the purpose of determining sufficient performance by the Developer under this Agreement, may be made, executed or taken by the City without further approval by the City Board.

Section 5.7 Termination. This Agreement shall terminate on the date the Loan is repaid in full.

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

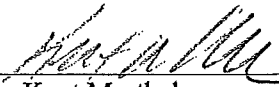
CITY OF CROSSLAKE, MINNESOTA

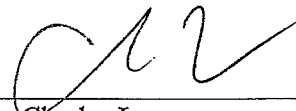
By 
Jay Andolshek
Its Mayor

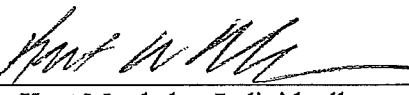
By 
Thomas Swenson
Its Administrator

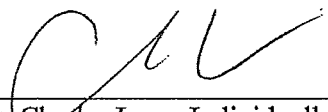
This is a signature page to the Loan Agreement by and between City of Crosslake, Minnesota and Midwest Properties of Crosslake, LLC

MIDWEST PROPERTIES OF CROSSLAKE, LLC


By: Kent Marthaler
Its: President/Chief Manager/Governor


By: Charles Lane
Its: Vice President/Governor


By: Kent Marthaler, Individually


By: Charles Lane, Individually

This is a signature page to the Loan Agreement by and between City of Crosslake, Minnesota and Midwest Properties of Crosslake, LLC

EXHIBIT A

Legal Description of Development Property

That certain real property located in the County of Crow Wing, State of Minnesota, and legally described as follows:

THE WEST 297 FEET OF THE NORTH 473 FEET OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER (SE1/4NE1/4), SECTION TWENTY-NINE (29), TOWNSHIP ONE HUNDRED THIRTY-SEVEN (137), RANGE TWENTY-SEVEN (27), EXCEPT EAST SHORE ROAD AS DEDICATED IN THE PLAT OF CROSS LAKE EAST SHORE.

Abstract Property ~ Crow Wing County, Minnesota

(Insert Legal)

EXHIBIT B

Form of Legal Opinion of Developer's Counsel

City of Crosslake, Minnesota
City of Crosslake
37028 County Road 66
Crosslake, MN 56442
Attn: City Administrator

Re: Loan Agreement by and between City of Crosslake, Minnesota and Midwest
Properties of Crosslake, LLC

Ladies and Gentlemen:

As counsel for Midwest Properties of Crosslake, LLC, a Minnesota limited liability company (the "Developer"), and in connection with the execution and delivery of a certain Loan Agreement (the "Loan Agreement") between the Developer and City of Crosslake, Minnesota executed by the Developer, dated as of _____, 2007, we hereby render the following opinion:

We have examined the original certified copy, or copies otherwise identified to our satisfaction as being true copies, of the following:

(a) The articles of organization, the operating agreement and the member control agreement of the Developer; and

(b) The Loan Agreement;

and such other documents and records as we have deemed relevant and necessary as a basis for the opinion set forth herein.

Based on the pertinent law, the foregoing examination and such other inquiries as we have deemed appropriate, we are of the opinion that:

1. The Developer has been duly organized and is validly existing as a limited liability company under the laws of the State of Minnesota and is qualified to do business in the State of Minnesota. The Developer has full power and authority to execute, deliver and perform in full the Loan Agreement; and the Loan Agreement has been duly and validly authorized, executed and delivered by the Developer and, assuming due authorization, execution and delivery by the other parties thereto, are in full force and effect and are valid and legally binding instruments of the Developer enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally.

2. The consummation of the transactions contemplated by the Loan Agreement and the carrying out of the terms thereof, will not result in violation of any provision of, or in default

under, the articles of organization, operating agreement or member control agreement of the Developer or any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule, regulation or restriction to which the Developer is a party or by which it or its property is bound or subject.

Very truly yours,

EXHIBIT C

PROMISSORY NOTE

\$75,000.00

_____, 2008
Crosslake, Minnesota

FOR VALUE RECEIVED, the undersigned, Midwest Properties of Crosslake, LLC ("Maker"), promises to pay to the order of the City of Crosslake ("Payee"), at 37028 County Road 66, Crosslake, MN 56442 or such other address as he designates, the sum of \$75,000.00 in installments and with interest from the date hereof as provided below.

Interest shall accrue on the unpaid balance hereof at a rate equal to 5% per annum.

Principal on this Note shall be payable in 120 payments as follows: 119 equal and consecutive installments in the amount of \$795.49 each, commencing _____, 2008, and on the first day of each month thereafter through _____, 2018 and one final installment in the amount of \$792.31 being due _____, 2018. All accrued interest on this Note shall be due and payable at each time principal installments are due and payable. The entire unpaid balance of principal and interest on this Note shall be due and payable in full on _____, 2018. Payments shall be applied first against accrued interest and the balance against the unpaid principal balance.

Maker shall have the right to prepay the principal balance hereunder in whole or in part at any time, without premium or penalty; such prepayment shall be applied first against accrued interest, if any, and the balance shall be applied against unpaid principal installments in the inverse order of their maturities.

This Note is issued under the terms and conditions of a Loan Agreement dated _____, 2007 by and between the City of Crosslake and Midwest Properties of Crosslake, LLC (the "Loan Agreement").

The occurrence of any one or more of the following events with respect to Maker shall constitute an event of default hereunder ("Event of Default"):

(a) If Maker shall fail to pay when due any payment due on this Note and such failure continues for ten (10) days after Payee notifies Maker in writing.

(b) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (a "Bankruptcy Law"), Maker shall (i) commence a voluntary case or proceeding; (ii) consent to the entry of an order for relief against him in an involuntary case; (iii) consent to the appointment of a trustee, receiver, assignee, liquidator or similar official; (iv) make an assignment for the benefit of his creditors; or (v) admit in writing his inability to pay his debts as they become due.

(c) If a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (i) is for relief against Maker in an involuntary case, or (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Maker or substantially all of Maker's properties, and in each case the order or decree is not dismissed within one hundred twenty (120) days.

(d) If Maker shall fail to prepay this Note when obligated and such failure continues for ten (10) days after Payee notifies Maker in writing.

(e) If the maker defaults under the terms and conditions of the Tax Increment Financing Development Agreement dated _____, 2007 or Loan Agreement dated _____, 2007 between Maker and Payee.

Upon the occurrence of an Event of Default hereunder (unless all Events of Default have been cured or waived by Payee), Payee may, at its option, (i) by written notice to Maker, declare the entire unpaid principal balance of this Note immediately due and payable, regardless of any prior forbearance, and (ii) exercise any and all rights and remedies available to it under applicable law, including, without limitation, the right to collect from Maker all sums due under this Note. Maker shall pay all reasonable costs and expenses incurred by or on behalf of Payee in connection with Payee's exercise of any or all of its rights and remedies under this Note, including, without limitation, reasonable attorneys' fees. Maker also consents to jurisdiction and venue in the Ninth Judicial District, County of Crow Wing, State of Minnesota, or the United States District Court, Fourth Division.

Except as expressly provided hereinabove, Maker, and every endorser hereof, hereby waive all demands, notices, and other formalities in connection with the payment, collection, and enforcement of this Note. The liability of Maker, and any endorser hereof, shall be unconditional and shall not be in any manner affected by any indulgence whatsoever granted or consented to by Payee, including, but not limited to, any extension of time, renewal, waiver or other modification. Any failure of Payee to exercise any right hereunder shall not be construed as a waiver of the right to exercise the same or any other right at any time and from time to time thereafter.

This Note is governed by the laws of the State of Minnesota.

Dated as of the ____ day of _____, 2008.

**MAKER: MIDWEST PROPERTIES OF
CROSSLAKE, LLC**

By: _____
Its: Chief Manager/President

EXHIBIT D

GUARANTY

THIS GUARANTY (this "Guaranty") is made by Charles Lane (the "Guarantor") for the benefit of the City of Crosslake, (the "Note Holder"), and takes effect as of _____, 2008.

RECITALS

- A. Midwest Properties of Crosslake, LLC (the "Company") executed a Promissory Note in favor of the City of Crosslake/Note Holder, a copy of which is attached hereto as **Exhibit A** (the "Note"). The Company also executed a Loan Agreement dated _____, 2007 in connection with execution of the Promissory Note dated _____, 2008.
- B. The Company entered into a Tax Increment Financing Development Agreement (the "Development Agreement") with the Note Holder, dated as of _____, 2007, the purpose of which is to outline the terms and conditions of tax increment financing for an assisted living facility and memory care unit project (the "Project"). A component of the overall financing for the Project includes a loan from the Note Holder to the Company as evidenced by the attached Promissory Note (**Exhibit A**) and Loan Agreement and the Guarantor agreed to cause the Company to execute the Note and to execute this Guaranty. As of the date hereof, the Guarantor is an owner of the Company and the benefit of the Note will ultimately inure to the Guarantor and as such the Guarantor is willing to execute and deliver this Guaranty.

In consideration of the above recitals, which are incorporated herein by reference, and the promises set forth in this Guaranty and the Note, the Guarantor agrees with the Note Holder as follows:

FOR VALUE RECEIVED, the consideration, receipt and sufficiency of which are hereby acknowledged, and in consideration of and as a material inducement for Note Holder to enter into the Note with Company and acknowledging that the Guarantor has received and will receive direct or indirect benefits by reason of the Note, the Guarantor unconditionally and severally guarantees full and prompt payment at maturity, including any accelerated maturity, of the Obligations. As used in this Guaranty, the term "Obligations" will mean the outstanding balances payable by the Company to the Note Holder under the Note, and whether the same would become due but for the operation of the automatic stay under bankruptcy laws, and the repayment or performance of any of the Obligations if any such payment or performance is at any time avoided, rescinded, set aside or recovered from or repaid by the Note Holder, in whole or in part, in any bankruptcy, insolvency or similar proceeding instituted by or against the Company, the Guarantor or otherwise, including but not limited to all principal, interest, fees, expenses and other charges related thereto.

This Guaranty will not terminate until the earlier of (a) the Company has repaid finally and in full the outstanding balance due and owing under the Note or (b) the Guarantor has

personally paid and delivered to the Note Holder or any subsequent holder of the Note the outstanding balance due and owing under the Note. Any payment made by the Guarantor will reduce or discharge such amounts due and owing to the Note Holder.

The Guarantor further guarantees that all payments made by the Guarantor with respect to the Obligations will, when made, be final. The Guarantor further agrees that if any such payment is recovered from, or repaid by, the Note Holder in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Company or the Guarantor, this Guaranty will continue to be fully applicable to the Obligations to the same extent as though the payment so recovered or repaid had never been originally made on the Obligations.

The Guarantor waives demand, presentment, protest and notice of acceptance of this Guaranty and of any action taken in reliance hereon and all other demands and notices of any description in connection with this Guaranty, the Obligations or otherwise.

Upon any "Event of Default," as defined or otherwise used in the Note, Loan Agreement, or Development Agreement the obligation of the Guarantor under this Guaranty will become due and owing effective immediately and payable on demand without any suit or action against the Company, the Guarantor or any other guarantor of the Note. No delay or omission on the Note Holder's part in exercising any right hereunder will operate as a waiver of such right or any other right. A waiver on one occasion will not be a bar to or waiver of any right on any other occasion.

The Obligations will not be terminated by, and the Guarantor assents to, any extension or postponement of the time of payment or any other indulgence or waiver of the Note Holder's rights with respect to the Obligations or the Note; any substitution, exchange or release of all or any part of any collateral; and the addition or release of any party primarily or secondarily liable for any other obligation, including any other guarantor of the Note, and whether or not in any of the aforesaid events (a) notice thereof is given to the Guarantor or (b) such act or omission to act occurs prior to or after the date hereof. If the Guarantor voluntarily files, or has filed against him involuntarily, a petition under the United States Bankruptcy Code, then the Note Holder will have the right to declare immediately due and payable, and the Guarantor will forthwith pay to the Note Holder, the full amount of the Obligations, whether due and payable or unmatured. The Note Holder has no duty to collect or protect any collateral or any income thereon, nor to preserve any rights against other parties, and the Note Holder may proceed under this Guaranty immediately upon an Event of Default without resorting to or regard to any collateral or any other guaranty or source of payment.

The Guarantor will not exercise or enforce any right of contribution, reimbursement, recourse or subrogation available to the Guarantor against any person liable for payment of any other obligation related to the Note, or as to any collateral security therefor, unless and until the Obligations have been fully paid and discharged.

The Guarantor will pay or reimburse the Note Holder for all costs and expenses (including attorneys' fees and legal expenses) incurred in connection with the protection, defense or enforcement of this Guaranty in any litigation or bankruptcy or insolvency proceedings.

The Guarantor will not assert, plead or enforce against the Note Holder any defense of waiver, release, discharge in bankruptcy, statute of limitations, *res judicata*, statute of frauds, anti-deficiency statute, incapacity, minority, usury, illegality or unenforceability that may be available to the Company or any other person liable for the Obligations, or any setoff available against the Note Holder to the Company or any such other person, whether or not on account of a related transaction.

THE GUARANTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS GUARANTY IS A PART IS A COMMERCIAL TRANSACTION AND AS SUCH THE GUARANTOR WAIVES HIS RIGHT TO NOTICE AND HEARING UNDER ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY THAT THE NOTE HOLDER MAY DESIRE TO USE. FURTHER THE GUARANTOR ACKNOWLEDGES AND AGREES THAT AN EVENT OF DEFAULT UNDER EITHER THE DEVELOPMENT AGREEMENT OR PROMISSORY NOTE SHALL CONSTITUTE AN EVENT OF DEFAULT UNDER THIS GUARANTY.

This Guaranty inures to the benefit of the Note Holder and its respective successors and assigns, and is binding on the Guarantor and the executors, administrators, heirs, successors and assigns of the Guarantor.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Guarantor has duly executed this Guaranty to be made effective as of the day and year first above written.

GUARANTOR:

Charles Lane

Dated: _____, 2008

ACKNOWLEDGEMENT AND AGREEMENT OF SPOUSE:

By signing below, the spouse of the Guarantor acknowledges that she has reviewed this Guaranty and acknowledges and agrees to the agreements, covenants, terms and conditions set forth in this Guaranty, effective as of the day and year first above written.

Dated: _____, 2008

GUARANTY

THIS GUARANTY (this "Guaranty") is made by Kent Marthaler (the "Guarantor") for the benefit of the City of Crosslake, (the "Note Holder"), and takes effect as of _____, 2008.

RECITALS

- A. Midwest Properties of Crosslake, LLC (the "Company") executed a Promissory Note in favor of the City of Crosslake/Note Holder, a copy of which is attached hereto as **Exhibit A** (the "Note"). The Company also executed a Loan Agreement dated _____, 2007 in connection with execution of the Promissory Note dated _____, 2008.
- B. The Company entered into a Tax Increment Financing Development Agreement (the "Development Agreement") with the Note Holder, dated as of _____, 2007, the purpose of which is to outline the terms and conditions of tax increment financing for an assisted living facility and memory care unit project (the "Project"). A component of the overall financing for the Project includes a loan from the Note Holder to the Company as evidenced by the attached Promissory Note (**Exhibit A**) and Loan Agreement and the Guarantor agreed to cause the Company to execute the Note and to execute this Guaranty. As of the date hereof, the Guarantor is an owner of the Company and the benefit of the Note will ultimately inure to the Guarantor and as such the Guarantor is willing to execute and deliver this Guaranty.

In consideration of the above recitals, which are incorporated herein by reference, and the promises set forth in this Guaranty and the Note, the Guarantor agrees with the Note Holder as follows:

FOR VALUE RECEIVED, the consideration, receipt and sufficiency of which are hereby acknowledged, and in consideration of and as a material inducement for Note Holder to enter into the Note with Company and acknowledging that the Guarantor has received and will receive direct or indirect benefits by reason of the Note, the Guarantor unconditionally and severally guarantees full and prompt payment at maturity, including any accelerated maturity, of the Obligations. As used in this Guaranty, the term "Obligations" will mean the outstanding balances payable by the Company to the Note Holder under the Note, and whether the same would become due but for the operation of the automatic stay under bankruptcy laws, and the repayment or performance of any of the Obligations if any such payment or performance is at any time avoided, rescinded, set aside or recovered from or repaid by the Note Holder, in whole or in part, in any bankruptcy, insolvency or similar proceeding instituted by or against the Company, the Guarantor or otherwise, including but not limited to all principal, interest, fees, expenses and other charges related thereto.

This Guaranty will not terminate until the earlier of (a) the Company has repaid finally and in full the outstanding balance due and owing under the Note or (b) the Guarantor has personally paid and delivered to the Note Holder or any subsequent holder of the Note the outstanding balance due and owing under the Note. Any payment made by the Guarantor will reduce or discharge such amounts due and owing to the Note Holder.

The Guarantor further guarantees that all payments made by the Guarantor with respect to the Obligations will, when made, be final. The Guarantor further agrees that if any such payment is recovered from, or repaid by, the Note Holder in whole or in part in any bankruptcy, insolvency or similar proceeding instituted by or against the Company or the Guarantor, this Guaranty will continue to be fully applicable to the Obligations to the same extent as though the payment so recovered or repaid had never been originally made on the Obligations.

The Guarantor waives demand, presentment, protest and notice of acceptance of this Guaranty and of any action taken in reliance hereon and all other demands and notices of any description in connection with this Guaranty, the Obligations or otherwise.

Upon any "Event of Default," as defined or otherwise used in the Note, Loan Agreement, or Development Agreement the obligation of the Guarantor under this Guaranty will become due and owing effective immediately and payable on demand without any suit or action against the Company, the Guarantor or any other guarantor of the Note. No delay or omission on the Note Holder's part in exercising any right hereunder will operate as a waiver of such right or any other right. A waiver on one occasion will not be a bar to or waiver of any right on any other occasion.

The Obligations will not be terminated by, and the Guarantor assents to, any extension or postponement of the time of payment or any other indulgence or waiver of the Note Holder's rights with respect to the Obligations or the Note; any substitution, exchange or release of all or any part of any collateral; and the addition or release of any party primarily or secondarily liable for any other obligation, including any other guarantor of the Note, and whether or not in any of the aforesaid events (a) notice thereof is given to the Guarantor or (b) such act or omission to act occurs prior to or after the date hereof. If the Guarantor voluntarily files, or has filed against him involuntarily, a petition under the United States Bankruptcy Code, then the Note Holder will have the right to declare immediately due and payable, and the Guarantor will forthwith pay to the Note Holder, the full amount of the Obligations, whether due and payable or unmatured. The Note Holder has no duty to collect or protect any collateral or any income thereon, nor to preserve any rights against other parties, and the Note Holder may proceed under this Guaranty immediately upon an Event of Default without resorting to or regard to any collateral or any other guaranty or source of payment.

The Guarantor will not exercise or enforce any right of contribution, reimbursement, recourse or subrogation available to the Guarantor against any person liable for payment of any other obligation related to the Note, or as to any collateral security therefor, unless and until the Obligations have been fully paid and discharged.

The Guarantor will pay or reimburse the Note Holder for all costs and expenses (including attorneys' fees and legal expenses) incurred in connection with the protection, defense or enforcement of this Guaranty in any litigation or bankruptcy or insolvency proceedings.

The Guarantor will not assert, plead or enforce against the Note Holder any defense of waiver, release, discharge in bankruptcy, statute of limitations, *res judicata*, statute of frauds, anti-deficiency statute, incapacity, minority, usury, illegality or unenforceability that may be available to the Company or any other person liable for the Obligations, or any setoff available

against the Note Holder to the Company or any such other person, whether or not on account of a related transaction.

THE GUARANTOR ACKNOWLEDGES THAT THE TRANSACTION OF WHICH THIS GUARANTY IS A PART IS A COMMERCIAL TRANSACTION AND AS SUCH THE GUARANTOR WAIVES HIS RIGHT TO NOTICE AND HEARING UNDER ANY STATE OR FEDERAL LAW WITH RESPECT TO ANY PREJUDGMENT REMEDY THAT THE NOTE HOLDER MAY DESIRE TO USE. FURTHER THE GUARANTOR ACKNOWLEDGES AND AGREES THAT AN EVENT OF DEFAULT UNDER EITHER THE DEVELOPMENT AGREEMENT OR PROMISSORY NOTE SHALL CONSTITUTE AN EVENT OF DEFAULT UNDER THIS GUARANTY.

This Guaranty inures to the benefit of the Note Holder and its respective successors and assigns, and is binding on the Guarantor and the executors, administrators, heirs, successors and assigns of the Guarantor.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Guarantor has duly executed this Guaranty to be made effective as of the day and year first above written.

GUARANTOR:

Kent Marthaler

Dated: _____, 2008

ACKNOWLEDGEMENT AND AGREEMENT OF SPOUSE:

By signing below, the spouse of the Guarantor acknowledges that she has reviewed this Guaranty and acknowledges and agrees to the agreements, covenants, terms and conditions set forth in this Guaranty, effective as of the day and year first above written.

Dated: _____, 2008

**GOLDEN HORIZON PARTICIPATION/ADMINISTRATION
AGREEMENT BETWEEN LAKES STATE BANK,
CITY OF CROSSLAKE, AND CROW WING COOPERATIVE
POWER & LIGHT COMPANY**

THIS AGREEMENT, entered into this 30th day of December, 2008 by and between Lakes State Bank ("Bank"), a Minnesota Corporation, the City of Crosslake ("City"), a Minnesota Municipal Corporation, and Crow Wing Power ("Power"), a Minnesota Cooperative.

WITNESSETH:

WHEREAS, City and Midwest Properties of Crosslake, LLC ("Midwest") have entered into a Loan Agreement dated November 15, 2007 and a Tax Increment Financing Agreement dated October 15, 2007 in connection with the development of an Assisted Living Facility and a Memory Care Unit known as Golden Horizon in Crosslake, Minnesota ("Golden Horizon"); and

WHEREAS, Bank will, in conjunction with the Loan Agreement, Tax Increment Financing Agreement and this Agreement, issue a loan ("Loan") in the amount of \$125,000 to Midwest to provide financing for the Golden Horizon development; and

WHEREAS, City will provide \$75,000 to Bank to fund the Loan to Midwest, financing 60% of the Loan, and in exchange, City will receive 60% of all payments and proceeds from the Loan; and

WHEREAS, Power will provide \$50,000 to Bank to fund the Loan to Midwest, financing 40% of the Loan, and in exchange, Power will receive 40% of all payments and proceeds from the Loan; and

WHEREAS, the documents for the Loan will be executed together, and after all documents have been executed, Bank will assign all Loan related documents, including but not limited to the Promissory Note and Guarantees to City and Power.

WHEREAS, Bank will perform all administrative functions in connection with the Loan, including filing all necessary documents, receiving payments, performing any necessary collection activity and administering any necessary releases or satisfactions; and

WHEREAS, in consideration for Bank's administrative actions, Bank will receive 1/11 of all interest payments made in connection with the Loan; and

NOW, THEREFORE, IT IS HEREBY AND HEREIN MUTUALLY AGREED, in consideration of each party's promises and considerations herein set forth, as follows:

1. **Loan.** Bank will issue to Midwest a Loan in the amount of \$125,000.00 with an interest rate of 5.5% in connection with the development of Golden Horizon.
 - A. **Bank's Obligations.** Bank will perform all administrative functions in connection with the Loan. Administrative functions include but are not limited to the following: drafting documents to execute the loan; making all necessary UCC filings; making all necessary fixture filings; making all necessary updates, now and in the future, to the fixture and UCC filings; preparing and delivering all paperwork in connection with payments; receiving and dispersing payments as directed under this Agreement; performing any actions necessary to collect upon the Loan; drafting and executing any satisfactions or releases necessary in connection with this Loan.
 - B. **City's Obligations.** City will provide \$75,000.00 to Bank at the time this Agreement is executed, in order to provide 60% of the Loan financing. City will also reimburse Bank for 60% of all reasonable costs Bank expends in exercising its administrative functions above and beyond routine loan processing transactions (e.g. attorney's fees and court costs incurred in attempting to collect on the Loan in the event Golden Horizon defaults on the Loan). Bank will submit proof of all costs to City in writing. Once Bank has submitted proof of cost, City will reimburse Bank for 60% of that Cost within 60 days. If City fails to reimburse the Bank for reasonable costs within such 60 day period, Bank may reimburse itself from City's share of proceeds of the Loan payments as such payments are made.
 - C. **Power's Obligations.** Power agrees to provide \$50,000.00 to Bank at the time this Agreement is executed, in order to provide 40% of the Loan financing. Power will also reimburse Bank for 40% of all reasonable costs Bank expends in exercising its administrative functions above and beyond routine loan processing transactions (e.g. attorney's fees and court costs incurred in attempting to collect on the Loan in the event Golden Horizon defaults on the Loan). Bank will submit proof of all costs to Power in writing. Once Bank has submitted proof of cost, Power will reimburse Bank for 40% of that Cost within 60 days. If Power fails to reimburse the Bank for reasonable costs within such 60 day period, Bank

may reimburse itself from Power's share of proceeds of the Loan payments as such payments are made.

2. **Consideration.** Each party will receive consideration in exchange for their obligations under this Agreement.
 - A. **Bank's Consideration.** Bank will be reimbursed for all reasonable costs it expends in connection with its administrative functions under this Agreement. Bank will receive 60% of its reimbursement from City and 40% of its reimbursement from Power. Bank will also receive 1/11th of all interest payments made in connection with this loan in consideration for its obligations under this Agreement.
 - B. **City's Consideration.** City will receive 60% of all payments and proceeds from this Loan, subject to the deduction set forth in this paragraph. For any payment made on the Loan, whether a regular payment or otherwise, City will receive 60% of the Loan principal payment and 60% of the interest payment, less Bank's 1/11th of the interest payment. If any partial payment is made, City will receive 60% of the partial Loan principal payment and 60% of the interest payment, less Bank's 1/11th of the interest actually paid. If a payment is made paying off the Loan in full, City will receive 60% of the Loan principal payment and 60% of the interest payment, less Bank's 1/11th of the interest payment. For any fines or fees due on the Loan, City will receive 60% of each fine or fee payment.
 - C. **Power's Consideration.** Power will receive 40% of all payments and proceeds from this Loan, subject to the deduction set forth in this paragraph. For any payment made on the Loan, whether a regular payment or otherwise, Power will receive 40% of the Loan principal payment and 40% of the interest payment, less Bank's 1/11th of the interest payment. If any partial payment is made, Power will receive 40% of the partial Loan principal payment and 40% of the interest payment, less Bank's 1/11th of the interest actually paid. If a payment is made paying off the Loan in full, Power will receive 40% of the partial Loan principal payment and 40% of the interest payment, less Bank's 1/11th of the interest payment. For any fines or fees due on the Loan, Power will receive 40% of each fine or fee payment.
3. **Assignment.** Once all documents in connection with the Loan have been executed, Bank will assign all rights it possesses or acquires in connection with the Loan to City and Power. The assignment will include the mortgage, note payable, personal guarantees, UCC security interest, and fixture filings. City will take a 60%

undivided interest in the Loan and all rights assigned. Power will take a 40% undivided interest in the rights assigned. After Bank has assigned all of its rights under the Loan documents to City and Power, Bank will retain its obligations and rights under this Agreement.

4. **Authority to Take Action on Loan.** Upon taking assignment of their respective shares of the Loan as set forth in paragraph 3 above, City and Power agree that as owners of a fraction of an undivided whole interest in the Loan, neither City nor Power shall take any enforcement action to collect any portion of the Loan without the written permission of the other party and the Bank. The parties intend for all such enforcement action to be taken by the Bank, with proceeds from any collection actions split between the City and Power on a pro-rata basis consistent with each party's ownership interest in the Loan (less Bank's applicable fee of 1/11th of all interest collected on such loan). Each party shall bear any collection costs incurred by the Bank incurred in taking legal action to collect on the Loan on a pro-rata basis consistent with each party's ownership share in the Loan.
5. **Indemnification.** City and Power indemnify and hold Bank harmless for any non-payment of the Loan. Bank agrees to indemnify and hold harmless City and Power for any damages or monetary loss incurred by City or Power as a result of non-action, negligence, or wrongdoing on the part of Bank, its governing body members, officers, agents, servants and employees.
6. **Integration Clause, Modification by Written Agreement Only.** This Agreement represents the full and complete understanding of the parties and neither party is relying on any prior agreement or statement(s), whether oral or written. Modification of this Agreement may occur only if in writing and signed by the duly authorized agents of all parties.
7. **Notification Information.** Any notices to the parties herein shall be in writing and delivered by hand or registered mail addressed as follows to the following parties:

City of Crosslake
c/o Tom Swenson
37028 County Rd. 66
Crosslake, MN 56442

Lakes State Bank
PO Box 767
Crosslake, MN 56442

Crow Wing Power
c/o Char Kinzer
PO Box 507
17330 State Hwy 371 N
Brainerd, MN 56401

CITY OF CROSSLAKE,

By Jay Andolshek
Its Mayor

By Naenne Roach
Its Clerk

LAKES STATE BANK

Paula K. Schaub
By: Paula K. Schaub
Its: Vice President

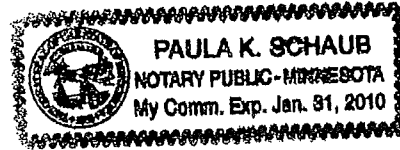
**CROW WING COOPERATIVE POWER &
LIGHT COMPANY**

Bruce L. Kraemer
By: Bruce L. Kraemer
Its: CEO

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 30 day of December, 2008, by Jay Andolshek as Mayor of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.

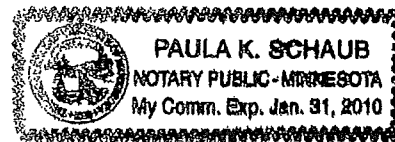
Paula K. Schaub
Notary Public



STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 30 day of December, 2008, by Darlene J. Roach, as Clerk of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.

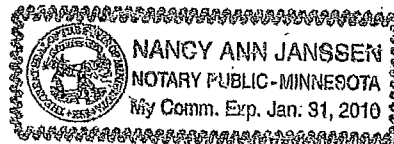
Paula K. Schaub
Notary Public



STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

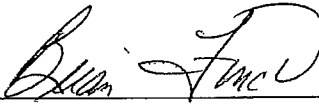
The foregoing instrument was acknowledged before me this 30 day of December, 2008, by Paula K. Schaub, as Vice President of Lakes State Bank, for and on behalf of such bank.

Nancy Ann Janssen
Notary Public

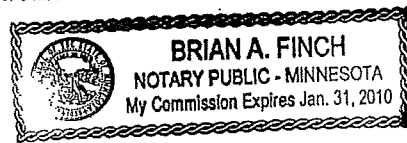


STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 29th day of December, 2008, by Bruce L. Kraemer, as CEO of Crow Wing Cooperative Power & Light Co, for and on behalf of such electric cooperative.



Notary Public



DRAFTED BY:

Couri, MacArthur & Ruppe, P.L.L.P.
P.O. Box 369
705 Central Avenue East
St. Michael, MN 55376
(763) 497-1930

EXHIBIT A - BUTTERFIELD ENT.

