SPECIAL MEETING
ECONOMIC DEVELOPMENT AUTHORITY AGENDA
Monday, November 14, 2016 5:15 PM

1. Call to Order
2. Approval of Agenda
3. New Business – Resolution Authorizing the Execution and Delivery of a Sublease
    3.1. Attachments: (1) Resolution Authorizing the Execution and Delivery of a Sublease, (2) City Administrator Memorandum and (3) Clinic Sublease
4. Miscellaneous
5. Adjournment

Next Regular Meeting – Monday, November 28, 2016

EXTRACT OF MINUTES OF A MEETING
OF THE BOARD OF COMMISSIONERS OF THE
ECONOMIC DEVELOPMENT AUTHORITY OF THE
CITY OF LE SUEUR, MINNESOTA

HELD: November 14, 2016

Pursuant to due call and notice thereof, a regular or special meeting of the Board of Commissioners of the Economic Development Authority of the City of Le Sueur, Minnesota was duly held at the City Hall on November 14, 2016 at ____ o'clock P.M.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A SUBLEASE

A. WHEREAS, the Economic Development Authority of the City of Le Sueur, Minnesota (the "Authority"), is authorized, pursuant to Minnesota Statutes, Section 469.090 through 469.1082 (the “Act”) to acquire land for the public purposes expressed in the Act and is authorized under said laws to initiate the Project herein referred to, and to issue and sell bonds for that purpose in the manner and upon the terms and conditions set forth in the Act; and

B. WHEREAS, the Authority has previously entered into a Lease With Option to Purchase Agreement dated September 17, 2010 (the "Lease") with the City of Le Sueur, Minnesota (the “City”), pursuant to which the Authority provided for the construction and equipping of a family medicine primary care clinic (the "Project") to be initially subleased by the City to Immanuel St. Joseph's-Mayo Health System and, in order to carry out the transaction, the Authority leased the Project to the City pursuant to the Lease; and

C. WHEREAS, the Authority previously issued its $2,466,000 Public Project Revenue Bond, Series 2010 (City of Le Sueur, Minnesota Lease With Option to Purchase Project) (the "Bonds") to provide funds to finance the Project pursuant to a Revenue Bond Resolution adopted by the Authority on August 23, 2010 (the “Bonds Resolution”), setting forth the form and details of the Bonds and their issuance and pledging the rental payments derived from the Lease to the payment of the Bonds; and

D. WHEREAS, the City has previously entered into a Sublease of the Project with Immanuel St. Joseph’s – Mayo Health System (“Mayo”) dated September 17, 2010 (the “Original Sublease”), which, upon the giving of appropriate notice by the City, will expire on or about August 31, 2018; and

E. WHEREAS, Minnesota Valley Health Center, Inc., a Minnesota nonprofit corporation (“MVHC”), has requested that the City and the Authority enter into a new sublease for the Project with MVHC for the uses described in such sublease; and

F. WHEREAS, a draft of the proposed Clinic Sublease with MVHC (the "Sublease") has been presented to the Board of Commissioners; and

G. WHEREAS, the approval of the Sublease is contingent upon the consent of the holders of the Bonds; and

H. WHEREAS, if the City and the Authority enter into the Sublease, the City will need to give notice to Mayo that the Original Sublease will be terminated as of August 31, 2018.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Economic Development Authority of the City of Le Sueur, Minnesota, as follows:

1. Approval and Execution of Sublease. Subject to 2. below, the President and the Secretary are hereby authorized and directed to execute and deliver, on behalf of the Authority, the Sublease in substantially the form on file with the Secretary. All of the provisions of the Sublease executed and delivered as authorized herein shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated herein and shall be in full force and effect from the date of execution and delivery thereof.

2. Bondholder Consent. Execution of the Sublease by the Authority shall be conditioned upon obtaining consent from all of the holders of the Bonds to the Sublease.

3. Furnishing of Certificates and Proceedings. The President and Secretary and other officers of the Authority are authorized and directed to prepare and furnish to the holders of the Bonds and Bond Counsel, certified copies of all proceedings and records of the Authority relating to the Sublease, and such other affidavits and certificates as may be required to show the facts relating to the legality of the Sublease as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements contained therein.

4. Modifications to Documents. The approval hereby given to the Sublease includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom, and additions thereto as may be necessary and appropriate and approved by the City Attorney and the Authority officials authorized herein to execute the Sublease. The Authority officials are hereby authorized to approve any changes on behalf of the Authority. The execution of any instrument by the appropriate officer or officers of the Authority herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Secretary, any of the documents authorized by this resolution to be executed on behalf of the Authority may be executed by the Acting President or the Acting Secretary, respectively.

5. Termination of Original Sublease. Upon receipt of consent of the holders of the Bonds, the Authority hereby consents to the termination of the Original Sublease by the City, in accordance with the terms thereof.

6. Ratification of Bond Resolution. Except as it may be amended as a result of the execution of the Sublease, the Bond Resolution shall remain in full force and effect and is hereby ratified in its entirety.

7. Severability. If any section, paragraph, or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision shall not affect any of the remaining provisions of this resolution.

8. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

The motion for the adoption of the foregoing resolution was duly seconded by member _____, and upon vote being taken thereon the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.

Adopted by the Board of Commissioners of the Economic Development Authority of the City of Le Sueur, Minnesota, on November 14, 2016.

_____
President

ATTEST:

_____
Secretary

STATE OF MINNESOTA
LE SUEUR COUNTY
ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF LE SUEUR

I, the undersigned, being the duly qualified and acting Secretary of the Economic Development Authority of the City of Le Sueur, Minnesota, hereby certify that I have carefully compared and attached the foregoing extract of minutes of a meeting of the Board of Commissioners held on November 14, 2016, with the original thereof on file and of record in my office and the same is a full, true, and complete transcript therefrom insofar as the same relates to the execution of a Sublease.

WITNESS my hand on November ___, 2016.

_____
Secretary

CITY OF LE SUEUR
REQUEST FOR BOARD ACTION

TO: Economic Development Authority

FROM: Jenelle Teppen, City Administrator

SUBJECT: Consider Approving Transfer of Sublease for the Mayo Clinic Site to Minnesota Valley Heath Center and Provide Notification to Mayo of Notice to Terminate at the End of the Current Term

DATE: For the EDA Meeting of Monday, November 14, 2016

PURPOSE/ACTION REQUESTED
Consider approving the transfer of the sublease for the Mayo Clinic Site to Minnesota Valley Health Center (MVHC) and provide notification to Mayo of Notice to Terminate at the end of the current term (8/30/2018).

SUMMARY
On August 29 the City Council met with the MVHC Board of Directors and received from them a recommendation regarding MVHC's future.

As the Board will recall, MVHC terminated the affiliation agreement with Essentia Health in mid-2015. Since late 2015, the MVHC Board of Directors has engaged in conversations with Ridgeview Medical Center (RMC) about the potential of a new affiliation agreement with RMC that would make them a wholly owned subsidiary of Ridgeview Medical Center (RMC).

The stated goal of MVHC and RMC is to increase the healthcare services that are provided locally by creating an integrated, seamless healthcare system of hospital, clinic, ambulance and nursing home.

That affiliation agreement has subsequently been signed by both parties.

One of the terms of that affiliation agreement is to terminate the current lease that the City/EDA has with Immanuel St. Joseph's – Mayo Health System and execute a new lease agreement with RMC.

Mayo Clinic would have until August 30, 2018 to vacate.

The proposed sublease indicates that RMC will pay rent of $195,240 annually which is the amount of the annual bond payments issued by the City. These payments extend through the life of the bonds.

The sublease also proposes that RMC will pay the City $250,000 within ten days of the effective date of this sublease, and has the option to purchase the premises after October 1, 2019.

Bond Counsel has been involved in the negotiations to protect the City's interest as it relates to the two bonds issued for the hospital project and has conducted a final review of the sublease and finds it acceptable. If the City Council approves the transfer, bond holder consent is required and that consent will take a minimum of 3 weeks.

RECOMMENDATION

Staff recommends the EDA approve the transfer of the sublease for the Mayo Clinic Site to Minnesota Valley Health Center (MVHC) and notification to Mayo of Notice to Terminate at the end of the current term (8/30/2018).

CLINIC SUBLEASE

THIS CLINIC SUBLEASE (the "**Sublease**") is dated December _____, 2016 (the "**Effective Date**") and is between the City of Le Sueur, Minnesota, a municipal corporation (the "**City**" or the "**Sublessor**"), Minnesota Valley Health Center, Inc., a Minnesota nonprofit corporation ("**Minnesota Valley**" or the "**Sublessee**"), and the Economic Development Authority of the City of Le Sueur, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota (the "**Prime Lessor**") (each a "**Party**", and collectively, the "**Parties**").

RECITALS

WHEREAS, the City, as lessor, and the Prime Lessor, as lessee, previously entered into a Ground Lease Agreement dated September 17, 2010, which was recorded on September 20, 2010 as Document No. 370687 with the Le Sueur County Recorder (the "**Ground Lease**"); and

WHEREAS, pursuant to the Ground Lease, the City ground leased to the Prime Lessor certain land in the City of Le Sueur, Minnesota, that is legally described in Exhibit A to the Ground Lease (the "**Land**"); and

WHEREAS, the Prime Lessor, as assignor, assigned its interest in the Ground Lease to Wells Fargo Securities, LLC ("**Wells Fargo**"), as assignee, pursuant to that certain Assignment of Ground Lease dated September 17, 2010, which was recorded as Document 370688 with the Le Sueur County Recorder (the "**Ground Lease Assignment**"); and

WHEREAS, the Ground Lease Assignment secures the repayment of Public Project Revenue Bond (City of Le Sueur, Minnesota Lease with Option to Purchase Project), Series 2010 in the original principal amount of $2,466,000 (the "**Clinic Bond**"); and

WHEREAS, the City, as lessee, previously entered into a Lease with Option to Purchase Agreement with the Prime Lessor dated September 17, 2010 (the "**Prime Lease**") whereby the City agreed to lease the Land from the Prime Lessor and to construct certain medical clinic improvements thereon; and

WHEREAS, a copy of the Prime Lease is attached hereto as Exhibit A; and

WHEREAS, the Prime Lease was memorialized with a Memorandum of Lease dated September 1, 2010, which was recorded on September 20, 2010 as Document No. 370686 with the Le Sueur County Recorder (the "**Memorandum of Lease**"); and

WHEREAS, for purposes of this Sublease, "**Leased Premises**" means the Project, as such term is defined in Section 1.1 of the Prime Lease (the "**Leased Premises**"); and

WHEREAS, the City, as sublessor, previously entered into a Sublease dated September 17, 2010 with Immanuel St. Joseph's-Mayo Health System, a Minnesota nonprofit corporation ("**Mayo**"), as sublessee, for the Leased Premises (the "**Mayo Sublease**"); and

WHEREAS, the initial term of the Mayo Sublease expires on or about August 31, 2018; and

WHEREAS, upon expiration of the Mayo Sublease, the City desires to sublease the Leased Premises to Minnesota Valley on the terms and subject to the conditions set forth herein and Minnesota Valley desires to sublet the Leased Premises on such terms and subject to such conditions; and

WHEREAS, the City and Minnesota Valley desire to enter into this Sublease of the Leased Premises including a non-exclusive easement and right to use public and common entrances, exits, walkways, sidewalks and driveways on the adjoining hospital campus leading to the Leased Premises, which is owned by the City and also leased to Minnesota Valley in order to memorialize their agreements with respect to the Leased Premises; and

WHEREAS, the City and Minnesota Valley desire that the rent payments under this Sublease be consistent with fair market value in an arm's length transaction.

