

# DEBT SUBORDINATION AGREEMENT

June 29, 2017

Creditor: Northfield Economic Development Authority

Lender: MidWestOne Bank, an Iowa banking corporation

Borrower: Northfield Hotel Properties LLC, a Delaware limited liability company

## RECITALS

A. Borrower is now or hereafter may be indebted to Lender on account of certain loans or other extensions of credit or financial accommodations from Lender to Borrower (all indebtedness of every type and description which Borrower may now or at any time hereafter owe to Lender, whether such indebtedness now exists or is hereafter created or incurred and whether it is several or joint and several, is hereinafter collectively referred to as "Lender Indebtedness").

B. Lender is unwilling to extend credit or financial accommodations or continue with the existing Lender Indebtedness to Borrower unless Creditor executes this debt subordination agreement in favor of Lender ("Subordination Agreement").

C. Creditor is of the opinion that it would be in and for its best interest to assist Borrower in obtaining and continuing with Lender Indebtedness from Lender and, therefore, is willing to execute this Subordination Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. Subordinated Indebtedness. The payment of all of Borrower's indebtedness to Creditor of every type and description, whether now existing or hereafter created or incurred and whether several or joint and several and any extensions, renewals or replacements applicable thereto, whether as maker, acceptor, drawer, endorser, grantor, surety, or otherwise (all such indebtedness hereinafter being collectively referred to as the "Subordinated Indebtedness"), is hereby expressly subordinated to the extent and in the manner hereinafter set forth to the payment in full of all Lender Indebtedness. The amount of the Subordinated Indebtedness existing on the date hereof is Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00).

2. Principal and Interest Payment on Subordinated Indebtedness. Lender agrees that so long as Borrower is not in default in any respect on any of its then existing Lender Indebtedness, Creditor may demand, receive, and accept from Borrower regularly scheduled monthly principal and interest payments as set forth in the promissory note evidencing the Subordinated Indebtedness. In the event Borrower is in default in any respect on any of its then existing Lender Indebtedness and following notice of such default to Creditor by Lender, and for so long as such default may continue, without Lender's prior written consent, Creditor shall not demand, receive

or accept any principal and interest payments from Borrower in respect of the Subordinated Indebtedness.

3. Payments Made on Subordinated Indebtedness. In the event that Creditor shall receive any payment on the Subordinated Indebtedness which Creditor is not entitled to receive under the provisions of the foregoing Section 2, Creditor shall hold the amount so received in trust for Lender and shall forthwith turn over such payment to Lender in the form received, except for the endorsement of Creditor where necessary, for application on the then existing Lender Indebtedness, whether due or not due, in such manner of application as Lender may deem appropriate. In the event of the failure of Creditor to make any endorsement required under this Subordination Agreement, Creditor hereby irrevocably appoints Lender, or any of its officers or employees on behalf of Lender, as the attorney-in-fact for Creditor to make such endorsement in Creditor's name.

4. Notice of Subordinated Indebtedness. Creditor shall cause all notes or other instruments evidencing the Subordinated Indebtedness to contain a specific statement thereon to the effect that the indebtedness thereby evidenced is subject to the provisions of this Subordination Agreement. Attached hereto is a true and correct copy of the Subordinated Note bearing such legend.

5. Subordination of Collateral. Creditor hereby acknowledges and agrees that, regardless of any priority otherwise available to Creditor by law or by agreement, any mortgage lien or security interest held by Creditor and securing the Subordinated Indebtedness, whether real or personal property, whether now owned or hereafter acquired, together, in each case, with all proceeds thereof (collectively, "Property"), is, shall be, and shall remain, fully subordinate for all purposes to each and every mortgage lien and security interest granted by Borrower to Lender to secure the Lender Indebtedness.

6. No Commitment. None of the provisions of this Subordination Agreement shall be deemed or construed to constitute a commitment or an obligation on the part of Lender to make any future loans or other extensions of credit or financial accommodations to Borrower.

7. Continuing Agreement. This Subordination Agreement shall constitute a continuing subordination, and Lender may continue, without notice to or consent by Creditor, to make loans and extend other credit or financial accommodations to or for the account of Borrower in reliance upon this Subordination Agreement until written notice of revocation of this Subordination Agreement shall have been received by Lender from Creditor. Any such notice of revocation shall not affect this Subordination Agreement in relation to any Lender Indebtedness then existing or created thereafter pursuant to any previous commitment of Lender to Borrower, or any amendments, extensions, renewals or restatements of any such Lender Indebtedness, and as to all such Lender Indebtedness and amendments, extensions, renewals, or restatements thereof, this Subordination Agreement shall continue effective until the same have been fully paid with interest. If there shall be more than one signer of this Subordination Agreement, such notice of revocation shall be effective only as to the one giving such notice of revocation.

