

SECOND PROMISSORY NOTE

[\$INSERT LOAN AMOUNT]

[INSERT CLOSING DATE]

1. BORROWER'S PROMISE TO PAY

For Value Received, [INSERT FIRST BORROWER] and [INSERT SECOND BORROWER] (the "Borrower" whether one or more) jointly and severally *PROMISE TO PAY* to the order of [INSERT NAME OF AFFILIATE], a Minnesota nonprofit corporation, or its successors and assigns (the "Lender") at [INSERT ADDRESS OF AFFILIATE], or at such other place as may be designated from time to time by the Lender, the principal sum of [INSERT LOAN AMOUNT WRITTEN OUT] Dollars (\$[INSERT LOAN AMOUNT]) (the "Principal"), plus Default Interest (as hereinafter defined), if any. This Note shall mature on or before [INSERT MATURITY DATE], (the "Maturity Date") which is [INSERT TERM IN YEARS WRITTEN OUT] (# OF YEARS) years after the first day of the [INSERT FIRST OR SECOND] calendar month after the date of this Note. I will make any payment or payments under this promissory note ("Note") in the form of cash, check or money order.

I understand that the Lender may transfer this Note.

2. INTEREST

This Note will not bear interest, except for Default Interest, if any.

3. PAYMENTS

(A) Time and Place of Payment

I will pay the Principal amount of this Note to the Lender upon the Maturity Date (unless Principal is forgiven pursuant to Section 3 (B) below) or immediately upon: (i) a Sale (as hereinafter defined) of the Property (as hereinafter defined) by me before the Maturity Date, to the extent that proceeds of the Sale remain after I pay off the then outstanding balance of the loan evidenced by the First Promissory Note (as defined in Section 7 below) and secured by the Property; or (ii) my default under the terms of this Note. If the proceeds of such a Sale are sufficient to make full payment of the outstanding Principal due under this Note and to pay fully any sums owed on the First Promissory Note, then, subject to Section 4 below, I may retain any remaining proceeds of the Sale. Any Sale must comply with the terms and conditions of this Note and of the Second Mortgage (as defined in Section 11 below). For purposes of this Note, the term "Sale" and all forms and derivatives thereof shall mean any sale, conveyance, mortgage, pledge, grant of a security interest or other transfer of the Property.

(B) Principal Forgiveness

Subject to each Borrower under this Note owning and occupying the Property continuously as his, her, or their principal residence, [INSERT TERMS OF FORGIVENESS]

of the original Principal balance of this Note shall be forgiven by the Lender all subject to each Borrower owning and occupying the Property as his, her, or their principal residence.

4. DEFAULT INTEREST

This Note shall not bear interest, except as follows. After any default by Borrower under this Note, the unpaid Principal balance shall bear interest (the “**Default Interest**”) at a rate equal to the lesser of eight percent (8%) per annum or the maximum rate allowed by Minnesota law, and the Default Interest shall accrue from and after the date the Lender declares this Note due and payable through and including the date of payment in full.

5. AMOUNT DUE ON SALE

If at the time of a Sale of the Property by Borrower, the Principal due hereunder has not been forgiven pursuant to Section 3 above, and the proceeds of the Sale are insufficient to pay all of the amounts owed under Section 1 above, then the unpaid Principal amount due hereunder shall be forgiven only if the Property is sold to the Lender.

6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the Default Interest or other loan charges collected or to be collected in connection with this loan exceed any permitted limit, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from me which exceeded permitted limit will be refunded to me. The Lender may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial prepayment.