AGREEMENTS

NOW, THEREFORE, in consideration of the rents, covenants and agreements contained herein, Sublessor and Sublessee agree as follows:

1. **NOTICE TO MAYO**. Promptly after the Effective Date, but no later than February 1, 2017, Sublessor shall provide written notice to Mayo pursuant to Section 2 of the Mayo Sublease stating that, at Sublessor's election, the Mayo Sublease shall not automatically renew. The form of such termination notice shall be in substantially the form of the notice attached as Exhibit B.

2. **LEASE AND LEASED PREMISES**. Sublessor hereby demises, leases and rents unto Sublessee, and Sublessee hereby hires, accepts and rents from Sublessor, the Leased Premises commencing on the Commencement Date (defined below).

3. **TERM**. The term of this Sublease shall commence on the day after the Mayo Sublease expires or terminates (the "**Commencement Date**") and shall continue until the day the Clinic Bond is fully paid or defeased (the "**Expiration Date**") (the "**Sublease Term**").

4. **SUBLESSEE'S LEASEHOLD IMPROVEMENTS**. As of the Commencement Date, Sublessee is taking the Leased Premises "**AS IS**" and Sublessor shall not be obligated to do any additional work in the Leased Premises. Sublessee may, with the consent of Sublessor, which consent shall not be unreasonably denied or delayed, install reasonable fixtures, additional phone/data lines, and improvements necessary to use the Leased Premises as a medical clinic.

5. **RENTAL**.

   a. Commencing on the Commencement Date, Sublessee shall pay to Sublessor as rent for the Leased Premises during the Sublease Term an annual rental of Sixteen and 05/100 Dollars ($16.05) per square foot or One Hundred Ninety-five Thousand Two Hundred Forty Dollars ($195,240.00).

   b. The rental herein specified for the Sublease Term shall be payable by Sublessee in equal monthly installments of Sixteen Thousand Two Hundred Seventy Dollars ($16,270.00) payable on or before the Commencement Date, and on the first day of each successive month thereafter, in advance, during the Initial Sublease Term. The rental payable for partial calendar months at the beginning and end of the Sublease Term shall be equitably prorated.

   c. The parties agree the rental payments for the Sublease Term are consistent with fair market value in an arm's length transaction.

   d. Sublessor shall use all rents received pursuant to this Sublease to timely pay each Rental Payment due under the Prime Lease, subject only to non-appropriation by Sublessor pursuant to Section 4.2 of the Prime Lease ("**Sublessor Non-appropriation**").

6. **POSSESSION AND USE**.

   a. On the Commencement Date, Sublessor shall deliver to Sublessee free use and sole and exclusive possession of the Leased Premises, subject to the right of the Prime Lessor to enter thereon at times and upon conditions contemplated in the Prime Lease or otherwise allowed by law and to the right of Sublessor to enter at times and upon conditions contemplated in this Sublease or otherwise allowed by law. Sublessor covenants and agrees that it shall not take any action, except

upon occurrence of an event of default to prevent Sublessee from having quiet and peaceable possession of such Leased Premises during the Sublease Term and shall, at the request and expense of Sublessee, cooperate with Sublessee to secure that possession. Sublessor, for itself, its successors and assigns, does hereby covenant with Sublessee, its successors and assigns, that Sublessor is lawfully seized of the Leased Premises; that it has the right to sublease the Leased Premises subject to the conditions set forth herein; and that it will warrant and defend Sublessee's possession against all lawful claims not specifically excepted in this Sublease.

b. Sublessee agrees to accept possession of the Leased Premises on the Commencement Date in substantially the same condition as it exists on the Effective Date of this Sublease, except as otherwise provided in this Sublease. Sublessor, at its expense, agrees to place the Leased Premises in such condition as of the Commencement Date. Sublessee's right of possession of the Leased Premises shall continue as provided in this Sublease until the Sublease Term expires.

c. Sublessor hereby grants a non-exclusive license to use the common areas of the adjacent and adjoining hospital campus, which is owned by the Sublessor and also leased to Minnesota Valley (the "**Adjacent Premises**"), including, but not limited to, parking areas, grounds, entry ways, lobby, sidewalks and other common areas within the Adjacent Premises for Sublessee's routine business purposes, subject to Minnesota Valley's right to conduct its business in an uninterrupted manner and provided that Sublessee shall abide by all reasonable requirements of Minnesota Valley necessary to maintain confidentiality of patient information on the Adjacent Premises. No merger of the lease and sublease arrangements, nor any easement rights, shall occur by virtue of Minnesota Valley leasing both properties.

7. **COMPLIANCE WITH LAWS**. During the Sublease Term, Sublessee shall comply with any and all laws, rules, regulations, ordinances, and orders with respect to the use and operation of the Leased Premises, the operation, maintenance, and repair thereof, and patient confidentiality, including without limitation applicable building codes, zoning ordinances, and environmental laws. Sublessee shall not perform any acts or carry on any practices which would damage the Leased Premises or result in a nuisance.

8. **USE OF PREMISES**. Sublessee shall use the Leased Premises for the purpose of operating a medical clinic, including primary medical care, and for all purposes related or incidental to this purpose, and related parking, and for no other purposes without the prior written consent of Sublessor. Sublessee shall also not use the Leased Premises for any purpose that would violate any restrictive covenant to which Leased Premises are subject, including but not limited to all restrictive covenants applying to the Leased Premises set forth in the Prime Lease. Sublessee shall not perform any actions or carry on any practices which may injure the Leased Premises or be a nuisance or menace.

9. **UTILITIES AND TAXES**.

a. Sublessor shall be solely responsible for providing all utilities needed for operation of the Leased Premises including but not limited to heat, water, gas, electricity or any other utility service furnished to or consumed at the Leased Premises during the Sublease Term; provided, however, that during the Sublease Term, all such utilities shall be separately invoiced to, and the sole obligation and responsibility of, the Sublessee. In addition, Sublessee shall be responsible for providing and paying for telephone and the management, handling and cost of its own waste disposal, including but not limited to general refuse and hazardous medical/biological waste of any kind according to Section 26 of this Sublease.

b. In addition, commencing with the Commencement Date, Sublessee shall reimburse Sublessor for one hundred percent (100%) of all Real Estate Taxes that may be levied on the Leased Premises. The term "**Real Estate Taxes**" shall include all real estate taxes, if any, that are levied upon or assessed against the Leased Premises and the reasonable costs of professional consultants and/or counsel to analyze tax bills and prosecute any protests, refunds, and appeals for the period covered during the Sublease Term; provided however, Sublessee shall receive a refund in reduction of the Real Estate Taxes if Sublessor is successful in such protest or appeal. Sublessor shall provide to Sublessee a copy of the tax bill for the Real Estate Taxes for which Sublessor is billing with evidence of payment by Sublessor. Evidence of payment shall be a copy of Sublessor's canceled check or a copy of the receipt for payment.

10. **MAINTENANCE**. Sublessee agrees to keep and maintain the Leased Premises and the fixtures and equipment therein in properly functioning, safe, orderly and sanitary condition, reasonable wear and tear excepted. Sublessor shall make all necessary repairs to the outer walls, roof, and basic structural elements of the Leased Premises and adjacent parking areas, and shall keep the plumbing, sewage, heating, air conditioning, electrical and ventilating systems of the Leased Premises in good repair. Sublessee is responsible for all other routine maintenance of the Leased Premises. Any cost of repairs or improvements to the Leased Premises that are occasioned by the negligence or default of Sublessee shall be paid for by Sublessee.

11. **SURRENDER OF POSSESSION**. At the expiration of termination of this Sublease, whether by lapse of time or otherwise, Sublessee shall surrender the Leased Premises including any alterations, additions, improvements, changes and fixtures (other than Sublessee's Trade and Medical Fixtures (as defined below)) in, at a minimum, substantially the same condition and repair as at the time of acceptance, subject to normal wear and tear, casualty damage, condemnation damage and damage caused by the gross negligence or willful misconduct of Lessor or it officials, employees, agents or contractors.

12. **TRADE AND MEDICAL FIXTURES AND EQUIPMENT INSTALLED BY SUBLESSEE**. Sublessee shall have the right to place or install in the Leased Premises such furniture, trade fixtures, equipment and additions of a nonpermanent nature as it shall deem desirable for the conduct of its business as a medical clinic (collectively, the "**Trade and Medical Fixtures**"). For purposes of this Sublease, the term "Trade and Medical Fixtures" shall specifically exclude,

however, furnaces (except portable heaters or their equivalent), heating systems and equipment, air conditioning systems and equipment, insulation, ceiling, sprinkler systems and equipment, plumbing improvements, lighting and electrical improvements, gas improvements, and site improvements. Sublessee shall, at Sublessee's expense, maintain and keep in good repair and working order all Trade and Medical Fixtures installed under this Section 12. All Trade and Medical Fixtures permitted to be installed under this Section 12 shall remain the property of the Sublessee and shall be removed by Sublessee at the end of the expiration of the Sublease Term. Provided, however, all surfaces shall be restored/repaired in removing any such items.