02-0265

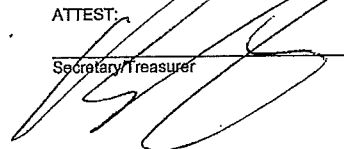
A. U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT SETTLEMENT STATEMENT		B. TYPE OF LOAN: 1. <input type="checkbox"/> FHA 2. <input type="checkbox"/> FmHA 3. <input checked="" type="checkbox"/> CONV. UNINS. 4. <input type="checkbox"/> VA 5. <input type="checkbox"/> CONV. INS. 6. FILE NUMBER: 09-0483CA 7. LOAN NUMBER: 8. MORTGAGE INS CASE NUMBER:	
C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "[POC]" were paid outside the closing; they are shown here for informational purposes and are not included in the totals. <small>1.0 3/98 (09-0483CA, PFD/09-0483CA/18)</small>			
D. NAME AND ADDRESS OF BORROWER: Butterfield Enterprises, LLC P.O. Box 524 Crosslake, MN 56442		E. NAME AND ADDRESS OF SELLER: Thomas M. Ledin and Colleen M. Ledin P.O. Box 747 Crosslake, MN 56442	
G. PROPERTY LOCATION: 34186 County Rd 3 Crosslake, MN 56442 Crow Wing County, Minnesota Part of Lot 2, Block 1, M and D Addition to Crosslake		F. NAME AND ADDRESS OF LENDER: Lakes State Bank P.O. Box 767 Crosslake, MN 56442	
H. SETTLEMENT AGENT: 41-0967604 Crow Wing County Abstract Co. PLACE OF SETTLEMENT 35264 County Road 3, P.O. Box 832 Crosslake, Minnesota 56442		I. SETTLEMENT DATE: December 17, 2009	
J. SUMMARY OF BORROWER'S TRANSACTION		K. SUMMARY OF SELLER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:		400. GROSS AMOUNT DUE TO SELLER:	
101. Contract Sales Price	328,600.00	401. Contract Sales Price	
102. Personal Property		402. Personal Property	
103. Settlement Charges to Borrower (Line 1400)	6,860.18	403.	
104.		404.	
105.		405.	
<i>Adjustments For Items Paid By Seller in advance</i>		<i>Adjustments For Items Paid By Seller in advance</i>	
106. City/Town Taxes to		406. City/Town Taxes to	
107. County Taxes 12/17/09 to 01/01/10	348.71	407. County Taxes to	
108. Assessments to		408. Assessments to	
109. Rent from 11/20 thru 12/17	1,706.40	409.	
110.		410.	
111.		411.	
112.		412.	
120. GROSS AMOUNT DUE FROM BORROWER	337,515.29	420. GROSS AMOUNT DUE TO SELLER	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:		500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
201. Deposit or earnest money	3,000.00	501. Excess Deposit (See Instructions)	
202. Principal Amount of New Loan(s)	262,880.00	502. Settlement Charges to Seller (Line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204. 2nd Mortgage	65,720.00	504.	
205.		505.	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
<i>Adjustments For Items Unpaid By Seller</i>		<i>Adjustments For Items Unpaid By Seller</i>	
210. City/Town Taxes to		510. City/Town Taxes to	
211. County Taxes to		511. County Taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	
218.		518.	
219.		519.	
220. TOTAL PAID BY/FOR BORROWER	331,600.00	520. TOTAL REDUCTION AMOUNT DUE SELLER	
300. CASH AT SETTLEMENT FROM/TO BORROWER:		600. CASH AT SETTLEMENT TO/FROM SELLER:	
301. Gross Amount Due From Borrower (Line 120)	337,515.29	601. Gross Amount Due To Seller (Line 420)	
302. Less Amount Paid By/For Borrower (Line 220)	(331,600.00)	602. Less Reductions Due Seller (Line 520)	()
303. CASH (X FROM) (TO) BORROWER	5,915.29	603. CASH (TO) (X FROM) SELLER	

The undersigned hereby acknowledge receipt of a completed copy of pages 1&2 of this statement & any attachments referred to herein.

Borrower Butterfield Enterprises, LLC

BY: 
President

ATTEST:


Secretary/Treasurer

L. SETTLEMENT CHARGES									
700. TOTAL COMMISSION Based on Price		\$	@	%	PAID FROM BORROWER'S FUNDS AT SETTLEMENT		PAID FROM SELLER'S FUNDS AT SETTLEMENT		
Division of Commission (line 700) as Follows:									
701.	\$	to							
702.	\$	to							
703. Commission Paid at Settlement									
704.		to							
800. ITEMS PAYABLE IN CONNECTION WITH LOAN									
801.	Loan Origination Fee	0.5000 %	to	Lakes State Bank		1,314.40			
802.	Loan Discount	%	to						
803.	Appraisal Fee		to	Lakes State Bank		2,000.00			
804.	Credit Report		to	Lakes State Bank		5.00			
805.			to						
806.			to						
807.			to						
808.	Loan Document Fee		to	Lakes State Bank		100.00			
809.	Flood Determination fee		to	Lakes State Bank		15.00			
810.	Loan Document Fee		to	Lakes State Bank	Jr. Mortgage	50.00			
811.									
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE									
901.	Interest From	to	@	\$	/day (days %)				
902.	Mortgage Insurance Premium for	months to							
903.	Hazard Insurance Premium for	years to							
904.									
905.									
1000. RESERVES DEPOSITED WITH LENDER									
1001.	Hazard Insurance	@	\$	per					
1002.	Mortgage Insurance	@	\$	per					
1003.	City/Town Taxes	@	\$	per					
1004.	County Taxes	@	\$	per					
1005.	Assessments	@	\$	per					
1006.		@	\$	per					
1007.		@	\$	per					
1008.		@	\$	per					
1100. TITLE CHARGES									
1101.	Settlement or Closing Fee	to	Crow Wing County Abstract Co.			200.00			
1102.	Abstract or Title Search	to							
1103.	Title Examination	to							
1104.	Title Insurance Binder	to							
1105.	Document Preparation	to							
1106.	Mail out service fee	to							
1107.	Attorney's Fees	to	City of Crosslake			968.75			
(includes above item numbers:)									
1108.	Title Insurance	to	Crow Wing County Abstract Co./Chicago Title Ins.			805.75			
(includes above item numbers:)									
1109.	Lender's Coverage	\$	262,880.00						
1110.	Owner's Coverage	\$	328,600.00						
1111.									
1112.									
1113.	Jr. Policy of City Loan	to	Crow Wing County Abstract Co.			115.50			
1114.									
1115.									
1116.	Tax Split fee	to	Crow Wing County Treasurer/Auditor	ESTIMATE		200.00			
1117.		to							
1118.		to							
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES									
1201.	Recording Fees: Deed \$	46.00; Mortgage \$	92.00; Releases \$	184.00		138.00			
1202.	City/County Tax/Stamp: Deed	\$		Mortgage \$	604.62	604.62			
1203.	State Tax/Stamp: Revenue Stamps	\$		Mortgage \$					
1204.	Mortgage Registration Tax 2nd	to	Crow Wing County Treasurer			151.16			
1205.		to							
1300. ADDITIONAL SETTLEMENT CHARGES									
1301.	Survey	to							
1302.	Pest Inspection	to							
1303.									
1304.	E-911 Address Application Fee	to	City of Crosslake			100.00			
1305.	Record Easement Agreements	to	Crow Wing County Recorder			92.00			
1400. TOTAL SETTLEMENT CHARGES (Enter on Lines 103, Section J and 502, Section K)						6,860.18			


 Crow Wing County Abstract Co.
 Settlement Agent

Certified to be a true copy.

ACKNOWLEDGMENT OF RECEIPT OF SETTLEMENT STATEMENT

Borrower: Butterfield Enterprises, LLC
Seller: Thomas M. Ledin and Colleen M. Ledin
Lender: Lakes State Bank
Settlement Agent: Crow Wing County Abstract Co.
(218)692-3091
Place of Settlement: 35264 County Road 3, P.O. Box 832
Crosslake, Minnesota 56442
Settlement Date: December 17, 2009
Property Location: 34186 County Rd 3
Crosslake, MN 56442
Crow Wing County, Minnesota
Part of Lot 2, Block 1, M and
D Addition to Crosslake

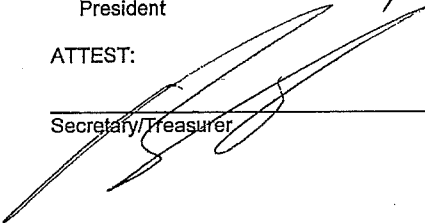
I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

Butterfield Enterprises, LLC

BY: 

President

ATTEST:


Secretary/Treasurer

REAL ESTATE MORTGAGE

(With Future Advance Clause)

1. **DATE AND PARTIES.** The date of this Mortgage is 12-17-2009 and the parties and their addresses are as follows:

MORTGAGOR: BUTTERFIELD ENTERPRISES, LLC, A MINNESOTA LIMITED
LIABILITY COMPANY
P O BOX 524
CROSSLAKE, MN 56442

☐ Refer to the Addendum which is attached and incorporated herein for additional Mortgagors.

LENDER:

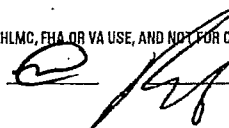
LAKES STATE BANK
ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF MINNESOTA
PO BOX 388
PEQUOT LAKES, MN 56472

2. **CONVEYANCE.** For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (hereafter defined), Mortgagor grants, bargains, sells, conveys and mortgages to Lender, with the power of sale, the following described property: SEE EXHIBIT "A" ATTACHED HERETO, AND MADE A PART HEREOF BY REFERENCE.

The property is located in _____ at XXXX COUNTY ROAD 3
(County)
_____, CROSSLAKE Minnesota 56442
(Address) (City) (Zip Code)

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers, and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property"). The term Property also includes, but is not limited to, any and all water wells, water, ditches, reservoirs, reservoir sites and dams located on the real estate and all riparian and water rights associated with the Property, however established.

MINNESOTA - AGRICULTURAL/COMMERCIAL REAL ESTATE SECURITY INSTRUMENT (NOT FOR FNMA, FHLMC, FHA OR VA USE, AND NOT FOR CONSUMER PURPOSES) (page 1 of 8)



3. **MAXIMUM OBLIGATION LIMIT.** ☒ Notwithstanding anything to the contrary herein, enforcement of this Security Instrument is limited to a predetermined debt amount of \$ 65,720.00 under chapter 287 of Minnesota Statutes. ☐ This Security Instrument secures an indeterminate amount and the mortgage registration tax will be paid according to chapter 287 of Minnesota Statutes.
- Additional amounts secured by this Security Instrument include interest and any other amount advanced by Lender in protection of the Property or this Security Instrument including but not limited to taxes, assessments, charges, claims, fines, impositions, insurance premiums, amounts due under prior or superior mortgages and other prior or superior liens, encumbrances and interests, legal expenses and attorneys' fees.
4. **SECURED DEBT AND FUTURE ADVANCES.** The term "Secured Debt" includes, but is not limited to, the following:
- A. The promissory note(s), contract(s), guaranty(ies) or other evidence of debt described below and all extensions, renewals, modifications or substitutions (Evidence of Debt). (*You must specifically identify the debt(s) secured and you should include the final maturity date of such debt(s).*)
- PROMISSORY NOTE IN THE NAME(S) OF BUTTERFIELD ENTERPRISES, LLC DATED DECEMBER 17, 2009 FOR THE PRINCIPAL SUM OF \$65,720.00 AT THE INTEREST RATE OF 5.50% WITH A FINAL MATURITY DATE OF DECEMBER 17, 2019.
- B. All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Mortgage whether or not this Mortgage is specifically referred to in the evidence of debt. If more than one person signs this Security Instrument, each Mortgagor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagors and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. Nothing in this Security Instrument shall constitute a commitment to make additional future advances or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing.
- C. All obligations Mortgagor owes to Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Mortgagor and Lender.
- D. All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Mortgage, plus interest at the highest rate in effect, from time to time, as provided in the Evidence of Debt.
- E. Mortgagor's performance under the terms of any instrument evidencing a debt by Mortgagor to Lender and any Mortgage securing, guarantying, or otherwise relating to the debt.
- If more than one person signs this Mortgage as Mortgagor, each Mortgagor agrees that this Mortgage will secure all future advances and future obligations described above that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagors and others. This Mortgage will not secure any other debt if Lender fails, with respect to such other debt, to make any required disclosure about this Mortgage or if Lender fails to give any required notice of the right of rescission.
5. **PAYMENTS.** Mortgagor agrees to make all payments on the Secured Debt when due and in accordance with the terms of the Evidence of Debt or this Mortgage.
6. **WARRANTY OF TITLE.** Mortgagor covenants that Mortgagor is lawfully seized of the estate conveyed by this Mortgage and has the right to grant, bargain, convey, sell, and mortgage, with the power of sale, the Property and warrants that the Property is unencumbered, except for encumbrances of record.
7. **CLAIMS AGAINST TITLE.** Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Mortgage. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses which Mortgagor may have against parties who supply labor or materials to improve or maintain the Property.
8. **PRIOR SECURITY INTERESTS.** With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property and that may have priority over this Mortgage, Mortgagor agrees:
- A. To make all payments when due and to perform or comply with all covenants.
- B. To promptly deliver to Lender any notices that Mortgagor receives from the holder.
- C. Not to make or permit any modification or extension of, and not to request or accept any future advances under any note or agreement secured by, the other mortgage, deed of trust or security agreement unless Lender consents in writing.
9. **DUE ON SALE OR ENCUMBRANCE.** Lender may, at its option, declare the entire balance of the Secured Debt to be immediately due and payable upon the creation of any lien, encumbrance, transfer, or sale, or contract for any of these on the Property. However, if the Property includes Mortgagor's residence, this section shall be subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. For the purposes of this section, the term "Property" also includes any interest to all or any part of the Property. This covenant shall run with the Property and shall remain in effect until the Secured Debt is paid in full and this Mortgage is released.
10. **TRANSFER OF AN INTEREST IN THE MORTGAGOR.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Lender may demand immediate payment if (1) a beneficial interest in Mortgagor is sold or transferred; (2) there is a change in either the identity or number of members of a partnership or similar entity; or (3) there is a change in ownership of more than 25 percent of the voting stock of a corporation or similar entity. However, Lender may not demand payment in the above situations if it is prohibited by law as of the date of this Mortgage.
11. **ENTITY WARRANTIES AND REPRESENTATIONS.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Mortgagor makes to Lender the following warranties and representations which shall be continuing as long as the Secured Debt remains outstanding:

(page 2 of 8)

- A. Mortgagor is an entity which is duly organized and validly existing in the Mortgagor's state of incorporation (or organization). Mortgagor is in good standing in all states in which Mortgagor transacts business. Mortgagor has the power and authority to own the Property and to carry on its business as now being conducted and, as applicable, is qualified to do so in each state in which Mortgagor operates.
- B. The execution, delivery and performance of this Mortgage by Mortgagor and the obligation evidenced by the Evidence of Debt are within the power of Mortgagor, have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law, or order of court or governmental agency.
- C. Other than disclosed in writing Mortgagor has not changed its name within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and will not use any other name and will preserve its existing name, trade names and franchises until the Secured Debt is satisfied.

12. PROPERTY CONDITION, ALTERATIONS AND INSPECTION. Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor will give Lender prompt notice of any loss or damage to the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor will not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restriction limiting or defining the uses which may be made of the Property or any part of the Property, without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor or any other owner made under law or regulation regarding use, ownership and occupancy of the Property. Mortgagor will comply with all legal requirements and restrictions, whether public or private, with respect to the use of the Property. Mortgagor also agrees that the nature of the occupancy and use will not change without Lender's prior written consent.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Mortgage. Mortgagor shall not partition or subdivide the Property without Lender's prior written consent. Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Any inspection of the Property shall be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

13. AUTHORITY TO PERFORM. If Mortgagor fails to perform any of Mortgagor's duties under this Mortgage, or any other mortgage, deed of trust, security agreement or other lien document that has priority over this Mortgage, Lender may, without notice, perform the duties or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may do whatever is necessary to protect Lender's security interest in the Property. This may include completing the construction.

Lender's right to perform for Mortgagor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Mortgage. Any amounts paid by Lender for insuring, preserving or otherwise protecting the Property and Lender's security interest will be due on demand and will bear interest from the date of the payment until paid in full at the interest rate in effect from time to time according to the terms of the Evidence of Debt.

14. ASSIGNMENT OF LEASES AND RENTS. Mortgagor assigns, grants, bargains, conveys and mortgages to Lender as additional security all the right, title and interest in the following (Property).

- A. Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the non-homestead portion of the Property, including but not limited to, any extensions, renewals, modifications or replacements (Leases).
- B. Rents, issues and profits, including but not limited to, security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied first as set forth at Minn. Stat. Ann. § 576.01, Subdivision 2, and then at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment.

As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance.

Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases. This Security

(page 3 of 8)

Instrument applies when, as additional security for the debt secured by the mortgage, it secures an original principal debt of \$100,000 or more or is a lien upon residential real estate containing more than four dwelling units, and is not a lien upon Property which is entirely homesteaded as agricultural property or residential real estate containing four or fewer dwelling units where at least one of the units is homesteaded. This Security Instrument may only be enforced against the non-homestead portion of the assigned Property.

15. CONDOMINIUMS; PLANNED UNIT DEVELOPMENTS. If the Property includes a unit in a condominium or a planned unit development, Mortgagor will perform all of Mortgagor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

16. DEFAULT. Mortgagor will be in default if any of the following occur:

- A. Any party obligated on the Secured Debt fails to make payment when due;
- B. A breach of any term or covenant in this Mortgage, any prior mortgage or any construction loan agreement, security agreement or any other document evidencing, guarantying, securing or otherwise relating to the Secured Debt;
- C. The making or furnishing of any verbal or written representation, statement or warranty to Lender that is false or incorrect in any material respect by Mortgagor or any person or entity obligated on the Secured Debt;
- D. The death, dissolution, or insolvency of, appointment of a receiver for, or application of any debtor relief law to, Mortgagor or any person or entity obligated on the Secured Debt;
- E. A good faith belief by Lender at any time that Lender is insecure with respect to any person or entity obligated on the Secured Debt or that the prospect of any payment is impaired or the value of the Property is impaired;
- F. A material adverse change in Mortgagor's business including ownership, management, and financial conditions, which Lender in its opinion believes impairs the value of the Property or repayment of the Secured Debt; or
- G. Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

17. REMEDIES ON DEFAULT. If the Secured Debt is subject to Minn. Stat. § 47.20, subd. 8, Lender will give borrower written notice of default prior to foreclosure, by certified mail at the address of the Property listed in this Security Instrument or such other address borrower may have designated to Lender in writing, unless the default consists of the sale of the Property without Lender's consent. The notice will specify: (a) the nature of the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is mailed by which the default must be cured; (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by the Security Instrument and sale of the mortgaged premises; (e) that the borrower has the right to reinstate the Security Instrument after acceleration; and (f) that the borrower has the right to bring a court action to assert the nonexistence of a default or any other defense of the borrower to acceleration and sale. Additionally, in some other instances, federal and state law will require Lender to provide Mortgagor with notice of the right to cure, mediation notices or other notices and may establish time schedules for foreclosure actions. Subject to these limitations, if any, Lender may accelerate the Secured Debt and foreclose this Mortgage in a manner provided by law if this Mortgagor is in default. Upon default, Lender shall have the right, without declaring the whole indebtedness due and payable, to foreclose against all or any part of the Property. This Mortgage shall continue as a lien on any part of the Property not sold on foreclosure.

At the option of Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. In addition, Lender shall be entitled to all the remedies provided by law, the Evidence of Debt, other evidences of debt, this Mortgage and any related documents including without limitation, the power to sell the Property.

If there is a default, Lender may, in addition to any other permitted remedy, advertise and sell the Property as a whole or in separate parcels at public auction to the highest bidder for cash and convey absolute title free and clear of all right, title and interest of Mortgagor at such time and place as Lender designates. If Lender invokes the power of sale, Lender shall give notice of the sale including the time, terms and place of sale and a description of the property to be sold as required by the applicable law in effect at the time of the proposed sale. Lender or its designee may purchase the Property at any sale.

Upon sale of the Property and to the extent not prohibited by law, Lender shall make and deliver a deed to the Property sold which conveys absolute title to the purchaser. Lender shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled to it. The recitals in any deed of conveyance shall be prima facie evidence of the facts set forth therein.

If the Property is sold pursuant to this section, Mortgagor, or any person holding possession of the Property through Mortgagor, shall immediately surrender possession of the Property to the purchaser at the sale. If possession is not surrendered, Mortgagor or such person shall be a tenant holding over and may be dispossessed in accordance with applicable law.

All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether expressly set forth or not. The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require full and complete cure of any existing default. By not exercising any remedy on Mortgagor's default, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

18. EXPENSES; ADVANCES ON COVENANTS; ATTORNEYS' FEES; COLLECTION COSTS. Except when prohibited by law, Mortgagor agrees to pay all of Lender's expenses if Mortgagor breaches any covenant in this Mortgage. Mortgagor will also pay on demand all of Lender's expenses incurred in collecting, insuring, preserving or protecting the Property or in any inventories, audits, inspections or other examination by Lender in respect to the Property. Mortgagor agrees to pay all costs and expenses incurred by Lender in enforcing or protecting Lender's rights and remedies under this Mortgage, including, but not limited to, attorneys' fees, court costs, and other legal expenses. Once the Secured Debt is fully and finally paid, Lender agrees to release this Mortgage and Mortgagor agrees to pay for any recordation costs. All such amounts are due on demand and will bear interest from the time of the advance at the highest rate in effect, from time to time, as provided in the Evidence of Debt and as permitted by law.

19. ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES. As used in this section, (1) "Environmental Law" means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C.

(page 4 of 8)

insurance proceeds shall be applied to the Secured Debt, whether or not then due, with any excess paid to Mortgagor. If Mortgagor abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay the Secured Debt whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Mortgagor otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of scheduled payments or change the amount of the payments. If the Property is acquired by Lender, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.

B. Mortgagor agrees to maintain comprehensive general liability insurance naming Lender as an additional insured in an amount acceptable to Lender, insuring against claims arising from any accident or occurrence in or on the Property.

C. Mortgagor agrees to maintain rental loss or business interruption insurance, as required by Lender, in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing), under a form of policy acceptable to Lender.

22. NO ESCROW FOR TAXES AND INSURANCE. Unless otherwise provided in a separate agreement, Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

23. FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Mortgagor will provide to Lender upon request, any financial statement or information Lender may deem necessary. Mortgagor warrants that all financial statements and information Mortgagor provides to Lender are, or will be, accurate, correct, and complete. Mortgagor agrees to sign, deliver, and file as Lender may reasonably request any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Mortgage and Lender's lien status on the Property. If Mortgagor fails to do so, Lender may sign, deliver, and file such documents or certificates in Mortgagor's name and Mortgagor hereby irrevocably appoints Lender or Lender's agent as attorney in fact to do the things necessary to comply with this section.

24. JOINT AND INDIVIDUAL LIABILITY; CO-SIGNERS; SUCCESSORS AND ASSIGNS BOUND. All duties under this Mortgage are joint and individual. If Mortgagor signs this Mortgage but does not sign the Evidence of Debt, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debt and Mortgagor does not agree to be personally liable on the Secured Debt. Mortgagor agrees that Lender and any party to this Mortgage may extend, modify or make any change in the terms of this Mortgage or the Evidence of Debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Mortgage. The duties and benefits of this Mortgage shall bind and benefit the successors and assigns of Mortgagor and Lender.

If this Mortgage secures a guaranty between Lender and Mortgagor and does not directly secure the obligation which is guarantied, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation including, but not limited to, anti-deficiency or one-action laws.

25. APPLICABLE LAW; SEVERABILITY; INTERPRETATION. This Mortgage is governed by the laws of the jurisdiction in which Lender is located, except to the extent otherwise required by the laws of the jurisdiction where the Property is located. This Mortgage is complete and fully integrated. This Mortgage may not be amended or modified by oral agreement. Any section or clause in this Mortgage, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section or clause of this Mortgage cannot be enforced according to its terms, that section or clause will be severed and will not affect the enforceability of the remainder of this Mortgage. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Mortgage are for convenience only and are not to be used to interpret or define the terms of this Mortgage. Time is of the essence in this Mortgage.

26. NOTICE. Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by first class mail to the appropriate party's address on page 1 of this Mortgage, or to any other address designated in writing. Notice to one mortgagor will be deemed to be notice to all mortgagors.

27. WAIVER OF HOMESTEAD. Except to the extent prohibited by law, Mortgagor waives all homestead exemption rights relating to the Property.

28. U.C.C. PROVISIONS. If checked, the following are applicable to, but do not limit, this Mortgage:

- ☐ **Construction Loan.** This Mortgage secures an obligation incurred for the construction of an improvement on the Property.
- ☐ **Fixture Filing.** Mortgagor grants to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.
- ☐ **Crops; Timber; Minerals; Rents, Issues and Profits.** Mortgagor grants to Lender a security interest in all crops, timber and minerals located on the Property as well as all rents, issues, and profits of them including, but not limited to, all Conservation Reserve Program (CRP) and Payment in Kind (PIK) payments and similar governmental programs (all of which shall also be included in the term "Property").
- ☐ **Personal Property.** Mortgagor grants to Lender a security interest in all personal property located on or connected with the Property. This security interest includes all farm products, inventory, equipment, accounts, documents, instruments, chattel paper, general intangibles, and all other items of personal property Mortgagor owns now or in the future and that are used or useful in the construction, ownership, operation, management, or maintenance of the Property. The term "personal property" specifically excludes that property described as "household goods" secured in connection with a "consumer" loan as those terms are defined in applicable federal regulations governing unfair and deceptive credit practices.
- ☐ **Filing As Financing Statement.** Mortgagor agrees and acknowledges that this Mortgage also suffices as a financing statement and as such, may be filed of record as a financing statement for purposes of Article 9 of the Uniform Commercial Code. A carbon, photographic, image or other reproduction of this Mortgage is sufficient as a financing statement.

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9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) "Hazardous Substance" means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste" or "hazardous substance" under any Environmental Law. Mortgagor represents, warrants and agrees that, except as previously disclosed and acknowledged in writing:

- A. No Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
 - B. Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
 - C. Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
 - D. Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
 - E. Mortgagor and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
 - F. There are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
 - G. Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
 - H. Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and magnitude of any Hazardous Substance that has been released on, under or about the Property; or (3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.
 - I. Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.
 - J. Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.
 - K. As a consequence of any breach of any representation, warranty or promise made in this section, (1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may sustain; and (2) at Lender's discretion, Lender may release this Mortgage and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Mortgage without prejudice to any of Lender's rights under this Mortgage.
 - L. Notwithstanding any of the language contained in this Mortgage to the contrary, the terms of this section shall survive any foreclosure or satisfaction of this Mortgage regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.
- 20. CONDEMNATION.** Mortgagor will give Lender prompt notice of any action, real or threatened, by private or public entities to purchase or take any or all of the Property, including any easements, through condemnation, eminent domain, or any other means. Mortgagor further agrees to notify Lender of any proceedings instituted for the establishment of any sewer, water, conservation, ditch, drainage, or other district relating to or binding upon the Property or any part of it. Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims and to collect and receive all sums resulting from the action or claim. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Mortgage. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.
- 21. INSURANCE.** Mortgagor agrees to maintain insurance as follows:
- A. Mortgagor shall keep the improvements now existing or hereafter built on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. What Lender requires pursuant to the preceding two sentences can change during the term of the loan. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Lender's approval, which shall not be unreasonably withheld. If Mortgagor fails to maintain the coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property according to the terms of this Mortgage.
- All insurance policies and renewals shall be acceptable to Lender and shall include a standard "mortgage clause" and, where applicable, "lender loss payee clause." Mortgagor shall immediately notify Lender of cancellation or termination of the insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Mortgagor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Mortgagor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Mortgagor.
- Unless Lender and Mortgagor otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the

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29. OTHER TERMS. If checked, the following are applicable to this Mortgage:

- ☐ **Agricultural Property.** Mortgagor covenants and warrants that the Property will be used principally for agricultural or farming purposes and that Mortgagor is an individual or entity allowed to own agricultural land as specified by law.
- ☐ **Separate Assignment.** The Mortgagor has executed or will execute a separate assignment of leases and rents. If the separate assignment of leases and rents is properly executed and recorded, then the separate assignment will supersede this Security Instrument's "Assignment of Leases and Rents" section.
- ☐ **Additional Terms.**

SIGNATURES: By signing below, Mortgagor agrees to the terms and covenants contained in this Mortgage and in any attachments. Mortgagor also acknowledges receipt of a copy of this Mortgage on the date stated above on Page 1.

☐ Actual authority was granted to the parties signing below by resolution signed and dated _____.

Entity Name: BUTTERFIELD ENTERPRISES, LLC

(Signature)

BENNETT GIBBS, VICE PRESIDENT

(Date)

12-17-09

(Signature)

THOMAS MASCHHOFF, PRESIDENT

(Date)

12/17/09

(Signature)

(Date)

(Signature)

(Date)

☐ Refer to the Addendum which is attached and incorporated herein for additional Mortgagors, signatures and acknowledgments.

ACKNOWLEDGMENT:

(Individual)

STATE OF _____, COUNTY OF _____ } ss.

This instrument was acknowledged before me this _____ day of _____
by _____.

My commission expires: _____

(Notary Public)

STATE OF MINNESOTA, COUNTY OF _____ } ss.

This instrument was acknowledged before me this 17TH day of DECEMBER, 2009

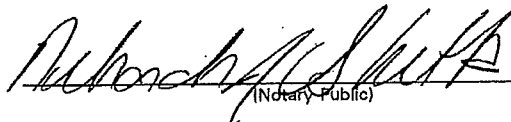
by BENNETT GIBBS, VICE PRESIDENT; THOMAS MASCHHOFF, PRESIDENT

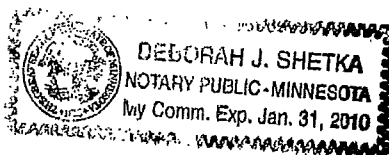
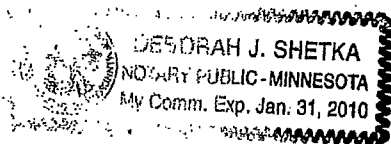
(Business
or Entity
Acknowledgment)

_____ (Title(s))
of BUTTERFIELD ENTERPRISES, LLC (Name of Business or Entity)

a MINNESOTA on behalf of the business or entity.

My commission expires: 1-31-10


(Notary Public)



This instrument was prepared by (name, address): LAKE STATE BANK

PO BOX 366

PEQUOT LAKES, MN 56472

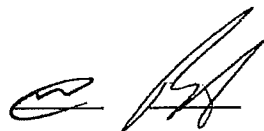


EXHIBIT "A"

CROW WING COUNTY

Tract A:

Those parts of Lots 2 and 3, both in Block 1, M and D Addition to Crosslake, according to the recorded plat thereof, Crow Wing County, Minnesota, lying Northerly and Westerly of the following described line: Commencing at the Northwest corner of said Lot 2; thence South 00 degrees 49 minutes 52 seconds West, assumed bearing, along the Westerly line of said Lot 2 for a distance of 164.31 feet to an angle point on said Westerly line and the point of beginning of the line to be herein described; thence South 89 degrees 10 minutes 08 seconds East along said Westerly line 5.00 feet; thence South 71 degrees 58 minutes 13 seconds East 125.74 feet; thence South 89 degrees 29 minutes 30 seconds East 70.91 feet; thence North 00 degrees 30 minutes 42 seconds East 35.00 feet; thence South 89 degrees 29 minutes 30 seconds East 142.14 feet; thence North 00 degrees 49 minutes 52 seconds East 94.79 feet; thence South 89 degrees 30 minutes 07 seconds East 57.03 feet, more or less, to the East line of said Lot 2 and said described line there terminating.

ABSTRACT PROPERTY

BUTTERFIELD ENTERPRISES, LLC P O BOX 524 CROSSLAKE, MN 56442 BORROWER'S NAME AND ADDRESS "I" includes each borrower above, jointly and severally.	LAKES STATE BANK PO BOX 366 PEQUOT LAKES, MN 56472 LENDER'S NAME AND ADDRESS "You" means the lender, its successors and assigns.	LN OFFICER 600 Loan Number <u>1014567</u> Date <u>12-17-2009</u> Mat. Date <u>12-17-2019</u> Loan Amount \$ <u>65,720.00</u> Renewal Of _____ PORT # 108982
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DISBURSEMENT AUTHORIZATION

I hereby authorize and request the following disbursement from the loan referenced above:

a. Amount given to me directly	\$ _____	o. _____	\$ _____
b. Amount paid on my account (# <u>1014567</u>)	\$ _____	p. _____	\$ _____
c. To Lender	\$ _____	q. _____	\$ _____
Amounts paid to others on my behalf:		r. _____	\$ _____
d. Insurance Companies	\$ _____	s. _____	\$ _____
e. Public Officials	\$ _____	t. _____	\$ _____
f. <u>DISBURSEMENT TO CROW WING COUNTY ABSTRACT</u>	\$ <u>65,720.00</u>	u. _____	\$ _____
g. _____	\$ _____	v. _____	\$ _____
h. _____	\$ _____	w. _____	\$ _____
i. _____	\$ _____	x. _____	\$ _____
j. _____	\$ _____	y. _____	\$ _____
k. _____	\$ _____	z. _____	\$ _____
l. _____	\$ _____	aa. _____	\$ _____
m. _____	\$ _____	bb. _____	\$ _____
n. _____	\$ _____	cc. _____	\$ _____


Comments:

LOAN DOC FEE: \$50.00
 JR. LIEN TITLE INSURANCE: \$115.01
 MORTGAGE RECORDING FEE: \$46.00
 MORTGAGE REG. TAX: \$151.16

BUTTERFIELD ENTERPRISES, LLC

X _____
 BENNETT GIBBS, VICE PRESIDENT
 X _____
 X _____

Loan Officer: JP ELSENPIETER

X 
 THOMAS MASCHHOFF, PRESIDENT
 X _____
 X _____

BUTTERFIELD ENTERPRISES, LLC P O BOX 524 CROSSLAKE, MN 56442	LAKES STATE BANK PO BOX 366 PEQUOT LAKES, MN 56472	LN OFFICER 600 Loan Number 1014567 Date 12-17-2009 Maturity Date 12-17-2019 Loan Amount \$ 65,720.00 Renewal Of PORT # 108982
BORROWER'S NAME AND ADDRESS "I", "me" and "my" means each borrower above, together and separately.	LENDER'S NAME AND ADDRESS "You" and "your" means the lender, its successors and assigns.	

