

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Security Agreement") is made this 17th day of April, 2018, between DOGGIE DOO'S SPA & RETREAT INC, a Minnesota corporation with its principal place of business at 321 1st Avenue W, Shakopee, Minnesota 55379 (the "Debtor"), and the CITY OF SHAKOPEE, MINNESOTA, a statutory city and political subdivision of the State of Minnesota with its principal place of business at 485 Gorman Street, Shakopee, Minnesota 55379 (the "Secured Party").

1. Security Interest and Collateral. To secure the payment of that certain Promissory Note in the original aggregate principal amount of \$73,003.96, issued pursuant to a Loan Agreement of even date herewith (the "Loan Agreement") between the Secured Party and the Debtor, the proceeds of which will be applied by the Debtor to finance the costs of acquisition of equipment for use in the Debtor's business (the "Facility"), and pay related fees, the Debtor hereby grants the Secured Party a security interest (herein called the "Security Interest") in the following property (the "Equipment"):

any and all machinery and equipment installed in, attached to, or used in connection with the Facility, as described in EXHIBIT A attached hereto,

together with all parts, additions, replacements, and repairs to the Equipment now or hereafter installed in, attached to, or used in the Facility, and the proceeds thereof (collectively with the Equipment, the "Collateral").

2. Debtor's Representations, Warranties, and Covenants. The Debtor represents, warrants, covenants, and agrees as follows:

(a) Organization. The Debtor is a Minnesota corporation, and the Debtor has full power and authority to execute, deliver, and perform this Security Agreement, and to own its property and conduct its business as presently conducted and as proposed to be conducted.

(b) Authorization. The execution, delivery, and performance of this Security Agreement by the Debtor has been duly authorized by all necessary action and will not:

(i) require any consent or approval of any entity which has not been obtained; or

(ii) violate any material provision of any indenture, contract, agreement or instrument to which Debtor is a party or by which it is bound.

(c) Performance by Debtor. Unless the Debtor obtains Secured Party's written consent to the contrary, or except as provided in the Loan Agreement, Debtor shall not:

(i) terminate its interest in any of the Collateral; or

(ii) sell, transfer, or assign, or offer to sell, transfer or assign all or any part of the Collateral or permit all or any part of the Collateral to be sold, transferred, or assigned; or

(iii) remove or consent to the removal of any of the Equipment from the Facility.

(d) Title to Collateral. The Debtor shall keep good marketable title to all of the Collateral, and none of the Collateral is subject to any lien or security interest except for the security interest created by this Security Agreement and other security interests consented to in writing by Secured Party. The

Debtor has not granted, and will not grant or permit to exist, any lien or security interests in all or a portion of the Collateral other than the liens in favor of Secured Party and other liens consented to in writing by Secured Party. The Debtor shall defend the Collateral against all claims and demands of all and any other persons at any time claiming any interest therein adverse to Secured Party.

(e) Actions and Proceedings. There are no actions at law, suits in equity, or other proceedings before any governmental agency, commission, bureau, tribunal, or other arbitration proceedings against or affecting Debtor, that if adversely determined would adversely affect the Debtor's interest in the Collateral or would adversely affect the rights of Debtor to pledge and assign all or a part of the Collateral or the rights and security afforded Secured Party hereunder.

(f) Insurance. The Debtor agrees it will keep the Equipment insured, or cause the Equipment to be kept insured, at all times against loss by fire or other hazards concerning which, in the judgment of the Secured Party, insurance protection is reasonably necessary and in amounts sufficient to protect against loss or damage of the Equipment. Such policy or policies will contain a loss payable clause in favor of Secured Party or its successors or assigns, in form satisfactory to Secured Party, provided, however, that Debtor may, at its reasonable discretion, self-insure the Equipment.

(g) No Fixture. If any of the Collateral is or becomes a fixture, the Debtor agrees to furnish Secured Party, at Secured Party's request, with a statement or statements signed by all persons who have or claim an interest in the real estate concerned, which statements shall provide that the signer consents to the security interest created hereby and disclaims any interest in the Collateral as fixtures.