13. **REPRESENTATIONS, WARRANTIES AND COVENANTS**.

a. Sublessor's Representations and Warranties. Sublessor represents, warrants and covenants that prior to the Effective Date, it will have obtained all consents and approvals necessary to enter into this Sublease and to perform its obligations hereunder.

i. Sublessor has provided an opinion of bond counsel to the City and the Prime Lessor as required by Section 11.2 of the Prime Lease.

ii. Sublessor has met all other requirements required in Section 11.2 of the Prime Lease, including obtaining bond holder consent to this Sublease.

iii. There is no Event of Default under the Prime Lease, as such term is defined in Section 12.1 of the Prime Lease, and Sublessor will notify Sublessee of any Event of Default by any party under the Prime Lease.

iv. If Sublessor exercises its rights regarding Sublessor Non-appropriation, Sublessor shall give notice of such to Sublessee at the same time it gives notice of non-appropriation to Prime Lessor pursuant to Section 4.2 of the Prime Lease.

b. Sublessee's Representations and Warranties. Sublessee represents, warrants and covenants that:

i. Sublessee is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), and has received a determination of such status from the Internal Revenue Service.

ii. At all times during the Sublease Term of this Sublease, Sublessee shall maintain its status as a Minnesota nonprofit corporation and as a tax exempt organization under section 501(c)(3) of the Code.

iii. The operation of the medical clinic is and will be in furtherance of Sublessee's exempt purposes, and does not and will not constitute an unrelated trade or business. From and after the Commencement Date, and until this Sublease expires, Sublessee shall have full and sole responsibility for the maintenance of professional standards in the operation of the clinic and for the selection and supervision of the clinic employees and medical staff.

iv. Sublessee shall at all times operate the medical clinic through its employees and staff, and shall not enter into a management agreement or similar arrangement for operation of the clinic without Sublessor's prior written approval, which may be withheld at Sublessor's sole discretion, and as may be further limited by subsection vi below.

v. Sublessee's operations in the Leased Premises shall be conducted during appropriate business hours, as reasonably determined by Sublessee.

vi. Sublessee covenants that it shall make no use of the Leased Premises, including but not limited to entering into any agreement for the management of its use of the Leased Premises or any other similar agreement, the effect of which would cause the Bond (as defined in the Prime Lease) not to constitute a "qualified 501(c)(3) bond," within the meaning of Section 145 and related sections of the Code, and any service contract to be entered into with respect to the Leased Premises (unless entered into with another organization described in Section 501(c)(3) of the Code) shall constitute a "qualified management agreement" within the meaning of all pertinent provisions of law, including all relevant provisions of the Code and regulations, ruling and revenue procedures thereunder, including Revenue Procedure 2016-44.

vii. Sublessee covenants that it shall make no use of the Leased Premises, or any portion thereof, as a skybox or other private luxury box, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

c. Prime Lessor's Representations and Warranties. Prime Lessor represents, warrants and covenants:

i. Sublessor and Sublessee have Prime Lessor's consent, as required by Section 11.2 of the Prime Lease, to enter into this Sublease.

ii. Prime Lessor has obtained bond holder consent to this Sublease.

iii. There is no Event of Default under the Prime Lease, as such term is defined in Section 12.1 of the Prime Lease, and Prime Lessor will notify Sublessee of any Event of Default by any party under the Prime Lease.

14. **SUBORDINATION**. Sublessee agrees that this Sublease shall be subordinate to the Prime Lease, the Ground Lease between the Sublessor and the Prime Lessor, and any mortgages or trust deeds that may be placed upon said Leased Premises and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof provided that the mortgagee or trustee thereunder shall agree to recognize Sublessee's rights hereunder as long as Sublessee is not in default hereunder. Sublessee further agrees that upon notification by Sublessor to Sublessee this Sublease shall be or become subordinate to any mortgages or trust deeds that may heretofore or hereafter be placed on the Leased Premises, provided that no such mortgage or trust deed shall impair the

validity and continuance of this Sublease and the rights of the Sublessee hereunder. Sublessee shall execute and deliver whatever reasonable instruments may be required for the above purposes within ten (10) days after notification of such requirement. To the extent there is a conflict between this provision and the terms of the Prime Lease relating to subordination, the terms of the Prime Lease shall control.

15. **NOTICES**. All notices or communications required or permitted to be given by a Party to the other under this Sublease shall be in writing to the following addresses:

To Sublessor:	City of Le Sueur 203 South Second Street Le Sueur, MN 56058-0176 Attn: City Administrator
To Sublessee:	Minnesota Valley Health Center 500 South Maple Street Waconia, MN 55387 Attn: President/CEO
To Prime Lessor:	Le Sueur EDA 203 South Second Street Le Sueur, MN 56058-0178 Attn: President

or such other place as such Party may subsequently designate in writing.

Notice shall be deemed to have been received on the date of mailing if sent by registered or certified mail. For all other forms of transmission, notice shall be deemed received on the date of actual receipt.

16. **ACCESS TO PREMISES**. Upon prior notice to Sublessee, Sublessor shall have the right to enter upon the Leased Premises at any reasonable hour for the purpose of inspecting the same, and during the last year of the Sublease Term or any renewal period thereof for the purpose of exhibiting the same to prospective sublessees, purchasers or others. Sublessor shall make every reasonable effort to minimize the disruption to Sublessee's business operations. Sublessor shall abide by all reasonable requirements of Sublessee necessary to maintain confidentiality of patient information on the Leased Premises.

17. **ASSIGNMENT AND SUBLETTING**.

a. Sublessee shall not assign this Sublease or sublet all or any portion of the Leased Premises without the prior written consent of Sublessor and the Prime Lessor, provided Sublessee shall have the right to assign its interest under the Sublease without the consent of Sublessor or the Prime Lessor to: i) any wholly-owned affiliate of Sublessee that is a 501(c)(3) tax exempt organization under the Code or a disregarded entity of Sublessee for tax purposes; ii) to Sublessee's sole member, Ridgeview Medical Center, which is a 501(c)(3) tax exempt organization under the Code; or iii) to a medical sub-subtenant that is not a 501(c)(3) tax exempt organization under the Code provided that sub-sublease is for less than

500 square feet of space and so long as such sublease and any other private use of the Leased Premises does not exceed, in aggregate, five percent (5%) of the useable square footage of the Leased Premises. Except as provided in the immediately preceding sentence, any attempted assignment or subletting without Sublessor's and the Prime Lessor's prior written consent is void. Under no circumstance shall a change of Sublessee control be deemed an assignment or subletting. No assignment or subletting, including any assignment of Sublessee's interest in this Sublease to a wholly-owned affiliate(s) or its sole member shall release Sublessee from any of its obligations under this Sublease or be construed or taken as a waiver of any of Sublessor's rights or remedies hereunder.

b. Sublessor shall not assign this Sublease nor sublet all or any portion of the Leased Premises without the prior written consent of Sublessee and, in accordance with the Prime Lease, the Prime Lessor.

c. Neither this Sublease nor any interest therein nor any estate thereby created shall pass to any trustee or receiver in bankruptcy or any assignee for the benefit of creditors.

18. **QUIET POSSESSION**. Subject to the provisions of this Sublease, Sublessor agrees that Sublessee, upon paying the rentals herein provided and performing all of the covenants, terms and conditions herein agreed by it to be kept and performed, shall and may peaceably and quietly have, hold and enjoy the Leased Premises for the Sublease Term; provided, however, that this Sublease shall automatically terminate upon termination of the Prime Lease and any extensions thereof.

19. **INSURANCE**. At all times during the Sublease Term, Sublessee shall place and maintain (at Sublessee's cost) the insurance and coverage set forth in Article VI to the Prime Lease. Notwithstanding anything to the contrary stated herein, Sublessee shall have the right to self-insure for all of the insurance requirements of Sublessee, pursuant to this Section 19, provided such self-insurance program is reasonably acceptable to Sublessor and the Prime Lessor.

20. **WAIVER OF CLAIMS OF SUBROGATION**. Notwithstanding any other provision in this Sublease to the contrary, Sublessor and Sublessee hereby release one another from any and all liability or responsibility (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage covered by casualty insurance even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.

21. **INDEMNIFICATION AND EXEMPTION**.

a. Sublessee shall defend, with counsel approved by Sublessor (which approval will not be unreasonably withheld), indemnify and save Sublessor harmless from and against, all liabilities, obligations, damages, fines, penalties, claims, demands, costs, charges, judgments and expenses, including, but not limited to, reasonable attorneys' fees, which may be imposed upon or incurred or paid by or asserted against Sublessor, the Leased Premises or any interest therein by reason of or in

connection with any of the following occurring during the Sublease Term: (i) any negligent or tortious act on the part of Sublessee or any of its agents, contractors, servants, employees, licensees or invitees; and (ii) any accident, injury, death or damage to any person or property occurring in the interior of the Leased Premises except to the extent caused by any failure of Sublessor to perform its obligations under this Sublease.

b. Sublessor shall defend, with counsel approved by Sublessee (which approval will not be unreasonably withheld), indemnify and save Sublessee harmless from and against, all liabilities, obligations, damages, fines, penalties, claims, demands, costs, charges, judgments and expenses, including, but not limited to, reasonable attorneys' fees, which may be imposed upon, incurred, paid by or asserted against Sublessee by reason of or in connection with any of the following occurring during the Sublease Term: (i) any grossly negligent or tortious act on the part of Sublessor or any of its agents, contractors, servants, employees, licensees or invitees; (ii) any accident, injury, death or damage to any person or property occurring in or on the Leased Premises to the extent -- and only to the extent -- caused by any failure of Sublessor to perform its obligations under this Sublease; and (iii) any accident, injury, death or damage to any person or property occurring on any property adjacent to the Leased Premises, including the exterior of the building, parking lot and sidewalks, except to the extent caused by the negligent or tortious act on the part of Sublessee or any of its agents, contractors, servants, employees, licensees or invitees.

22. **REMEDIES**. Upon the failure of Sublessee to pay rent at the times and in the manner hereinbefore provided or upon the failure of Sublessee to promptly perform any other covenant or agreement hereunder, or if the leasehold interest of the Sublessee shall be taken on execution or other process of law, or if the Sublessee shall petition to be or be declared bankrupt or insolvent according to the law, or if the Sublessee shall vacate the Leased Premises or abandon the same during the Sublease Term, Sublessor may, at its option, terminate this Sublease and the terms hereof by giving Sublessee at least thirty (30) days' (ten (10) days in the case of rent payments) written notice of such termination, which notice shall specify the nature of the default. After the giving of such notice, if such default is not cured within said thirty (30) day period (ten (10) days in the case of rent payments), or if Sublessee is exercising due diligence to cure such default if such default cannot be reasonably cured within thirty (30) days (not applicable to rent) such period of time as may be reasonably required to cure the default, Sublessor may terminate this Sublease. If Sublessee is exercising due diligence to cure such default, Sublessor shall permit Sublessee a reasonable amount of time to cure such default.