I promise to pay you, at your address listed above, the **PRINCIPAL** sum of SIXTY FIVE THOUSAND SEVEN HUNDRED TWENTY AND NO/100

Dollars \$ 65,720.00

☒ **Single Advance:** I will receive all of the loan amount on 12-17-2009. There will be no additional advances under this note.

☐ **Multiple Advance:** The loan amount shown above is the maximum amount I can borrow under this note. On _____

I will receive \$ _____ and future principal advances are permitted.

Conditions: The conditions for future advances are _____

☐ **Open End Credit:** You and I agree that I may borrow up to the maximum amount more than one time. All other conditions of this note apply to this feature. This feature expires on _____.

☐ **Closed End Credit:** You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from 12-17-2009 at the rate of 5.500 % per year until 12-17-2019.

☐ **Variable Rate:** This rate may then change as stated below.

☐ **Index Rate:** The future rate will be _____ the following index rate: _____

☐ **No Index:** The future rate will not be subject to any internal or external index. It will be entirely in your control.

☐ **Frequency and Timing:** The rate on this note may change as often as _____.
A change in the interest rate will take effect _____.

☐ **Limitations:** During the term of this loan, the applicable annual interest rate will not be more than _____ % or less than _____ %.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☐ The amount of each scheduled payment will change. ☐ The amount of the final payment will change.

☐

ACCUAL METHOD: You will calculate interest on a ACTUAL/360 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

☒ on the same fixed or variable rate basis in effect before maturity (as indicated above).

☐ at a rate equal to _____.

☒ **LATE CHARGE:** If I make a payment more than 10 days after it is due, I agree to pay a late charge of 5.000% OF THE LATE AMOUNT WITH A MIN OF \$7.28 AND A MAX OF \$150.00.

☒ **ADDITIONAL CHARGES:** In addition to interest, I agree to pay the following charges which ☐ are ☒ are not included in the principal amount above: REFER TO DISBURSEMENT AUTHORIZATION.

☒ **Authority:** The interest rate and other charges for this loan are authorized by MINNESOTA STATUTE 47.59.

PAYMENTS: I agree to pay this note as follows:

ON DEMAND, BUT IF NO DEMAND IS MADE THEN 120 MONTHLY PAYMENTS OF \$715.82 BEGINNING 01-17-2010.

ADDITIONAL TERMS:

☒ **SECURITY:** This note is separately secured by (describe separate document by type and date): 2ND REM FROM BUTTERFIELD ENTERPRISES, LLC TO LENDER DATED 12-17-09. PERSONAL GUARANTEES FROM BENNETT GIBBS AND THOMAS MASCHHOFF DATED 12-17-09.

(This section is for your internal use. Failure to list a separate security document does not mean the agreement will not secure this note.)

Signature for Lender

JP ELSNPETER, EXECUTIVE VICE PRESIDENT

PURPOSE: The purpose of this loan is PURCHASE COMMERCIAL BUILDING.

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGE 2). I have received a copy on today's date.

BUTTERFIELD ENTERPRISES, LLC

BENNETT GIBBS, VICE PRESIDENT

THOMAS MASCHHOFF, PRESIDENT

THOMAS MASCHHOFF 18423 JERMARK ROAD FIFTY LAKES, MN 56448	LAKES STATE BANK PO BOX 366 PEQUOT LAKES, MN 56472	BUTTERFIELD ENTERPRISES, LLC P.O. BOX 524 CROSSLAKE, MN 56442
GUARANTOR'S NAME AND ADDRESS "I" includes each guarantor above, jointly and severally.	LENDER'S NAME AND ADDRESS "You" means the Lender, its successors and assigns.	BORROWER'S NAME AND ADDRESS "Borrower" means each person above.

GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce you, at your option, to make loans or engage in any other transactions with borrower from time to time, I absolutely and unconditionally guarantee the full payment of the following debts (as defined herein) when due (whether at maturity or upon acceleration):

PRESENT DEBT GUARANTY

☐ I absolutely and unconditionally guarantee to you the payment and performance of the following described debt (including all renewals, extensions, refinancings and modifications) of the borrower: _____

PRESENT AND FUTURE DEBT GUARANTY

☒ I absolutely and unconditionally guarantee to you the payment and performance of each and every debt, of every type and description, that the borrower may now or at any time in the future owe you including, but not limited to, the following described debt(s): _____

☐ I absolutely and unconditionally guarantee to you the payment and performance of each and every debt, of every type and description, that the borrower may now or at any time in the future owe you, up to the principal amount of \$ _____ plus accrued interest, attorneys' fees and collection costs referable thereto (when permitted by law), and all other amounts agreed to be paid under all agreements evidencing the debt and securing the payment of the debt. You may, without notice, apply this guaranty to such debts of the borrower as you may select from time to time.

DEFINITIONS - As used in this agreement, the terms "I," "we," and "my" mean all persons signing this guaranty agreement, individually and jointly, and their heirs, executors, administrators and assigns.

The term "debt" means all debts, liabilities, and obligations of the borrower (including, but not limited to, all amounts agreed to be paid under the terms of any notes or agreements securing the payment of any debt, liability or obligation, overdrafts, letters of credit, guaranties, advances for taxes, insurance, repairs and storage, and all extensions, renewals, refinancings and modifications of these debts) whether now existing or created or incurred in the future, due or to become due, or absolute or contingent, except for any obligations incurred by borrower after the date of this guaranty for which the borrower meets your standard of creditworthiness based on the borrower's own assets and income without the addition of a guaranty, or to which, although you require the addition of a guaranty, the borrower chooses someone other than me to guaranty the obligation.

APPLICABLE LAW - This agreement is governed by the law of the state in which you are located. Any term of this agreement that does not comply with applicable law will not be effective if that law does not expressly or impliedly permit variations by agreement. If any part of this agreement cannot be enforced according to its terms, this fact will not affect the balance of this agreement.

REVOCACTION - I agree that this is an absolute and continuing guaranty. If this guaranty is limited to the payment of a specific debt of the borrower described above, this agreement cannot be revoked and will remain in effect until the debt is paid in full. If this guaranty covers both the borrower's present and future debts, I agree that this guaranty will remain binding on me, whether or not there are any debts outstanding, until you have actually received written notice of my revocation or written notice of my death or incompetence.

Notice of revocation or notice of my death or incompetence will not affect my obligations under this guaranty with respect to any debts incurred by or for which you have made a commitment to borrower before you actually receive such notice, and all renewals, extensions, refinancings, and modifications of such debts. I agree that if any other person signing this agreement provides a notice of revocation to you, I will still be obligated under this agreement until I provide a notice of revocation to you. If any other person signing this agreement dies or is declared incompetent, such fact will not affect my obligations under this agreement.

OBLIGATIONS INDEPENDENT - I agree that I am obligated to pay according to the terms of this guaranty even if any other person has agreed to pay the borrower's debt. My obligation to pay according to the terms of this guaranty shall not be affected by the illegality, invalidity or unenforceability of any notes or agreements evidencing the debt, the violation of any applicable usury laws, forgery, or any other circumstances which make the indebtedness unenforceable against the borrower.

I will remain obligated to pay on this guaranty even if any other person who is obligated to pay the borrower's debt, including the borrower, has such obligation discharged in bankruptcy, foreclosure, or otherwise discharged by law. In such situations, my obligation shall include post-bankruptcy petition interest and attorneys' fees and any other amounts which borrower is discharged from paying or which do not otherwise accrue to borrower's indebtedness due to borrower's discharge. I will also be obligated to pay you, to the fullest extent permitted by law, any deficiency remaining after foreclosure of any mortgage or security interest securing borrower's debt, whether or not the liability of borrower or any other obligor for such deficiency is discharged by statute or judicial decision. If any payments by borrower to you are thereafter set aside, recovered, rescinded, in whole or in part, are settled by you at your discretion, or are in any way recouped or recovered from you for any reason (including, without limitation, the bankruptcy, insolvency, or reorganization of borrower or any other obligor), then I am obligated to reimburse or indemnify you for the full amount you so pay together with costs, interest, attorneys' fees and all other expenses which you incur in connection therewith. I also agree that if my liability is limited to a stated principal amount (plus other agreed charges), you may allow the borrower to incur debt in excess of the specified amount and apply to the payment of such excess any amounts you receive for payment of the debt from the borrower or any other person, any amounts resulting from any collateral, or amounts received from any other source, without affecting my obligations under this agreement.

No modification of this agreement is effective unless in writing and signed by you and me, except that you may, without notice to me and without the addition of a signed writing or my approval: (1) release any borrower or other person who may be liable for borrower's debt, (2) release or substitute any collateral, (3) fail to perfect any security interest or otherwise impair any collateral, (4) waive or impair any right you may have against any borrower or other person who may be liable for borrower's debt, (5) settle or compromise any claim against the borrower or any person who may be liable for the borrower's debt, (6) procure any additional security or persons who agree to be liable for borrower's debt, (7) delay or fail to pursue enforcement of the borrower's debt, (8) apply amounts you receive from the borrower or other persons to payment of the debt in any order you select, (9) make any election with respect to the debt provided by law or any agreement with any person liable for the debt, (10) exercise or fail to exercise any rights you have with respect to the debt, (11) extend new credit to the borrower, or (12) renew, extend, refinance or modify the borrower's debt on any terms agreed to by you and the borrower (including, but not limited to, changes in the interest rate or in the method, time, place or amount of payment) without affecting my obligation to pay under this guaranty.

WAIVER - I waive presentment, demand, protest, notice of dishonor, and notice of acceptance of this guaranty. I also waive, to the extent permitted by law, all notices, all defenses and claims that the borrower could assert, any right to require you to pursue any remedy or seek payment from any other person before seeking payment under this agreement, and all other defenses to the debt, except payment in full. You may without notice to me and without my consent, enter into agreements with the borrower from time to time for purposes of creating or continuing the borrower's debt as allowed by this guaranty. I agree that I will be liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure (or repossession) and sale of any collateral without regard to whether borrower's obligation to pay such deficiency is discharged by law. If any payments on the debt are set aside, recovered or required to be returned in the event of the insolvency, bankruptcy or reorganization of the borrower, my obligations under this agreement will continue as if such payments had never been made.

I also waive and relinquish all present and future claims, rights, and remedies against borrower or any other obligated party arising out of the creation or my performance of this guaranty. My waiver includes, but is not limited to, the right of contribution, reimbursement, indemnification, subrogation, exoneration, and any right to participate in any claim or remedy you may have against the borrower, collateral, or other party obligated for borrower's debts, whether or not such claim, remedy, or right arises in equity, or under contract, statute or common law.

REMEDIES - If I fail to keep any promise contained in this agreement or any agreement securing this agreement, you may, make this agreement and the borrower's debt immediately due and payable, you may set-off this obligation against any right I have to receive money from you (however, you may not set-off against any accounts in which my rights are only as a fiduciary or my IRA or other tax-deferred retirement account), you may use any remedy you have under state or federal law, and you may use any remedy given to you by any agreement securing this agreement. (If I die, am declared incompetent, or become insolvent (either because my liabilities exceed my assets or because I am unable to pay my debts as they become due), you may make the debt immediately due and payable.

COLLECTION COSTS - Except when prohibited by law, I agree to pay the reasonable costs and expenses you incur to enforce and collect this agreement, including attorneys' fees and court costs.

SECURITY - This guaranty is ☒ unsecured ☐ secured by _____

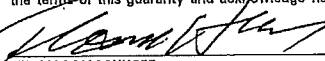
NOTICE TO COSIGNER

You are being asked to guarantee the debts described above. If you are making a "Present and Future Debt Guaranty" as identified above, you are being asked to guarantee *present as well as future* debts of the borrower entered into with this lender. Think carefully before you do. If the borrower doesn't pay these debts, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of these debts if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The lender can collect these debts from you without first trying to collect from the borrower. The lender can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If these debts are ever in default, that fact may become part of your credit record.

In witness whereof, I have signed my name and affixed my seal on this 17TH day of DECEMBER, 2009, and, by doing so, agree to the terms of this guaranty and acknowledge having read the Notice to Cosigner.

 (SEAL)
 THOMAS MASCHHOFF (SEAL)

 (SEAL)

 (SEAL)

BENNETT GIBBS P.O. BOX 218 FIFTY LAKES, MN 56448	LAKES STATE BANK PO BOX 388 PEQUOT LAKES, MN 56472	BUTTERFIELD ENTERPRISES, LLC P.O. BOX 524 CROSSLAKE, MN 56442
GUARANTOR'S NAME AND ADDRESS "I" includes each guarantor above, jointly and severally.	LENDER'S NAME AND ADDRESS "You" means the Lender, its successors and assigns.	BORROWER'S NAME AND ADDRESS "Borrower" means each person above.

GUARANTY

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce you, at your option, to make loans or engage in any other transactions with borrower from time to time, I absolutely and unconditionally guarantee the full payment of the following debts (as defined herein) when due (whether at maturity or upon acceleration):

PRESENT DEBT GUARANTY

☐ I absolutely and unconditionally guarantee to you the payment and performance of the following described debt (including all renewals, extensions, refinancings and modifications) of the borrower: _____

PRESENT AND FUTURE DEBT GUARANTY

☒ I absolutely and unconditionally guarantee to you the payment and performance of each and every debt, of every type and description, that the borrower may now or at any time in the future owe you including, but not limited to, the following described debt(s): _____

☐ I absolutely and unconditionally guarantee to you the payment and performance of each and every debt, of every type and description, that the borrower may now or at any time in the future owe you, up to the principal amount of \$ _____ plus accrued interest, attorneys' fees and collection costs referable thereto (when permitted by law), and all other amounts agreed to be paid under all agreements evidencing the debt and securing the payment of the debt. You may, without notice, apply this guaranty to such debts of the borrower as you may select from time to time.

DEFINITIONS - As used in this agreement, the terms "I," "we," and "my" mean all persons signing this guaranty agreement, individually and jointly, and their heirs, executors, administrators and assigns.

The term "debt" means all debts, liabilities, and obligations of the borrower (including, but not limited to, all amounts agreed to be paid under the terms of any notes or agreements securing the payment of any debt, liability or obligation, overdrafts, letters of credit, guaranties, advances for taxes, insurance, repairs and storage, and all extensions, renewals, refinancings and modifications of these debts) whether now existing or created or incurred in the future, due or to become due, or absolute or contingent, except for any obligations incurred by borrower after the date of this guaranty for which the borrower meets your standard of creditworthiness based on the borrower's own assets and income without the addition of a guaranty, or to which, although you require the addition of a guaranty, the borrower chooses someone other than me to guaranty the obligation.

APPLICABLE LAW - This agreement is governed by the law of the state in which you are located. Any term of this agreement that does not comply with applicable law will not be effective if that law does not expressly or impliedly permit variations by agreement. If any part of this agreement cannot be enforced according to its terms, this fact will not affect the balance of this agreement.

REVOCACTION - I agree that this is an absolute and continuing guaranty. If this guaranty is limited to the payment of a specific debt of the borrower described above, this agreement cannot be revoked and will remain in effect until the debt is paid in full. If this guaranty covers both the borrower's present and future debts, I agree that this guaranty will remain binding on me, whether or not there are any debts outstanding, until you have actually received written notice of my revocation or written notice of my death or incompetence.

Notice of revocation or notice of my death or incompetence will not affect my obligations under this guaranty with respect to any debts incurred by or for which you have made a commitment to borrower before you actually receive such notice, and all renewals, extensions, refinancings, and modifications of such debts. I agree that if any other person signing this agreement provides a notice of revocation to you, I will still be obligated under this agreement until I provide a notice of revocation to you. If any other person signing this agreement dies or is declared incompetent, such fact will not affect my obligations under this agreement.

OBLIGATIONS INDEPENDENT - I agree that I am obligated to pay according to the terms of this guaranty even if any other person has agreed to pay the borrower's debt. My obligation to pay according to the terms of this guaranty shall not be affected by the illegality, invalidity or unenforceability of any notes or agreements evidencing the debt, the violation of any applicable usury laws, forgery, or any other circumstances which make the indebtedness unenforceable against the borrower.

I will remain obligated to pay on this guaranty even if any other person who is obligated to pay the borrower's debt, including the borrower, has such obligation discharged in bankruptcy, foreclosure, or otherwise discharged by law. In such situations, my obligation shall include post-bankruptcy petition interest and attorneys' fees and any other amounts which borrower is discharged from paying or which do not otherwise accrue to borrower's indebtedness due to borrower's discharge. I will also be obligated to pay you, to the fullest extent permitted by law, any deficiency remaining after foreclosure of any mortgage or security interest securing borrower's debt, whether or not the liability of borrower or any other obligor for such deficiency is discharged by statute or judicial decision. If any payments by borrower to you are thereafter set aside, recovered, rescinded, in whole or in part, are settled by you at your discretion, or are in any way recouped or recovered from you for any reason (including, without limitation, the bankruptcy, insolvency, or reorganization of borrower or any other obligor), then I am obligated to reimburse or indemnify you for the full amount you so pay together with costs, interest, attorneys' fees and all other expenses which you incur in connection therewith. I also agree that if my liability is limited to a stated principal amount (plus other agreed charges), you may allow the borrower to incur debt in excess of the specified amount and apply to the payment of such excess any amounts you receive for payment of the debt from the borrower or any other person, any amounts resulting from any collateral, or amounts received from any other source, without affecting my obligations under this agreement.

No modification of this agreement is effective unless in writing and signed by you and me, except that you may, without notice to me and without the addition of a signed writing or my approval; (1) release any borrower or other person who may be liable for borrower's debt, (2) release or substitute any collateral, (3) fail to perfect any security interest or otherwise impair any collateral, (4) waive or impair any right you may have against any borrower or other person who may be liable for borrower's debt, (5) settle or compromise any claim against the borrower or any person who may be liable for the borrower's debt, (6) procure any additional security or persons who agree to be liable for borrower's debt, (7) delay or fail to pursue enforcement of the debt, (8) apply amounts you receive from the borrower or other persons to payment of the debt in any order you select, (9) make any election with respect to the debt provided by law or any agreement with any person liable for the debt, (10) exercise or fail to exercise any rights you have with respect to the debt, (11) extend new credit to the borrower, or (12) renew, extend, refinance or modify the borrower's debt on any terms agreed to by you and the borrower (including, but not limited to, changes in the interest rate or in the method, time, place or amount of payment) without affecting my obligation to pay under this guaranty.

WAIVER - I waive presentment, demand, protest, notice of dishonor, and notice of acceptance of this guaranty. I also waive, to the extent permitted by law, all defenses and claims that the borrower could assert, any right to require you to pursue any remedy or seek payment from any other person before seeking payment under this agreement, and all other defenses to the debt, except payment in full. You may without notice to me and without my consent, enter into agreements with the borrower from time to time for purposes of creating or continuing the borrower's debt as allowed by this guaranty. I agree that I will be liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure (or repossession) and sale of any collateral without regard to whether borrower's obligation to pay such deficiency is discharged by law. If any payments on the debt are set aside, recovered or required to be returned in the event of the insolvency, bankruptcy or reorganization of the borrower, my obligations under this agreement will continue as if such payments had never been made.

I also waive and relinquish all present and future claims, rights, and remedies against borrower or any other obligated party arising out of the creation or my performance of this guaranty. My waiver includes, but is not limited to, the right of contribution, reimbursement, indemnification, subrogation, exoneration, and any right to participate in any claim or remedy you may have against the borrower, collateral, or other party obligated for borrower's debts, whether or not such claim, remedy, or right arises in equity, or under contract, statute or common law.

REMEDIES - If I fail to keep any promise contained in this agreement or any agreement securing this agreement, you may, make this agreement and the borrower's debt immediately due and payable, you may set-off this obligation against any right I have to receive money from you (however, you may not set-off against any accounts in which my rights are only as a fiduciary or my IRA or other tax-deferred retirement account), you may use any remedy you have under state or federal law, and you may use any remedy given to you by any agreement securing this agreement. If I die, am declared incompetent, or become insolvent (either because my liabilities exceed my assets or because I am unable to pay my debts as they become due), you may make the debt immediately due and payable.

COLLECTION COSTS - Except when prohibited by law, I agree to pay the reasonable costs and expenses you incur to enforce and collect this agreement, including attorneys' fees and court costs.

SECURITY - This guaranty is ☒ unsecured ☐ secured by _____

NOTICE TO COSIGNER

You are being asked to guarantee the debts described above. If you are making a "Present and Future Debt Guaranty" as identified above, you are being asked to guarantee *present as well as future* debts of the borrower entered into with this lender. Think carefully before you do. If the borrower doesn't pay these debts, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.

You may have to pay up to the full amount of these debts if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.

The lender can collect these debts from you without first trying to collect from the borrower. The lender can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If these debts are ever in default, that fact may become part of your credit record.

In witness whereof, I have signed my name and affixed my seal on this 17TH day of DECEMBER, 2009, and, by doing so, agree to the terms of this guaranty and acknowledge having read the Notice to Cosigner.

BENNETT GIBBS

(SEAL)

(SEAL)

(SEAL)

(SEAL)

CORPORATE AUTHORIZATION RESOLUTION

LAKE STATE BANK
PO BOX 366
PEQUOT LAKES, MN 56472


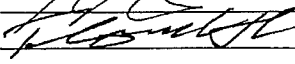
By: BUTTERFIELD ENTERPRISES, LLC
P.O. BOX 524
CROSSLAKE, MN 56442

Referred to in this document as "Financial Institution"

Referred to in this document as "Corporation"

I, _____, certify that I am Secretary (clerk) of the above named corporation organized under the laws of MINNESOTA, Federal Employer I.D. Number 27-1473930, engaged in business under the trade name of BUTTERFIELD ENTERPRISES, LLC, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Board of Directors of the Corporation duly and properly called and held on _____ (date). These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

AGENTS Any Agent listed below, subject to any written limitations, is authorized to exercise the powers granted as indicated below:

Name and Title or Position	Signature	Facsimile Signature (if used)
A. <u>BENNETT GIBBS, VICE PRESIDENT</u>	X 	X _____
B. <u>THOMAS MASCHHOFF, PRESIDENT</u>	X 	X _____
C. _____	X _____	X _____
D. _____	X _____	X _____
E. _____	X _____	X _____
F. _____	X _____	X _____

POWERS GRANTED (Attach one or more Agents to each power by placing the letter corresponding to their name in the area before each power. Following each power indicate the number of Agent signatures required to exercise the power.)

Indicate A, B, C, D, E, and/or F	Description of Power	Indicate number of signatures required
<u>A, B</u>	(1) Exercise all of the powers listed in this resolution.	<u>1</u>
<u>A, B</u>	(2) Open any deposit or share account(s) in the name of the Corporation.	<u>1</u>
<u>A, B</u>	(3) Endorse checks and orders for the payment of money or otherwise withdraw or transfer funds on deposit with this Financial Institution.	<u>1</u>
<u>A, B</u>	(4) Borrow money on behalf and in the name of the Corporation, sign, execute and deliver promissory notes or other evidences of indebtedness.	<u>1</u>
<u>A, B</u>	(5) Endorse, assign, transfer, mortgage or pledge bills receivable, warehouse receipts, bills of lading, stocks, bonds, real estate or other property now owned or hereafter owned or acquired by the Corporation as security for sums borrowed, and to discount the same, unconditionally guarantee payment of all bills received, negotiated or discounted and to waive demand, presentment, protest, notice of protest and notice of non-payment.	<u>2</u>
<u>A, B</u>	(6) Enter into a written lease for the purpose of renting, maintaining, accessing and terminating a Safe Deposit Box in this Financial Institution.	<u>1</u>
_____	(7) Other _____	_____

LIMITATIONS ON POWERS The following are the Corporation's express limitations on the powers granted under this resolution.

EFFECT ON PREVIOUS RESOLUTIONS This resolution supersedes resolution dated _____. If not completed, all resolutions remain in effect.

CERTIFICATION OF AUTHORITY

I further certify that the Board of Directors of the Corporation has, and at the time of adoption of this resolution had, full power and lawful authority to adopt the resolutions on page 2 and to confer the powers granted above to the persons named who have full power and lawful authority to exercise the same. (Apply seal below where appropriate.)

☐ If checked, the Corporation is a non-profit corporation.

In Witness Whereof, I have subscribed my name to this document and affixed the seal of the Corporation on 12-17-2009 (date).

Attest by One Other Officer

Secretary

AGREEMENT TO PROVIDE INSURANCE

DATE AND PARTIES. The date of this Agreement to Provide Insurance (Agreement) is 12-17-2009. The parties and their addresses are:

OWNER: BUTTERFIELD ENTERPRISES, LLC
P O BOX 524
CROSSLAKE, MN 56442

SECURED PARTY: LAKES STATE BANK
PO BOX 366
PEQUOT LAKES, MN 56472

The pronouns "you" and "your" refer to the Secured Party. The pronouns "I," "me" and "my" refer to each person or entity signing this Agreement as Owner.

1. LOAN, LEASE, OR CONTRACT DESCRIPTION (Loan).

A. Date: 12-17-2009
B. Loan Number: 1014567
C. Loan Amount: 65,720.00
D. Additional Information:

2. AGREEMENT TO PROVIDE INSURANCE. As part of my Loan, I agree to do all of the following (in addition to any requirements specified in the Loan documents).

- A. I will insure the Property as listed and with the coverages shown in the COVERAGES section.
B. I will have you named on the policy, with the status listed under the STATUS section.
C. I will arrange for the insurance company to notify you that the policy is in effect and your status has been noted.
D. I will pay for this insurance, including any fee for this endorsement.
E. I will keep the insurance in effect until the Property is no longer subject to your security interest. (I understand that the Property may secure debts in addition to any listed in the LOAN DESCRIPTION section.)

3. DESCRIPTION OF PROPERTY. The Property subject to this Agreement is described as follows.

2ND REM ON COMMERCIAL BUILDING @ XXXX COUNTY ROAD 3, CROSSLAKE, MN 56442.

4. COVERAGES. I agree to insure the Property according to the following described risks, amount of coverage, and maximum deductible allowed.

☒ If checked, all coverages will be for the full replacement value of the Property.

Homeowner's Coverage. ☐ H.O. ☐ Other (Describe) _____
Insurable Value: _____ Deductible: _____
Automobile Coverages. ☐ Fire ☐ Theft ☐ Collision ☐ Comprehensive ☐ Liability ☐ Other _____
Insurable Value: _____ Deductible: _____ Minimum limits: _____
Property Coverage. ☒ Fire ☒ Theft ☒ Collision ☒ Comprehensive ☒ Liability ☐ Other _____
Insurable Value: _____ Deductible: _____

5. STATUS. Your status shall be listed on the insurance policy as follows.

☐ Lienholder ☐ Certificate Holder ☐ Additional Insured ☐ Mortgagee ☐ Other _____

California Real Property: Hazard insurance exceeding the replacement value of the improvements on the property is not required as a condition of this loan.

6. ADDITIONAL TERMS.

7. INSURANCE COMPANY. The insurance policy covering the Property and the insurance company issuing the policy are as follows.

A. Policy Number: _____ Effective From _____ To _____
B. Insurance Company Name, Address, and Phone Number:

8. INSURANCE AGENCY AND AGENT. The insurance agency through which I have purchased, or intend to purchase, the required insurance is as follows.

A. Agent Name: _____
B. Agency Name, Address, and Phone Number:
BRainerd Insurance

9. SIGNATURES.

SIGNATURES FOR OWNER(S) AND AUTHORIZATION TO INSURANCE AGENT AND COMPANY. By signing below, I agree to the terms contained in this Agreement and acknowledge receipt of a copy of this Agreement. I request the listed insurance company and agency to provide the indicated coverage and list you on the policy with the indicated status. I also request the insurance company or its authorized agent to immediately confirm that the policy is in effect by signing this form and forwarding a copy of the policy to you.

BUTTERFIELD ENTERPRISES, LLC
X _____ Date 12-17-09
BENNETT FRIBBS, VICE PRESIDENT
X _____ Date 12/17/09
THOMAS MASCHHOFF, PRESIDENT

SIGNATURE FOR SECURED PARTY AND REQUEST FOR CONFIRMATION. Upon receipt of this Agreement, the insurance company or agency named above is requested to confirm the policy coverages shown above.

By X _____ Date _____
JP ELSENPIETER, EXECUTIVE VICE PRESIDENT

SIGNATURE FOR INSURANCE COMPANY AND CONFIRMATION. By signing below, Insurance Company confirms the existence of the insurance coverages agreed to be provided by our Insured and that you will be notified not less than 10 days before cancellation.

Insurance Company
By X _____ Date _____

Please return to Secured Party at the address listed in the DATE AND PARTIES section.

Expers © 1998 Bankers Systems, Inc., St. Cloud, MN Form API-GEN 6/13/2000

**BUTTERFIELD ENTERPRISES, LLC
PARTICIPATION/ADMINISTRATION
AGREEMENT BETWEEN LAKES STATE BANK AND THE
CITY OF CROSSLAKE**

THIS AGREEMENT, is entered into this 18th day of December, 2009 by and between Lakes State Bank ("Bank"), a Minnesota Corporation and the City of Crosslake ("City"), a Minnesota Municipal Corporation.

WITNESSETH:

WHEREAS, Butterfield Enterprises, LLC ("Butterfield") has received approval for a loan from the Bank in the amount of \$262,880.00, contingent upon the City approving a revolving loan for \$65,720.00 representing "gap" financing of 12% of the entire project cost; and

WHEREAS, Butterfield has applied to the City for a 10-year business loan in the amount of \$65,720.00 from the City at an interest rate of 5.5%; and

WHEREAS, The City desires to approve the loan under an agreement with the Bank whereby the City will provide said \$65,720.00 to the Bank, the Bank will then loan the \$65,720.00 to Butterfield under a separate note payable that will be secured by real estate in Crosslake to be purchased by Butterfield and by personal guarantees executed by Bennett Gibbs and Thomas Maschhoff, and the Bank shall administer the City's loan according to the terms of this Agreement; and

WHEREAS, Bank will perform all administrative functions in connection with the loan, including filing all necessary documents, receiving payments, performing any necessary collection activity and administering any necessary releases or satisfactions; and

WHEREAS, in consideration for Bank's administrative actions, the Bank will receive 1/11 of all interest payments made in connection with the City's loan; and

NOW, THEREFORE, IT IS HEREBY AND HEREIN MUTUALLY AGREED, in consideration of each party's promises and considerations herein set forth, as follows:

1. **Loan.** The City shall provide the Bank with \$65,720.00 for the purpose of funding a 10-year business loan to Butterfield in the amount of \$65,720.00 at an interest rate of 5.5%. The Bank shall loan said \$65,720.00 to Butterfield for a 10-year period at 5.5% annual interest with principal and

interest payments due monthly ("Loan"), said Loan to be known as Lakes State Bank Loan Number _____.

