

DRAFT FOR DISCUSSION PURPOSES ONLY
DRAFT DATE: MARCH 20, 2024

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is dated as of April __, 2024, by and among SE 7TH AVE DISTRIBUTION LLC, a Minnesota limited liability company (“Borrower”), the GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic under the laws of Minnesota (“EDA”), and ALERUS FINANCIAL, NATIONAL ASSOCIATION, a national banking association (“Lender”).

WITNESSETH

WHEREAS, the Borrower and the EDA entered into that certain Purchase Agreement dated December 15, 2023 (the “2023 Purchase Agreement”), pursuant to which the Borrower agreed to purchase from the EDA and the EDA agreed to sell to Borrower certain real property legally described on Parts I, II and III of **Exhibit A** attached hereto and made a part hereof (said property hereinafter called the “2023 Property”); and

WHEREAS, the Borrower and the EDA entered into that certain Purchase Agreement dated _____, 2024 (the “2024 Purchase Agreement”; and together with the 2023 Purchase Agreement being collectively referred to herein as the “Purchase Agreements”), pursuant to which the Borrower agreed to purchase from the EDA and the EDA agreed to sell to Borrower certain real property legally described on Part IV of **Exhibit A** attached hereto and made a part hereof (said property hereinafter called the “2024 Property”; and together with the 2023 Property being collectively referred to herein as the “Property”);

WHEREAS, Borrower obtained title to the 2023 Property pursuant to that certain Quit Claim Deed dated December 13, 2023, executed by the EDA and delivered to Borrower in accordance with the terms of the 2023 Purchase Agreement and filed with

the Itasca County Recorder's Office on December 22, 2023, as Document No. A000777132 ("2023 Deed"); and

WHEREAS, Borrower obtained title to the 2024 Property pursuant to that certain Quit Claim Deed dated _____, 2024, executed by the EDA and delivered to Borrower in accordance with the terms of the 2024 Purchase Agreement and filed April __, 2024 as Document No. _____ ("2024 Deed"; and together with the 2023 Deed, the "Deeds");

WHEREAS, Borrower has executed that certain Mortgage, Security Agreement and Fixture Financing Statement dated of even date herewith, recorded on _____, 2024 in the office of the County Recorder of Itasca County, Minnesota as Document No. _____ ("Mortgage"), whereby Borrower has mortgaged to Lender the Property; and

WHEREAS, the Mortgage was given to secure repayment of that certain Promissory Note ("Note") of even date herewith, issued by the Borrower to the order of the Lender in the original principal amount of \$32,560,000; and

WHEREAS, as a condition to the extension of credit by Lender evidenced by the Note, the Lender has required that the EDA's rights of re-entry and reverter under the Purchase Agreements and the Deeds be subordinated to the Mortgage.

NOW, THEREFORE, in consideration of the covenants contained herein, the mutual benefits derived therefrom and other good and valuable consideration received by each of the parties hereto from the other parties hereto, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, it is agreed as follows:

1. The EDA's rights under each of the Purchase Agreements and each of the Deeds, including all rights of re-entry and rights of reverter shall be, and hereby are made, subject and subordinate at all times and in all respects to the lien of the Mortgage, and all renewals, modifications, extensions, substitutions, replacements and/or consolidations thereof and the lien of the Mortgage shall be, and hereby is made, prior and superior to the EDA's rights under the Purchase Agreements and Deeds.
2. The EDA shall not without the prior written consent of the Lender take any action to enforce and foreclose any lien or other interest it may have in the Property, whether pursuant to the Purchase Agreements or the Deeds or otherwise, unless the Lender has initiated foreclosure proceedings (whether by action or pursuant to a power of sale) under the Mortgage.
3. The priorities set forth herein shall be binding irrespective of (a) the fact of or the timing of any filing, recording or other method of perfecting such mortgage lien interests; or (b) any contrary priority established pursuant to applicable statutes or regulations.

4. The rights and obligations hereunder of Borrower, the EDA and Lender shall bind and inure to the benefit of their respective successors and assigns.
5. Borrower and Lender, or their successors or assigns, may alter, extend, change, modify, waive or release any of the terms, covenants and conditions contained in the Mortgage without in any manner affecting this Agreement or releasing the EDA from the effect hereof, all without any further consent or agreement of the EDA.
6. This Subordination Agreement may be signed in any number of counterparts, including electronic and facsimile counterpart signatures, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

[signature pages follow]

**EXHIBIT A
LEGAL DESCRIPTION**

The land herein referred to is situated in the City of Grand Rapids, County of Itasca, State of Minnesota and is described as follows:

PART I (PID 91-033-4120)

The North 500 feet of the Northeast Quarter of the Southeast Quarter, Section 33, Township 55 North, Range 25, LESS the South 220 feet of the West 300 feet thereof, Itasca County, Minnesota.

PART II (PID 91-033-1410)

The Southeast Quarter of the Northeast Quarter, Section 33, Township 55 North, Range 25, West of the Fourth Principal Meridian, LESS the following three tracts: Tract 1: South Twenty acres thereof; Tract 2: North 198 feet of West 440 feet thereof; Tract 3: East 330 feet of North Half thereof, Itasca County, Minnesota.

PART (PID 91-033-1430)

The South Half of the Southeast Quarter of the Northeast Quarter, Section 33, Township 55 North, Range 25 West of the Fourth Principal Meridian, LESS the East 330 feet thereof, Itasca County, Minnesota.

PART IV

That part of the East 330.00 feet of the South Half of the Southeast Quarter of the Northeast Quarter of section 33, Township 55 North, Range 25 West, Itasca County, Minnesota, lying southwesterly of the following described line:

Commencing at the southeast corner of said Southeast Quarter of the Northeast Quarter; thence on an assigned bearing of North 01 degrees 20 minutes 08 seconds West, along the east line of said Southeast Quarter of the Northeast Quarter, a distance of 151.91 feet to the point of beginning of the line herein described; thence North 14 degrees 18 minutes 12 seconds West 523.41 feet to the north line of the South Half of the Southeast Quarter of the Northeast Quarter and said line terminating thereat.