23. **DAMAGE BY FIRE OR OTHER CASUALTY**. In the event that the Leased Premises or any part thereof shall be damaged by fire or other casualty, Section 6.6 of the Prime Lease shall apply to Sublessor. To the extent that Sublessee experiences a loss that is covered by insurance purchased by Sublessee, then such insurance shall be used solely to compensate Sublessee. In the event the Prime Lease is terminated under Section 6.6, then this Sublease shall be terminated as well.

24. **ADDITIONS, CHANGES, ALTERATIONS AND DEMOLITION**.

a. Sublessee shall not construct improvements in or on the Leased Premises, demolish improvements within the Leased Premises or make additions to or structural changes or alterations in and upon any or all of such improvements upon the Leased Premises without the prior written consent of Sublessor and the Prime Lessor, which consent shall not be unreasonably withheld. Any work performed during the Sublease Term shall be performed in a good and workmanlike manner at the sole expense of Sublessee. Sublessee shall not permit, create, incur, impose, cause or suffer others to permit, create, incur or impose any lien or other obligation against the Leased Premises or the Sublessor by reason of any work upon the Leased Premises or otherwise, including any mortgage or similar lien, and Sublessee agrees to hold Sublessor harmless of and from any and all claims or demands by any contractor, subcontractor, materialman, laborer or any other third person relating to or arising because of any work thereon. Any improvements or additions made by Sublessee which become a part of the walls, floor or ceiling shall become a permanent part of the Leased Premises and shall not be considered Trade and Medical Fixtures.

b. Sublessee may install signs upon the Leased Premises provided all signage complies with all applicable governmental laws, ordinances, codes and regulations. Any signs attached to the buildings located on the Leased Premises shall remain the sole property of Sublessee and may be removed by Sublessee at any time. Sublessee shall repair any damage occasioned by such removal.

25. **EMINENT DOMAIN**. If the Leased Premises covered by this Sublease are acquired in whole or in part by or in lieu of eminent domain for any public or quasi-public use or purpose, then Section 6.6 of the Prime Lease shall apply to Sublessor. To the extent that Sublessee is unable to conduct its operations, any rents otherwise due shall be proportionately abated for the period Sublessee cannot fully conduct its business of a medical clinic on the Leased Premises, or a suitable substitute. In the event the Prime Lease is terminated under Section 6.6, then this Sublease shall be terminated as well. Sublessor and Prime Lessor agree not to initiate any eminent domain actions or proceedings regarding the Leased Premises during the Sublease Term.

26. **WASTE AND GOVERNMENTAL REGULATIONS**.

a. Sublessee shall not commit or suffer to be committed any waste upon the Leased Premises.

b. Sublessee shall, at Sublessee's sole cost and expense, promptly comply with all laws, ordinances and regulations now in force or which may hereafter be in force pertaining to the Leased Premises or the use thereof by Sublessee.

c. Sublessee specifically agrees that it shall, during the Sublease Term, abide by Section 6.5 of the Prime Lease relating to Hazardous Substances.

27. **OPTION TO PURCHASE LEASED PREMISES**. Within ten (10) days after the Effective Date of this Sublease, Sublessee shall pay Sublessor the sum of Two Hundred Fifty Thousand Dollars ($250,000.00) and Prime Lessor the sum of Ten Dollars ($10.00) (the "**Option Payments**"). In consideration of the Option Payments, Sublessee shall have the option to purchase the Leased Premises at any time after the Effective Date, subject to the following conditions:

a. Except as provided in subsection h below, Sublessee shall give written notice to Sublessor and Prime Lessor of its intention to exercise its option to purchase the Leased Premises at least three (3) months prior to the date on which Sublessee wishes to exercise the option. Upon receiving such notice from Sublessee, Sublessor shall: i) timely give Prime Lessor notice pursuant to Section 10.2 of the Prime Lease that Sublessor is exercising its purchase option for the Leased Premises under the Prime Lease; and ii) within ten (10) days of receiving the notice furnish Sublessee with an Abstract of Title certified to date or Registered Property Report to include proper searches covering levied and pending assessments, bankruptcies, and State and federal judgments and liens. Sublessee shall be allowed twenty (20) days after receipt thereof for examination of said title and the making of any objections thereto, said objections to be made in writing within said period or deemed to be waived. Notwithstanding anything in the immediately preceding sentence to the contrary, any liens described in subsection d below shall be deemed automatically objected to and shall be removed at Lessor's expense before or at closing.

b. On or before the closing date Sublessee shall pay to Sublessor an amount equal to: i) the Purchase Option Price, as defined in Section 1.1 of the Prime Lease; plus ii) any rent payments due or past due pursuant to Section 5 hereof; plus iii) any other amounts Sublessee then owes Sublessor pursuant to this Sublease. Concurrent with such payment, Sublessor shall pay Prime Lessor all amounts due Prime Lessor pursuant to Section 10.2 of the Prime Lease.

c. The closing shall be held at the principal office of Sublessor or any other office mutually agreed upon; and Sublessor shall upon receipt of the sum set forth in subsection b above, convey to the Sublessee marketable fee title to the Leased Premises, subject only to:

   i. those liens and encumbrances, if any, created by the Sublessee;

   ii. those liens and encumbrances, if any, resulting from the failure of the Sublessee to perform or observe any of its agreements in this Sublease; and

   iii. the rights and title of any condemning authority (other than the City or the Prime Lessor) arising from the exercise of the power of eminent domain.

   Notwithstanding anything in the Prime Lease to the contrary, the Parties agree to coordinate the closing date for Sublessor's purchase of the Leased Premises under the Prime Lease with the closing date for Sublessee's purchase of the

Leased Premises hereunder so that the payments made by Sublessee pursuant to subsection b above can be used by Sublessor to satisfy its payment obligations to Prime Lessor under Section 10.2 of the Prime Lease.

d. Sublessor shall convey title to the Leased Premises by a limited warranty deed subject only to the encumbrances set forth in subsection c above, and shall also give such bill of sale, with similar covenants, as may be reasonably required for the conveyance of title to any portion of the Leased Premises constituting personal property, which deed and bill of sale shall be delivered upon payment to Sublessor of the sums specified above. Sublessor shall be obligated at its own expense to remove any liens against the property which it created during the Sublease Term, except those liens set forth in subsection c above, and provide Sublessee, at Sublessee's expense, with termination statements and releases of Sublessor's and Prime Lessor's security interests in the Leased Premises. Without limiting the general nature of the immediately preceding sentence, Sublessor shall take such action before or at closing as is required to: i) fully pay or defease the Clinic Bond; ii) to terminate the Prime Lease; and iii) to release the Leased Premises from each lien or encumbrance, as applicable, associated with the Ground Lease, the Ground Lease Assignment, the Prime Lease, and any recorded memorandums associated with the aforementioned documents. To the extent any obligation of the City in this Section 27 is within the Prime Lessor's control, the Prime Lessor shall take such action as is required of it, either expressly or by implication.

e. Sublessee shall take title to the Leased Premises subject to all applicable laws or ordinances, rules or regulations of governmental authority.

f. Sublessee shall pay all costs and expenses of the preparation of the deed and bill of sale and the delivery thereof and all taxes and charges payable in connection with such conveyances of title.

g. Notwithstanding anything in this Sublease to the contrary, Sublessee may assign all of its rights and obligations regarding its option to purchase the Leased Premises to its sole member, Ridgeview Medical Center, without Sublessor's or the Prime Lessor's consent. Sublessee shall promptly provide Sublessor with notice of any such assignment.

h. In anticipation of Sublessee providing notice to Sublessor pursuant to subsection a above, Sublessee may at any time request Sublessor to provide a written summary of hazardous substances and hazardous wastes associated with the Leased Premises in a form reasonably requested by Sublessee. Sublessor's responses shall be limited to Sublessor's actual knowledge and Sublessor shall have no duty to independently investigate the Leased Premises. Sublessor further agrees to cooperate with any environmental evaluation of the Leased Premises performed at the Sublessee's request and sole cost including, but not limited to, cooperating with the preparation of Phase I and Phase II environmental studies.

i. If Sublessor Non-appropriation occurs: i) any provisions herein requiring Sublessor to exercise its purchase option under the Prime Lease shall no longer apply; ii) Sublessee's purchase option contained in this Section 27 shall be deemed to run directly between Prime Lessor and Sublessee; and iii) the provisions of this Section 27 (excepting those regarding the Option Payments or Sublessor's obligation to exercise its purchase option under the Prime Lease) shall control as if each reference to Sublessor, as applicable, was replaced with a reference to Prime Lessor.

28. **GENERAL PROVISIONS**.

a. The recitals at the beginning of this Sublease are incorporated by reference as terms of this Sublease.

b. Nothing contained herein shall be deemed or construed by the Parties hereto nor by any third party as creating the relationship of principal and agent or of partnership or of joint venture between the Parties hereto, it being understood and agreed that neither the payment of rent nor any other provision contained herein nor any acts of the Parties hereto shall be deemed to create any relationship between the Parties hereto other than the relationship of Sublessor and Sublessee.

c. No delay or omission in exercising a right or power by either Party shall impair any such right or power or shall be construed as a waiver of a subsequent breach of such right or power.

d. Sublessee shall give prompt notice to Sublessor in case of fire or other type of casualty regarding the Leased Premises that would result in the invocation of Section 23 of this Sublease.

e. Sublessee shall not, without the prior written consent of Sublessor, record this Sublease. At Sublessee's request, Sublessor and the Prime Lessor shall execute and record against the Leased Premises a memorandum of sublease memorializing this Sublease and Sublessee's option to purchase the Leased Premises.

f. At any time and from time to time, Sublessor agrees upon request in writing from Sublessee to execute, acknowledge and deliver to Sublessee a statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications) and the dates to which minimum rent, and other charges have been paid and the dates to which full compliance with all other terms and conditions of the Sublease has been made by Sublessee.

g. This Sublease and any dispute arising from or related to this Sublease shall be governed by the laws of the State of Minnesota.

h. This Sublease and attached exhibits constitute the entire agreement between the Parties and shall supersede all previous communications and commitments,

whether written or verbal, between the Parties regarding the subject matter of this Sublease. No agreement or understanding changing, modifying or extending this Sublease shall be binding on either party unless in a writing signed by both Parties' authorized representatives. The Parties agree that to the extent any amendments are required by a lender that the Parties will use their best efforts to amend this Sublease consistent with the reasonable requests of said lender.

i. Time is of the essence of this Sublease and the performance of all obligations hereunder.