7. DEFAULT

Borrower is, on or before this date, also obtaining a First Mortgage loan from **[INSERT NAME OF AFFILIATE OR OTHER CREDITOR]**. To document and secure those loans, Borrower has executed and delivered (i) a First Promissory Note (hereinafter, the “**First Note**”) and First Mortgage (the “**First Mortgage**”). If Borrower shall fail to pay any sums due under this Note, the Second Mortgage, the First Note or the First Mortgage, as and when the same become due, or shall breach any other provision or covenant contained in this Note, the Second Mortgage, the First Note or the First Mortgage, then Lender shall have, in addition to any and all other rights and remedies available to it, the right and option to declare the outstanding principal balance of this Note immediately due and payable without notice, demand, or presentment for payment to Borrower or others, and the right to foreclose all liens and security interests securing the payment of this Note and to invoke all rights and remedies relating thereto.

The remedies of Lender as provided herein shall be cumulative and concurrent, may be pursued singly, successively, or together, at the sole discretion of Lender, and may be exercised as often as occasion therefor shall arise. No act or omission by Lender, including specifically

any failure to exercise any right or remedy, shall be deemed a waiver or release of the same; any such waiver or release shall be effective only as set forth in a written document executed by Lender and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing as a bar to or as a waiver or release of any subsequent right or remedy as to any subsequent event.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Lender a notice of my different address.

Any notice that must be given to the Lender under this Note will be given by delivering it or by mailing it by first class mail to the Lender at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Lender may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

10. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. “**Presentment**” means the right to require the Lender to demand payment of amounts due. “**Notice of Dishonor**” means the right to require the Lender to give notice to other persons that amounts due have not been paid.

11. SECURED NOTE

In addition to the protections given to the Lender under this Note, a Second Mortgage (the “**Second Mortgage**”) dated as of even date herewith by Borrower for the benefit of the Lender on certain real property located in [INSERT COUNTY] County, Minnesota protects the Lender from possible losses which might result if I do not keep the promises which I make in this Note. That Second Mortgage describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note.

12. NON-RECOURSE LOAN

This Note is nonrecourse. Borrower shall not be deemed to be personally liable for repayment of this Note or the performance of any of the covenants and agreements contained in this Note or the Second Mortgage. If the Lender shall at any time take action to enforce the obligations of Borrower under this Note or the Second Mortgage, the Lender will proceed to foreclose on the Property in lieu of instituting suit upon this Note. If, from such foreclosure and sale of the Property, a lesser sum is realized than the amount due and owed to Lender under this Note, the Lender shall not initiate any action, suit, claim or demand at law or in equity against Borrower for or on account of such deficiency. Notwithstanding the foregoing, Borrower shall at all times be and remain personally liable and obligated on a joint and severable basis, for any and all indebtedness, liabilities and obligations of Borrower to the Lender relating or pertaining to: (i) fraud or material misrepresentation by or on behalf of Borrower; (ii) the commission of waste or willful damage with respect to the Property; and (iii) the nonpayment of real estate taxes and property insurance premiums in accordance with the terms of the Second Mortgage.

If the Property is sold at a foreclosure sale (or other such appropriate action or proceeding), the proceeds of such sale shall be applied first to the discharge of that portion of the indebtedness, obligations and liabilities owed to the Lender remaining unpaid, as to which Borrower is not fully personally liable, it being the intention that the application of the proceeds of any such sale shall be in such manner as not to extinguish or reduce Borrower’s personal liability until all the indebtedness, obligations and liabilities owed to Lender for which Borrower is not personally liable have been paid in full. It is expressly understood and agreed that nothing contained in this paragraph shall in any manner or way constitute or be deemed to be a release or impairment of the indebtedness, obligations and liabilities evidenced by this Note, the Second Mortgage or any other related documents, or otherwise affect or impair the Lender’s ability to enforce his, her or its rights to and against the Property.

13. GOVERNING LAW

This Note shall be governed by and construed in accordance with the laws of the State of Minnesota.

SIGNED ON THE DAY AND YEAR FIRST ABOVE WRITTEN.

BORROWER:

[INSERT FIRST BORROWER]

[INSERT SECOND BORROWER]

Borrowers Address:
[INSERT PROPERTY ADDRESS]
[INSERT CITY, STATE AND ZIP]