8. Amendments to Lender Indebtedness. Lender may, at any time, and from time to time, either before or after any such notice of revocation, without the consent of or notice to Creditor, without incurring responsibility to Creditor, and without impairing or releasing any of its rights or any of the obligations of Creditor hereunder:

- (a) change the interest rate or change the amount of payment or extend the time of payment or renew or otherwise alter the terms of any Lender Indebtedness or any instrument evidencing the same in any manner;
- (b) sell, exchange, release or otherwise deal with all or any part of any property at any time securing payment of Lender Indebtedness or any part thereof;
- (c) release anyone liable in any manner for the payment or collection of Lender Indebtedness or any part thereof;
- (d) exercise or refrain from exercising any right against Borrower or others, including Creditor; and
- (e) apply any sums received by Lender, by whomsoever paid and however realized, to Lender Indebtedness in such manner as Lender shall deem appropriate.

9. No Waiver. No waiver shall be deemed to be made by Lender of any of its rights hereunder unless the same shall be in writing signed on behalf of Lender, and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of Lender or the obligations of Creditor to Lender in any other respect at any other time.

10. Binding Effect. This Subordination Agreement and every part hereof shall be binding upon Creditor and upon the heirs, legal representatives, successors, and assigns of Creditor, and of each of them, respectively (in case this Subordination Agreement is signed by more than one signer), from and after the date of its execution and delivery to Lender irrespective of whether this or any similar agreement is executed by any other creditor of Borrower. Notice of acceptance by Lender of this Subordination Agreement or of reliance by Lender upon the subordination herein contained is hereby waived by Creditor.

11. Governing Law. This Subordination Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

12. Severability of Provisions. Any provision of this Subordination Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

13. Multiple Signators. If there be more than one signer of this Subordination Agreement, then the covenants, promises and agreements herein contained shall be construed to be the several promises, covenants and agreements of each of the undersigned.

14. Headings. All paragraph headings in this Subordination Agreement are included herein for convenience of reference only and shall not constitute a part of this Subordination Agreement for any other reason.

15. Counterparts. This Subordination Agreement may be signed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

**IN WITNESS WHEREOF**, the parties hereto have caused this Subordination Agreement to be duly executed as of the day and year first above written.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK AND THE  
SIGNATURE AND ACKNOWLEDGMENT AND CONSENT PAGES FOLLOW.**

**CREDITOR:**

**Northfield Economic Development Authority**  
(a Minnesota State Statutory Authority)

By: \_\_\_\_\_

Name: Todd Bornhauser

Its: Board President

STATE OF MINNESOTA    )  
  ) SS  
COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged, subscribed, and sworn to before me this \_\_\_\_\_  
day of April, 2017, by \_\_\_\_\_, the \_\_\_\_\_ of  
\_\_\_\_\_, on behalf of the  
\_\_\_\_\_.

\_\_\_\_\_  
Notary Public

**This is a signature and notary page to that certain Debt Subordination Agreement dated  
June 29, 2017.**

**LENDER:**

**MidWestOne Bank**  
(an Iowa banking corporation)

By: \_\_\_\_\_  
Todd Hovland  
Its: Branch President

**This is a signature page to that certain Debt Subordination Agreement dated June 29, 2017.**

## **ACKNOWLEDGMENT AND CONSENT**

The undersigned, being Borrower referred to in the foregoing Subordination Agreement, hereby acknowledges receipt of a copy thereof and agrees to all of the terms and provisions of the foregoing Subordination Agreement, and agrees to and with Lender named therein that the undersigned shall make no payment of the Subordinated Indebtedness therein described nor consent to or participate in any act whatsoever, which payment or act is in violation of any of the provisions of said Subordination Agreement. The undersigned hereby authorizes Lender, without notice to the undersigned, to declare all of Lender Indebtedness to be due and payable forthwith upon any violation by the undersigned of any of the provisions of the said Subordination Agreement.

**BORROWER:**

**Northfield Hotel Properties LLC**  
(a Delaware limited liability company)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**This is the acknowledgement and consent signature page to that certain Debt Subordination Agreement dated June 29, 2017.**