IN WITNESS WHEREOF, Sublessor and Sublessee have signed this Sublease as of the Effective Date.

[signature pages follow]

SUBLESSOR

CITY OF LE SUEUR, MINNESOTA

By:_____
Mayor

By:_____
City Clerk

SUBLESSEE

MINNESOTA VALLEY HEALTH CENTER, INC.

By:_____

Name:_____

Its:_____

PRIME LESSOR

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF LE SUEUR, MINNESOTA

By:_____
Its: President

By: _____
Its: Secretary

EXHIBIT A

PRIME LEASE

LEASE WITH OPTION TO PURCHASE AGREEMENT

BETWEEN

ECONOMIC DEVELOPMENT AUTHORITY

OF THE CITY OF LE SUEUR, MINNESOTA

as Lessor

and

CITY OF LE SUEUR, MINNESOTA

as Lessee

Dated September 17, 2010

Drafted By: Briggs and Morgan, Professional Association
2200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402

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2618980v5

THIS LEASE WITH OPTION TO PURCHASE AGREEMENT dated September 17, 2010 (the "Lease"), by and between the Economic Development Authority of the City of Le Sueur, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota as Lessor ("Lessor") whose address is 203 South Second Street, Le Sueur, Minnesota 56058; and the City of Le Sueur, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Minnesota as Lessee ("Lessee"), whose address is 203 South Second Street, Le Sueur, Minnesota 56058;

WITNESSETH:

WHEREAS, Lessee is authorized by law to acquire such items of real and personal property as are needed to carry out its governmental functions, and to acquire such real and personal property by entering into lease with option to purchase agreements; and

WHEREAS, Lessee has determined that it is necessary for it to acquire under this Lease certain real and personal property described herein as the Project; and

WHEREAS, Lessor is willing to finance the construction and equipping of the Project Improvements and to lease or (in the case of the Land) sublease, the Project to Lessee pursuant to this Lease and the Lessee is willing to rent the Project from Lessor, pursuant to this Lease;

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section or in the Bond Resolution shall, for all purposes of this Lease, have the meanings herein specified.

Act: Collectively, the Lessor Powers Act and the Lessee Powers Act.

Board of Commissioners: Board of Commissioners of the Issuer, or its successor as governing body of the Issuer.

Bonds: Public Project Revenue Bond, Series 2010 (City of Le Sueur, Minnesota, Lease With Option to Purchase Project).

Bond Counsel: Briggs and Morgan, Professional Association, in St. Paul and Minneapolis, Minnesota, or any other law firm nationally recognized as bond counsel in the municipal bond industry.

Bond Fund: The Bond Fund created pursuant to Section 5-2 of the Bond Resolution.

Bond Resolution: The resolution of the Lessor adopted by its Board of Commissioners on August 23, 2010, authorizing issuance and sale of the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Business Day: Any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of St. Paul, Minnesota, are authorized by law or executive order to be closed.

Casualty Value of the Project: As of the date of payment, the principal amount of all outstanding installments of principal, plus unpaid interest thereon until the earliest date on which they may be called for extraordinary redemption under Section 3-1(2) of the Bond Resolution, less all sums held in the Bond Fund.

City: City of Le Sueur, Minnesota.

Code: Internal Revenue Code of 1986, as amended.

Condemnation: The meaning given that term in Section 1-1 of the Bond Resolution.

Contractor: Each of the contractors from whom Lessee has ordered or will order or with whom Lessee has contracted or will contract for the acquisition, construction and installation of any portion of the Project.

Environmental Law: The Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq., the Hazardous Materials Transportation Act, §1802 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Clean Water Act, 33 U.S.C. §1321 et seq. the Clean Air Act, 42 U.S.C. §7401 et seq., the Minnesota Environmental Response and Liability Act, Minnesota Statutes, Chapter 115B, the Minnesota Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, and any other federal, state, county, municipal, local or other statute, law, ordinance or regulation which may relate to or deal with human health or the environment, all as may be from time to time amended.

Fiscal Year: The fiscal year January 1 to December 31 of the Lessee.

Governmental Unit: A "governmental unit" within the meaning of Section 141 of the Code.

Hazardous Substances: Asbestos, ureaformaldehyde, polychlorinated biphenyls ("PCBs"), nuclear fuel or material, chemical waste, radioactive material, explosives, known carcinogens, petroleum products and by-products and other dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials or substances listed or identified in, or regulated by, any Environmental Law.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of Lessor or Lessee.

Independent Engineer: An independent engineer or engineering firm or an independent architect or architectural firm qualified to practice the profession of engineering or architecture under the laws of Minnesota and who is not an officer of Lessee or Lessor.

Interest: The portion of any Rental Payment designated as and comprising interest as shown in the attached Exhibit B.

Land: The real property described in Exhibit A hereto.

Lessee Powers Act: Minnesota Statutes, Sections 465.71 and 469.041, as from time to time amended.

Lessor Powers Act: Minnesota Statutes, Sections 469.090 through 469.1082.

Net Proceeds: Any property insurance proceeds or Condemnation award, paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

Non-appropriation: The failure of the governing body of Lessee to appropriate money for any Fiscal Year of Lessee sufficient for the continued performance of this Lease by Lessee, as evidenced by the passage of an ordinance or resolution specifically prohibiting Lessee from using any moneys to pay the Rental Payments due under this Lease for a designated Fiscal Year and all subsequent Fiscal Years.

Paying Agent: The Executive Director of the Lessor.

Payment Date: The date as provided in Exhibit B attached hereto, prior to which date a Rental Payment is required to be paid as provided in Section 5.1.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent, or which Lessee may, pursuant to provisions of Section 7.3, permit to remain unpaid, (ii) this Lease and amendments hereto, (iii) Lessor's interest in the Project, (iv) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law, and any such lien which Lessee may, pursuant to Article VIII, permit to remain unpaid.

Principal: The portion of any Rental Payment designated as principal in the attached Exhibit B.

Project: Project Improvements, Project Equipment and the Land which are being leased or, as to the Land, subleased, to the City pursuant to this Lease and which are more fully described in the attached Exhibit A.

Project Acquisition Fund: The account by that name established by Lessee under Section 5-1 of the Bond Resolution for the purpose of accounting for proceeds of the Bonds used to pay Project Costs.

Project Costs or Cost of the Project or Cost: All costs of purchase, construction and installation of the Project including the following:

(a) all costs and expenses necessary or incident to the acquisition of the Project Improvements and Project Equipment;

(b) fees and expenses of surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary for the commencement of construction, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of surveyors and engineers in relation to either the construction, furnishing and equipping of the Project or the making of the Lease;

(c) all costs and expenses of every nature incurred in purchasing and constructing the Project Improvements and purchasing and installing the Project Equipment including the actual cost of labor, materials, machinery, furnishings and equipment as payable to contractors, builders and materialmen in connection with the construction, furnishing and equipping the Project;

(d) the cost of any insurance and performance and payment bonds maintained during the construction period in accordance therewith;

(e) expenses of administration, supervision and inspection properly chargeable to the Project, underwriting expenses, legal fees and expenses, fees and expenses of accountants and other consultants, publication and printing expenses and other fees and expenses which are necessary or incidental and to the making of the Lease and the issuance of the Bonds or to the acquisition, purchase, construction, installation, furnishing and equipping of the Project;

(f) all other items of expenses not elsewhere specified in this definition as may be necessary or incident to: (i) the making of the Lease; (ii) the acquisition, purchase, construction, installation, equipping and furnishing of the Project; and (iii) the financing thereof; and

(g) reimbursement to Lessee or Lessor or those acting for it for any of the above-enumerated costs and expenses incurred and paid by them before or after the execution of the Lease.

Project Equipment: All items of machinery, equipment or other personal property installed or acquired or to be acquired for installation in the Project Improvements or elsewhere on the Land and paid for in whole or in part from the proceeds of the Bonds and all replacements thereof and substitutions therefor made pursuant to the Lease.

Project Improvements: All buildings, structures, improvements and fixtures located on or to be purchased, constructed and otherwise improved on the Land and all additions, alterations, modifications and improvements thereof made pursuant to the Lease.

Purchase Option Price: The amount payable, at the option of the Lessee, on any applicable Payment Date set forth on the attached Exhibit C, for the purpose of terminating the Lease and purchasing the Project, which amount shall be equal to the amount provided in the attached Exhibit C.

Registered Holders: The person or persons in whose name any outstanding Bond is registered as provided in the Bond Resolution.

Rental Payment: The payment due from Lessee to Lessor prior to each Payment Date during the Term of this Lease, as provided in Section 5.1 and shown on the attached Exhibit B.

Specifications: The bid specifications and/or similar document pursuant to which Lessee has contracted for any portion of the Project from a Contractor.

State: The State of Minnesota.

State and Federal Law or Laws: The Constitution and any law of the State and any rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Sublease: The Sublease between the Lessee and Immanuel St. Joseph's-Mayo Health System, a Minnesota non-profit corporation, of even date herewith.

Term of this Lease or Lease Term: The period commencing as of September 17, 2010 and ending on September 17, 2032, subject to earlier termination in accordance with the provisions of the Lease.

Section 1.2. Exhibits.

The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit A: Description of the Land and the Project being leased by Lessee pursuant to this Lease.

Exhibit B: Schedule indicating the date and amount of each Rental Payment coming due during the Lease Term and the amount of each Rental Payment comprising Principal and Interest.

Exhibit C: Schedule showing as of each applicable Payment Date the price at which Lessee may exercise its option to purchase Lessor's interest in the Project in accordance with Article X.

Exhibit D: Form of Certificate of Incumbency of Lessee relating to the offices or positions, signatures and qualifications of the persons executing on behalf of Lessee this Lease and other documents relating thereto.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.1. Representations, Covenants and Warranties of Lessee. Lessee represents, covenants and warrants as follows:

(a) Lessee is a municipal corporation and political subdivision of the State, duly organized and existing under the Constitution and laws of the State.