- A. **Bank's Obligations.** Bank shall prepare the Note documenting the Loan and all necessary mortgage and guarantee forms. Bank will secure the Loan with a mortgage on real property in Crosslake described as Tract A on the Landecker & Associates, Inc. survey dated November 19, 2009 as revised December 10, 2009 ("Property"), and Bank shall secure the Loan with personal guarantees of Bennett Gibbs and Thomas Maschhoff. The mortgage shall be second to the Bank's mortgage on the Property. Bank shall obtain a lender's title insurance policy on the mortgage required under this Agreement at Butterfield's expense. Bank will perform all administrative functions in connection with the Loan. Administrative functions include but are not limited to the following: drafting documents to execute the loan; filing the mortgage, preparing and delivering all paperwork in connection with payments; receiving payments from Butterfield and forwarding such payments to the City; tracking the loan balance as payments are made; drafting and executing any satisfactions or releases necessary in connection with this Loan. The Bank shall take reasonable and customary measures to accept the City's Loan payments and shall promptly forward all such payments to the City, provided, however, that the Bank shall not be required to bring a court action against Butterfield, the collateral or the guarantors on behalf of the City in the event Butterfield fails to timely make payments. The parties hereto agree that the City shall be considered for all purposes to be the legal and equitable owner of the above interest in the indebtedness, promissory note or notes, collateral security, and all documents relating to the loan, together with all of the rights, privileges and remedies applicable thereto.
- B. **City's Obligations.** City will provide \$65,720.00 to the Bank at the time this Agreement is executed, in order to provide the City's portion of the Loan financing. The Bank shall withhold as compensation for its services under this Agreement 1/11th of all of the City's interest payments that the Bank collects from Butterfield.
2. **Notice.** In the event either the Bank or the City forecloses on the mortgage on the Property, takes any action to collect on the personal guarantees, or pursues any legal action against Butterfield, the party initiating such action shall notify the other party via certified mail at the address listed below prior to initiating such action.
3. **Indemnification.** City indemnifies and holds Bank harmless for any non-

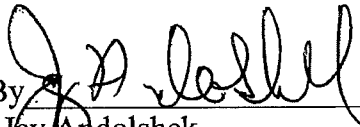
payment of the Loan by Butterfield, provided, however, that the Bank agrees to indemnify and hold harmless City for any damages or monetary loss incurred by City a result of non-action, negligence, or wrongdoing on the part of Bank, its governing body members, officers, agents, servants and employees.

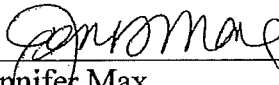
4. **Integration Clause, Modification by Written Agreement Only.** This Agreement represents the full and complete understanding of the parties and neither party is relying on any prior agreement or statement(s), whether oral or written. Modification of this Agreement may occur only if in writing and signed by the duly authorized agents of all parties.
5. **Notification Information.** Any notices to the parties herein shall be in writing and delivered by hand or registered mail addressed as follows to the following parties:

City of Crosslake
c/o Tom Swenson
37028 County Rd. 66
Crosslake, MN 56442


Lakes State Bank
c/o Loan Department
P.O. Box 366
Pequot Lakes, MN 56472

CITY OF CROSSLAKE,

By 
Jay Andolshek
Its: Mayor

By 
Jennifer Max
Its: Clerk

LAKES STATE BANK

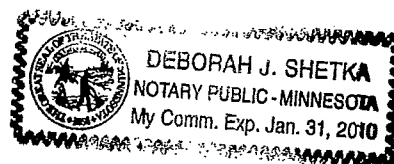

By: E.K.P.

Its: _____

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)


The foregoing instrument was acknowledged before me this 18th day of December, 2009, by Jay Andolshek, as Mayor of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.

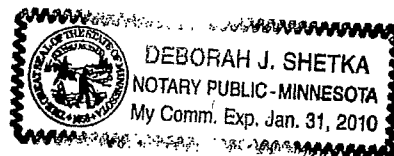
Notary Public



STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 18th day of December, 2009, by Jennifer Max, as Clerk of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.

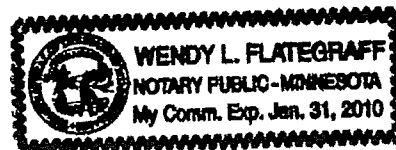

Notary Public



STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 18th day of December, 2009, by John P. Elsenpeter, as Executive Vice President of Lakes State Bank, for and on behalf of such bank.

Wendy Platzgraf



Notary Public

DRAFTED BY:

Couri, MacArthur & Ruppe, P.L.L.P.
P.O. Box 369
705 Central Avenue East
St. Michael, MN 55376
(763) 497-1930

**CITY OF CROSSLAKE
CROW WING COUNTY, MINNESOTA**

RESOLUTION NUMBER _____

RESOLUTION APPROVING REVOLVING LOAN

WHEREAS, Bennett Gibbs and Thomas Maschhoff, d/b/a Butterfield Enterprises, LLC (collectively, "Borrower") have applied for a revolving loan from the City of Crosslake ("City") in the amount of \$65,720.00 to fund the purchase of the property that has recently housed Abra True Value Hardware and its conversion for use in the operations of Crosslake Sales, Inc. and Outdoors Insights, Inc.; and

WHEREAS, Borrower has received approval of a loan from Lakes State Bank ("Bank") in the amount of \$262,880.00, contingent upon the City approving a revolving loan for \$65,720.00 representing "gap" financing of 12% of the entire project cost; and

WHEREAS, Borrower seeks a 10-year loan from the City at an interest rate of 5.5%, and Borrower will provide the City with a second position on that property identified as Tract A on the Landecker & Associates, Inc. survey dated November 19, 2009 as revised December 10, 2009 ("Property"), and personal guarantees for the entire loan amount to be executed by Mr. Gibbs and Mr. Maschhoff; and

WHEREAS, The City's Executive Committee and EDA have both recommended approval of Borrower's loan request; and

WHEREAS, The Bank is willing to enter into a participation agreement under which the City will provide the Bank with the \$65,720.00 ("Loan Amount"), the Bank will bundle the Loan Amount with its \$262,880 and loan the money to Butterfield Enterprises, LLC ("Butterfield") in exchange for one Note Payable from Butterfield secured by the Property, the Bank will service the City's portion of the loan for a fee of .5% interest (1/11th of the 5.5% interest earned on the City's portion of the loan), provided that, in the event of foreclosure on the real estate by the Bank, the Bank will apply the proceeds from any real estate collateral sold first to the outstanding balance of the Bank's portion of the loan, with the remainder applied to the outstanding balance of the City's portion of the loan once the obligation to the Bank has been fully satisfied; and

NOW, THEREFORE, the City of Crosslake hereby approves Borrower's loan request, subject to the following conditions:

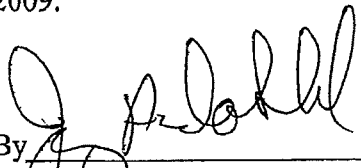
1. The loan shall be in the principal amount of \$65,720.00 for a period of 10 years, with interest at the rate of 5.5% annually, with principal and interest due and amortized in the same manner as the Bank's portion of the loan.
2. The Borrower shall provide the following security for the Loan Amount as follows:
 - a. A participation in the first mortgage on the Property, under which, in the event of foreclosure, the Bank shall be paid first from the proceeds of any sale, with the remaining proceeds used to pay off any amounts due to the City under the Loan; and
 - b. Personal guarantees from Mr. Gibbs and Mr. Maschhoff for all amounts due under the City's portion of the loan; and
 - c. The Borrower shall pay all costs incurred by the City in preparing the loan documentation, closing on the loan, and in preparing this and other documents related to the loan.
3. Compliance with all City ordinances, and the following items shall occur prior to closing on the Loan or Borrower shall sign an agreement acceptable to the City Attorney and the City Community Development Director requiring these items to be completed within a time frame acceptable to the City Community Development Director:
 - a. A certificate of survey/sketch and description for a common lot line adjustment shall be prepared that creates new legal descriptions for the Property. The December 10, 2009 Landecker and Associates, Inc. survey meets this requirement subject to the comments below. Deeds must be stamped by the City and filed with the Crow Wing County Recorder establishing the new descriptions and lot line.
 - b. The existing True Value building crosses the existing common lot line between Lot 2 and Lot 3 as shown on the survey of the Property. The approved plat shows a five (5) foot drainage and utility easement on both sides of the common lot line. However, the previous certificate of surveys that were prepared omitted showing the easement. The Borrower and the City shall enter into the Easement Agreement approved by the City Council.
 - c. Handicapped signs are required for the handicapped parking stalls on both properties. The signs must be between 60 and 66 inches above the parking surface and centered on the parking spaces as shown on the survey. A No Parking sign is also required at the head of the access aisle meeting the same requirements.

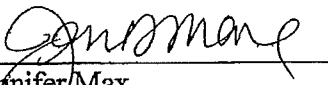
- d. Parking for the Property appears to be adequate, although a proposed floor plan must be submitted to verify that the minimum number of spaces shall be met for the proposed use.
- e. Parking for the Abra Landscaping Property does not meet the minimum 8 stalls required by the approved conditional use permit. Therefore, four additional spaces and a conforming handicapped space and access aisle must be shown on the survey/site plan. Furthermore, the additional spaces must be located on a hard surfaced area such as pavement, concrete, pavers, etc. and meet the minimum dimensional requirements, i.e., 10 by 20 ft. or 18 by 20 ft. if not adjacent to a building and accessed by a minimum 24 ft. wide drive aisle.
- f. A 50 ft. wide service road easement (document no. 514719) was vacated by the City Council, but still appears on the survey. There is documentation that the Crow Wing County District Court later held a hearing to vacate the same road easement. Borrower shall verify whether this easement still exists. If it does, Borrower shall petition the City to vacate the easement and shall pay all expenses incurred by the City in undertaking the vacation process.
- g. The illuminated, freestanding sign on the Property was erected without a permit and is prohibited by City ordinance. The bulb(s) shall be removed from the sign immediately so it is no longer internally illuminated. Future lighting of the freestanding sign shall be downward directed and shall be shielded or baffled so the source of illumination is not visible. Permit no. B2009-033 was issued to replace the existing sign. To date, the sign has not been replaced. A new sign shall require a zoning permit and shall be located a minimum of five (5) feet from the lot line/County Road 3 right-of-way line. The permanent sign permit fee is \$50.00 and requires submittal of a sketch of the sign and dimensions and a site plan.
- h. The existing wall sign on the building located on the Property shall be removed and a new zoning permit application submitted for the new, conforming wall sign. The new wall sign preferably shall be downward lit with the source of illumination not visible. The existing retaining wall around the Abra freestanding sign must be removed from the County Road 3 right-of-way.
- i. The existing banners attached to the power pole shall be immediately removed. Temporary signs and banners are permitted subject to issuance of a sign permit by the City of Crosslake for up to 60 days cumulative each calendar year. There is no fee for a temporary sign permit.
- j. The Gazebo and plastic/canvas/vinyl storage building (behind the True Value building) shall be removed. Vinyl/flexible sided

buildings are prohibited. The Gazebo may be relocated to a conforming location upon issuance of a zoning permit.

- k. A land alteration permit for the existing retaining wall and patio is required (\$75.00 - the ten times after the fact fee will be waived).
- l. The existing rope fence encroaches within the minimum 10 ft. setback from the County Road 3 public right-of-way and must be removed or moved to a conforming location. Moving the fence to a conforming location will be included as part of the land alteration permit for no additional fee. A site plan shall be submitted for the proposed fence and existing retaining wall and patio.
- m. The septic system for the Property was installed on November 5, 2004. The septic system for the Abra Landscaping site was installed on May 30, 2002. A Certificate of Compliance or Winter Window Agreement is required for both sites.
- n. The "Shed" located on the Abra Landscaping Property is not a shed by definition and is an accessory storage building/storage unit. The building encroaches 9.7 ft. into the 10 ft. sideyard setback and is deemed by the Zoning Administrator to be a legal, nonconforming structure.
- o. The French drains on both properties must be maintained and serviceable.
- p. The existing propane tank shall be removed.

APPROVED this 14th day of December, 2009.

By 
Jay Andolshek
Its: Mayor

By 
Jennifer Max
Its: Clerk

**AGREEMENT BETWEEN THE CITY OF CROSSLAKE AND BUTTERFIELD
ENTERPRISES, LLC REGARDING THE USE OF A
DRAINAGE AND UTILITY EASEMENT**

THIS AGREEMENT, entered into this 18th day of December, 2009 by and between the City of Crosslake ("City"), a Minnesota Municipal Corporation, and Butterfield Enterprises, LLC ("Developer"), a Minnesota Corporation.

WITNESSETH:

WHEREAS, City possesses a drainage and utility easement which passes under the building, said easement being labeled as "PORTION OF BUILDING WITHIN DRAINAGE AND UTILITY EASEMENT PER PLAT" as shown with a cross-hatched pattern on Exhibit A ("Easement"); and

WHEREAS, Developer desires to use and potentially modify the building currently located on the Easement; and

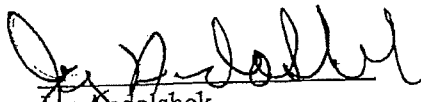
WHEREAS, City is willing to consent to encroachment on the Easement and to agree to allow the building over the Easement to be used and modified.

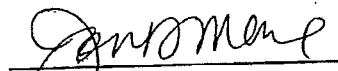
NOW, THEREFORE, IT IS HEREBY AND HEREIN MUTUALLY AGREED, in consideration of each party's promises and considerations herein set forth, as follows:

1. **Easement**. The City consents to the encroachment of the building shown on Exhibit A on the City's drainage and utility Easement. The City agrees not to require that the building be moved or modified in any way due to the existence of the Easement, nor shall the City use the Easement in a manner that will disturb the building or interfere with its use.


2. Other Requirements. The City does not waive any other rights it may have in connection with the Easement or the building shown on Exhibit A.

CITY OF CROSSLAKE,


Jay Andolshek
Its Mayor

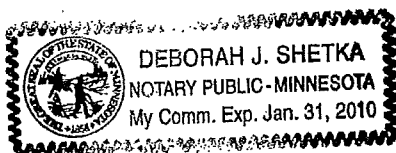

Jennifer Max
Its Clerk

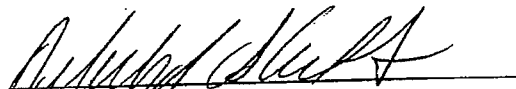
BUTTERFIELD ENTERPRISES, LLC


By: THOMAS MASCHKE
Its: President

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

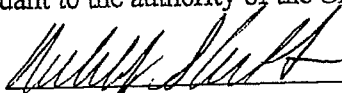
The foregoing instrument was acknowledged before me this 18th day of December, 2009, by Jay Andolshek as Mayor of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.



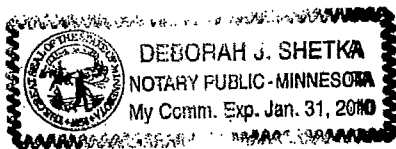

Notary Public

STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this 18th day of December, 2009, by Jennifer Max, as Clerk of the City of Crosslake, a Minnesota municipal corporation, on behalf of the city and pursuant to the authority of the City Council.

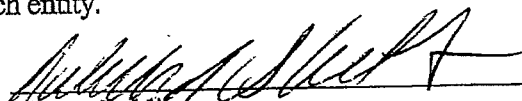


Notary Public

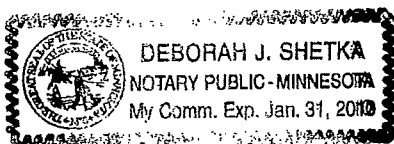


STATE OF MINNESOTA)
) ss.
COUNTY OF CROW WING)

The foregoing instrument was acknowledged before me this _____ day of December, 2009, by Thomas Maschhoff as President of Butterfield Enterprises, LLC, for and on behalf of such entity.



Notary Public

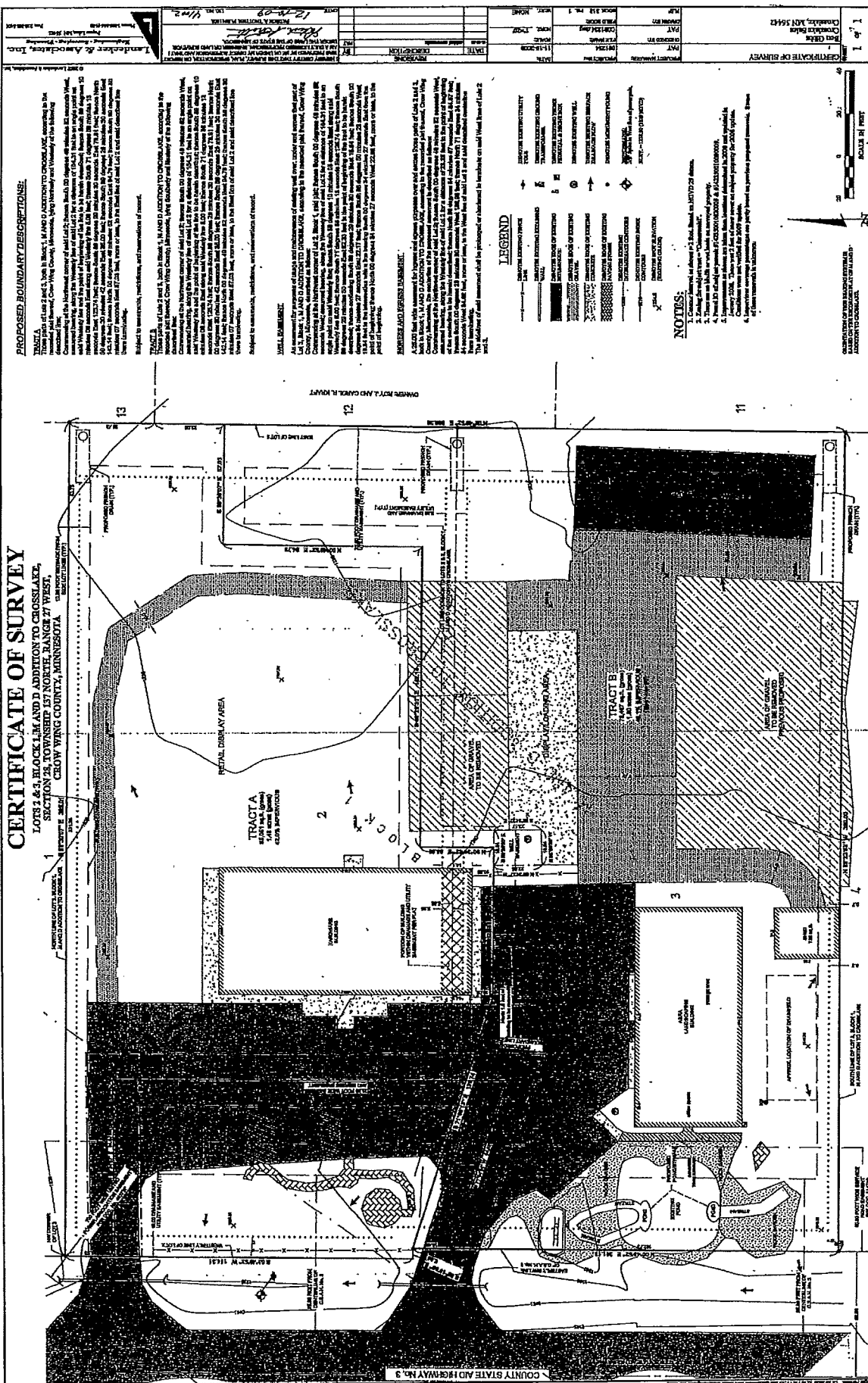


DRAFTED BY:

Couri, MacArthur & Ruppe, P.L.L.P.
P.O. Box 369
705 Central Avenue East
St. Michael, MN 55376
(763) 497-1930

CERTIFICATE OF SURVEY

LOTS 2 & 3, BLOCK 1, M AND D ADDITION TO CROSSLAKE,
SECTION 28, TOWNSHIP 137 NORTH, RANGE 27 WEST.



**CITY OF CROSSLAKE
CROW WING COUNTY, MINNESOTA**

**AGREEMENT TO COMPLY WITH CITY ORDINANCE
REQUIREMENTS**

WHEREAS, Butterfield Enterprises, LLC ("Butterfield") has applied to adjust the boundary lines of two commercial lots in the City of Crosslake ("City"); and

WHEREAS, the City has imposed conditions upon the requested lot line adjustment that Butterfield must meet; and

WHEREAS, Butterfield has requested that the City loan Butterfield \$65,720.00 to fund the purchase of real property in Crosslake described as Tract A on the Landecker & Associates, Inc. survey dated November 19, 2009 as revised December 10, 2009 ("Property") and its conversion for use in the operations of Crosslake Sales, Inc. and Outdoors Insights, Inc.; and

WHEREAS, the City has approved the requested loan, contingent upon Butterfield entering into an agreement with the City to comply with the conditions of the lot split required by the City, said compliance to be fully achieved by June 1, 2010;

NOW, THEREFORE, Butterfield and the City of Crosslake hereby agree as follows:

1. The City shall, working through Lakes State Bank, loan Butterfield \$65,720.00 for a period of 10 years, with interest at the rate of 5.5% annually, with principal and interest due and amortized monthly.
2. Butterfield shall provide the following security for the Loan Amount as follows:
 - a. A second mortgage on the Property (subject only to Lakes State Bank's superior mortgage); and
 - b. Personal guarantees from Mr. Gibbs and Mr. Maschhoff for all amounts due under the City's loan; and
 - c. Butterfield shall pay all costs incurred by the City in preparing the loan documentation, closing on the loan, and in preparing this and other documents related to the loan and lot split.
3. By June 1, 2010, Butterfield shall complete, to the City's satisfaction, all of

the items listed below. Butterfield's obligation to complete these items shall survive the closing on the loan.

- d. A certificate of survey/sketch and description for a common lot line adjustment shall be prepared that creates new legal descriptions for the Property. The December 10, 2009 Landecker and Associates, Inc. survey meets this requirement subject to the comments below. Deeds must be stamped by the City and filed with the Crow Wing County Recorder establishing the new descriptions and lot line.
- e. The existing True Value building crosses the existing common lot line between Lot 2 and Lot 3 as shown on the survey of the Property. The approved plat shows a five (5) foot drainage and utility easement on both sides of the common lot line. However, the previous certificate of surveys that were prepared omitted showing the easement. The Borrower and the City shall enter into the Easement Agreement approved by the City Council.
- f. Handicapped signs are required for the handicapped parking stalls on the Property. The signs must be between 60 and 66 inches above the parking surface and centered on the parking spaces as shown on the survey. A No Parking sign is also required at the head of the access aisle meeting the same requirements.
- g. Parking for the Property appears to be adequate, although a proposed floor plan must be submitted to verify that the minimum number of spaces shall be met for the proposed use.
- h. The existing banners attached to the power pole shall be immediately removed.
- i. A 50 ft. wide service road easement (document no. 514719) was vacated by the City Council, but still appears on the survey. There is documentation that the Crow Wing County District Court later held a hearing to vacate the same road easement. Borrower shall verify whether this easement still exists. If it does, Borrower shall petition the City to vacate the easement and shall pay all expenses incurred by the City in undertaking the vacation process.
- j. The illuminated, freestanding sign on the Property was erected without a permit and is prohibited by City ordinance. The bulb(s) shall be removed from the sign immediately so it is no longer internally illuminated. Future lighting of the freestanding sign shall be downward directed and shall be shielded or baffled so the source of illumination is not visible. Permit no. B2009-033 was issued to replace the existing sign. To date, the sign has not been replaced. A new sign shall require a zoning permit and shall be located a minimum of five (5) feet from the lot line/County Road 3 right-of-

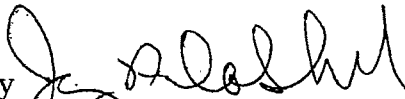
- way line. The permanent sign permit fee is \$50.00 and requires submittal of a sketch of the sign and dimensions and a site plan.
- k. The existing wall sign on the building located on the Property shall be removed and a new zoning permit application submitted for the new, conforming wall sign. The new wall sign preferably shall be downward lit with the source of illumination not visible.
 - l. The existing banners attached to the power pole shall be immediately removed. Temporary signs and banners are permitted subject to issuance of a sign permit by the City of Crosslake for up to 60 days cumulative each calendar year. There is no fee for a temporary sign permit.
 - m. The Gazebo and plastic/canvas/vinyl storage building (behind the True Value building) shall be removed. Vinyl/flexible sided buildings are prohibited. The Gazebo may be relocated to a conforming location upon issuance of a zoning permit.
 - n. The existing rope fence encroaches within the minimum 10 ft. setback from the County Road 3 public right-of-way and must be removed or moved to a conforming location. Moving the fence to a conforming location will be included as part of the land alteration permit for no additional fee. A site plan shall be submitted for the proposed fence.
 - o. The septic system for the Property was installed on November 5, 2004. A Certificate of Compliance or Winter Window Agreement is required for the Property.
 - p. The French drain on the Property must be maintained and serviceable.
4. Notwithstanding the terms of the Note Payable which evidences the \$65,720 loan from the City to Butterfield, in the event Butterfield fails to comply with the terms set out in paragraph 3 of this Agreement by June 1, 2010, the City may, at its option, pursue any or all of the following remedies:
- q. Declare the loan immediately due and payable and take whatever lawful action is available to it to collect such loan;
 - r. Bring an action in Crow Wing County District Court against Butterfield for specific performance of the terms of this Agreement;
 - s. Avail itself of any enforcement option available to the City under its ordinances for the violation sought to be remedied.

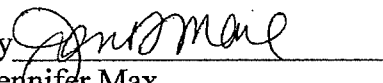
In the event Butterfield fails to comply with the terms set out in paragraph 3 by June 1, 2010, Butterfield agrees to pay all City costs incurred in enforcing the terms of this Agreement, including attorneys' fees, court costs

and expert witness fees.

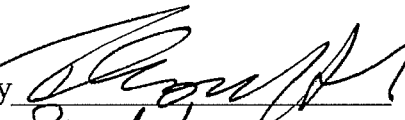
Entered into this 18th day of December, 2009.

CITY OF CROSSLAKE

By 
Jay Andolshek
Its: Mayor

By 
Jennifer Max
Its: Clerk

BUTTERFIELD ENTERPRISES, LLC

By 
Its: President

**CITY OF CROSSLAKE
CROW WING COUNTY, MINNESOTA**

**AGREEMENT TO COMPLY WITH CITY ORDINANCE
REQUIREMENTS**

WHEREAS, Butterfield Enterprises, LLC ("Butterfield") and Thomas M. Ledin and Colleen M. Ledin (collectively, "Ledin") have applied to adjust the boundary lines of two commercial lots in the City of Crosslake; and

WHEREAS, the City of Crosslake ("City") has imposed conditions upon the requested lot line adjustment that Ledin must meet; and

WHEREAS, Butterfield has requested that the City loan Butterfield \$65,720.00 to fund the purchase of real property in Crosslake owned by Ledin described as Tract A on the Landecker & Associates, Inc. survey dated November 19, 2009 as revised December 10, 2009 and its conversion for use in the operations of Crosslake Sales, Inc. and Outdoors Insights, Inc.; and

WHEREAS, after the purchase of Tract A by Butterfield, Ledin will own that property described as Tract B on the Landecker & Associates, Inc. survey dated November 19, 2009 as revised December 10, 2009 ("Property"); and

WHEREAS, the City has approved the requested loan, contingent upon Ledin entering into an agreement with the City to comply with the conditions of the lot split required by the City, said compliance to be fully achieved by June 1, 2010;

NOW, THEREFORE, Ledin and the City of Crosslake hereby agree as follows:

1. To help enable the purchase of Tract A from Ledin, the City shall, working through Lakes State Bank, loan Butterfield \$65,720.00 for a period of 10 years, with interest at the rate of 5.5% annually, with principal and interest due and amortized monthly.
2. In consideration of the City lending Butterfield funds to enable the purchase of Ledin's Tract A, by June 1, 2010, Ledin shall complete, to the City's satisfaction, all of the items listed below:
 - a. A certificate of survey/sketch and description for a common lot line adjustment shall be prepared that creates new legal descriptions for

the Property. The December 10, 2009 Landecker and Associates, Inc. survey meets this requirement subject to the comments below. Deeds must be stamped by the City and filed with the Crow Wing County Recorder establishing the new descriptions and lot line.

- b. Handicapped signs are required for the handicapped parking stalls on the Property. The signs must be between 60 and 66 inches above the parking surface and centered on the parking spaces as shown on the survey. A No Parking sign is also required at the head of the access aisle meeting the same requirements.
 - c. Parking for the Property does not meet the minimum 8 stalls required by the approved conditional use permit. Therefore, four additional spaces and a conforming handicapped space and access aisle must be completed and shown on the survey/site plan. Furthermore, the additional spaces must be located on a hard surfaced area such as pavement, concrete, pavers, etc. and meet the minimum dimensional requirements, i.e., 10 by 20 ft. or 18 by 20 ft. if not adjacent to a building and accessed by a minimum 24 ft. wide drive aisle.
 - d. A 50 ft. wide service road easement (document no. 514719) was vacated by the City Council, but still appears on the survey. There is documentation that the Crow Wing County District Court later held a hearing to vacate the same road easement. Ledin shall verify whether this easement still exists. If it does, Ledin shall petition the City to vacate the easement and shall pay all expenses incurred by the City in undertaking the vacation process.
 - e. The existing retaining wall around the Abra Landscaping freestanding sign located on the Property must be removed from the County Road 3 right-of-way.
 - f. The existing banners attached to the power pole shall be immediately removed.
 - g. A land alteration permit for the existing retaining wall and patio is required (\$75.00 - the ten times after the fact fee will be waived).
 - h. A site plan shall be submitted for the existing retaining wall and patio.
 - i. The septic system for the Property was installed on May 30, 2002. A Certificate of Compliance or Winter Window Agreement is required for the Property.
 - j. The French drain on the Property must be maintained and serviceable.
 - k. The existing propane tank located on the Property shall be removed.
3. In the event Ledin fails to comply with the terms set out in paragraph 2 of this Agreement by June 1, 2010, the City may, at its option, pursue any or all of the following remedies:

1. Bring an action in Crow Wing County District Court against Ledin for specific performance of the terms of this Agreement;
- m. Avail itself of any enforcement option available to the City under its ordinances for the violation sought to be remedied.

In the event Ledin fails to comply with the terms set out in paragraph 2 by June 1, 2010, Ledin agrees to pay all City costs incurred in enforcing the terms of this Agreement, including attorneys' fees, court costs and expert witness fees.

Entered into this 18th day of December, 2009.

CITY OF CROSSLAKE

By Jay Andolshek
Jay Andolshek
Its: Mayor

By Jennifer Max
Jennifer Max
Its: Clerk

THOMAS M. LEDIN

Thomas M. Ledin
Thomas M. Ledin

COLLEEN M. LEDIN

Colleen M. Ledin
Colleen M. Ledin

EXHIBIT A – CROSSWOODS

CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC. 35878 COUNTY RD 3 CROSSLAKE, MN 56442	FRANDSEN BANK & TRUST PO BOX 2690 BAXTER, MN 56425-2690	Loan Number <u>1440058323</u> Date <u>09-29-2014</u> Maturity Date <u>10-01-2024</u> Loan Amount \$ <u>100,000.00</u> Renewal Of _____
BORROWER'S NAME AND ADDRESS "I", "me" and "my" means each borrower above, together and separately.	LENDER'S NAME AND ADDRESS "You" and "your" means the lender, its successors and assigns.	

I promise to pay you, at your address listed above, the PRINCIPAL sum of ONE HUNDRED THOUSAND AND NO/100

Dollars \$ 100,000.00

☒ Single Advance: I will receive all of the loan amount on 09-29-2014. There will be no additional advances under this note.

☐ Multiple Advance: The loan amount shown above is the maximum amount I can borrow under this note. On _____ I will receive \$ _____ and future principal advances are permitted.

Conditions: The conditions for future advances are _____

☐ Open End Credit: You and I agree that I may borrow up to the maximum amount more than one time. All other conditions of this note apply to this feature. This feature expires on _____.

☐ Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from 09-29-2014 at the rate of 4.250 % per year until 10-01-2024.

☐ Variable Rate: This rate may then change as stated below.

☐ Index Rate: The future rate will be _____ the following index rate: _____

☐ No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.

☐ Frequency and Timing: The rate on this note may change as often as _____.
A change in the interest rate will take effect _____.

☐ Limitations: During the term of this loan, the applicable annual interest rate will not be more than _____ % or less than _____ %.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

☐ The amount of each scheduled payment will change. ☐ The amount of the final payment will change.

☐ _____

ACCRUAL METHOD: You will calculate interest on a ACTUAL/360 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

☐ on the same fixed or variable rate basis in effect before maturity (as indicated above).