(h) Understandings Regarding Collateral. The Debtor acknowledges that the Collateral is or will be of the design, capacity, and manufacture specified for and by the Debtor, and that the Debtor is satisfied that the same is or will be suitable for its intended purposes. The Debtor further acknowledges and agrees that Secured Party has not made, and does not make, any representation, warranty, or covenant with respect to merchantability, fitness for any purpose, durability, patent, copyright or trademark infringement, suitability, or capability of any item of Collateral in any respect or in connection with any other purpose or use of Debtor, or any other representation, warranty, or covenant of any kind or character expressed or implied with respect thereto. Debtor accordingly agrees not to assert any claim whatsoever against Secured Party based thereon. The Debtor further agrees, regardless of cause, not to assert any claim whatsoever against Secured Party for loss of anticipatory profits or consequential damages.

(i) Use of Collateral. The Collateral will be used for its intended business purpose and will at all times be located at the Facility, except as provided in the Loan Agreement.

(j) Condition of Collateral. Debtor will keep the Collateral in good condition and repair, reasonable wear and tear excepted, and will permit Secured Party to enter the Facility at reasonable times and upon reasonable notice for the purpose of examining the Collateral.

(k) Costs of Collection. In the event of any action or proceeding to collect or realize upon the Collateral or to enforce any of Secured Party's rights hereunder, the Debtor shall pay:

(i) all of Secured Party's attorneys' fees and legal expenses, with interest thereon, incurred by the Secured Party;

(ii) all taxes, levies, insurance expenses, and costs of repairs to, or maintenance of, the Collateral; and

(iii) all costs of the Secured Party reasonably incurred in taking possession of, disposing of, or preserving the Collateral after any Event of Default described in Section 3 hereof.

3. Event of Default. Upon the occurrence of a default under the terms of the Loan Agreement or this Security Agreement (an "Event of Default"), the Secured Party may exercise any remedy available to it under the terms of the Loan Agreement, the Note, or this Security Agreement, and may, without limiting any other right or remedy available to it, exercise and enforce any and all rights and remedies available upon default to a secured party under the Uniform Commercial Code as enacted in the State of Minnesota, Minnesota Statutes, Chapter 336, as amended (the "UCC"), and the Secured Party and all representatives of the Secured Party are hereby granted the right to enter upon any property of the Debtor, without a hearing or prior notice thereof, for the purpose of taking possession of the Collateral. If notice to the Debtor of any intended disposition of the Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Security Agreement) at least ten (10) calendar days prior to the date of the intended disposition or other action.

4. Further Assurances. The Debtor shall execute and deliver to the Secured Party, promptly and at the Debtor's expense, financing statements, including without limitation a UCC-1 Financing Statement listing the Equipment and all proceeds thereof as collateral, substantially in the form attached hereto as EXHIBIT B. The Debtor agrees that the Secured Party is authorized, at its option, to file a photocopy or other reproduction of this Security Agreement as a financing statement and such photocopy or other reproduction shall be sufficient as a financing statement under the UCC, and the Debtor hereby irrevocably appoints the Secured Party as the Debtor's attorney-in-fact to execute and file, from time to time, on its behalf, one or more financing statements with respect to the Collateral and to execute such other documents and instruments on behalf of the Debtor as the Secured Party, in its sole judgment, shall deem necessary or desirable for the purposes of effectuating this Security Agreement, such power being coupled with an interest.

5. Cumulative Remedies. All of the Secured Party's rights and remedies herein are cumulative and in addition to any rights or remedies available at law or in equity, including the UCC, and may be exercised concurrently or separately. The Debtor shall pay all costs, expenses, losses, damages, and legal costs (including attorneys' fees) incurred by the Secured Party as a result of enforcing any terms or conditions of this Security Agreement.

6. No Liability Imposed on the Secured Party. The Secured Party shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty, or liability, nor shall this Security Agreement operate to place responsibility for the control, care, or management of the Equipment upon Secured Party; provided, that upon payment in full of the Note, the Secured Party shall execute and file UCC termination statements in the offices in which financing statements with respect to the Collateral are effective.

7. Indemnification. The Debtor hereby agrees to indemnify and to hold the Secured Party harmless of and from any and all liability, loss, or damage which it may or might incur under or by reason of this Security Agreement, and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained herein. Should the Secured Party incur any such liability or be required to defend against any such claims or demands, or should a judgment be entered against the Secured Party, the amount thereof, including costs, expenses, and attorneys' fees, shall bear interest thereon at the rate then in effect on the Note, shall be secured hereby, and shall be added to the obligations of the Debtor secured hereunder. The Debtor shall reimburse the Secured Party for such

additional obligations immediately upon demand, and upon the failure of the Debtor to do so, the Secured Party may declare such additional obligations immediately due and payable.