(b) The Project constitutes an authorized project under the Act.

(c) Lessee is authorized under the Constitution and laws of the State to enter into this Lease and the transactions contemplated hereby, and to perform all of its obligations hereunder.

(d) The officers of Lessee executing this Lease have been duly authorized to execute and deliver this Lease under the terms and provisions of a resolution of Lessee's governing body, or by other appropriate official action.

(e) In authorizing and executing this Lease, Lessee has complied with all public bidding and other State and Federal Laws applicable to this Lease and the acquisition of the Project by Lessee.

(f) Lessee will not pledge, mortgage or assign this Lease, or its duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.

(g) The Project will be used during the Term of this Lease only to carry out the governmental purposes of Lessee.

(h) During the Term of this Lease, Lessee will not take any action which will cause the interest on the Bonds to become subject to Federal income taxation, including, but not limited to, permitting any person who is not a governmental unit to use, directly or indirectly, any portion of the Project in a trade or business so as to impair the tax exempt status of the Bonds, all within the meaning of Section 141 of the Code or causing the Bonds to be "arbitrage bonds" within Section 148 of the Code.

(i) Upon the execution of this Lease, Lessee will provide to Lessor a Certificate of Incumbency in the form attached hereto as Exhibit D.

(j) The Project will comply with all applicable land use, environmental control, building and zoning ordinances and regulations, if any.

(k) Lessee will cause the Project to be constructed in accordance with the Specifications on or before September 1, 2011.

(l) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions, and provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound, or constitutes a default under any of the foregoing.

Section 2.2. Tax-Exempt Status of the Bonds; Rebate. Lessee shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Bonds, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Bonds, and (3) the rebate of excess investment earnings to the United States if the Bonds (together with other obligations reasonably expected to be issued and outstanding at one time this calendar year) exceed the small-issuer exception amount of $5,000,000 under Section 148 of the Code. This covenant shall survive termination of this Lease.

Section 2.3. Representations, Covenants and Warranties of Lessor. Lessor represents, covenants and warrants as follows:

(a) Lessor is a public body corporate and politic and a political subdivision duly organized and existing under the laws of the state of Minnesota.

(b) The Project constitutes an authorized project under the Act.

(c) The governing body of Lessor has made all necessary investigation and has determined that the Project will promote the public interest and welfare of the State of Minnesota and the City and the people thereof through the provision of public facilities required for the purpose of providing various services to the City residents and promoting economic development within the City.

(d) The construction and equipping of the Project, the issuance and sale of the Bonds, the execution and delivery of this Lease and the performance of all covenants and agreements of the Lessor contained in this Lease and of all other acts and things required under the Constitution and laws of the State of Minnesota to make this Lease valid and binding obligations of Lessor in accordance with their terms, are authorized and have been duly authorized by the Bond Resolution.

(e) Lessor has not made, done, executed or suffered and warrants that it will not make, do, execute or suffer any act or thing whereby its Lessor's interest in the Project shall or may be impaired or charged or encumbered, except as provided in the Bond Resolution.

(f) To finance the cost of the Project, Lessor proposes to issue the Bonds as provided in the Act and Bond Resolution in the aggregate principal amount of $2,466,000.

(g) There is no litigation pending or, to the best of its knowledge threatened, against Lessor relating to the acquisition, installation, construction or financing of the Project or to the Bonds or to this Lease or questioning the organization, powers or authority of Lessor.

(h) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor, or upon the Project except Permitted Encumbrances.

ARTICLE III

CONSTRUCTION AND LEASE OF PROJECT

Section 3.1. Cost of Project; Financing. Lessee has entered or will enter into one or more contracts for the Project with Contractors providing for the construction and installation of the Project. Any property to be acquired from the proceeds of the Bonds shall be deemed acquired on behalf of, but without liability to, the Lessor. Lessor and Lessee agree that, in order to ensure Lessee that moneys sufficient to pay the Project Costs will be available for this purpose when required, upon the execution of this Lease, Lessor shall deposit with the Lessee in a Project Acquisition Fund the proceeds derived from the sale of the Bonds except for sums deposited in the Bond Fund as provided in the Bond Resolution. Such moneys shall be deposited in a separate fund of the Lessee to be designated the Project Acquisition Fund and shall be used exclusively to pay Project Costs; provided that (1) all earnings derived from the investment of said moneys may be used by the Lessee to pay the Interest portion of the Rental Payments payable under this Lease until used for such purpose or used for other Project Costs, and (2) upon completion of the Project and payment of the Cost thereof, any excess monies in the Project Acquisition Fund may be applied towards the payment or prepayment of Rental Payments.

Section 3.2. Construction of Project; Payment of Cost. Lessee shall contract for the construction of the Project in accordance with State law. If the proceeds derived from the sale of the Bonds and deposited in the Project Acquisition Fund shall be insufficient to pay fully all Project Costs and to complete fully the Project free of liens, the Lessee shall pay the full amount of any such deficiency by making payments therefor directly to the contractor and to the suppliers of materials and services as the same shall become due, and the Lessee shall save the Lessor whole and harmless from any obligation to pay such deficiency; provided that the Lessee's obligation to pay any such deficiency shall be limited to its current budgeted appropriations for the Project, and the Lessee shall have no obligation to appropriate additional funds therefor. Notwithstanding the foregoing, the Lessee shall authorize no change in Specifications which would reduce the fair market value of the Project unless the Costs of the Project are reduced by at least as great amount and the Lessee shall not authorize any change in the Specifications which would increase the cost of the Project unless Lessee provides additional funds to pay the increased cost of the Project. If as a result of the change of Specifications, a change in the description of any Project Equipment set forth in Exhibit A must also be made, Lessor and Lessee shall, at Lessee's expense, amend this Lease to reflect that change, and each party shall, at the request of the other party but solely at Lessee's expense execute such other documents, such as a UCC termination statement or a supplemental financing statement, as the party reasonably determines is necessary or desirable to properly identify Project Equipment. For purposes of executing any such amendment or document, Lessor may require and in good faith conclusively rely upon a written statement of Lessee that such amendment or document complies with the provisions of this section. The Lessee shall exercise due care in the construction, use, operation and maintenance of the Project, and shall not install, use, operate or maintain the Project improperly, carelessly, in violation of any state and federal Law or for a purpose or in a manner contrary to that contemplated by the Lease. The Lessee shall obtain all permits and licenses necessary for the construction, operation, possession and use of the Project.

The Lessee shall comply with all State and federal laws applicable to the construction, use, possession and operation of the Project, and if compliance with any such state and federal law requires changes or additions to be made to the Project, such changes or additions shall be made by Lessee at its expense.

Section 3.3. Lease and Sublease. Lessor hereby leases or, as to the Land, subleases the Project to Lessee, and Lessee hereby leases or, as to the Land, subleases the Project from Lessor, upon the terms and conditions set forth in this Lease.

Section 3.4. Possession and Enjoyment. Lessor hereby covenants to provide Lessee during the Term of this Lease with the quiet use and enjoyment of the Project, and Lessee shall during the Term of this Lease peaceably and quietly have and hold and enjoy the Project, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Lease. Lessor will, at the request of Lessee and at Lessee's cost, join in any legal action in which Lessee asserts its right to such possession and enjoyment to the extent Lessor lawfully may do so.

Section 3.5. Lessor Access to Project. Lessee agrees that Lessor shall have the right at all reasonable times upon reasonable notice to examine and inspect the Project. Lessee further agrees that Lessor shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of any portion of the Project in the event of failure by Lessee to perform its obligations hereunder.

ARTICLE IV

TERM OF LEASE

Section 4.1. Lease Term. This Lease shall be in effect for a Lease Term commencing upon its date of execution and ending on the date the last Rental Payment is due and payable as shown in Exhibit B unless terminated by Lessee at the end of any Fiscal Year of Lessee occurring prior thereto in accordance with Section 4.2, or unless terminated as provided in Section 4.6.

Section 4.2. Termination by Lessee. In the sole event of Non-appropriation, Lessee shall have the right to terminate this Lease, in whole but not in part, at the end of any Fiscal Year of Lessee, in the manner and subject to the terms specified in this Section and Sections 4.4 and 4.5. Lessee may effect such termination by giving Lessor a written notice of termination and by paying to lessor any Rental Payments and any other amount due pursuant to Section 4.4 which are due and have not been paid and any other amount due pursuant to Section 4.4 at or before the end of its then current Fiscal Year. Lessee shall give notice of termination not less than sixty days prior to the end of such Fiscal Year, and shall notify Lessor of any anticipated termination. In the event of termination of this Lease as provided in this section, Lessee shall convey to Lessor and release its interest in the Project in accordance with Section 12.3 immediately after termination of this Lease.

Section 4.3. Intent to Continue Lease Term; Appropriations and Property Taxes. Lessee presently intends to continue this Lease for its entire Term and to pay all Rental Payments specified in Exhibit B. Lessee's Clerk will include in the annual budget request an appropriation of an amount sufficient to meet Lessee's obligations under this Lease. Subject to the provisions in Section 4.2 and subject to applicable law, Lessee shall levy ad valorem property taxes on all taxable property within the jurisdiction of the Lessee if and to the extent such taxes are necessary to pay when due all Rental Payments.

Section 4.4. Effect of Termination. Upon termination of this Lease as provided in Section 4.2, Lessee shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years. However, in consideration of use of the Project by Lessee through the end of the Fiscal Year then in effect, Lessee shall pay to Lessor on the last day of such Fiscal Year such pro rata portion of the next succeeding Rental Payment as it relates to the period of time from the date of the last Rental Payment paid by Lessee (as shown on Exhibit B) to the end of such Fiscal Year. If Lessee does not deliver possession of the Project to Lessor in accordance with Section 12.3 and convey to Lessor or release its interest in the Project immediately after the termination of this Lease, the termination shall nevertheless be effective, but Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments coming due under Exhibit B which are attributable to the number of days after termination of the Lease during which Lessee fails to take such actions and for any other loss suffered by Lessor as a result of Lessee's failure to take such actions as required.