☒ at a rate equal to 6.25% FIXED

☒ LATE CHARGE: If I make a payment more than 10 days after it is due, I agree to pay a late charge of 5.000% OF THE LATE AMOUNT OF PRINCIPAL AND INTEREST

☐ ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which ☐ are ☐ are not included in the principal amount above: _____

☐ Authority: The interest rate and other charges for this loan are authorized by _____

PAYMENTS: I agree to pay this note as follows:

120 MONTHLY PAYMENTS OF \$1,027.60 BEGINNING 11-01-2014. THE ACTUAL AMOUNT OF MY FINAL PAYMENT WILL DEPEND ON MY PAYMENT RECORD.

ADDITIONAL TERMS:

☒ SECURITY: This note is separately secured by (describe separate document by type and date): REAL ESTATE MORTGAGE DATED 09/29/2014 AND COMMERCIAL SECURITY AGREEMENT DATED 09/29/2014.

(This section is for your internal use. Failure to list a separate security document does not mean the agreement will not secure this note.)

Signature for Lender

Dave Desmarais
DAVE DESMARAIS, VICE PRESIDENT

PURPOSE: The purpose of this loan is FUND IMPROVEMENTS TO DEVELOP A 9 HOLE GOLF COURSE

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGE 2). I have received a copy on today's date.

CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.

Michael J. Stone
MICHAEL J. STONE, S/DLE MEMBER OF CROSSWOODS PROPERTIES, LLC

Michael J. Stone
MICHAEL J. STONE, PRESIDENT/TREASURER OF CROSSWOODS GOLF COURSE, INC.

DEFINITIONS: As used on page 1, "X" means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW: Minnesota law controls this note. Any term of this note which violates Minnesota law is not effective, unless the law permits you and me to agree to a variation.

If any provision of this agreement is unenforceable, the rest of the agreement remains in force. I may not change this agreement without your express written consent. Time is of the essence in this agreement.

COMMISSIONS OR OTHER REMUNERATION: I understand and agree that any insurance premiums paid to insurance companies as part of this note will involve money retained by you or paid back to you as commissions or other remuneration.

In addition, I understand and agree that some other payments to third parties as part of this note may also involve money retained by you or paid back to you as commissions or other remuneration.

PAYMENTS: You will apply each payment I make on this note first to any amount I owe you for charges which are neither interest nor principal. You will apply the rest of each payment to any unpaid interest, and then to the unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note.

I may prepay all or part of this loan without penalty unless we agree to something different on this note. Any partial prepayment I make will not excuse or reduce any later scheduled payment until this note is paid in full (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST: Interest accrues on the principal remaining unpaid from time to time, until paid in full. If you give me my loan money in more than one advance, each advance will start to earn interest only when I receive it.

The interest rate in effect on this note at any time will apply to all the money you advance at that time. Regardless of anything in this document that might imply otherwise, I will not pay and you will not charge a rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the credit you give me (before or after maturity).

If you send any erroneous notice of interest, we mutually agree to correct it. If you collect more interest than the law and this agreement allow, you agree to refund it to me.

INDEX RATE: The index will serve only as a device for setting the rate on this note. You do not guarantee by selecting this index, or the margin, that the rate on this note will be the same rate you charge on any other loans or class of loans to me or other borrowers.

ACCRUAL METHOD: You will calculate the amount of interest I will pay on this loan using the interest rate and accrual method on page 1 of this note. When calculating interest, you will use the accrual method to determine the number of days in a "year." If you do not state an accrual method, you may use any reasonable accrual method to calculate interest.

POST MATURITY RATE: In deciding when the "Post Maturity Rate" (on page 1) applies, "maturity" means: 1.) The date of the last scheduled payment indicated on page 1 of this note, or; 2.) The date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS: If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph below.

MULTIPLE ADVANCE LOANS: If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed-end credit, I am not entitled to additional credit if I repay a part of the principal.

PAYMENTS BY LENDER: If you are authorized to pay, on my behalf, charges I am obligated to pay (such as property insurance premiums), then you may treat those payments made by you as advances and add them to the unpaid principal under this note. Or, you may demand immediate payment of the charges.

SET-OFF: You may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

- (1) any deposit account balance I have with you;
- (2) any money owed to me on an item presented to you or in your possession for collection or exchange; and
- (3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance the due date for which you properly accelerate under this note.

If someone who has not agreed to pay this note also owns my right to receive money from you, your set-off right will apply to my interest in the obligation, and to any other amounts I could withdraw on my sole request or endorsement.

Your set-off right does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set off this debt against one of my accounts. I will assume the liability and relieve you of all responsibility for any such claim that occurs if you set off this debt against one of my accounts.

REAL ESTATE OR RESIDENCE SECURITY: If I am giving you any real estate or a residence that is personal property, as security for this note, I have signed a separate security agreement. Default and your remedies for default are determined by applicable law and by the security agreement. Default and your remedies may also be determined by the "Default" and "Remedies" paragraphs below, to the extent they are not prohibited by law or contrary to the security agreement.

DEFAULT: I will be in default if any of the following happen:

- (1) I fail to make a payment on time or in the amount due;
- (2) I fail to keep the property insured, if required;
- (3) I fail to pay, or keep any promise, on any debt or agreement I have with you;
- (4) any other creditors of mine try to collect any debt I owe them through court proceedings;
- (5) I die, am declared incompetent, make an assignment for the benefit of creditors, or become insolvent (either because my liabilities exceed my assets or I am unable to pay my debts as they become due);
- (6) I make any written statement or provide any financial information that is untrue or inaccurate when it was provided;
- (7) I do or fail to do something which causes you to believe that you will have difficulty collecting the amount I owe you;
- (8) any collateral securing this note is used in a manner or for a purpose which threatens confiscation by a legal authority;
- (9) I change my name or assume an additional name without first notifying you;
- (10) I fail to plant, cultivate and harvest crops in due season;
- (11) any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land, or to the conversion of wetlands to produce an agricultural commodity, as explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

REMEDIES: If I am in default on this note, you have, but are not limited to, the following remedies:

- (1) You may demand immediate payment of everything I owe under this note;
- (2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "SET-OFF" paragraph;
- (3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy;
- (4) You may refuse to make advances to me or allow me to make credit purchases;
- (5) You may use any remedy you have under state or federal law.

If you choose one of these remedies, you do not give up your right to use any other remedy later. By waiving your right to declare an event to be a default, you do not waive your right to later consider the event as a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES: I will pay all costs of collection, replevin (an action for the recovery of property wrongfully taken or detained), or any other or similar type of cost if I am in default.

In addition, if you hire an attorney to collect this note, I will pay attorney's fees plus court costs (except where prohibited by law). To the extent permitted by the United States Bankruptcy Code, I will also pay the reasonable attorney's fees and costs you are charged to collect this debt as awarded by any court under the Bankruptcy Code's jurisdiction.

WAIVER: I give up my rights to require you to:

- (1) demand payment of amounts due (presentment);
- (2) obtain official certification of nonpayment (protest);
- (3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

OBLIGATIONS INDEPENDENT: I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement).

You may sue me alone, anyone else obligated on this note, or any number of us together, to collect this note. You may do so without any notice that it has not been paid (notice of dishonor).

You may, without notice, release any party to the agreement without releasing any other party.

If you give up any of your rights, with or without notice, it will not affect my duty to pay this note.

Any extension of new credit to any of us, or renewal of this note by all or less than all of us, will not release me from my duty to pay it. (Of course, you are entitled to only one payment in full.) You may extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice. You may do this without affecting my liability for payment of the note.

I will not assign my obligation under this agreement without your prior written approval.

FINANCIAL INFORMATION: I will provide you, at your request, accurate, correct and complete financial statements or information you need.

NOTICE: Unless otherwise required by law, you will give any notice to me by delivering it or mailing it by first class mail to my last known address. My current address is on page 1. I will inform you in writing of any change in my address. I will give any notice to you by mailing it first class to your address stated on page 1 of this agreement, or to any other address you give me.

DATE OF TRANSACTION	PRINCIPAL ADVANCE	BORROWER'S INITIALS (not required)	PRINCIPAL PAYMENTS	PRINCIPAL BALANCE	INTEREST RATE	INTEREST PAYMENTS	INTEREST PAID THROUGH:
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	
	\$		\$	\$	%	\$	

Complete the following for consumer transactions secured by a dwelling.

Loan origination organization

NMLS ID

Loan originator

NMLS ID

BORROWER NAME AND ADDRESS	LENDER NAME AND ADDRESS	LOAN DESCRIPTION
CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC. 35878 COUNTY RD 3 CROSSLAKE, MN 56442	FRANDSEN BANK & TRUST PO BOX 2690 BAXTER, MN 56425-2690	Number <u>1440058323</u> Amount \$ <u>100,000.00</u> Date <u>09-29-2014</u>

☐ Refer to the attached Signature Addendum, incorporated herein, for additional Borrowers and their signatures.

COMMERCIAL LOAN AGREEMENT

LOAN STRUCTURE. This Commercial Loan Agreement (Agreement) contemplates ☒ a single advance term Loan ☐ a multiple advance draw Loan ☐ a revolving multiple advance draw Loan. The principal balance will not exceed \$ 100,000.00. Borrower will pay down a revolving draw Loan's outstanding Principal to \$ _____ (Pay Down Balance) _____ (Time Period). This Loan is for ☐ agricultural ☒ business purposes.

☐ Borrower may not voluntarily prepay the Loan in full at any time. ☒ Borrower may prepay the Loan under the following terms and conditions (Any partial prepayment will not excuse any later scheduled payments until the Loan is paid in full.): ANY TIME

☒ LATE CHARGES. If a payment is made more than 10 days after it is due, Borrower will pay a late charge of 5.000% OF THE LATE AMOUNT OF PRINCIPAL AND INTEREST

FEES. Borrower agrees to pay the following fees in connection with this Loan at closing or as otherwise requested by Lender:

REQUESTS FOR ADVANCES. Borrower authorizes Lender to honor a request for an advance from Borrower or any person authorized by Borrower. The requests for an advance must be in writing, by telephone, or any other manner agreed upon by Borrower and Lender, and must specify the requested amount and date and be accompanied with any agreements, documents, and instruments that Lender requires for the Loan. Lender will make same day advances, on any day that Lender is open for business, when the request is received before _____ (Advance Cut-Off Time). Lender will disburse the advance into Borrower's demand deposit account (if any), account number _____, or in any other agreed upon manner. All advances will be made in United States dollars.

- ☐ These requests must be made by at least _____ (Number Required To Draw) persons, acting together, of those persons authorized to act on Borrower's behalf.
- ☐ Advances will be made in the amount of at least \$ _____ (Minimum Amount Of Advance).
- ☐ Advances will be made no more frequently than _____ (Minimum Frequency Of Advance).
- ☐ Discretionary Advances. Lender will make all Loan advances at Lender's sole discretion.
- ☐ Obligatory Advances. Lender will make all Loan advances subject to this Agreement's terms and conditions.

FINANCIAL INFORMATION. Borrower will prepare and maintain Borrower's financial records using consistently applied generally accepted accounting principles then in effect. Borrower will provide Lender with financial information in a form acceptable to Lender and under the following terms.

A. Frequency. Annually, Borrower will provide to Lender Borrower's financial statements, tax returns, annual internal audit reports or those prepared by independent accountants within 120 days after the close of each fiscal year. Any annual financial statements that Borrower provides will be ☐ audited statements. ☐ reviewed statements. ☐ compiled statements.

☐ Borrower will provide Lender with interim financial reports on a _____ (Monthly, Quarterly) basis, and within _____ days after the close of this business period. Interim financial statements will be ☐ audited ☐ reviewed ☐ compiled statements.

B. Requested Information. Borrower will provide Lender with any other information about Borrower's operations, financial affairs and condition within 30 days after Lender's request.

☐ C. Leverage Ratio. Borrower will maintain at all times a ratio of total liabilities to tangible net worth, determined under consistently applied generally accepted accounting principles, of _____ (Total Liabilities to Tangible Net Worth Ratio) or less.

☐ D. Minimum Tangible Net Worth. Borrower will maintain at all times a total tangible net worth, determined under consistently applied generally accepted accounting principles, of \$ _____ (Minimum Tangible Net Worth) or more. Tangible net worth is the amount by which total assets exceed total liabilities. For determining tangible net worth, total assets will exclude all intangible assets, including without limitation goodwill, patents, trademarks, trade names, copyrights, and franchises, and will also exclude any accounts receivable that do not provide for a repayment schedule.

☐ E. Minimum Current Ratio. Borrower will maintain at all times a ratio of current assets to current liabilities, determined under consistently applied generally accepted accounting principles, of _____ (Minimum Current Ratio) or more.

☐ F. Minimum Working Capital. Borrower will maintain at all times a working capital, determined under consistently applied generally accepted accounting principles by subtracting current liabilities from current assets, of \$ _____ (Minimum Working Capital) or more. For this determination, current assets exclude _____

(Excluded Current Assets). Likewise, current liabilities include (1) all obligations payable on demand or within one year after the date on which the determination is made, and (2) final maturities and sinking fund payments required to be made within one year after the date on which the determination is made, but exclude all liabilities or obligations that Borrower may renew or extend to a date more than one year from the date of this determination.

ATTACHMENTS. The following documents are incorporated by reference into this Agreement: ☐ Asset Based Financing Agreement addendum dated _____ ☐ Commercial Security Agreement addendum dated _____ ☒ Other SEE ATTACHED EXHIBIT 'A'.

ADDITIONAL TERMS:

☒ ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE, REGARDLESS OF THE LEGAL THEORY UPON WHICH IT IS BASED THAT IS IN ANY WAY RELATED TO THE CREDIT AGREEMENT. TO PROTECT YOU (BORROWER) AND US (LENDER) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT. BY SIGNING THIS AGREEMENT, THE PARTIES AFFIRM THAT NO UNWRITTEN ORAL AGREEMENT EXISTS BETWEEN THEM.

SIGNATURES. By signing under seal, I agree to all the terms and conditions beginning on page 1 through the bottom of page 2 of this Agreement. Borrower also acknowledges receipt of a copy of this Agreement.

BORROWER:

CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.

Entity Name

Signature MICHAEL J. STONE, SOLE MEMBER OF CROSSWOODS PROPERTIES, LLC (Seal)

Signature _____ Date _____ (Seal)

Signature MICHAEL J. STONE, PRESIDENT/TREASURER OF CROSSWOODS GOLF COURSE, INC. (Seal)

Signature _____ Date _____ (Seal)

LENDER:

FRANDSEN BANK & TRUST

Entity Name

Signature DAVE DESMARAI, VICE PRESIDENT (Seal) Date 9-29-2014

COMMERCIAL LOAN AGREEMENT: to be used with Form COMM-NOTE
Expend 1998, 2001 Bankers Systems, Inc., St. Cloud, MN Form COMM-AGREE 7/1/2004

NOT TO BE USED FOR LOANS SUBJECT TO CONSUMER LENDING LAWS
(page 1 of 2)

DEFINITIONS. In this Agreement, the following terms have the following meanings.

Accounting Terms. Accounting terms that are not specifically defined will have their customary meanings under consistently applied generally accepted accounting principles.

Loan. Loan refers to all advances made under the terms of this Agreement.

Loan Documents. Loan Documents include this Agreement and all documents prepared pursuant to the terms of this Agreement including all present and future promissory notes (Notes), security instruments, guaranties, and supporting documentation as modified, amended or supplemented.

Property. Property is any collateral, real, personal or intangible, that secures Borrower's performance of the obligations of this Agreement.

ADVANCES. To the extent permitted by law, Borrower will indemnify Lender and hold Lender harmless for reliance on any request for advance that Lender reasonably believes to be genuine. Lender's records are conclusive evidence as to the number and amount of advances and the Loan's unpaid principal and interest. If any advance results in an overadvance (when the total amount of the Loan exceeds the principal balance) Borrower will pay the overadvance, as requested by Lender. Regarding Borrower's demand deposit account(s) with Lender, Lender may, at its option, consider presentation for payment of a check or other charge exceeding available funds as a request for an advance under this Agreement. Any such payment by Lender will constitute an advance on the Loan.

CONDITIONS. Borrower will satisfy all of the following conditions before Lender makes any advances under this Agreement. If this Agreement provides for discretionary advances, satisfaction of these conditions does not commit Lender to making advances.

No Default. There has not been a default under the Loan Documents nor would a default result from making the advance.

Information. Borrower has provided all required documents, information, certifications and warranties, all properly executed on forms acceptable to Lender.

Inspections. Borrower has accommodated, to Lender's satisfaction, all inspections. Conditions and Covenants. Borrower has performed and complied with all conditions required for an advance and all covenants in the Loan Documents.

Warranties and Representations. The warranties and representations contained in this Agreement are true and correct at the time of making the advance.

Financial Statements. Borrower's most recently delivered financial statements and reports are current, complete, true and accurate in all material respects and fairly represent Borrower's financial condition.

Bankruptcy Proceedings. No proceeding under the United States Bankruptcy Code has been commenced by or against Borrower or any of Borrower's affiliates.

WARRANTIES AND REPRESENTATIONS. Borrower makes these warranties and representations which will continue as long as this Agreement is in effect.

Power. Borrower is duly organized, validly existing and in good standing in all jurisdictions in which Borrower operates. Borrower has the power and authority to enter into this transaction and to carry on its business or activity as it is now being conducted. All persons who are required by applicable law and the governing documents of Borrower have executed and delivered to Lender this Agreement and other Loan Documents.

Authority. The execution, delivery and performance of this Agreement and the obligation evidenced by the Loan Documents are within Borrower's duly authorized powers, has received all necessary governmental approval, and will not violate any provision of law or order of court or governmental agency, and will not violate any agreement to which Borrower is a party or to which Borrower or Borrower's property is subject.

Name and Place of Business. Other than previously disclosed in writing to Lender, Borrower has not changed its name or principal place of business within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Borrower will not use any other name and will preserve Borrower's existing name, trade names and franchises.

No Other Liens. Borrower owns or leases all property that is required for its business and except as disclosed, the property is free and clear of all liens, security interests, encumbrances and other adverse interests.

Compliance With Laws. Borrower is not violating any laws, regulations, rules, orders, judgments or decrees applicable to Borrower or its property, except as disclosed to Lender.

Financial Statements. Borrower represents and warrants that all financial statements Borrower provides fairly represent Borrower's financial condition for the stated periods, are current, complete, true and accurate in all material respects, include all direct or contingent liabilities, and that there has been no material adverse change in Borrower's financial condition, operations or business since the date the financial information was prepared.

COVENANTS. Until the Loan and all related debts, liabilities and obligations under the Loan Documents are paid and discharged, Borrower will comply with the following terms, unless Lender waives compliance in writing.

Inspection and Disclosure. Borrower will allow Lender or its agents to enter any of Borrower's premises during mutually agreed upon times, to do the following: (1) inspect, audit, review and obtain copies from Borrower's books, records, orders, receipts, and other business related data; (2) discuss Borrower's finances and business with anyone who claims to be Borrower's creditor; (3) inspect Borrower's Property, audit for the use and disposition of the Property's proceeds; or do whatever Lender decides is necessary to preserve and protect the Property and Lender's interest in the Property. As long as this Agreement is in effect, Borrower will direct all of Borrower's accountants and auditors to permit Lender to examine and make copies of Borrower's records in their possession, and to disclose to Lender any other information that they know about Borrower's financial condition and business operations. Lender may provide Lender's regulator with required information about Borrower's financial condition, operation and business or that of Borrower's parent, subsidiaries or affiliates.

Business Requirements. Borrower will preserve and maintain its present existence and good standing in jurisdictions where Borrower is organized and operates. Borrower will continue its business or activities as presently conducted, by obtaining licenses, permits and bonds where needed. Borrower will obtain Lender's prior written consent before ceasing business or engaging in any line of business that is materially different from its present business.

Compliance with Laws. Borrower will not violate any laws, regulations, rules, orders, judgments or decrees applicable to Borrower or Borrower's property, except for those which Borrower challenges in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its appeal should Borrower lose. On request, Borrower will provide Lender with written evidence that Borrower has fully and timely paid taxes, assessments and other governmental charges levied or imposed on Borrower and its income, profits and property. Borrower will adequately provide for the payment of taxes, assessments and other charges that have accrued but are not yet due and payable.

New Organizations. Borrower will obtain Lender's written consent before organizing, merging into, or consolidating with an entity; acquiring all or substantially all of the assets of another; or materially changing legal structure, management, ownership or financial condition.

Other Liabilities. Borrower will not incur, assume or permit any debt evidenced by notes, bonds or similar obligations except debt in existence on the date of this Agreement and fully disclosed to Lender; debt subordinated in payment to Lender on terms acceptable to Lender; accounts payable incurred in the ordinary course of business and paid under customary trade terms or contested in good faith with reserves satisfactory to Lender; or as otherwise agreed to by Lender.

Notice. Borrower will promptly notify Lender of any material change in financial condition, a default under the Loan Documents, or a default under any agreement with a third party which materially and adversely affects Borrower's property, operations or financial condition.

Dispose of No Assets. Without Lender's prior written consent, Borrower will not sell, lease, assign, or otherwise distribute all or substantially all of its assets.

Insurance. Borrower will obtain and maintain insurance with insurers in amounts and coverages that are acceptable to Lender and customary with industry practice. This may include without limitation credit insurance, insurance policies for public liability, fire, hazard and extended risk, workers compensation, and, at Lender's request, business interruption and/or rent loss insurance. Borrower may obtain insurance from anyone Borrower wants that is acceptable to Lender. Borrower's choice of insurance provider will not affect the credit decision or interest rate. At Lender's request, Borrower will deliver to Lender certified copies of all of these insurance policies, binders or certificates. Borrower will obtain and maintain a mortgagee or loss payee endorsement for Lender when these endorsements are available. Borrower will require all insurance policies to provide at least 10 days prior written notice to Lender of cancellation or modification. Borrower consents to Lender using or disclosing information relative to any contract of insurance required for the Loan for the purpose of replacing this insurance. Borrower also authorizes its insurer and Lender to exchange all relevant information related to any contract of insurance executed as required by any Loan Documents.

Property Maintenance. Borrower will keep property that is necessary or useful in its business in good working condition by making all needed repairs, replacements and improvements and by making payments due on the property.

DEFAULT. If the Loan is payable on demand, Lender may demand payment at any time whether or not any of the following events have occurred. Borrower will be in default if any one or more of the following occur: (1) Borrower fails to make a payment in full when due. (2) Borrower makes an assignment for the benefit of creditors or becomes insolvent, either because Borrower's liabilities exceed its assets or Borrower is unable to pay debts as they become due; or Borrower petitions for protection under any bankruptcy, insolvency or debtor relief laws, or is the subject of such a petition or action and fails to have the petition or action dismissed within a reasonable period of time. (3) Borrower fails to perform any condition or to keep any promise or covenant on this Agreement or any debt or agreement Borrower has with Lender. (4) A default occurs under the terms of any instrument evidencing or pertaining to this Agreement. (5) If Borrower is a producer of crops, Borrower fails to plant, cultivate and harvest crops in due season. (6) Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained by federal law. (7) Anything else happens that either significantly impairs the value of the Property or, unless controlled by the New Jersey Banking Law, causes Lender to reasonably believe that Lender will have difficulty collecting the Loan.

REMEDIES. After Borrower defaults, and after Lender gives any legally required notice and opportunity to cure, Lender may at its option use any and all remedies Lender has under state or federal law or in any of the Loan Documents, including, but not limited to, terminating any commitment or obligation to make additional advances or making all or any part of the amount owing immediately due. Lender may set-off any amount due and payable under the terms of the Loan against Borrower's right to receive money from Lender, unless prohibited by applicable law. Except as otherwise required by law, by choosing any one or more of these remedies Lender does not give up Lender's right to use any other remedy. Lender does not waive a default if Lender chooses not to use a remedy, and may later use any remedies if the default continues or occurs again.

COLLECTION EXPENSES AND ATTORNEYS' FEES. To the extent permitted by law, Borrower agrees to pay all expenses of collection, enforcement and protection of Lender's rights and remedies under this Agreement. Expenses include, but are not limited to, reasonable attorneys' fees including attorney fees as permitted by the United States Bankruptcy Code, court costs and other legal expenses. These expenses will bear interest from the date of payment until paid in full at the contract interest rate then in effect for the Loan. **FL:** Attorneys' fees will be 10 percent of the principal sum due or a larger amount as the court judges as reasonable and just. **GA:** Attorneys' fees will be 15 percent of the principal and interest owing.

GENERAL PROVISIONS. This Agreement is governed by the laws of the jurisdiction where Lender is located, the United States of America and to the extent required, by the laws of the jurisdiction where the Property is located.

Joint And Individual Liability And Successors. Each Borrower, individually, has the duty of fully performing the obligations on the Loan. Lender can sue all or any of the Borrowers upon breach of performance. The duties and benefits of this Loan will bind and benefit the successors and assigns of Borrower and Lender.

Amendment, Integration And Severability. The Loan Documents may not be amended or modified by oral agreement. Borrower agrees that any party signing this Agreement as Borrower is authorized to modify the terms of the Loan Documents. Borrower agrees that Lender may inform any party who guarantees this Loan of any Loan accommodations, renewals, extensions, modification, substitutions, or future advances. The Loan Documents are the complete and final expression of the understanding between Borrower and Lender. If any provision of the Loan Documents is unenforceable, then the unenforceable provision will be severed and the remaining provisions will be enforceable.

Waivers And Consent. Borrower, to the extent permitted by law, consents to certain actions Lender may take, and generally waives defenses that may be available based on these actions or based on the status of a party to the Loan. Lender may renew or extend payments on the Loan. Lender may release any borrower, endorser, guarantor, surety, or any other co-signer. Lender may release, substitute, or impair any Property securing the Loan. Lender's course of dealing, or Lender's forbearance from, or delay in, the exercise of any of Lender's rights, remedies, privileges, or right to insist upon Borrower's strict performance of any provisions contained in the Loan Documents, will not be construed as a waiver by Lender, unless the waiver is in writing and signed by Lender. Lender may participate or syndicate the Loan and share any information that Lender decides is necessary about Borrower and the Loan with the other participants.

Interpretation. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement. Unless otherwise indicated, the terms of this Agreement shall be construed in accordance with the Uniform Commercial Code.

Notice. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in this Agreement, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. Time is of the essence.

DEBTOR NAME AND ADDRESS	SECURED PARTY NAME AND ADDRESS
CROSSWOODS GOLF COURSE, INC. 35878 COUNTY ROAD 3 CROSSLAKE, MN 56425	FRANDSEN BANK & TRUST PD BOX 2690 BAXTER, MN 56425-2690
Type: <input type="checkbox"/> individual <input type="checkbox"/> partnership <input type="checkbox"/> corporation <input checked="" type="checkbox"/> CORPORATION State of organization/registration (if applicable) <u>MN</u> <input type="checkbox"/> If checked, refer to addendum for additional Debtors and signatures.	

COMMERCIAL SECURITY AGREEMENT

The date of this Commercial Security Agreement (Agreement) is 09-29-2014.

SECURED DEBTS. This Agreement will secure all sums advanced by Secured Party under the terms of this Agreement and the payment and performance of the following described Secured Debts that (check one) ☐ Debtor ☒ CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC. (Borrower) owes to Secured Party:

☐ Specific Debts. The following debts and all extensions, renewals, refinancings, modifications, and replacements (describe):

☒ All Debts. All present and future debts, even if this Agreement is not referenced, the debts are also secured by other collateral, or the future debt is unrelated to or of a different type than the current debt. Nothing in this Agreement is a commitment to make future loans or advances.

SECURITY INTEREST. To secure the payment and performance of the Secured Debts, Debtor gives Secured Party a security interest in all of the Property described in this Agreement that Debtor owns or has sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property. This Agreement remains in effect until terminated in writing, even if the Secured Debts are paid and Secured Party is no longer obligated to advance funds to Debtor or Borrower.

PROPERTY DESCRIPTION. The Property is described as follows:

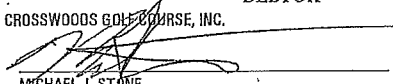
- ☒ Accounts and Other Rights to Payment: All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which Debtor may have by law or agreement against any account debtor or obligor of Debtor.
- ☒ Inventory: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in Debtor's business.
- ☒ Equipment: All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule Debtor gives to Secured Party, but such a list is not necessary to create a valid security interest in all of Debtor's equipment.
- ☒ Instruments and Chattel Paper: All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
- ☒ General Intangibles: All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use Debtor's name.
- ☒ Documents: All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
- ☐ Farm Products and Supplies: All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in Debtor's farming operations.
- ☒ Government Payments and Programs: All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
- ☒ Investment Property: All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
- ☒ Deposit Accounts: All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
- ☐ Specific Property Description: The Property includes, but is not limited by, the following (if required, provide real estate description):

USE OF PROPERTY. The Property will be used for ☐ personal ☒ business ☐ agricultural ☐ _____ purposes.

SIGNATURES. Debtor agrees to the terms on pages 1 and 2 of this Agreement and acknowledges receipt of a copy of this Agreement.

DEBTOR

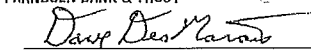
CROSSWOODS GOLF COURSE, INC.



MICHAEL J. STONE
PRESIDENT / TREASURER

SECURED PARTY

FRANDSEN BANK & TRUST



DAVE DESMARAIS
VICE PRESIDENT

GENERAL PROVISIONS. Each Debtor's obligations under this Agreement are independent of the obligations of any other Debtor. Secured Party may sue each Debtor individually or together with any other Debtor. Secured Party may release any part of the Property and Debtor will remain obligated under this Agreement. The duties and benefits of this Agreement will bind the successors and assigns of Debtor and Secured Party. No modification of this Agreement is effective unless made in writing and signed by Debtor and Secured Party. Whenever used, the plural includes the singular and the singular includes the plural. Time is of the essence.

APPLICABLE LAW. This Agreement is governed by the laws of the state in which Secured Party is located. In the event of a dispute, the exclusive forum, venue, and place of jurisdiction will be the state in which Secured Party is located, unless otherwise required by law. If any provision of this Agreement is unenforceable by law, the unenforceable provision will be severed and the remaining provisions will still be enforceable.

NAME AND LOCATION. Debtor's name indicated on page 1 is Debtor's exact legal name. If Debtor is an individual, Debtor's address is Debtor's principal residence. If Debtor is not an individual, Debtor's address is the location of Debtor's chief executive offices or sole place of business. If Debtor is an entity organized and registered under state law, Debtor has provided Debtor's state of registration on page 1. Debtor will provide verification of registration and location upon Secured Party's request. Debtor will provide Secured Party with at least 30 days notice prior to any change in Debtor's name, address, or state of organization or registration.

WARRANTIES AND REPRESENTATIONS. Debtor has the right, authority, and power to enter into this Agreement. The execution and delivery of this Agreement will not violate any agreement governing Debtor or Debtor's property, or to which Debtor is a party. Debtor makes the following warranties and representations which continue as long as this Agreement is in effect:

- (1) Debtor is duly organized and validly existing in all jurisdictions in which Debtor does business;
- (2) the execution and performance of the terms of this Agreement have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law or order;
- (3) other than previously disclosed to Secured Party, Debtor has not changed Debtor's name or principal place of business within the last 10 years and has not used any other trade or fictitious name; and
- (4) Debtor does not and will not use any other name without Secured Party's prior written consent.

Debtor owns all of the Property, and Secured Party's claim to the Property is ahead of the claims of any other creditor, except as otherwise agreed and disclosed to Secured Party prior to any advance on the Secured Debts. The Property has not been used for any purpose that would violate any laws or subject the Property to forfeiture or seizure.

DUTIES TOWARD PROPERTY. Debtor will protect the Property and Secured Party's interest against any competing claim. Except as otherwise agreed, Debtor will keep the Property in Debtor's possession at the address indicated on page 1 of this Agreement. Debtor will keep the Property in good repair and use the Property only for purposes specified on page 1. Debtor will not use the Property in violation of any law and will pay all taxes and assessments levied or assessed against the Property. Secured Party has the right of reasonable access to inspect the Property, including the right to require Debtor to assemble and make the Property available to Secured Party. Debtor will immediately notify Secured Party of any loss or damage to the Property. Debtor will prepare and keep books, records, and accounts about the Property and Debtor's business, to which Debtor will allow Secured Party reasonable access.