8. Expenses of Secured Party. All expenses paid or incurred in protecting, storing, warehousing, insuring, handling, and shipping the Collateral, all costs of keeping the Collateral free of liens, encumbrances, and security interests (other than the security interest created by this Security Agreement), and the removing of the same and all excise, property, sales, and use taxes imposed by state, federal, or local authority on any of the Collateral or with respect to the sale thereof, shall be borne and paid for by the Debtor and if the Debtor fails to promptly pay any amounts thereof when due, the Secured Party may, at its option, but shall not be required to, pay the same, and upon such payment the same shall constitute additional obligations of the Debtor and shall bear interest at the rate specified in the Note and shall be secured by the security interests granted hereunder.

9. Continuing Rights. The rights and powers of the Secured Party hereunder shall continue and remain in full force effect until the Note (and any additional obligations referred to in Sections 7 and 8 hereof) is paid in full.

10. Books and Records. The Debtor will permit the Secured Party, and its representatives, at reasonable times and upon reasonable notice, to examine the Debtor's books and records (including data processing records and systems) with respect to the Facility and the Collateral and make copies thereof at any time and from time to time, and the Debtor will furnish such information reports to the Secured Party and its representatives regarding the Collateral as the Secured Party and its representatives may from time to time request. The Secured Party shall have the authority, at any time, to require the Debtor to place upon the Debtor's books and records relating to the Collateral and other rights to payment covered by the security interest created in this Security Agreement a notation stating that any such Collateral and other rights of payment are subject to a security interest in favor of the Secured Party.

11. Successors and Assigns. This Security Agreement and each and every covenant, agreement, and provision hereof shall be binding upon the Debtor, and its successors and assigns, and shall inure to the benefit of the Secured Party, and its successors and assigns.

12. Governing Law. This Security Agreement is executed pursuant to and shall be governed by the laws of the State of Minnesota.

13. Severability. It is the intent of this Security Agreement to confer to the Secured Party the rights and benefits hereunder to the full extent allowable by law, including all rights available under the UCC. The unenforceability or invalidity of any provisions hereof shall not render any other provision or provisions herein contained unenforceable or invalid. Any provisions judicially determined to be unenforceable shall be severable from this Security Agreement.

14. Miscellaneous.

(a) Waiver. The performance or observance of any promise or condition set forth in this Security Agreement may be waived only in writing. No delay in the exercise of any power, right or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right or remedy.

(b) Assignment. This Security Agreement shall be binding upon the Debtor, and its successors and assigns, and shall inure to the benefit of the Secured Party, and its successors and assigns. All rights and powers specifically conferred upon the Secured Party may be transferred or delegated by the Secured Party to any of its successors and assigns, including any successor holder of the Note.

(c) Certain Defined Terms. Capitalized terms used in this Security Agreement that are otherwise not defined herein shall have the meanings assigned such terms in the Loan Agreement.

(d) Other Matters. If any provision or application of this Security Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect, and this Security Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Security Agreement or in any other agreement between Debtor and Secured Party shall survive the execution, delivery, and performance of this Security Agreement and the creation and payment of any indebtedness to Secured Party. Debtor waives notice of the acceptance of this Security Agreement by Secured Party.

(e) Notice. All notices required hereunder shall be given by depositing in the U.S. mail, postage prepaid, certified mail, return receipt requested, to the addresses first set forth above (or such other addresses as either party may notify the other).

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this Security Agreement as of the date and year first written above.

DOGGIE DOO'S SPA & RETREAT INC

By _____
Its _____

Execution page of the Secured Party to the Security Agreement, dated the date and year first written above.

CITY OF SHAKOPEE, MINNESOTA

By _____
William P. Mars
Its Mayor

By _____
William H. Reynolds
Its City Administrator

EXHIBIT A
EQUIPMENT

Equipment list will be provided and verified to exceed value of note and filed as part of this agreement.

EXHIBIT B
FORM OF UCC-1 FINANCING STATEMENT