Section 4.5. Nonsubstitution. If this Lease is terminated by Lessee in accordance with Section 4.2, Lessee agrees, to the extent permitted by law, not to purchase, lease or rent property to perform the same functions as, or functions taking the place of, those performed by the Project for a period of ninety days, provided, however, that these restrictions shall not be applicable in the event the Project shall be sold by Lessor and the amount received from such sale, less all costs of such sale, is sufficient to pay the then applicable Purchase Option Price as set forth in Exhibit C; or to the extent that the application of these restrictions would affect the validity of this Lease.

Section 4.6. Termination of Lease Term. The Term of this Lease will terminate upon the occurrence of the first of the following events:

(a) the termination thereof by Lessee in accordance with Section 4.2;

(b) the exercise by Lessee of its option to purchase or otherwise acquire Lessor's interest in the Project pursuant to Article X;

(c) a default by Lessee and Lessor's election to terminate this Lease pursuant to Article XII; or

(d) the payment by Lessee of all Rental Payments shown on Exhibit B hereto and the expiration of the Lease Term as stated in Section 4.1.

ARTICLE V

RENTAL PAYMENTS

Section 5.1. Rental Payments. Subject to the prepayment options set forth in Article X, Lessee shall, by wire transfer in immediately available funds, pay Rental Payments with respect to the moneys provided by Lessor under Section 3.1, on the Business Day immediately preceding each Payment Date and in the amount specified in the attached Exhibit B as of that Payment Date. Such Rental Payments comprise Principal and Interest as shown in Exhibit B. All Rental Payments shall be paid directly to the Lessor for deposit in the Bond Fund, and Lessee shall not be responsible for the use or application of such Rental Payments. Lessor represents and covenants that the Rental Payments shall be applied exclusively towards the payment of principal of and interest on the Bonds. Nothing herein shall affect Lessor's rights under this Lease in the event of default in the timely payment of any Rental Payment by Lessee. Any money, other than Rental Payments, deposited in the Bond Fund under the provisions of this Lease shall be credited against the last installments of Rental Payments due under this Lease but only if this Lease has not been terminated under Section 4.6(a) or (c).

Section 5.2. Interest Component. A portion of each Rental Payment is paid as and represents the payment of Interest. Exhibit B sets forth the Interest component of each Rental Payment.

Section 5.3. Rental Payments to be Unconditional. Except as provided in Section 4.2, the obligation of Lessee to make Rental Payments required hereunder, and to perform and observe all other covenants and agreements of Lessee contained herein, shall be absolute and unconditional in all events and the obligation to make such Rental Payments shall remain notwithstanding any dispute between Lessee and Lessor or any other person unless the Lessor shall violate the Lessee's right to quite enjoyment of the Project to such a degree that Lessee no longer enjoys its right of possession to the Project. Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of setoff or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Lessee shall have the right pursuant to Section 7.3 to in good faith contest taxes, special assessments, utility or other charges in accordance with the provisions of Section 7.3. However, nothing herein shall be construed to release Lessor from the performance of its obligations hereunder; and if Lessor should fail to perform any such obligation, Lessee may institute such legal action against Lessor as Lessee may deem necessary to compel the performance of such obligation or to recover damages therefor.

Section 5.4. Current Expense. The obligations of Lessee under this Lease, including its obligation to pay the Rental Payments due with respect to the Project, in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of Lessee for such Fiscal Year. The Lessee's obligations hereunder shall be from year to year only and shall not constitute an indebtedness, liability or mandatory payment obligation of Lessee in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision herein shall be construed or interpreted as creating a general obligation or other indebtedness of the Lessee within the meaning of any

Constitutional or statutory debt limitation. Except for the lien herein created in the Project and the proceeds thereof, nothing herein shall be construed to pledge or to create a lien on any taxes or on any other class or source of money of the Lessee, nor shall any provision herein restrict the future issuance of any bonds of the Lessee or obligations payable from any class or source of Lessee moneys.

ARTICLE VI

INSURANCE AND INDEMNIFICATION

Section 6.1. Liability Insurance. The Lessee shall, at its own expense, cause comprehensive liability and property damage insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Lessee in connection with the use of the Project substantially the same as insurance carried by the Lessee with respect to other governmental activities.

Section 6.2. Property Insurance. The Lessee shall cause casualty and property damage insurance to be carried and maintained with respect to the Project in an amount at least equal to the outstanding Principal amount with a deductible not to exceed the deductible carried by the Lessee with respect to other similar governmental buildings.

Section 6.3. Worker's Compensation Insurance. If required by State law, Lessee shall carry Worker's Compensation Insurance covering all employees on, in, near or about the Project, and upon request, shall furnish to Lessor certificates evidencing such coverage throughout the Term of this Lease.

Section 6.4. Requirements For All Insurance. All insurance policies (or riders) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least thirty days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 6.1 and 6.2 shall name Lessee and Lessor as insured parties and, with respect to the property insurance, shall also name Lessor as loss payee. During the period of construction of the Project, the requirement that Lessor be named as an insured party under the liability insurance may be satisfied by having Lessor named as additional insureds under the liability insurance policy carried by the General Contractor. Lessee shall deposit with Lessor policies (and riders) evidencing any such insurance procured by it, or a certificate or certificates of the respective insurers stating that such insurance is in full force and effect. Before the expiration of any such policy (or rider), Lessee shall furnish to Lessor evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article.

Section 6.5. Indemnification; Hazardous Substance.

(1) Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Project or any portion thereof and for injury to or death of any person or damage to any property, in any manner arising out of or incident to any possession, use, operation or condition of the Project or any portion thereof, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others to the maximum extent permitted by law, Lessee hereby assumes responsibility for and agrees to indemnify, protect, save and keep harmless Lessor from and against any and all liabilities, obligations, losses, damages, penalties, claims,

actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of the possession, use, operation or condition of the Project or the financing related thereto, unless caused by Lessor or its agents.

(2) Lessee hereby agrees to defend, indemnify and hold harmless Lessor, its officers, employees, agents, successors and assigns (hereinafter collectively referred to as the "Indemnities") from and against, and shall reimburse each such Indemnitee for any and all loss, claim, liability, damage, judgment, penalty, injunctive relief, injury to person, property or natural resources, cost, expense, action or cause of action arising in connection with or as the result of any past, present or future existence, use, handling, storage, transportation, manufacture, release or disposal of any Hazardous Substance in, on or under the Land, whether foreseeable or unforeseeable, regardless of the source, the time of occurrence or the time of discovery (hereafter collectively referred to as "Loss"). The foregoing indemnification against Loss includes, without limitation, indemnification against all costs in law or in equity of removal, response, investigation, or remediation of any kind, and disposal of such Hazardous Substances, all costs of determining whether the Land is in compliance with, and of causing the Land to be in compliance with, all applicable Environmental Laws, all costs associated with claims for damages to persons, property, or natural resources, and the Indemnities' reasonable attorneys' and consultants' fees, court costs and expenses incurred in connection with any thereof.

(3) The obligations of Lessee to indemnify the Indemnities shall survive satisfaction and payment in full of the Bonds, termination of this Lease. The rights of the Indemnities hereunder shall be in addition to any other rights and remedies which the Indemnities may have against the Land and the Lessee under this Lease or any other document or at law or in equity.

(4) Notwithstanding anything in this Lease to the contrary, if Lessor should, after the subleasing the Land to the Lessee as provided herein, subsequently terminate the Lease and reacquire possession of the Land under the Ground Lease (the date on which this event occurs being the "Transfer Date"), this Indemnity shall not apply to any Loss incurred by Lessor as a direct result of affirmative actions of Lessor as lessee and operator of the Land after Lessor has acquired possession of the Land under the Ground Lease if such affirmative actions of the Lessor are the sole and direct cause of the introduction and initial release of a Hazardous Substance in, on or under the Land; provided, however, that the Indemnitor shall bear the burden of proof that the introduction and initial release of such Hazardous Substance (i) occurred subsequent to the Transfer Date, (ii) did not occur as a result of any action of the Indemnitor, and (iii) did not occur as a result of a continuing migration or release of any Hazardous Substance introduced prior to the Transfer Date in, on, under or near the Project.

(5) Except as expressly provided for in this section, this indemnity shall remain in full force and effect, including, without limitation, with respect to Hazardous Substances which are discovered or released in, on or under the Land after the Transfer Date, and with respect to the continuing migration or release of any Hazardous Substance previously introduced in, on, under or near the Land. The foregoing limitations shall not affect or impair any rights, remedies or claims the Lessor may have outside the scope of this indemnity, at law or in equity, with respect to the Indemnitor or others.

Section 6.6. Damage to or Destruction of Project. If after the execution of this Lease with respect to all or a portion of the Project all or any part of the Project is lost, stolen, condemned, destroyed or damaged beyond repair, Lessee shall as soon as practicable after such event either: (i) replace the same at Lessee's sole cost and expense, such replacement to be of equal or greater value to the Project or any portion thereof, immediately prior to the time of the loss occurrence, whereupon such replacement shall be substituted in this Lease by appropriate endorsement; or (ii) exercise its option to purchase or otherwise acquire the Project as provided in Article X. Lessee shall, within ninety days after the loss occurrence, notify Lessor of which course of action it has taken or will take. If Lessee fails or refuses to so notify Lessor within the required period, Lessor may, at its option, require the Lessee to purchase the Project at the applicable Casualty Value of the Project, in which event said amount shall become immediately due and payable, and Lessee shall be obligated to pay the same to the Lessor. The Net Proceeds payable with respect to the loss shall be used to discharge Lessee's obligation under this Section. Upon Lessee purchasing or otherwise acquiring the Project as provided in this Section 6.6, this Lease shall terminate and Lessee thereupon shall become entitled to the Project **AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY Lessee**, except that the Project shall not be subject to any lien or encumbrance created by or arising through Lessor, except Permitted Encumbrances. To evidence the foregoing, the Lessor shall, at the request and expense of Lessee, execute such documents as Lessee reasonably determines are required to convey and release to Lessee, any and all of its remaining right, title and/or interest in and to the Project.

ARTICLE VII

OTHER OBLIGATIONS OF LESSEE

Section 7.1. Use; Permits. Lessee shall exercise due care in the construction, use, operation and maintenance of the Project, and shall not install, use, operate or maintain the Project improperly, carelessly, in violation of any State and federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Lessee shall obtain all permits and licenses necessary for the construction, operation, possession and use of the Project. Lessee shall comply with all State and federal laws applicable to the construction, use possession and operation of the Project, and if compliance with any such State and federal law requires changes or additions to be made to the Project, such changes or additions shall be made by Lessee at its expense.