Debtor will not sell, offer to sell, license, lease, or otherwise transfer or encumber the Property without Secured Party's prior written consent. Any disposition of the Property will violate Secured Party's rights, unless the Property is inventory sold in the ordinary course of business at fair market value. If the Property includes chattel paper or instruments, either as original collateral or as proceeds of the Property, Debtor will record Secured Party's interest on the face of the chattel paper or instruments.

If the Property includes accounts, Debtor will not settle any account for less than the full value, dispose of the accounts by assignment, or make any material change in the terms of any account without Secured Party's prior written consent. Debtor will collect all accounts in the ordinary course of business, unless otherwise required by Secured Party. Debtor will keep the proceeds of the accounts, and any goods returned to Debtor, in trust for Secured Party and will not commingle the proceeds or returned goods with any of Debtor's other property. Secured Party has the right to require Debtor to pay Secured Party the full price on any returned items. Secured Party may require account debtors to make payments under the accounts directly to Secured Party. Debtor will deliver the accounts to Secured Party at Secured Party's request. Debtor will give Secured Party all statements, reports, certificates, lists of account debtors (showing names, addresses, and amounts owing), invoices applicable to each account, and any other data pertaining to the accounts as Secured Party requests.

If the Property includes farm products, Debtor will provide Secured Party with a list of the buyers, commission merchants, and selling agents to or through whom Debtor may sell the farm products. Debtor authorizes Secured Party to notify any additional parties regarding Secured Party's interest in Debtor's farm products, unless prohibited by law. Debtor agrees to plant, cultivate, and harvest crops in due season. Debtor will be in default if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, further explained in 7 CFR Part 1940, Subpart G, Exhibit M. If Debtor pledges the Property to Secured Party (delivers the Property into the possession or control of Secured Party or a designated third party), Debtor will, upon receipt, deliver any proceeds and products of the Property to Secured Party. Debtor will provide Secured Party with any notices, documents, financial statements, reports, and other information relating to the Property Debtor receives as the owner of the Property.

PERFECTION OF SECURITY INTEREST. Debtor authorizes Secured Party to file a financing statement covering the Property. Debtor will comply with, facilitate, and otherwise assist Secured Party in connection with obtaining possession or control over the Property for purposes of perfecting Secured Party's interest under the Uniform Commercial Code.

INSURANCE. Debtor agrees to keep the Property insured against the risks reasonably associated with the Property until the Property is released from this Agreement. Debtor will maintain this insurance in the amounts Secured Party requires. Debtor may choose the insurance company, subject to Secured Party's approval, which will not be unreasonably withheld. Debtor will have the insurance provider name Secured Party as loss payee on the insurance policy. Debtor will give Secured Party and the insurance provider immediate notice of any loss. Secured Party may apply the insurance proceeds toward the Secured Debts. Secured Party may require additional security as a condition of permitting any insurance proceeds to be used to repair or replace the Property. If Secured Party acquires the Property in damaged condition, Debtor's rights to any insurance policies and proceeds will pass to Secured Party to the extent of the Secured Debts. Debtor will immediately notify Secured Party of the cancellation or termination of insurance. If Debtor fails to keep the Property insured, or fails to provide Secured Party with proof of insurance, Secured Party may obtain insurance to protect Secured Party's interest in the Property. The insurance may include coverages not originally required of Debtor, may be written by a company other than one Debtor would choose, and may be written at a higher rate than Debtor could obtain if Debtor purchased the insurance.

AUTHORITY TO PERFORM. Debtor authorizes Secured Party to do anything Secured Party deems reasonably necessary to protect the Property and Secured Party's interest in the Property. If Debtor fails to perform any of Debtor's duties under this Agreement, Secured Party is authorized, without notice to Debtor, to perform the duties or cause them to be performed. These authorizations include, but are not limited to, permission to pay for the repair, maintenance, and preservation of the Property and take any action to realize the value of the Property. Secured Party's authority to perform for Debtor does not create an obligation to perform, and Secured Party's failure to perform will not preclude Secured Party from exercising any other rights under the law or this Agreement.

If Secured Party performs for Debtor, Secured Party will use reasonable care. Reasonable care will not include any steps necessary to preserve rights against prior parties or any duty to take action in connection with the management of the Property.

If Secured Party comes into possession of the Property, Secured Party will preserve and protect the Property to the extent required by law. Secured Party's duty of care with respect to the Property will be satisfied if Secured Party exercises reasonable care in the safekeeping of the Property or in the selection of a third party in possession of the Property.

Secured Party may enforce the obligations of an account debtor or other person obligated on the Property. Secured Party may exercise Debtor's rights with respect to the account debtor's or other person's obligations to make payment or otherwise render performance to Debtor, and enforce any security interest that secures such obligations.

PURCHASE MONEY SECURITY INTEREST. If the Property includes items purchased with the Secured Debts, the Property purchased with the Secured Debts will remain subject to Secured Party's security interest until the Secured Debts are paid in full. Payments on any non-purchase money loan also secured by this Agreement will not be applied to the purchase money loan. Payments on the purchase money loan will be applied first to the non-purchase money portion of the loan, if any, and then to the purchase money portion in the order in which the purchase money Property was acquired. If the purchase money Property was acquired at the same time, payments will be applied in the order Secured Party selects. No security interest will be terminated by application of this formula.

DEFAULT. Debtor will be in default if:

- (1) Debtor (or Borrower, if not the same) fails to make a payment in full when due;
- (2) Debtor fails to perform any condition or keep any covenant on this or any debt or agreement Debtor has with Secured Party;
- (3) a default occurs under the terms of any instrument or agreement evidencing or pertaining to the Secured Debts;
- (4) anything else happens that either causes Secured Party to reasonably believe that Secured Party will have difficulty in collecting the Secured Debts or significantly impairs the value of the Property.

REMEDIES. After Debtor defaults, and after Secured Party gives any legally required notice and opportunity to cure the default, Secured Party may at Secured Party's option do any one or more of the following:

- (1) make all or any part of the Secured Debts immediately due and accrue interest at the highest post-maturity interest rate;
- (2) require Debtor to gather the Property and make it available to Secured Party in a reasonable fashion;
- (3) enter upon Debtor's premises and take possession of all or any part of Debtor's property for purposes of preserving the Property or its value and use and operate Debtor's property to protect Secured Party's interest, all without payment or compensation to Debtor;
- (4) use any remedy allowed by state or federal law, or provided in any agreement evidencing or pertaining to the Secured Debts.

If Secured Party repossesses the Property or enforces the obligations of an account debtor, Secured Party may keep or dispose of the Property as provided by law. Secured Party will apply the proceeds of any collection or disposition first to Secured Party's expenses of enforcement, which includes reasonable attorneys' fees and legal expenses to the extent not prohibited by law, and then to the Secured Debts. Debtor (or Borrower, if not the same) will be liable for the deficiency, if any.

By choosing any one or more of these remedies, Secured Party does not give up the right to use any other remedy. Secured Party does not waive a default by not using a remedy.

WAIVER. Debtor waives all claims for damages caused by Secured Party's acts or omissions where Secured Party acts in good faith.

NOTICE AND ADDITIONAL DOCUMENTS. Where notice is required, Debtor agrees that 10 days prior written notice will be reasonable notice to Debtor under the Uniform Commercial Code. Notice to one party is notice to all parties. Debtor agrees to sign, deliver, and file any additional documents and certifications Secured Party considers necessary to perfect, continue, or preserve Debtor's obligations under this Agreement and to confirm Secured Party's lien status on the Property.

AGREEMENT TO PROVIDE INSURANCE

DATE AND PARTIES. The date of this Agreement to Provide Insurance (Agreement) is 09-29-2014. The parties and their addresses are:

OWNER: CROSSWOODS GOLF COURSE, INC.
35878 COUNTY ROAD 3
CROSSLAKE, MN 56425

SECURED PARTY: FRANSEN BANK & TRUST
PO BOX 2690
BAXTER, MN 56425-2690

The pronouns "you" and "your" refer to the Secured Party. The pronouns "I," "me" and "my" refer to each person or entity signing this Agreement as Owner.

1. LOAN, LEASE, OR CONTRACT DESCRIPTION (Loan).

A. Date: 09-29-2014
B. Loan Number: 1440058323
C. Loan Amount: 100,000.00
D. Additional Information:

2. AGREEMENT TO PROVIDE INSURANCE. As part of my Loan, I agree to do all of the following (in addition to any requirements specified in the Loan documents).

- A. I will insure the Property as listed and with the coverages shown in the COVERAGES section.
B. I will have you named on the policy, with the status listed under the STATUS section.
C. I will arrange for the insurance company to notify you that the policy is in effect and your status has been noted.
D. I will pay for this insurance, including any fee for this endorsement.
E. I will keep the insurance in effect until the Property is no longer subject to your security interest. (I understand that the Property may secure debts in addition to any listed in the LOAN DESCRIPTION section.)

3. DESCRIPTION OF PROPERTY. The Property subject to this Agreement is described as follows.

BLANKET LIEN ON BUSINESS ASSETS

4. COVERAGES. I agree to insure the Property according to the following described risks, amount of coverage, and maximum deductible allowed.

☒ If checked, all coverages will be for the full replacement value of the Property.

Homeowner's Coverage. ☐ H.O. ☐ Other (Describe) _____
Insurable Value: _____ Deductible: _____
Automobile Coverages. ☐ Fire ☐ Theft ☐ Collision ☐ Comprehensive ☐ Liability ☐ Other _____
Insurable Value: _____ Deductible: _____ Minimum limits: _____
Property Coverage. ☒ Fire ☒ Theft ☒ Collision ☒ Comprehensive ☒ Liability ☐ Other _____
Insurable Value: _____ Deductible: _____

5. STATUS. Your status shall be listed on the insurance policy as follows.

☐ Lienholder ☐ Certificate Holder ☐ Additional Insured ☐ Mortgagee ☒ Other LENDER LOSS PAYABLE

California Real Property: Hazard insurance exceeding the replacement value of the improvements on the property is not required as a condition of this loan.

6. ADDITIONAL TERMS.

7. INSURANCE COMPANY. The insurance policy covering the Property and the insurance company issuing the policy are as follows.

A. Policy Number: _____ Effective From _____ To _____
B. Insurance Company Name, Address, and Phone Number:

8. INSURANCE AGENCY AND AGENT. The insurance agency through which I have purchased, or intend to purchase, the required insurance is as follows.

A. Agent Name: _____
B. Agency Name, Address, and Phone Number:

9. SIGNATURES.

SIGNATURES FOR OWNER(S) AND AUTHORIZATION TO INSURANCE AGENT AND COMPANY. By signing below, I agree to the terms contained in this Agreement and acknowledge receipt of a copy of this Agreement. I request the listed insurance company and agency to provide the indicated coverage and list you on the policy with the indicated status. I also request the insurance company or its authorized agent to immediately confirm that the policy is in effect by signing this form and forwarding a copy of the policy to you.

CROSSWOODS GOLF COURSE, INC.
X [Signature] _____ Date _____
MICHAEL J. STONE, PRESIDENT / TREASURER
X _____ Date _____

SIGNATURE FOR SECURED PARTY AND REQUEST FOR CONFIRMATION. Upon receipt of this Agreement, the insurance company or agency named above is requested to confirm the policy coverages shown above.

By X [Signature] _____ Date 9-29-2014
DAVE DESMARAI, VICE PRESIDENT

SIGNATURE FOR INSURANCE COMPANY AND CONFIRMATION. By signing below, Insurance Company confirms the existence of the insurance coverages agreed to be provided by our Insured and that you will be notified not less than 10 days before cancellation.

Insurance Company
By X _____ Date _____

Please return to Secured Party at the address listed in the DATE AND PARTIES section.

AGREEMENT TO PROVIDE INSURANCE

DATE AND PARTIES. The date of this Agreement to Provide Insurance (Agreement) is 09-29-2014. The parties and their addresses are:

OWNER: CROSSWOODS PROPERTIES, LLC
35878 COUNTY ROAD 3
CROSSLAKE, MN 56442

SECURED PARTY: FRANDSEN BANK & TRUST
PO BOX 2890
BAXTER, MN 56425-2690

The pronouns "you" and "your" refer to the Secured Party. The pronouns "I," "me" and "my" refer to each person or entity signing this Agreement as Owner.

1. LOAN, LEASE, OR CONTRACT DESCRIPTION (Loan).

A. Date: 09-29-2014
B. Loan Number: 1440058323
C. Loan Amount: 100,000.00
D. Additional Information:

2. AGREEMENT TO PROVIDE INSURANCE. As part of my Loan, I agree to do all of the following (in addition to any requirements specified in the Loan documents).

- A. I will insure the Property as listed and with the coverages shown in the COVERAGES section.
B. I will have you named on the policy, with the status listed under the STATUS section.
C. I will arrange for the insurance company to notify you that the policy is in effect and your status has been noted.
D. I will pay for this insurance, including any fee for this endorsement.
E. I will keep the insurance in effect until the Property is no longer subject to your security interest. (I understand that the Property may secure debts in addition to any listed in the LOAN DESCRIPTION section.)

3. DESCRIPTION OF PROPERTY. The Property subject to this Agreement is described as follows.

36188 COUNTY ROAD 3, CROSSLAKE, MN 56442

4. COVERAGES. I agree to insure the Property according to the following described risks, amount of coverage, and maximum deductible allowed.

☒ If checked, all coverages will be for the full replacement value of the Property.

Homeowner's Coverage. ☐ H.O. ☐ Other (Describe) _____

Insurable Value: _____ Deductible: _____

Automobile Coverages. ☐ Fire ☐ Theft ☐ Collision ☐ Comprehensive ☐ Liability ☐ Other _____

Insurable Value: _____ Deductible: _____ Minimum limits: _____

Property Coverage. ☒ Fire ☒ Theft ☒ Collision ☒ Comprehensive ☒ Liability ☐ Other _____

Insurable Value: _____ Deductible: _____

5. STATUS. Your status shall be listed on the insurance policy as follows.

☐ Lienholder ☐ Certificate Holder ☐ Additional Insured ☒ Mortgagee ☐ Other _____

California Real Property: Hazard Insurance exceeding the replacement value of the improvements on the property is not required as a condition of this loan.

6. ADDITIONAL TERMS.

7. INSURANCE COMPANY. The insurance policy covering the Property and the insurance company issuing the policy are as follows.

A. Policy Number: _____ Effective From _____ To _____

B. Insurance Company Name, Address, and Phone Number: _____

8. INSURANCE AGENCY AND AGENT. The insurance agency through which I have purchased, or intend to purchase, the required insurance is as follows.

A. Agent Name: _____

B. Agency Name, Address, and Phone Number: _____

9. SIGNATURES.

SIGNATURES FOR OWNER(S) AND AUTHORIZATION TO INSURANCE AGENT AND COMPANY. By signing below, I agree to the terms contained in this Agreement and acknowledge receipt of a copy of this Agreement. I request the listed insurance company and agency to provide the indicated coverage and list you on the policy with the indicated status. I also request the insurance company or its authorized agent to immediately confirm that the policy is in effect by signing this form and forwarding a copy of the policy to you.

CROSSWOODS PROPERTIES, LLC
X [Signature] _____ Date _____
MICHAEL J. STONE, SOLE MEMBER
X _____ Date _____

SIGNATURE FOR SECURED PARTY AND REQUEST FOR CONFIRMATION. Upon receipt of this Agreement, the insurance company or agency named above is requested to confirm the policy coverages shown above.

By X [Signature] _____ Date 9-29-2014
DAVE DESMARAIS, VICE PRESIDENT

SIGNATURE FOR INSURANCE COMPANY AND CONFIRMATION. By signing below, insurance company confirms the existence of the insurance coverages agreed to be provided by our insured and that you will be notified not less than 10 days before cancellation.

Insurance Company _____
By X _____ Date _____

Please return to Secured Party at the address listed in the DATE AND PARTIES section.

GUARANTY

BAXTER _____, MINNESOTA _____
(City) (State)

SEPTEMBER 28, 2014

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce FRANDSEN BANK & TRUST

(herein, with its participants, successors and assigns, called "Lender"), at its option, at any time or from time to time to make loans or extend other accommodations to or for the account of CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.

(herein called "Borrower") or to engage in any other transactions with Borrower, the Undersigned hereby absolutely and unconditionally guarantees to Lender the full and prompt payment when due, whether at maturity or earlier by reason of acceleration or otherwise, of the debts, liabilities and obligations described as follows:

A. If this ☐ is checked, the Undersigned guarantees to Lender the payment and performance of the debt, liability or obligation of Borrower to Lender evidenced by or arising out of the following: _____ and any extensions,

renewals or replacements thereof (hereinafter referred to as the "Indebtedness").

B. If this ☒ is checked, the Undersigned guarantees to Lender the payment and performance of each and every debt, liability and obligation of every type and description which Borrower may now or at any time hereafter owe to Lender (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several, or joint and several; all such debts, liabilities and obligations being hereinafter collectively referred to as the "Indebtedness"). Without limitation, this guaranty includes the following described debt(s): _____

The Undersigned further acknowledges and agrees with Lender that:

1. No act or thing need occur to establish the liability of the Undersigned hereunder, and no act or thing, except full payment and discharge of all indebtedness, shall in any way exonerate the Undersigned or modify, reduce, limit or release the liability of the Undersigned hereunder.

2. This is an absolute, unconditional and continuing guaranty of payment of the Indebtedness and shall continue to be in force and be binding upon the Undersigned, whether or not all Indebtedness is paid in full, until this guaranty is revoked by written notice actually received by the Lender, and such revocation shall not be effective as to Indebtedness existing or committed for at the time of actual receipt of such notice by the Lender, or as to any renewals, extensions and refinancings thereof. If there be more than one Undersigned, such revocation shall be effective only as to the one so revoking. The death or incompetence of the Undersigned shall not revoke this guaranty, except upon actual receipt of written notice thereof by Lender and then only as to the decedent or the incompetent and only prospectively, as to future transactions, as herein set forth.

3. If the Undersigned shall be dissolved, shall die, or shall be or become insolvent (however defined) or revoke this guaranty, then the Lender shall have the right to declare immediately due and payable, and the Undersigned will forthwith pay to the Lender, the full amount of all Indebtedness, whether due and payable or unmatured. If the Undersigned voluntarily commences or there is commenced involuntarily against the Undersigned a case under the United States Bankruptcy Code, the full amount of all Indebtedness, whether due and payable or unmatured, shall be immediately due and payable without demand or notice thereof.

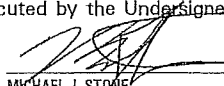
4. The liability of the Undersigned hereunder shall be limited to a principal amount of \$ UNLIMITED (if unlimited or if no amount is stated, the Undersigned shall be liable for all Indebtedness, without any limitation as to amount), plus accrued interest thereon and all other costs, fees, and expenses agreed to be paid under all agreements evidencing the Indebtedness and securing the payment of the Indebtedness, and all attorneys' fees, collection costs and enforcement expenses referable thereto. Indebtedness may be created and continued in any amount, whether or not in excess of such principal amount, without affecting or impairing the liability of the Undersigned hereunder. The Lender may apply any sums received by or available to Lender on account of the Indebtedness from Borrower or any other person (except the Undersigned), from their properties, out of any collateral security or from any other source to payment of the excess. Such application of receipts shall not reduce, affect or impair the liability of the Undersigned hereunder. If the liability of the Undersigned is limited to a stated amount pursuant to this paragraph 4, any payment made by the Undersigned under this guaranty shall be effective to reduce or discharge such liability only if accompanied by a written transmittal document, received by the Lender, advising the Lender that such payment is made under this guaranty for such purpose.

5. The Undersigned will pay or reimburse Lender for all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Lender in connection with the protection, defense or enforcement of this guaranty in any litigation or bankruptcy or insolvency proceedings.

This guaranty includes the additional provisions on page 2, all of which are made a part hereof.

This guaranty is ☒ unsecured; ☐ secured by a mortgage or security agreement dated _____;
☐ secured by _____.

IN WITNESS WHEREOF, this guaranty has been duly executed by the Undersigned the day and year first above written.


MICHAEL J. STONE

"Undersigned" shall refer to all persons who sign this guaranty, severally and jointly.

ADDITIONAL PROVISIONS

6. Whether or not any existing relationship between the Undersigned and Borrower has been changed or ended and whether or not this guaranty has been revoked, Lender may, but shall not be obligated to, enter into transactions resulting in the creation or continuance of Indebtedness, without any consent or approval by the Undersigned and without any notice to the Undersigned. The liability of the Undersigned shall not be affected or impaired by any of the following acts or things (which Lender is expressly authorized to do, omit or suffer from time to time, both before and after revocation of this guaranty, without notice to or approval by the Undersigned): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all Indebtedness; (ii) any one or more extensions or renewals of Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities or other contractual terms applicable to any Indebtedness; (iii) any waiver, adjustment, forbearance, compromise or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of Indebtedness, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any Indebtedness; (iv) any full or partial release of, settlement with, or agreement not to sue, Borrower or any other guarantor or other person liable in respect of any Indebtedness; (v) any discharge of any evidence of Indebtedness or the acceptance of any instrument in renewal thereof or substitution thereof; (vi) any failure to obtain collateral security (including rights of setoff) for Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to protect, insure, or enforce any collateral security; or any release, modification, substitution, discharge, impairment, deterioration, waste, or loss of any collateral security; (vii) any foreclosure or enforcement of any collateral security; (viii) any transfer of any Indebtedness or any evidence thereof; (ix) any order of application of any payments or credits upon Indebtedness; (x) any election by the Lender under § 1111(b)(2) of the United States Bankruptcy Code.

7. The Undersigned waives any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to Indebtedness, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Undersigned will not assert, plead or enforce against Lender any defense of waiver, release, statute of limitations, res judicata, statute of frauds, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other person liable in respect of any Indebtedness, or any setoff available against Lender to Borrower or any such other person, whether or not on account of a related transaction. The Undersigned expressly agrees that the Undersigned shall be and remain liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure of any mortgage or security interest securing Indebtedness, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The Undersigned shall remain obligated, to the fullest extent permitted by law, to pay such amounts as though the Borrower's obligations had not been discharged.

8. The Undersigned further agrees that the Undersigned shall be and remain obligated to pay Indebtedness even though any other person obligated to pay Indebtedness, including Borrower, has such obligation discharged in bankruptcy or otherwise discharged by law. "Indebtedness" shall include post-bankruptcy petition interest and attorneys' fees and any other amounts which Borrower is discharged from paying or which do not otherwise accrue to Indebtedness due to Borrower's discharge, and the Undersigned shall remain obligated to pay such amounts as though Borrower's obligations had not been discharged.

9. If any payment applied by Lender to Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Borrower or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this guaranty be deemed to have continued in existence, notwithstanding such application, and this guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

10. Until the obligations of the Borrower to Lender have been paid in full, the Undersigned waives any claim, remedy or other right which the Undersigned may now have or hereafter acquire against Borrower or any other person obligated to pay Indebtedness arising out of the creation or performance of the Undersigned's obligation under this guaranty, including, without limitation, any right of subrogation, contribution, reimbursement, indemnification, exoneration, and any right to participate in any claim or remedy the Undersigned may have against the Borrower, collateral, or other party obligated for Borrower's debts, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law.

11. The Undersigned waives presentment, demand for payment, notice of dishonor or nonpayment, and protest of any instrument evidencing Indebtedness. Lender shall not be required first to resort for payment of the Indebtedness to Borrower or other persons or their properties, or first to enforce, realize upon or exhaust any collateral security for Indebtedness, before enforcing this guaranty.

12. The liability of the Undersigned under this guaranty is in addition to, and shall be cumulative with all other liabilities of the Undersigned to Lender as guarantor or otherwise, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

13. This guaranty shall be enforceable against each person signing this guaranty, even if only one person signs and regardless of any failure of other persons to sign this guaranty. If there be more than one signer, all agreements and promises herein shall be construed to be, and are hereby declared to be, joint and several in each of every particular and shall be fully binding upon and enforceable against either, any or all the Undersigned. This guaranty shall be effective upon delivery to Lender, without further act, condition or acceptance by Lender, shall be binding upon the Undersigned and the heirs, representatives, successors and assigns of the Undersigned and shall inure to the benefit of Lender and its participants, successors and assigns. Any invalidity or unenforceability of any provision or application of this guaranty shall not affect other lawful provisions and application hereof, and to this end the provisions of this guaranty are declared to be severable. Except as authorized by the terms herein, this guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Undersigned and Lender. This guaranty shall be governed by the laws of the State in which it is executed. The Undersigned waives notice of Lender's acceptance hereof.

GUARANTY

BAXTER

(City)

MINNESOTA

(State)

SEPTEMBER 29, 2014

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce FRANDSEN BANK & TRUST

(herein, with its participants, successors and assigns, called "Lender"), at its option, at any time or from time to time to make loans or extend other accommodations to or for the account of CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.

(herein called "Borrower") or to engage in any other transactions with Borrower, the Undersigned hereby absolutely and unconditionally guarantees to Lender the full and prompt payment when due, whether at maturity or earlier by reason of acceleration or otherwise, of the debts, liabilities and obligations described as follows:

A. If this ☐ is checked, the Undersigned guarantees to Lender the payment and performance of the debt, liability or obligation of Borrower to Lender evidenced by or arising out of the following: _____ and any extensions,

renewals or replacements thereof (hereinafter referred to as the "Indebtedness").

B. If this ☒ is checked, the Undersigned guarantees to Lender the payment and performance of each and every debt, liability and obligation of every type and description which Borrower may now or at any time hereafter owe to Lender (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several, or joint and several; all such debts, liabilities and obligations being hereinafter collectively referred to as the "Indebtedness"). Without limitation, this guaranty includes the following described debt(s): _____

The Undersigned further acknowledges and agrees with Lender that:

1. No act or thing need occur to establish the liability of the Undersigned hereunder, and no act or thing, except full payment and discharge of all indebtedness, shall in any way exonerate the Undersigned or modify, reduce, limit or release the liability of the Undersigned hereunder.

2. This is an absolute, unconditional and continuing guaranty of payment of the Indebtedness and shall continue to be in force and be binding upon the Undersigned, whether or not all Indebtedness is paid in full, until this guaranty is revoked by written notice actually received by the Lender, and such revocation shall not be effective as to Indebtedness existing or committed for at the time of actual receipt of such notice by the Lender, or as to any renewals, extensions and refinancings thereof. If there be more than one Undersigned, such revocation shall be effective only as to the one so revoking. The death or incompetence of the Undersigned shall not revoke this guaranty, except upon actual receipt of written notice thereof by Lender and then only as to the decedent or the incompetent and only prospectively, as to future transactions, as herein set forth.

3. If the Undersigned shall be dissolved, shall die, or shall be or become insolvent (however defined) or revoke this guaranty, then the Lender shall have the right to declare immediately due and payable, and the Undersigned will forthwith pay to the Lender, the full amount of all Indebtedness, whether due and payable or unmatured. If the Undersigned voluntarily commences or there is commenced involuntarily against the Undersigned a case under the United States Bankruptcy Code, the full amount of all Indebtedness, whether due and payable or unmatured, shall be immediately due and payable without demand or notice thereof.

4. The liability of the Undersigned hereunder shall be limited to a principal amount of \$ UNLIMITED (if unlimited or if no amount is stated, the Undersigned shall be liable for all Indebtedness, without any limitation as to amount), plus accrued interest thereon and all other costs, fees, and expenses agreed to be paid under all agreements evidencing the Indebtedness and securing the payment of the Indebtedness, and all attorneys' fees, collection costs and enforcement expenses referable thereto. Indebtedness may be created and continued in any amount, whether or not in excess of such principal amount, without affecting or impairing the liability of the Undersigned hereunder. The Lender may apply any sums received by or available to Lender on account of the Indebtedness from Borrower or any other person (except the Undersigned), from their properties, out of any collateral security or from any other source to payment of the excess. Such application of receipts shall not reduce, affect or impair the liability of the Undersigned hereunder. If the liability of the Undersigned is limited to a stated amount pursuant to this paragraph 4, any payment made by the Undersigned under this guaranty shall be effective to reduce or discharge such liability only if accompanied by a written transmittal document, received by the Lender, advising the Lender that such payment is made under this guaranty for such purpose.

5. The Undersigned will pay or reimburse Lender for all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Lender in connection with the protection, defense or enforcement of this guaranty in any litigation or bankruptcy or insolvency proceedings.

This guaranty includes the additional provisions on page 2, all of which are made a part hereof.

This guaranty is ☒ unsecured; ☐ secured by a mortgage or security agreement dated _____;
☐ secured by _____.

IN WITNESS WHEREOF, this guaranty has been duly executed by the Undersigned the day and year first above written.

Kelly M. Stone
KELLY M. STONE

Undersigned shall refer to all persons who sign this guaranty, severally and jointly.

ADDITIONAL PROVISIONS

6. Whether or not any existing relationship between the Undersigned and Borrower has been changed or ended and whether or not this guaranty has been revoked, Lender may, but shall not be obligated to, enter into transactions resulting in the creation or continuance of Indebtedness, without any consent or approval by the Undersigned and without any notice to the Undersigned. The liability of the Undersigned shall not be affected or impaired by any of the following acts or things (which Lender is expressly authorized to do, omit or suffer from time to time, both before and after revocation of this guaranty, without notice to or approval by the Undersigned): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all Indebtedness; (ii) any one or more extensions or renewals of Indebtedness (whether or not for longer than the original period) or any modification of the interest rates, maturities or other contractual terms applicable to any Indebtedness; (iii) any waiver, adjustment, forbearance, compromise or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of Indebtedness, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any Indebtedness; (iv) any full or partial release of, settlement with, or agreement not to sue, Borrower or any other guarantor or other person liable in respect of any Indebtedness; (v) any discharge of any evidence of Indebtedness or the acceptance of any instrument in renewal thereof or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for Indebtedness, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to protect, insure, or enforce any collateral security; or any release, modification, substitution, discharge, impairment, deterioration, waste, or loss of any collateral security; (vii) any foreclosure or enforcement of any collateral security; (viii) any transfer of any Indebtedness or any evidence thereof; (ix) any order of application of any payments or credits upon Indebtedness; (x) any election by the Lender under § 1111(b)(2) of the United States Bankruptcy Code.

7. The Undersigned waives any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to Indebtedness, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Undersigned will not assert, plead or enforce against Lender any defense of waiver, release, statute of limitations, res judicata, statute of frauds, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other person liable in respect of any Indebtedness, or any setoff available against Lender to Borrower or any such other person, whether or not on account of a related transaction. The Undersigned expressly agrees that the Undersigned shall be and remain liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure of any mortgage or security interest securing Indebtedness, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The Undersigned shall remain obligated, to the fullest extent permitted by law, to pay such amounts as though the Borrower's obligations had not been discharged.

8. The Undersigned further agrees that the Undersigned shall be and remain obligated to pay Indebtedness even though any other person obligated to pay Indebtedness, including Borrower, has such obligation discharged in bankruptcy or otherwise discharged by law. "Indebtedness" shall include post-bankruptcy petition interest and attorneys' fees and any other amounts which Borrower is discharged from paying or which do not otherwise accrue to Indebtedness due to Borrower's discharge, and the Undersigned shall remain obligated to pay such amounts as though Borrower's obligations had not been discharged.

9. If any payment applied by Lender to Indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Borrower or any other obligor), the Indebtedness to which such payment was applied shall for the purposes of this guaranty be deemed to have continued in existence, notwithstanding such application, and this guaranty shall be enforceable as to such Indebtedness as fully as if such application had never been made.

10. Until the obligations of the Borrower to Lender have been paid in full, the Undersigned waives any claim, remedy or other right which the Undersigned may now have or hereafter acquire against Borrower or any other person obligated to pay Indebtedness arising out of the creation or performance of the Undersigned's obligation under this guaranty, including, without limitation, any right of subrogation, contribution, reimbursement, indemnification, exoneration, and any right to participate in any claim or remedy the Undersigned may have against the Borrower, collateral, or other party obligated for Borrower's debts, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law.

11. The Undersigned waives presentment, demand for payment, notice of dishonor or nonpayment, and protest of any instrument evidencing Indebtedness. Lender shall not be required first to resort for payment of the Indebtedness to Borrower or other persons or their properties, or first to enforce, realize upon or exhaust any collateral security for Indebtedness, before enforcing this guaranty.

12. The liability of the Undersigned under this guaranty is in addition to and shall be cumulative with all other liabilities of the Undersigned to Lender as guarantor or otherwise, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

13. This guaranty shall be enforceable against each person signing this guaranty, even if only one person signs and regardless of any failure of other persons to sign this guaranty. If there be more than one signer, all agreements and promises herein shall be construed to be, and are hereby declared to be, joint and several in each of every particular and shall be fully binding upon and enforceable against either, any or all the Undersigned. This guaranty shall be effective upon delivery to Lender, without further act, condition or acceptance by Lender, shall be binding upon the Undersigned and the heirs, representatives, successors and assigns of the Undersigned and shall inure to the benefit of Lender and its participants, successors and assigns. Any invalidity or unenforceability of any provision or application of this guaranty shall not affect other lawful provisions and application hereof, and to this end the provisions of this guaranty are declared to be severable. Except as authorized by the terms herein, this guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Undersigned and Lender. This guaranty shall be governed by the laws of the State in which it is executed. The Undersigned waives notice of Lender's acceptance hereof.

Kms

Jury Waiver

Lender

FRANDSEN BANK & TRUST
PO BOX 2690
BAXTER, MN 56425-2690

Borrower

CROSSWOODS PROPERTIES, LLC
35878 COUNTY ROAD 3
CROSSLAKE, MN 56442

Date

09-29-2014

Loan Number

1440058323

Property Address:

36188 COUNTY ROAD 3, XXX WILDWOOD ACRES, SEC 2J TWN 137 RG 27, CROSSLAKE, MN 56442

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, ALL PARTIES TO THIS AGREEMENT HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY, AND AFTER AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL:

1. WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING IN CONNECTION WITH THIS AGREEMENT, THE OBLIGATIONS, ALL MATTERS CONTEMPLATED HEREBY AND DOCUMENTS EXECUTED IN CONNECTION HEREWITH, INCLUDING, BUT NOT LIMITED TO, THE AMOUNT, REASONABLENESS AND ENTITLEMENT OF ATTORNEYS' FEES; AND
2. AGREE NOT TO SEEK TO CONSOLIDATE ANY SUCH ACTION WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE, OR HAS NOT BEEN, WAIVED.

EACH PARTY CERTIFIES THAT NEITHER LENDER NOR ANY OF ITS REPRESENTATIVES, AGENTS OR COUNSEL HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT LENDER WOULD NOT IN THE EVENT OF ANY SUCH PROCEEDING SEEK TO ENFORCE THIS WAIVER OF RIGHT TO TRIAL BY JURY.

Regulation B Notice of Intent to Apply for Joint Credit

Lender

FRANDSEN BANK & TRUST
PO BOX 2690
BAXTER, MN 56425-2690

Applicant

CROSSWOODS PROPERTIES, LLC & CROSSWOODS
GOLF COURSE, INC.
35878 COUNTY RD 3
CROSSLAKE, MN 56442

Date	05-29-2014
Account Number	1440058323

Notice

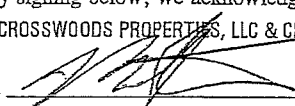
We intend to apply for joint credit.

Acknowledgment

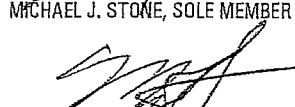
By signing below, we acknowledge the intention to apply for joint credit on today's date.

CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.

X


MICHAEL J. STONE, SOLE MEMBER OF CROSSWOODS PROPERTIES, LLC

X


MICHAEL J. STONE, PRESIDENT/TREASURER OF CROSSWOODS GOLF COURSE, INC.

X

X

Real Estate Mortgage

(With Future Advance Clause)

1. **Date and Parties.** The date of this Mortgage is 09-29-2014 and the parties and their addresses are as follows:

Mortgagor: CROSSWOODS PROPERTIES, LLC, A MINNESOTA LIMITED
LIABILITY COMPANY
35878 COUNTY ROAD 3
CROSSLAKE, MN 56442

☐ If checked, refer to the attached Addendum incorporated herein, for additional Grantors, their signatures and acknowledgments.

Lender: FRANSEN BANK & TRUST
ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF MINNESOTA
PO BOX 2690
BAXTER, MN 56425-2690

2. **Conveyance.** For good and valuable consideration, the receipt and sufficiency of which is acknowledged, and to secure the Secured Debt (hereafter defined), Mortgagor grants, bargains, sells, conveys and mortgages to Lender, with the power of sale, the following described property: SEE ATTACHED EXHIBIT 'A'.

The property is located in CROW WING at 36188 COUNTY ROAD 3, XXX WILDWOOD
(County)
ACRES, SEC 21 TWN 137 RG 27, CROSSLAKE Minnesota 56442
(Address) (City) (Zip Code)

Together with all rights, easements, appurtenances, royalties, mineral rights, oil and gas rights, crops, timber, all diversion payments or third party payments made to crop producers, and all existing and future improvements, structures, fixtures, and replacements that may now, or at any time in the future, be part of the real estate described above (all referred to as "Property"). The term Property also includes, but is not limited to, any and all water wells, water, ditches, reservoirs, reservoir sites and dams located on the real estate and all riparian and water rights associated with the Property, however established.

3. **Maximum Obligation Limit.** ☒ Notwithstanding anything to the contrary herein, enforcement of this Security Instrument is limited to a predetermined debt amount of \$ 100,000.00 under chapter 287 of Minnesota Statutes. ☐ This Security Instrument secures an indeterminate amount and the mortgage registration tax will be paid according to chapter 287 of Minnesota Statutes.

Additional amounts secured by this Security Instrument include interest and any other amount advanced by Lender in protection of the Property or this Security Instrument including but not limited to taxes, assessments, charges, claims, fines, impositions, insurance premiums, amounts due under prior or superior mortgages and other prior or superior liens, encumbrances and interests, legal expenses and attorneys' fees.

4. **Secured Debt and Future Advances.** The term "Secured Debt" includes, but is not limited to, the following:

(A) The promissory note(s), contract(s), guaranty(ies) or other evidence of debt described below and all extensions, renewals, modifications or substitutions (Evidence of Debt). *(You must specifically identify the debt(s) secured, and you should include the final maturity date of such debt(s).)*

THIS MORTGAGE SECURES ALL OBLIGATIONS OF MORTGAGOR UNDER THE PROMISSORY NOTE 1440058323 DATED 09/29/2014 ISSUED BY MORTGAGOR TO MORTGAGEE IN THE PRINCIPAL AMOUNT OF \$ 100,000.00 MATURING 10/01/2024, WITH INTEREST ACCRUED THEREON AT THE RATE STATED THEREIN, AS THE SAME MAY BE AMENDED OR RENEWED ("NOTE"). TERMS OF THE NOTE AS AMENDED OR RENEWED ARE INCORPORATED BY REFERENCE.

- (B) All future advances from Lender to Mortgagor or other future obligations of Mortgagor to Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Mortgage whether or not this Mortgage is specifically referred to in the evidence of debt. If more than one person signs this Security Instrument, each Mortgagor agrees that this Security Instrument will secure all future advances and future obligations that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. All future advances and other future obligations are secured by this Security Instrument even though all or part may not yet be advanced. Nothing in this Security Instrument shall constitute a commitment to make additional future advances or future loans or advances in any amount. Any such commitment must be agreed to in a separate writing.
- (C) All obligations Mortgagor owes to Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Mortgagor and Lender.
- (D) All additional sums advanced and expenses incurred by Lender for insuring, preserving or otherwise protecting the Property and its value and any other sums advanced and expenses incurred by Lender under the terms of this Mortgage, plus interest at the highest rate in effect, from time to time, as provided in the Evidence of Debt.
- (E) Mortgagor's performance under the terms of any instrument evidencing a debt by Mortgagor to Lender and any Mortgage securing, guarantying, or otherwise relating to the debt.

If more than one person signs this Mortgage as Mortgagor, each Mortgagor agrees that this Mortgage will secure all future advances and future obligations described above that are given to or incurred by any one or more Mortgagor, or any one or more Mortgagor and others. This Mortgage will not secure any other debt if Lender fails, with respect to such other debt, to make any required disclosure about this Mortgage or if Lender fails to give any required notice of the right of rescission.

5. **Payments.** Mortgagor agrees to make all payments on the Secured Debt when due and in accordance with the terms of the Evidence of Debt or this Mortgage.
6. **Warranty of Title.** Mortgagor covenants that Mortgagor is lawfully seized of the estate conveyed by this Mortgage and has the right to grant, bargain, convey, sell, and mortgage, with the power of sale, the Property and warrants that the Property is unencumbered, except for encumbrances of record.
7. **Claims Against Title.** Mortgagor will pay all taxes, assessments, liens, encumbrances, lease payments, ground rents, utilities, and other charges relating to the Property when due. Lender may require Mortgagor to provide to Lender copies of all notices that such amounts are due and the receipts evidencing Mortgagor's payment. Mortgagor will defend title to the Property against any claims that would impair the lien of this Mortgage. Mortgagor agrees to assign to Lender, as requested by Lender, any rights, claims or defenses which Mortgagor may have against parties who supply labor or materials to improve or maintain the Property.
8. **Prior Security Interests.** With regard to any other mortgage, deed of trust, security agreement or other lien document that created a prior security interest or encumbrance on the Property and that may have priority over this Mortgage, Mortgagor agrees:
 - (A) To make all payments when due and to perform or comply with all covenants.
 - (B) To promptly deliver to Lender any notices that Mortgagor receives from the holder.
 - (C) Not to make or permit any modification or extension of, and not to request or accept any future advances under any note or agreement secured by, the other mortgage, deed of trust or security agreement unless Lender consents in writing.
9. **Due on Sale or Encumbrance.** Lender may, at its option, declare the entire balance of the Secured Debt to be due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer, or sale, or contract for any of these on the Property. However, if the Property includes Mortgagor's residence, this section shall be subject to the restrictions imposed by federal law (12 C.F.R. 591), as applicable. For the purposes of this section, the term "Property" also includes any interest to all or any part of the Property. This covenant shall run with the Property and shall remain in effect until the Secured Debt is paid in full and this Mortgage is released.
10. **Transfer of an Interest in the Mortgagor.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Lender may demand immediate payment if (1) a beneficial interest in Mortgagor is sold or transferred; (2) there is a change in either the identity or number of members of a partnership or similar entity; or (3) there is a change in ownership of more than 25 percent of the voting stock of a corporation or similar entity. However, Lender may not demand payment in the above situations if it is prohibited by law as of the date of this Mortgage.
11. **Entity Warranties and Representations.** If Mortgagor is an entity other than a natural person (such as a corporation or other organization), Mortgagor makes to Lender the following warranties and representations which shall be continuing as long as the Secured Debt remains outstanding:
 - (A) Mortgagor is an entity which is duly organized and validly existing in the Mortgagor's state of incorporation (or organization). Mortgagor is in good standing in all states in which Mortgagor transacts business. Mortgagor has the power and authority to own the Property and to carry on its business as now being conducted and, as applicable, is qualified to do so in each state in which Mortgagor operates.
 - (B) The execution, delivery and performance of this Mortgage by Mortgagor and the obligation evidenced by the Evidence of Debt are within the power of Mortgagor, have been duly authorized, have received all necessary governmental approval, and will not violate any provision of law, or order of court or governmental agency.
 - (C) Other than disclosed in writing Mortgagor has not changed its name within the last ten years and has not used any other trade or fictitious name. Without Lender's prior written consent, Mortgagor does not and

will not use any other name and will preserve its existing name, trade names and franchises until the Secured Debt is satisfied.

- 12. Property Condition, Alterations and Inspection.** Mortgagor will keep the Property in good condition and make all repairs that are reasonably necessary. Mortgagor will give Lender prompt notice of any loss or damage to the Property. Mortgagor will keep the Property free of noxious weeds and grasses. Mortgagor will not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restriction limiting or defining the uses which may be made of the Property or any part of the Property, without Lender's prior written consent. Mortgagor will notify Lender of all demands, proceedings, claims, and actions against Mortgagor or any other owner made under law or regulation regarding use, ownership and occupancy of the Property. Mortgagor will comply with all legal requirements and restrictions, whether public or private, with respect to the use of the Property. Mortgagor also agrees that the nature of the occupancy and use will not change without Lender's prior written consent.

No portion of the Property will be removed, demolished or materially altered without Lender's prior written consent except that Mortgagor has the right to remove items of personal property comprising a part of the Property that become worn or obsolete, provided that such personal property is replaced with other personal property at least equal in value to the replaced personal property, free from any title retention device, security agreement or other encumbrance. Such replacement of personal property will be deemed subject to the security interest created by this Mortgage. Mortgagor shall not partition or subdivide the Property without Lender's prior written consent. Lender or Lender's agents may, at Lender's option, enter the Property at any reasonable time for the purpose of inspecting the Property. Any inspection of the Property shall be entirely for Lender's benefit and Mortgagor will in no way rely on Lender's inspection.

- 13. Authority to Perform.** If Mortgagor fails to perform any of Mortgagor's duties under this Mortgage, or any other mortgage, deed of trust, security agreement or other lien document that has priority over this Mortgage, Lender may, without notice, perform the duties or cause them to be performed. Mortgagor appoints Lender as attorney in fact to sign Mortgagor's name or pay any amount necessary for performance. If any construction on the Property is discontinued or not carried on in a reasonable manner, Lender may do whatever is necessary to protect Lender's security interest in the Property. This may include completing the construction.

Lender's right to perform for Mortgagor shall not create an obligation to perform, and Lender's failure to perform will not preclude Lender from exercising any of Lender's other rights under the law or this Mortgage. Any amounts paid by Lender for insuring, preserving or otherwise protecting the Property and Lender's security interest will be due on demand and will bear interest from the date of the payment until paid in full at the interest rate in effect from time to time according to the terms of the Evidence of Debt.

- 14. Assignment of Leases and Rents.** Mortgagor assigns, grants, bargains, conveys and mortgages to Lender as additional security all the right, title and interest in the following (Property).

- (A) Existing or future leases, subleases, licenses, guaranties and any other written or verbal agreements for the use and occupancy of the non-homestead portion of the Property, including but not limited to, any extensions, renewals, modifications or replacements (Leases).
- (B) Rents, issues and profits, including but not limited to, security deposits, minimum rents, percentage rents, additional rents, common area maintenance charges, parking charges, real estate taxes, other applicable taxes, insurance premium contributions, liquidated damages following default, cancellation premiums, "loss of rents" insurance, guest receipts, revenues, royalties, proceeds, bonuses, accounts, contract rights, general intangibles, and all rights and claims which Mortgagor may have that in any way pertain to or are on account of the use or occupancy of the whole or any part of the Property (Rents).

In the event any item listed as Leases or Rents is determined to be personal property, this Assignment will also be regarded as a security agreement.

Mortgagor will promptly provide Lender with copies of the Leases and will certify these Leases are true and correct copies. The existing Leases will be provided on execution of the Assignment, and all future Leases

and any other information with respect to these Leases will be provided immediately after they are executed. Mortgagor may collect, receive, enjoy and use the Rents so long as Mortgagor is not in default. Mortgagor will not collect in advance any Rents due in future lease periods, unless Mortgagor first obtains Lender's written consent. Upon default, Mortgagor will receive any Rents in trust for Lender and Mortgagor will not commingle the Rents with any other funds. When Lender so directs, Mortgagor will endorse and deliver any payments of Rents from the Property to Lender. Amounts collected will be applied first as set forth at Minn. Stat. Ann. § 576.25, Subdivision 5, and then at Lender's discretion to the Secured Debts, the costs of managing, protecting and preserving the Property, and other necessary expenses. Mortgagor agrees that this Security Instrument is immediately effective between Mortgagor and Lender and effective as to third parties on the recording of this Assignment.

As long as this Assignment is in effect, Mortgagor warrants and represents that no default exists under the Leases, and the parties subject to the Leases have not violated any applicable law on leases, licenses and landlords and tenants. Mortgagor, at its sole cost and expense, will keep, observe and perform, and require all other parties to the Leases to comply with the Leases and any applicable law. If Mortgagor or any party to the Lease defaults or fails to observe any applicable law, Mortgagor will promptly notify Lender. If Mortgagor neglects or refuses to enforce compliance with the terms of the Leases, then Lender may, at Lender's option, enforce compliance.

Mortgagor will not sublet, modify, extend, cancel, or otherwise alter the Leases, or accept the surrender of the Property covered by the Leases (unless the Leases so require) without Lender's consent. Mortgagor will not assign, compromise, subordinate or encumber the Leases and Rents without Lender's prior written consent. Lender does not assume or become liable for the Property's maintenance, depreciation, or other losses or damages when Lender acts to manage, protect or preserve the Property, except for losses and damages due to Lender's gross negligence or intentional torts. Otherwise, Mortgagor will indemnify Lender and hold Lender harmless for all liability, loss or damage that Lender may incur when Lender opts to exercise any of its remedies against any party obligated under the Leases. This Security Instrument applies when, as additional security for the debt secured by the mortgage, it secures an original principal debt of \$100,000 or more or is a lien upon residential real estate containing more than four dwelling units, and is not a lien upon Property which is entirely homesteaded as agricultural property or residential real estate containing four or fewer dwelling units where at least one of the units is homesteaded. This Security Instrument may only be enforced against the non-homestead portion of the assigned Property.

15. **Condominiums; Planned Unit Developments.** If the Property includes a unit in a condominium or a planned unit development, Mortgagor will perform all of Mortgagor's duties under the covenants, by-laws, or regulations of the condominium or planned unit development.

16. **Default.** Mortgagor will be in default if any of the following occur:

- (A) Any party obligated on the Secured Debt fails to make payment when due;
- (B) A breach of any term or covenant in this Mortgage, any prior mortgage or any construction loan agreement, security agreement or any other document evidencing, guarantying, securing or otherwise relating to the Secured Debt;
- (C) The making or furnishing of any verbal or written representation, statement or warranty to Lender that is false or incorrect in any material respect by Mortgagor or any person or entity obligated on the Secured Debt;
- (D) The death, dissolution, or insolvency of, appointment of a receiver for, or application of any debtor relief law to, Mortgagor or any person or entity obligated on the Secured Debt;
- (E) A good faith belief by Lender at any time that Lender is insecure with respect to any person or entity obligated on the Secured Debt or that the prospect of any payment is impaired or the value of the Property is impaired;

- (F) A material adverse change in Mortgagor's business including ownership, management, and financial conditions, which Lender in its opinion believes impairs the value of the Property or repayment of the Secured Debt; or
- (G) Any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

17. Remedies on Default. If the Secured Debt is subject to Minn. Stat. § 47.20, subd. 8, Lender will give borrower written notice of default prior to foreclosure, by certified mail at the address of the Property listed in this Security Instrument or such other address borrower may have designated to Lender in writing, unless the default consists of the sale of the Property without Lender's consent. The notice will specify: (a) the nature of the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is mailed by which the default must be cured; (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by the Security Instrument and sale of the mortgaged premises; (e) that the borrower has the right to reinstate the Security Instrument after acceleration; and (f) that the borrower has the right to bring a court action to assert the nonexistence of a default or any other defense of the borrower to acceleration and sale. Additionally, in some other instances, federal and state law will require Lender to provide Mortgagor with notice of the right to cure, mediation notices or other notices and may establish time schedules for foreclosure actions. Subject to these limitations, if any, Lender may accelerate the Secured Debt and foreclose this Mortgage in a manner provided by law if this Mortgagor is in default. Upon default, Lender shall have the right, without declaring the whole indebtedness due and payable, to foreclose against all or any part of the Property. This Mortgage shall continue as a lien on any part of the Property not sold on foreclosure.

At the option of Lender, all or any part of the agreed fees and charges, accrued interest and principal shall become immediately due and payable, after giving notice if required by law, upon the occurrence of a default or anytime thereafter. In addition, Lender shall be entitled to all the remedies provided by law, the Evidence of Debt, other evidences of debt, this Mortgage and any related documents including without limitation, the power to sell the Property.

If there is a default, Lender may, in addition to any other permitted remedy, advertise and sell the Property as a whole or in separate parcels at public auction to the highest bidder for cash and convey absolute title free and clear of all right, title and interest of Mortgagor at such time and place as Lender designates. If Lender invokes the power of sale, Lender shall give notice of the sale including the time, terms and place of sale and a description of the property to be sold as required by the applicable law in effect at the time of the proposed sale. Lender or its designee may purchase the Property at any sale.

Upon sale of the Property and to the extent not prohibited by law, Lender shall make and deliver a deed to the Property sold which conveys absolute title to the purchaser. Lender shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys' fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled to it. The recitals in any deed of conveyance shall be prima facie evidence of the facts set forth therein.

If the Property is sold pursuant to this section, Mortgagor, or any person holding possession of the Property through Mortgagor, shall immediately surrender possession of the Property to the purchaser at the sale. If possession is not surrendered, Mortgagor or such person shall be a tenant holding over and may be dispossessed in accordance with applicable law.

All remedies are distinct, cumulative and not exclusive, and the Lender is entitled to all remedies provided at law or equity, whether expressly set forth or not. The acceptance by Lender of any sum in payment or partial payment on the Secured Debt after the balance is due or is accelerated or after foreclosure proceedings are filed shall not constitute a waiver of Lender's right to require full and complete cure of any existing default. By not exercising any remedy on Mortgagor's default, Lender does not waive Lender's right to later consider the event a default if it continues or happens again.

18. **Expenses; Advances on Covenants; Attorneys' Fees; Collection Costs.** Except when prohibited by law, Mortgagor agrees to pay all of Lender's expenses if Mortgagor breaches any covenant in this Mortgage. Mortgagor will also pay on demand all of Lender's expenses incurred in collecting, insuring, preserving or protecting the Property or in any inventories, audits, inspections or other examination by Lender in respect to the Property. Mortgagor agrees to pay all costs and expenses incurred by Lender in enforcing or protecting Lender's rights and remedies under this Mortgage, including, but not limited to, attorneys' fees, court costs, and other legal expenses. Once the Secured Debt is fully and finally paid, Lender agrees to release this Mortgage and Mortgagor agrees to pay for any recordation costs. All such amounts are due on demand and will bear interest from the time of the advance at the highest rate in effect, from time to time, as provided in the Evidence of Debt and as permitted by law.
19. **Environmental Laws and Hazardous Substances.** As used in this section, (1) "Environmental Law" means, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA, 42 U.S.C. 9601 et seq.), all other federal, state and local laws, regulations, ordinances, court orders, attorney general opinions or interpretive letters concerning the public health, safety, welfare, environment or a hazardous substance; and (2) "Hazardous Substance" means any toxic, radioactive or hazardous material, waste, pollutant or contaminant which has characteristics which render the substance dangerous or potentially dangerous to the public health, safety, welfare or environment. The term includes, without limitation, any substances defined as "hazardous material," "toxic substances," "hazardous waste" or "hazardous substance" under any Environmental Law. Mortgagor represents, warrants and agrees that, except as previously disclosed and acknowledged in writing:
- (A) No Hazardous Substance has been, is, or will be located, transported, manufactured, treated, refined, or handled by any person on, under or about the Property, except in the ordinary course of business and in strict compliance with all applicable Environmental Law.
 - (B) Mortgagor has not and will not cause, contribute to, or permit the release of any Hazardous Substance on the Property.
 - (C) Mortgagor will immediately notify Lender if (1) a release or threatened release of Hazardous Substance occurs on, under or about the Property or migrates or threatens to migrate from nearby property; or (2) there is a violation of any Environmental Law concerning the Property. In such an event, Mortgagor will take all necessary remedial action in accordance with Environmental Law.
 - (D) Mortgagor has no knowledge of or reason to believe there is any pending or threatened investigation, claim, or proceeding of any kind relating to (1) any Hazardous Substance located on, under or about the Property; or (2) any violation by Mortgagor or any tenant of any Environmental Law. Mortgagor will immediately notify Lender in writing as soon as Mortgagor has reason to believe there is any such pending or threatened investigation, claim, or proceeding. In such an event, Lender has the right, but not the obligation, to participate in any such proceeding including the right to receive copies of any documents relating to such proceedings.
 - (E) Mortgagor and every tenant have been, are and shall remain in full compliance with any applicable Environmental Law.
 - (F) There are no underground storage tanks, private dumps or open wells located on or under the Property and no such tank, dump or well will be added unless Lender first consents in writing.
 - (G) Mortgagor will regularly inspect the Property, monitor the activities and operations on the Property, and confirm that all permits, licenses or approvals required by any applicable Environmental Law are obtained and complied with.
 - (H) Mortgagor will permit, or cause any tenant to permit, Lender or Lender's agent to enter and inspect the Property and review all records at any reasonable time to determine (1) the existence, location and nature of any Hazardous Substance on, under or about the Property; (2) the existence, location, nature, and

magnitude of any Hazardous Substance that has been released on, under or about the Property; or
(3) whether or not Mortgagor and any tenant are in compliance with applicable Environmental Law.

- (I) Upon Lender's request and at any time, Mortgagor agrees, at Mortgagor's expense, to engage a qualified environmental engineer to prepare an environmental audit of the Property and to submit the results of such audit to Lender. The choice of the environmental engineer who will perform such audit is subject to Lender's approval.
- (J) Lender has the right, but not the obligation, to perform any of Mortgagor's obligations under this section at Mortgagor's expense.
- (K) As a consequence of any breach of any representation, warranty or promise made in this section,
(1) Mortgagor will indemnify and hold Lender and Lender's successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, cleanup, response and remediation costs, penalties and expenses, including without limitation all costs of litigation and attorneys' fees, which Lender and Lender's successors or assigns may sustain; and (2) at Lender's discretion, Lender may release this Mortgage and in return Mortgagor will provide Lender with collateral of at least equal value to the Property secured by this Mortgage without prejudice to any of Lender's rights under this Mortgage.
- (L) Notwithstanding any of the language contained in this Mortgage to the contrary, the terms of this section shall survive any foreclosure or satisfaction of this Mortgage regardless of any passage of title to Lender or any disposition by Lender of any or all of the Property. Any claims and defenses to the contrary are hereby waived.

20. **Condemnation.** Mortgagor will give Lender prompt notice of any action, real or threatened, by private or public entities to purchase or take any or all of the Property, including any easements, through condemnation, eminent domain, or any other means. Mortgagor further agrees to notify Lender of any proceedings instituted for the establishment of any sewer, water, conservation, ditch, drainage, or other district relating to or binding upon the Property or any part of it. Mortgagor authorizes Lender to intervene in Mortgagor's name in any of the above described actions or claims and to collect and receive all sums resulting from the action or claim. Mortgagor assigns to Lender the proceeds of any award or claim for damages connected with a condemnation or other taking of all or any part of the Property. Such proceeds shall be considered payments and will be applied as provided in this Mortgage. This assignment of proceeds is subject to the terms of any prior mortgage, deed of trust, security agreement or other lien document.

21. **Insurance.** Mortgagor agrees to maintain insurance as follows:

- (A) Mortgagor shall keep the improvements now existing or hereafter built on the Property insured against loss by fire, hazards included within the term "extended coverage" and any other hazards, including floods or flooding, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. What Lender requires pursuant to the preceding two sentences can change during the term of the Secured Debt. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Lender's approval, which shall not be unreasonably withheld. If Mortgagor fails to maintain the coverage described above, Lender may, at Lender's option, obtain coverage to protect Lender's rights in the Property according to the terms of this Mortgage.

All insurance policies and renewals shall be acceptable to Lender and shall include a standard "mortgage clause" and, where applicable, "lender loss payee clause." Mortgagor shall immediately notify Lender of cancellation or termination of the insurance. Lender shall have the right to hold the policies and renewals. If Lender requires, Mortgagor shall immediately give to Lender all receipts of paid premiums and renewal notices. Upon loss, Mortgagor shall give immediate notice to the insurance carrier and Lender. Lender may make proof of loss if not made immediately by Mortgagor.

Unless Lender and Mortgagor otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's

security would be lessened, the insurance proceeds shall be applied to the Secured Debt, whether or not then due, with any excess paid to Mortgagor. If Mortgagor abandons the Property, or does not answer within 30 days a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may collect the insurance proceeds. Lender may use the proceeds to repair or restore the Property or to pay the Secured Debt whether or not then due. The 30-day period will begin when the notice is given.

Unless Lender and Mortgagor otherwise agree in writing, any application of proceeds to principal shall not extend or postpone the due date of scheduled payments or change the amount of the payments. If the Property is acquired by Lender, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property before the acquisition shall pass to Lender to the extent of the Secured Debt immediately before the acquisition.

- (B) Mortgagor agrees to maintain comprehensive general liability insurance naming Lender as an additional insured in an amount acceptable to Lender, insuring against claims arising from any accident or occurrence in or on the Property.
- (C) Mortgagor agrees to maintain rental loss or business interruption insurance, as required by Lender, in an amount equal to at least coverage of one year's debt service, and required escrow account deposits (if agreed to separately in writing), under a form of policy acceptable to Lender.

22. **No Escrow for Taxes and Insurance.** Unless otherwise provided in a separate agreement, Mortgagor will not be required to pay to Lender funds for taxes and insurance in escrow.

23. **Financial Reports and Additional Documents.** Mortgagor will provide to Lender upon request, any financial statement or information Lender may deem necessary. Mortgagor warrants that all financial statements and information Mortgagor provides to Lender are, or will be, accurate, correct, and complete. Mortgagor agrees to sign, deliver, and file as Lender may reasonably request any additional documents or certifications that Lender may consider necessary to perfect, continue, and preserve Mortgagor's obligations under this Mortgage and Lender's lien status on the Property. If Mortgagor fails to do so, Lender may sign, deliver, and file such documents or certificates in Mortgagor's name and Mortgagor hereby irrevocably appoints Lender or Lender's agent as attorney in fact to do the things necessary to comply with this section.

24. **Joint and Individual Liability; Co-Signers; Successors and Assigns Bound.** All duties under this Mortgage are joint and individual. If Mortgagor signs this Mortgage but does not sign the Evidence of Debt, Mortgagor does so only to mortgage Mortgagor's interest in the Property to secure payment of the Secured Debt and Mortgagor does not agree to be personally liable on the Secured Debt. Mortgagor agrees that Lender and any party to this Mortgage may extend, modify or make any change in the terms of this Mortgage or the Evidence of Debt without Mortgagor's consent. Such a change will not release Mortgagor from the terms of this Mortgage. The duties and benefits of this Mortgage shall bind and benefit the successors and assigns of Mortgagor and Lender.

If this Mortgage secures a guaranty between Lender and Mortgagor and does not directly secure the obligation which is guarantied, Mortgagor agrees to waive any rights that may prevent Lender from bringing any action or claim against Mortgagor or any party indebted under the obligation including, but not limited to, anti-deficiency or one-action laws.

25. **Applicable Law; Severability; Interpretation.** This Mortgage is governed by the laws of the jurisdiction in which Lender is located, except to the extent otherwise required by the laws of the jurisdiction where the Property is located. This Mortgage is complete and fully integrated. This Mortgage may not be amended or modified by oral agreement. Any section or clause in this Mortgage, attachments, or any agreement related to the Secured Debt that conflicts with applicable law will not be effective, unless that law expressly or impliedly permits the variations by written agreement. If any section or clause of this Mortgage cannot be enforced according to its terms, that section or clause will be severed and will not affect the enforceability of the remainder of this Mortgage. Whenever used, the singular shall include the plural and the plural the singular. The captions and headings of the sections of this Mortgage are for convenience only and are not to be used to interpret or define the terms of this Mortgage. Time is of the essence in this Mortgage.

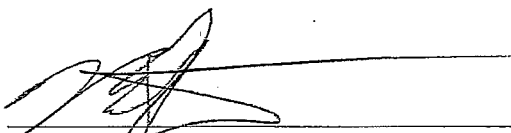
26. **Notice.** Unless otherwise required by law, any notice shall be given by delivering it or by mailing it by first class mail to the appropriate party's address on page 1 of this Mortgage, or to any other address designated in writing. Notice to one mortgagor will be deemed to be notice to all mortgagors.
27. **Waiver of Homestead.** Except to the extent prohibited by law, Mortgagor waives all homestead exemption rights relating to the Property.
28. **U.C.C. Provisions.** If checked, the following are applicable to, but do not limit, this Mortgage:
- ☐ **Construction Loan.** This Mortgage secures an obligation incurred for the construction of an improvement on the Property.
 - ☒ **Fixture Filing.** Mortgagor grants to Lender a security interest in all goods that Mortgagor owns now or in the future and that are or will become fixtures related to the Property.
 - ☐ **Crops; Timber; Minerals; Rents, Issues and Profits.** Mortgagor grants to Lender a security interest in all crops, timber and minerals located on the Property as well as all rents, issues, and profits of them including, but not limited to, all Conservation Reserve Program (CRP) and Payment in Kind (PIK) payments and similar governmental programs (all of which shall also be included in the term "Property").
 - ☐ **Personal Property.** Mortgagor grants to Lender a security interest in all personal property located on or connected with the Property. This security interest includes all farm products, inventory, equipment, accounts, documents, instruments, chattel paper, general intangibles, and all other items of personal property Mortgagor owns now or in the future and that are used or useful in the construction, ownership, operation, management, or maintenance of the Property. The term "personal property" specifically excludes that property described as "household goods" secured in connection with a "consumer" loan as those terms are defined in applicable federal regulations governing unfair and deceptive credit practices.
 - ☐ **Filing as Financing Statement.** Mortgagor agrees and acknowledges that this Mortgage also suffices as a financing statement and as such, may be filed of record as a financing statement for purposes of Article 9 of the Uniform Commercial Code. A carbon, photographic, image or other reproduction of this Mortgage is sufficient as a financing statement.
29. **Other Terms.** If checked, the following are applicable to this Mortgage:
- ☐ **Agricultural Property.** Mortgagor covenants and warrants that the Property will be used principally for agricultural or farming purposes and that Mortgagor is an individual or entity allowed to own agricultural land as specified by law.
 - ☐ **Separate Assignment.** The Mortgagor has executed or will execute a separate assignment of leases and rents. If the separate assignment of leases and rents is properly executed and recorded, then the separate assignment will supersede this Security Instrument's "Assignment of Leases and Rents" section.
 - ☐ **Additional Terms.**

Signatures. By signing below, Mortgagor agrees to the terms and covenants contained in this Mortgage and in any attachments. Mortgagor also acknowledges receipt of a copy of this Mortgage on the date stated above on Page 1.

☒ Actual authority was granted to the parties signing below by resolution signed and dated 06-02-2014

Mortgagor

CROSSWOODS PROPERTIES, LLC



MICHAEL J. STONE, SOLE MEMBER Date

Date

Date

Date

☐ Refer to the attached *Signature Addendum* for additional parties and signatures.

Acknowledgment (Individual)

State of _____

County/City of _____

This instrument was acknowledged before me on _____ by _____

(Notary Public)

My commission expires:

Acknowledgment (Business or Entity)

State of MINNESOTA

County of CROW WING

This instrument was acknowledged before me this _____ day of _____

by MICHAEL J. STONE, SOLE MEMBER

(Title(s))

of CROSSWOODS PROPERTIES, LLC (Name of Business or Entity)

a MINNESOTA LIMITED LIABILITY COMPANY on behalf of the business or entity.

(Notary Public)

My commission expires:

This instrument was prepared by (name, address): FRANDSEN BANK & TRUST

PO BOX 2690

BAXTER, MN 56425-2690

Exhibit A

Parcel 1

PID 120222100A00009

Northeast Quarter of the Northwest Quarter of Section 22, Township 137, Range 27, Crow Wing County, Minnesota; EXCEPT the West 200 feet thereof.

Parcel 2

PID 142020010170009

Lot 17, Block 1, Wildwood Acres;

Parcel 3

PID 120211100A00009

Northeast Quarter of the Northeast Quarter of Section 21, Township 137, Range 27, Crow Wing County, Minnesota; EXCEPT that part lying Easterly and Southerly of County Aid Road #3.

Parcel 4

PID 120153300BA0009

That part of the South Half of the Southwest Quarter of Section 15, Township 137 North, Range 27 West, Crow Wing County, Minnesota, described as follows: Commencing at the Southwest corner of said Section; thence North 89 degrees 28 minutes 16 seconds East, assumed bearing, along the South line of said South Half of the Southwest Quarter 66.01 feet to the East line of the West 66.0 feet of said South Half of the Southwest Quarter and point of beginning of the Tract to be herein described; thence North 01 degree 35 minutes 00 seconds West parallel with said West line 305.39 feet to the centerline of County State Aid Highway Number 3 as now laid out and traveled; thence North 69 degrees 16 minutes 55 seconds East along said centerline 646.77 feet; thence Northeasterly 509.73 feet along a tangential curve concave to the Northwest along said centerline, having a radius of 1909.86 feet, a central angle of 15 degrees 17 minutes 32 seconds, a chord bearing of North 61 degrees 38 minutes 09 seconds East and a chord distance of 508.23 feet; thence South 34 degrees 54 minutes 29 seconds East 305.58 feet; thence South 44 degrees 28 minutes East 713.64 feet to said South line; thence South 89 degrees 28 minutes 16 seconds West along said South line 1718.52 feet to the point of beginning.

Subject to the right-of-way of said County State Aid Highway Number 3 and subject to easements, restrictions and reservations of record.

Locally known as 36188 County Road 3, Crosslake, MN 56442

PID #120163400BA0889

That part of the South 660.00 feet of the Southeast Quarter of the Southwest Quarter of Section 16, Township 137 North, Range 27 West, Crow Wing County, Minnesota, described as follows: Beginning at the Southeast corner of said Southeast Quarter of the Southwest Quarter; thence North 89 degrees 52 minutes 26 seconds West, assumed bearing, along the South line thereof 1330.00 feet to the Southwest corner of said Southeast Quarter of the Southwest Quarter; thence North 1 degree 38 minutes 16 seconds West along the West line thereof 224.78 feet to the North line of the South 224.67 feet of said Southeast Quarter of the Southwest Quarter; thence South 89

degrees 52 minutes 26 seconds East along said North line 278.43 feet; thence North 02 degrees 07 minutes 26 seconds West 200.15 feet; thence North 89 degrees 52 minutes 26 seconds West 8.00 feet; thence North 02 degrees 07 minutes 26 seconds West 235.51 feet to the North line of said South 660.00 feet; thence South 89 degrees 52 minutes 26 seconds East along said last described North line 1067.75 feet to the East line of said Southeast Quarter of the Southwest Quarter; thence South 01 degree 14 minutes 55 seconds East along said East line 660.19 feet to the point of beginning. Subject to County State Aid Highway Number 66 right of way. Subject to easements, restrictions and reservations of record.

COMMERCIAL LOAN AGREEMENT

EXHIBIT A

LENDER:

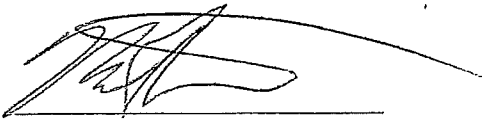
FRANDSEN BANK & TRUST
7429 Excelsior Rd
PO Box 2690
Baxter, MN 56425-2690
(877) 855-1320

BORROWER:

CROSSWOODS PROPERTIES, LLC
CROSSWOODS GOLF COURSE, INC.
35878 County Road 3
Crosslake, MN 56442

FINANCIAL REPORTING REQUIREMENTS: Borrower agrees to provide Lender with the following items on an ongoing basis:

- 1) Annual Business Tax Return for Crosswoods Golf, Inc. within 120 days of year end.
- 2) Annual Personal Tax Return for Michael and Kelly Stone within 120 days of year end.
- 3) Annual Personal Financial Statement for Michael and Kelly Stone.



MJS

09/29/2014

Participation Certificate and Agreement

Certificate Number 1440058323

Date and Parties. The date of this Participation Certificate and Agreement ("*Agreement*") is as of 09-29-2014.
The parties and their addresses are:

Originating Lender ("*Seller*")

FRANDSEN BANK & TRUST
PO BOX 2690
BAXTER, MN 56425-2690

Participating Lender ("*Purchaser*")

CITY OF CROSSLAKE
37028 COUNTY ROAD 66
CROSSLAKE, MN 56442

1. Definitions and Related Provisions.

- (A) "*Borrower*" means the maker(s) of the Note and are hereby identified as: CROSSWOODS PROPERTIES, LLC & CROSSWOODS GOLF COURSE, INC.
- (B) "*Collateral*" means the following property that secures the Note and Loan: SEE ATTACHED EXHIBIT 'A' AND ALL BUSINESS ASSETS OF CROSSWOODS GOLF COURSE, INC.
- (C) "*Collections*" means all cash flow from the Loan, including principal, interest, insurance proceeds, proceeds from liquidation of Collateral, distributions from bankruptcies, and other payments. Collections specifically exclude the proceeds of the sale set forth in this Agreement.
- (D) "*Default*" as it relates to the Borrower shall have the meaning set forth in the Loan Documents. Default as it relates to the Seller and Purchaser shall mean the Seller's and/or Purchaser's failure to comply with the terms and provisions of this Agreement. Time is of the essence.
- (E) "*Expenses*" are advances for taxes, insurance premiums and other items Seller deems appropriate to collect sums due under the Loan, enforce and recover under the Loan Documents, and to protect the Collateral securing the Loan, including but not limited to attorney fees and court costs. Seller may incur Expenses from time to time.
- (F) "*Future Advances*" means, for a multiple advance note, advances paid to Borrower under the Loan Documents subsequent to the date of this Agreement.
- (G) "*Loan*" means Borrower's obligations under the Loan Documents, including the obligation to pay principal, interest, and other sums. The Loan includes all claims and rights against Borrower and others under the Loan Documents and any lender obligations arising under the Loan Documents. The Loan includes the Loan Documents. The Loan includes all extensions, renewals, modifications and refinancings of Borrower's obligations.
- (H) "*Loan Documents*" means any and all present and future instruments, guaranties, and other writings, relating directly or indirectly, to the Note. Loan Documents do not include this Agreement or any attorney's opinion concerning this Agreement.
- (I) "*Note*" means that certain note in the original principal amount of \$ 100,000.00, bearing a title of UNIVERSAL NOTE, bearing the date of 09-29-2014, with a maturity date of 10-01-2024, a Loan Number of 1440058323, with an outstanding principal balance as of the date of this Agreement of \$ 100,000.00, and bearing interest at the following rate(s): 4.25%

(J) "Participation Interest" means, subject to the provisions set forth herein:

- ☒ (For a Loan that is not revolving and is a single advance note and/or fully funded) an undivided 100.000 percent interest in the outstanding balance of principal and interest under the Loan.
- ☐ (For a Loan that is not revolving and is a single advance note and/or fully funded) the following dollar amount of the outstanding balance of principal and interest under the Loan: \$
- ☐ (For a Loan that has multiple advances and is not fully funded and/or is revolving, and Seller excludes advances made prior to the date of this Agreement) ☐ an undivided percent interest or ☐ \$ in the Future Advances under the Loan.
- ☐ (For a Loan that has multiple advances and is not fully funded and/or is revolving, and Seller either includes advances made prior to the date of this Agreement or no advances were made prior to the date of this Agreement) ☐ an undivided percent interest or ☐ \$ in the Future Advances under the Loan.
- ☐ Other

(K) "Purchaser's Interest Rate" means ☒ Fixed 4.000 percent; ☐ Variable percent.
Seller shall calculate interest ☐ in accordance with the provisions of the Loan Documents, or ☐ in accordance with the following provisions:

2. Sale of the Participation Interest.

(A) Single Advance Note and/or Fully Funded; Not Revolving.

- ☒ The Note is a single advance note and/or is fully funded. The Note is not revolving. In consideration of the sum of \$ 100,000.00, Seller hereby sells to Purchaser the Participation Interest.

(B) Multiple Advances Note that is not Fully Funded and/or is Revolving.

- ☐ The Note is a multiple advance note that is not fully funded and/or is revolving.

(1) Advances.

- ☐ Seller did not make any advances to Borrower prior to the date of this Agreement or
- ☐ Seller made advances to Borrower prior to the date of this Agreement in the amount of \$

(2) Effects of Prior Advances on Participation Interest. If the Seller made advances to Borrower prior to the date of this Agreement, the sale

- ☐ includes an interest in Seller advances to Borrower prior to the date of this Agreement or
- ☐ excludes any interest in Seller advances to Borrower prior to the date of this Agreement. For a multiple advance note under which the Seller excludes Seller advances to Borrower prior to the date of this Agreement, the Purchaser's undivided interest in the total Loan advances made to Borrower may change from time to time and shall be based on the percentage of the Purchaser's contributions compared to the total of Seller advances to Borrower prior to the date of this Agreement and Future Advances under the Loan. The percentage computation shall be to the nearest one thousandth percent.
- ☐ Other

(3) Sale. In consideration of the sum of \$, Seller hereby sells to Purchaser the Participation Interest.

- (4) **Contributions to Future Advances.** Purchaser shall make contributions to Future Advances pro ratably in accordance with the Participation Interest defined above and the provisions related thereto.

☐ And in accordance with the following additional terms:

For a Note that is revolving, the obligation to make contributions to Future Advances will continue as the outstanding balance of the Loan increases and decreases as long as the dollar amount is not exceeded for Participation Interests that are based on a dollar amount.

- (5) **Funding Future Advances.** Within _____ hours of Seller's request, Purchaser shall fund its contributions to Future Advances by:

- ☐ Wire Transfer
☐ Cashier's Check
☐ Other Methods as follows:

Purchaser's funds shall be immediately available. Upon Purchaser's written request, but no more often than semi-annually, Seller shall deliver to Purchaser a statement of the total amount of the Future Advances to Borrower. The statement shall also specify the total amount of Purchaser's portion of the Future Advances and state the balance of principal, interest and other amounts outstanding from Borrower under the Loan. Seller shall deliver the statement within a reasonable time.

3. **Payment of Expenses and Administrative Fees; Distribution of Collections.** Seller shall deduct Expenses and Administrative Fees from Collections. Expenses shall be allocated pro ratably in accordance with the parties' interests. In the event that Administrative Fees and/or Expenses exceed Collections, Seller may invoice Purchaser for outstanding Administrative Fees and Purchaser's pro rata share of outstanding Expenses. Purchaser shall pay such invoice within ten (10) days of such invoice. Seller will distribute Purchaser's share of Collections, less Administrative Fees and Expenses, to Purchaser within ten (10) days of clearance of Collections. In the event that any distribution of Collections to Purchaser is determined, by a court of competent jurisdiction, to be a preference under any bankruptcy law or a fraudulent transfer, Purchaser shall reimburse the Seller for principal, interest, and any other sums found to be due as a result of such preferential payment or transfer.

4. **Payment of Collections.** Seller shall pay Purchaser's share of Collections, adjusted for Purchaser's Interest Rate, as follows:

- ☐ Pro rata. _____ percent of Collections.
- ☐ Purchaser First Out. ☐ 100 percent ☐ _____ percent of Collections until such time as Purchaser has received Purchaser's investment plus interest thereon at the rate set forth in the Loan Documents. Payments will be applied first to accrued interest and second to principal.
- ☐ Purchaser Last Out. ☐ 100 percent ☐ _____ percent of Collections until such time as Seller has received Seller's investment plus interest thereon at the rate set forth in the Loan Documents. Payments will be applied first to accrued interest and second to principal.
- ☒ Other. 100 PERCENT OF COLLECTIONS PROVIDED ALL OTHER BORROWER DEBTS TO SELLER ARE CURRENT, AND NOT IN DEFAULT OF ANY TERMS OR AGREEMENTS.

5. **Administrative Fee.** Purchaser agrees to the payment of Administrative Fees for servicing as follows:

- ☐ No Administrative Fee. Seller will bear all costs of administering and servicing the Loan.
- ☐ Dollar Amount Administrative Fee. \$ _____ annually in advance.
- ☐ Percentage Administrative Fee. _____ percent per annum of the percentage of Purchaser's Participating Interest, computed monthly based on the most recent percentage of Purchaser's Participating Interest.

6. Additional Provisions.

PURCHASER ACKNOWLEDGES THAT THEY ARE IN A SUBORDINATE POSITION FOR ALL BORROWER DEBTS TO SELLER AND SUBORDINATE TO ALL RIGHTS TO COLLATERAL OR PROCEEDS.

- 7. Servicing.** Seller shall service the Loan, including making Collections and disbursements as provided herein. Seller will hold all Loan Documents and maintain records pertaining to the Loan. Except as expressly set forth herein, Seller will make all decisions concerning the servicing of the Loan, including but not limited to decisions concerning the security for the Loan, guaranties, acceleration, foreclosure, acquisition of other security or guaranties, deficiency judgments, purchase at foreclosure sales, and administration and disposition of acquired security. Except as to the normal course of dealing with Borrower, Seller will not reduce principal or interest with respect to the Loan or release or allow for the substitution of any Collateral in a manner that substantially reduces the possibility of repayment without the Purchaser's consent. Seller will not renew, extend, or consent to the adverse revision of the provisions of the Note or other Loan Documents or waive any claim against Borrower without the Purchaser's written consent. In the event that the Seller proposes an action that requires the Purchaser's consent and the Purchaser does not object in writing to a written proposal with respect thereto within five (5) days of delivery of a written proposal to Purchaser, notwithstanding anything herein to the contrary, Purchaser shall be deemed to have consented thereto. Seller will use the same degree of care in servicing and collecting the Loan as it would for its own accounts. Notwithstanding any other provision of this Agreement to the contrary, Seller will not be liable to Purchaser for any action taken or omitted or for any error in judgment except for Seller's bad faith or willful misconduct.
- 8. Security.** If Collateral secures this Loan, Purchaser shall hold a pro rata interest in the Collateral. Upon full payment of the sums due under the Note and Loan Documents, Purchaser's interest in the Collateral shall be null and void.

9. Representations and Other Agreements. The parties represent and agree:

- (A) Loan Documents.** Purchaser received copies of all documents necessary to evaluate the quality of the Loan before entering into this Agreement. All Loan Documents are available at Seller's office for Purchaser's inspection and copying during normal lobby hours upon reasonable advance notice and at such other times as Seller may permit. Unless otherwise agreed, Seller will from time to time provide Purchaser with complete and current credit information regarding the following: Status of accrual under the Loan, principal and interest payments, financial statements, property values and liens and any factual information bearing on the Borrower's continuing credit worthiness.
- (B) No Recourse; Disclaimer of Certain Warranties; Release.** Seller makes the sale of the Participation Interest without recourse. Purchaser acknowledges that it has made an independent investigation of the Loan and has satisfied itself with respect to the credit standing of the Borrower and any other obligor under the Loan, the value of any security for the Loan, and the validity and enforceability of the Loan Documents. Except as to the express representations set forth herein, Purchaser acknowledges that it is not relying on Seller's judgment and that Seller has not made any warranties or representations, express or implied, on which the Purchaser relies. Except as to express representations set forth herein, Seller makes no warranties or representations regarding the legality, perfection, enforceability or priority of any security interests, mortgages, guaranties, or similar documents issued in connection with the Loan. Purchaser agrees to share the risks of collection of the Loan and of the adequacy of the Collateral in proportion to the Purchaser's Participation Interest in the total advances to Borrower. Purchaser releases Seller from any liability under state or federal securities laws arising from the failure of Seller to register the Purchaser's Participation Interest and/or sale. Purchaser and Seller acknowledge that based on their independent evaluations, the sale of Purchaser's Participation Interest in the Loan is not intended to constitute the sale of a "security" within the meaning of any applicable federal or state securities law, and that it is not anticipated that there will be any filing under any securities law.
- (C) No Fiduciary Relationship; No Partnership, Joint venture, Agency, or Trust.** Purchaser acknowledges that no fiduciary relationship exists or shall exist between the Purchaser and Seller. Purchaser and Seller agree

that they do not intend that this Agreement be construed to create a partnership, joint venture, agency, or trust relationship.

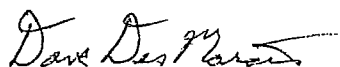
- (D) **Set-Offs.** In the event of a Default by Borrower and a set-off of funds that will be applied to sums due under the Loan, Seller and Purchaser will share in such set-off in accordance with their rights under the provisions of the Payment of Collections paragraph as of the date of the set-off.
 - (E) **Status of Loan.** Seller represents that the Loan is not classified; that the Loan is presently on an accrual status; that the Loan is not in Default; and that the Seller has not renegotiated or compromised the terms of the Loan due to any deteriorating financial condition of Borrower or any other obligor under the Loan.
 - (F) **Purchaser's Authority.** Purchaser hereby represents and warrants to Seller that at the time Purchaser executes this Agreement, Purchaser has received all authorizations of its loan committee, board of directors, shareholders, stockholders and such other bodies or persons as are necessary to authorize Purchaser's purchase of the Participation Interest; that such authorization is reflected in the appropriate minutes thereof and continues to be an official record of Purchaser, and that Purchaser has the financial ability to perform its obligations under this Agreement.
 - (G) **Notification.** Seller and Purchaser will promptly notify each other should either receive actual notice or knowledge of any loss of the Collateral or change in financial condition of any party obligated to Seller under the Loan Documents if such event could have a material adverse effect on repayment of the Loan.
 - (H) **Notices.** Except as set forth herein, Seller and Purchaser shall send all notices by first class mail to the addresses set forth in this Agreement.
 - (I) **Binding Effect.** This Agreement is binding on the successors and assigns of the parties.
 - (J) **Amendment, Integration and Severability.** This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement shall be effective unless made in writing and executed by Purchaser and Seller. This Agreement is the complete and final expression of the parties. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.
 - (K) **Remedies.** Nothing in this Agreement will be construed to limit either party's remedies. The parties are allowed all remedies provided by law and equity.
 - (L) **Interpretation.** To the extent required, whenever used, the singular includes the plural and the plural includes the singular. The headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.
10. **Failure to Remit.** If the Seller fails to remit sums due Purchaser timely, Seller shall pay to Purchaser interest and late fees equal to those specified in the Loan Documents.
11. **Removal/Termination of Seller as Servicer.** To the extent permitted by applicable law, Purchaser may remove Seller as servicer under the following terms and conditions:
- (A) **Qualifying Events.** If (1) Seller materially fails to comply with its contractual obligations under this Agreement; (2) Seller or Seller's holding company (if any) petitions for or becomes subject to bankruptcy; (3) Seller commits any act of insolvency; (4) Seller resigns as servicer; or (5) Seller is declared insolvent, is taken over, or otherwise closed by a governmental regulatory agency which has jurisdiction over Seller, Purchaser may notify Seller and, subject to the provisions herein, assume servicing of the Loan under the terms and conditions stated herein for servicing, including the payment of Administrative Fees, as well as demand any documentation or writings reasonably necessary to service the Loan.
 - (B) **Multiple Participants.** Notwithstanding the foregoing, in the event of multiple participants in the Loan, the lender with the then largest share will have the option to assume servicing of the Loan. If any participant possessing this option does not exercise its right upon the demand of any other participant, the option will then pass to the participant with the next largest share, or in the event of lenders with equal shares, to the first lender purchasing its share.

12. **Purchaser Rights.** The new servicer shall have the right to notify the Borrower and any other party obligated under the Loan to pay any amounts due under the Loan directly to the new servicer. Seller will join in such notice. Administrative Fees will be prorated as of the date of Seller's removal or termination. Unless otherwise agreed, all remaining terms of this Agreement will survive Seller's removal as servicer.
13. **Right of First Refusal.** In the event that Purchaser intends to sell any or all of its interest in the Participation Interest, the Seller shall have a right of first refusal. Prior to any transfer to a third party, Purchaser shall forward to Seller copies of all proposed agreements relating to such sale as well as a statement summarizing the terms of such proposed sale. The summary shall include identification of all parties to the proposed transaction and all relevant dates. Seller shall have ten (10) days from receipt of all documents and summary within which to either exercise its right of first refusal or decline to exercise its right of first refusal. Failure to comply with these provisions will render any transfer to a third party void. If Seller exercises its right of first refusal, Purchaser and Seller shall complete the sale within ten (10) days from the date of exercising such right.
14. **Transfer.** Purchaser shall not sell, pledge, assign, subparticipate, or otherwise transfer its Participation Interest without the written consent of Seller.
15. **Attorney Fees and Costs.** If any party to this Agreement brings an action to enforce the terms of this Agreement, the unsuccessful party will pay the prevailing party all of its court costs and reasonable attorney fees incurred in bringing or defending such action.
16. **Governing Law and Venue.** The Seller is located in the jurisdiction set forth in the Date and Parties section of this Agreement. The laws of Seller's jurisdiction govern this Agreement, and to the extent required, the laws of the jurisdiction(s) in which the Collateral is located govern this Agreement. The exclusive venue for any action shall be Seller's jurisdiction, but to the extent required, shall include the jurisdiction(s) in which the Collateral is located.
17. **Check Boxes.** For those provisions that are preceded by a check box, those provisions are part of this Agreement only if they are checked.
18. **Maintain Confidentiality.** Purchaser shall maintain the confidentiality of the Borrower's information.
19. **Compliance with Law.** Notwithstanding any provision herein, Seller may take any action required by applicable laws or regulations.
20. **Jury Trial Waiver.**
- ☒ To the extent permitted by law and after consultation with counsel, the parties knowingly, voluntarily, and intentionally waive trial by jury.

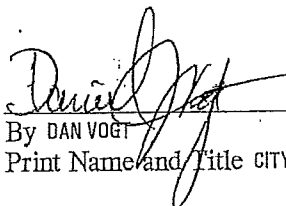
Signatures. Executed as of 09-29-2014

Seller

Purchaser



By DAVE DESMARAIS
Print Name and Title VICE PRESIDENT



By DAN VOGT
Print Name and Title CITY ADMINISTRATOR/CONSULTANT

Subordination Agreement

AGREEMENT made this 24th day of February, 2016, between the City of Crosslake and Frandsen Bank & Trust.

WHEREAS, Frandsen Bank & Trust is the mortgagee for a mortgage dated September 24, 2014, recorded October 6, 2014 as Document No. A-850443 in the amount of \$100,000.00, executed by Crosswoods Properties, LLC and Crosswoods Golf Course, Inc. and said mortgage secures loan #1440058323, which was 100% sold to the City of Crosslake on September 29, 2014. The mortgage affects real property described as:

See attached exhibit A

AND WHEREAS, the parties desire that Frandsen Bank & Trust have a second mortgage lien superior to the lien of the existing mortgage held by the City of Crosslake.

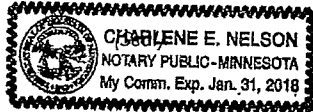
NOW THEREFORE, in consideration of Frandsen Bank & Trust making a loan, the City of Crosslake hereby subordinates the lien of its mortgage to the lien of the Frandsen Bank & Trust mortgage dated February 24, 2016, in the amount of \$100,000.00, recorded on _____ as Document No. _____

The City of Crosslake

By: Michael R. Lyman
Its: City Administrator/Consultant
FINANCE DIRECTOR / TREASURER

State of _____ }
 }ss
County of _____ }

The foregoing was acknowledge before me this 24 day of Feb, 2016, by _____ the _____ of Frandsen Bank & Trust, a corporation under the laws of the State of Minnesota on the behalf of the corporation.



By: Charlene Nelson
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
Frandsen Bank & Trust

EXHIBIT B

CITY OF CROSS LAKE

Trial Balance

11/09/16 9:31 AM

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YTD OCTOBER 2016

Act Typ Act Code	Last Dimension	Begin Year	YTD Debit	YTD Credit	Balance
FUND 503 EDA (REVOLVING LOAN)					
General Ledger					
Asset					
IG 503-10100	10100 Cash	\$0.00	\$0.00	\$0.00	\$0.00
IG 503-10102	10102 Restricted Cash-RUS R	\$290,690.26	\$27,431.52	\$0.00	\$318,121.78
IG 503-11500	11500 Accounts Receivable	\$0.00	\$0.00	\$0.00	\$0.00
IG 503-11501	11501 Loans Receivables	\$148,131.14	\$0.00	\$20,806.41	\$127,324.73
Total Asset		\$438,821.40	\$27,431.52	\$20,806.41	\$445,446.51
Liability					
IG 503-20200	20200 Accounts Payable	\$0.00	\$0.00	\$0.00	\$0.00
IG 503-20700	20700 Due to Other Funds	\$0.00	\$0.00	\$0.00	\$0.00
Total Liability		\$0.00	\$0.00	\$0.00	\$0.00
Equity					
IG 503-25300	25300 Unreserved Fund Balanc	-\$438,821.40	\$0.00	\$6,625.11	-\$445,446.51
Total Equity		-\$438,821.40	\$0.00	\$6,625.11	(\$445,446.51)
FUND 503 EDA (REVOLVING LOAN)		\$0.00	\$27,431.52	\$27,431.52	\$0.00
Revenue					
IR 503-34951	34951 Rev Loan Principal Pymt	\$0.00	\$0.00	\$0.00	\$0.00
IR 503-36210	36210 Interest Earnings	\$0.00	\$0.00	\$1,268.41	-\$1,268.41
IR 503-36211	36211 Revolving Loan Interest	\$0.00	\$0.00	\$5,356.70	-\$5,356.70
IR 503-39200	39200 Operating Transfers	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenue		\$0.00	\$0.00	\$6,625.11	(\$6,625.11)
Expenditures					
IE 503-46500-304	304 Legal Fees (Civil)	\$0.00	\$0.00	\$0.00	\$0.00
IE 503-46500-430	430 Miscellaneous	\$0.00	\$0.00	\$0.00	\$0.00
IE 503-46500-447	447 Loan Disbursements	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenditures		\$0.00	\$0.00	\$0.00	\$0.00
(Excess) / Loss					(\$6,625.11)

City of Crosslake - EDA
Revolving Loan Activity Summary
11/09/2016

Revolving Loan Fund Activity	Total	Loan Activity										
		Amounts (Loaned) Payments Received										
LAMDA - Interest Free	Cross Tech Mfg.	J & N Company	MLB/BJR Properties	Rustica Home Furnishings	Studio In The Sticks	Midwest Properties	Butterfield Enterprises	Crosswoods	Total Loan Principal	Total Loan Interest		
-	-	-	-	-	-	-	-	-	-	-		
-	-	-	-	-	-	-	-	-	-	-		
300,000.00												
60,000.00												
360,000.00												
Total Original Funding Sources												
Loan Disbursements:												
LAMDA - Interest Free	(360,000.00)								(360,000.00)			
Cross Tech Mfg.	(24,400.00)	(65,000.00)							(24,400.00)			
J & N Company			(100,000.00)	(20,000.00)					(65,000.00)			
MLB/BJR Properties									(100,000.00)			
Rustica Home Furnishings									(20,000.00)			
Studio In The Sticks					(30,935.00)				(30,935.00)			
Midwest Properties						(75,000.00)			(75,000.00)			
Butterfield Enterprises							(65,720.00)		(65,720.00)			
Crosswoods								(100,000.00)	(100,000.00)			
Total Loan Disbursements	(360,000.00)	(24,400.00)	(100,000.00)	(20,000.00)	(30,935.00)	(75,000.00)	(65,720.00)	(100,000.00)	(841,055.00)	-		
Principal/Interest Received To Date:												
LAMDA	360,000.00								360,000.00			
LAMDA - Interest Free										-		
Cross Tech Mfg.	24,400.00								24,400.00	3,458.91		
J & N Company		58,748.60							58,748.60	18,974.37		
MLB/BJR Properties			54,882.98						54,882.98	30,204.60		
Rustica Home Furnishings				20,000.00					20,000.00	1,269.59		
Studio In The Sticks					15,825.52				15,825.52	2,501.64		
Midwest Properties						55,089.32			55,089.32	19,803.22		
Butterfield Enterprises							40,833.85		40,833.85	17,567.97		
Crosswoods								17,472.10	17,472.10	7,734.89		
Total Principal/Interest Received to Date	748,767.56	58,748.60	54,882.98	20,000.00	15,825.52	55,089.32	40,833.85	17,472.10	647,252.37	101,515.19		
Other Income (Expense):												
Bank Interest	109,739.38											
EDA Expenditures - (BLADC, Other)	(59,330.16)											
Total Other Income (Expense)	50,409.22											
Cash Balance in Revolving Loan Fund	318,121.78											
Account Balances - Before Loan W/O's		(0.00)	6,251.40	45,117.02	15,109.48	19,910.68	24,886.15	82,527.90	193,802.63			
Loan Balances Written Off		-	(6,251.40)	(45,117.02)	(15,109.48)	-	-	-	(66,477.90)			
Outstanding Loan Balances Receivable	127,324.73	(0.00)	-	-	-	19,910.68	24,886.15	82,527.90	127,324.73			
Revolving Loan Fund Equity	445,446.51											