Section 7.2. Maintenance of Project by Lessee. Lessee shall, at its own expense, maintain, preserve and keep the Project in good repair, working order, condition and/or operation, and shall from time to time make all repairs and replacements necessary to keep the Project in such condition. Lessor shall have no responsibility for any of these repairs or replacements.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this section, Lessee shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Project, or which become due during the Term of this Lease, whether assessed against Lessee or Lessor. Lessee shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments Lessee shall only be required to pay such installments, during the Term of this Lease as and when the same become due. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

Lessee may, at its own expense and in its own name, in good faith contest any such taxes, assessments, utility and other charges and shall notify the Lessor of such good faith contest and, in the event of any such contest, may permit the taxes, assessments, utility or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom but only if nonpayment of any such items will not materially endanger the interest of Lessor in the Project, nor subject to loss or forfeiture, the Project or any part thereof. If this condition is not satisfied Lessee shall promptly pay such taxes, assessments, utility or other charges or provide Lessor with full security against any loss which may result from nonpayment, in form satisfactory to Lessor.

Section 7.4. Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand with interest from the date of the advance to the date of repayment. The interest rate on the advance shall be 200 basis points greater than (1) the rate of interest at which the Lessor borrowed the money advanced or, (2) if the Lessor did not borrow the money, the rate of interest then being charged by the Paying Agent as its reference rate.

ARTICLE VIII

TITLE

Section 8.1. Title. During the Term of this Lease title to the Project and any and all repairs, replacements, substitutes and modifications to it shall be in Lessor. Upon termination of this Lease for the reason specified in Section 4.6, Clause (a) or (c) thereof, full and unencumbered title to the Project, but not the Land, shall pass to Lessor, and Lessee shall have no further interest in the Project under this Lease. In such event Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence passage of legal title to the Project, but not the Land, to Lessor and the termination of this Lease and of Lessee's interest in the Project thereunder; and upon request by Lessor, Lessee shall deliver possession of the Project to Lessor, in accordance with Section 12.3. Upon termination of this Lease for the reason specified in Section 4.6, Clause (b) or (d), Lessor's title to, if any, and security or other interest in the Project shall terminate, and Lessor shall, at Lessee's expense, execute and deliver to Lessee such documents as Lessee may request to evidence the termination of Lessor's title, if any, to and security or other interest in the Project.

Section 8.2. Security Interest. Lessee hereby grants Lessor a security interest in all portions of the Project that are deemed personal property or fixtures pursuant to applicable law, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 8.5 and a security interest in the proceeds of all insurance policies, in order to secure Lessee's payment of all Rental Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by Lessee. Lessee will cause to be executed, filed and recorded all instruments, including financing statements and continuation statements, and will perform such acts as are required to establish and maintain a valid and perfected security interest in such portions of the Project.

Section 8.3. Liens. During the Term of this Lease, Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of Lessor and Lessee as herein provided and Permitted Encumbrances. Except as expressly provided in Section 7.3 and this Article, Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time; provided that if any such lien for labor or materials is established against the Project and Lessee shall first notify Lessor of Lessee's intention to do so, Lessee may in good faith contest any such lien, and in such event may permit the lien so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom but only if (1) nonpayment of any such item will not materially endanger the interest of Lessor in the Project, nor subject to loss or forfeiture the Project or any part thereof, and (2) the Lessee files with the Lessor an opinion of Independent Counsel stating in effect that neither event will occur. Lessee shall reimburse Lessor for any expense incurred by Lessor in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 8.4. Installation of Lessee's Equipment. Lessee may at any time and from time to time, in its sole discretion and at its own expense, install items of fixtures, equipment and other personal property in or upon the Project. All such items shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore on a timely basis any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, or from entering into any other loan agreement secured by a lien or security interest in such property provided that no such lien or security interest shall attach to any part of the Project. Lessor shall, at the request and expense of Lessee, execute such releases and other documents as Lessee reasonably determines are necessary to facilitate such purchase or loan and as are consistent with the rights of the parties under this Lease; and as a condition to executing such documents, Lessor may require and in good faith conclusively rely upon a written statement of Lessee that the documents comply with the provisions of this section.

Section 8.5. Modification of Project. Subject to Lessee's rights under Section 8.4, Lessee shall, at its own expense, have the right to make repairs to the Project, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Project and be subject to the provisions of this Lease. Such work shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Project, upon completion of any such work shall be of value which is not less than the value of the Project prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this section may be disposed of by Lessee in such manner and on such terms as are determined by Lessee. If as a result of such replacement or substitution, a change in the description of any Project Equipment set forth in Exhibit A must also be made, Lessor and Lessee shall, at Lessee's expense, amend this Lease to reflect that change, and each party shall, at the request of the other party but solely at Lessee's expense execute such other documents, such as a UCC termination statement or a supplemental financing statement, as the party reasonably determines are necessary or desirable to properly identify Project Equipment. Lessor shall also at Lessee's expense execute such other releases from the provisions of the Lease for any replacement equipment as Lessee may reasonably request. For purposes of executing any such amendment or document, Lessor may require and in good faith conclusively rely upon a written statement of Lessee that such amendment or document complies with the provisions of this section. Lessee will not permit any mechanic's or other lien to be established or remain against the Project for labor or materials furnished in connection with any repair, replacement, substitution or modification made by Lessee pursuant to this section; provided that Lessee may in good faith contest any such lien upon satisfaction of the conditions for contesting the lien set forth in Section 8.3 hereof. Lessor will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 8.6. Easements and Utility Access. Lessee may, at Lessee's expense, at any time and from time to time request Lessor to convey an easement affecting the Land to a railroad, corporate utility or public body, or any other person, upon written certification by an Independent Engineer that in that person's opinion the easement is necessary or desirable to provide rail, road or other access or utility service for the Project or other property and will not impair the usefulness of the Project for the purposes contemplated in this Lease and will not destroy the means of ingress thereto and egress therefrom. No such easement shall result in any abatement of rents or other sums payable by Lessee under this Lease. Lessor will execute the easement and join in the execution of a supplement to this Lease, providing for the subordination of this Lease to any such easement; but if at any time any Bonds remain outstanding under the Bond Resolution, the subordination shall not become effective until the following items are filed with, and/or where applicable, executed by, the Lessor:

(1) an executed duplicate of the Lease supplement, stating the purpose thereof and that neither Lessor nor Lessee is then in default under this Lease or the Bond Resolution;

(2) a copy of the easement (or if Section 8.7 is applicable, release) executed or to be executed by Lessor;

(3) a plat or survey of the Land prepared and certified by a registered Minnesota land surveyor, showing the land to be subjected to the easement as described in the easement (or if Section 8.7 is applicable, the land to be released) and the location in relation thereto of all buildings, structures and permanently installed equipment on the land, and all other easements, roads, tracks and utility installations;

(4) evidence of the authority of the officers executing the lease supplement and easement (or, if Section 8.7 is applicable, the release) on behalf of Lessor and Lessee, including a certified copy of an authorizing resolution of the governing body of Lessor and of Lessee; and

(5) the certificate of the Independent Engineer.

Any money received by Lessee for the easement shall be remitted to the Lessor and credited to the Bond Fund. For purposes of executing the instruments described in this Section 8.6, Lessor may require and in good faith conclusively rely upon a written statement of Lessee that the provisions of this Section 8.6 have been fully satisfied.

Section 8.7. Release of Unimproved Land. Lessee may, at Lessee's expense, at any time and from time to time request Lessor to release from the provisions of the Lease any part of the Land on which no building, structure or permanently installed equipment is situated, upon written certification by an Independent Engineer stating that in the Independent Engineer's opinion the land proposed to be released is not needed for the operation of the Project for the purposes stated in this Lease, and that the release will not impair the usefulness of the Project for these purposes and will not destroy the means of ingress thereto and egress therefrom. Lessor will join in the execution of a supplement to this Lease providing for the release thereof, subject to the following conditions:

(1) if at the time any Bonds remain outstanding under the Bond Resolution, the release shall not become effective until the filing with the Lessor of the following items:

(A) the items described in paragraphs (1) to (5), inclusive, of Section 8.6; and

(B) an opinion of Independent Counsel stating that the above documents satisfy the requirements of this Section and that the release is in appropriate form for execution by the respective parties; and

(2) the Lessee shall not be entitled to any abatement, reduction, or diminution of any rents payable under this Lease;

(3) any money received by Lessee for the sale of the released land to a third party shall be remitted to the Lessor and credited to the Bond Fund.

Section 8.8. Covenant For the Benefit of the Bondholders. Lessee recognizes the authority of the Lessor to pledge all moneys receivable under this Lease, including any proceeds from the sale of all or a part of the Project, as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds. Each of the terms and provisions of this Lease is a covenant for the use and benefit of the Holders of the Bonds, so long as any thereof shall remain outstanding; but upon payment in full of the Bonds and of all fees and charges of the Paying Agent, all references in this Lease to the Bonds shall be ineffective, and no Holder of any of the Bonds shall thereafter have any rights hereunder, save and except those that shall have theretofore vested.

ARTICLE IX

PROJECT WARRANTIES

Section 9.1. Selection of Project. The Project and the Contractors have been selected by Lessee, and Lessor shall have no responsibility in connection with the selection of the Project, its suitability for the use intended by Lessee, the selection of the Contractors, or any delay or failure by the Contractors to construct the Project for use by Lessee.

Section 9.2. Construction and Maintenance of Project. Lessor shall have no obligation to construct, inspect or maintain the Project or any portion thereof under any circumstances, but such actions shall be the obligation of Lessee or the Contractors.

Section 9.3. Contractors' Warranties. Lessor hereby assigns to Lessee for and during the Term of this Lease, all of its interest in all Contractors' warranties and guarantees, express or implied, issued on or applicable to the Project, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

Section 9.4. Disclaimer of Warranties. THE PROJECT IS LEASED AS IS, AND LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE PROJECT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT.

ARTICLE X

PREPAYMENT

Section 10.1. When Available. Lessee shall have the option to purchase Lessor's interest in the Project on September 17, 2013, and on any date thereafter, for the then applicable Purchase Option Price plus past due Rental Payments only in the manner provided in this Article. The option to purchase is subject to compliance with the City Charter.

Section 10.2. Exercise of Purchase Option. Lessee shall give notice to Lessor of its intention to exercise its purchase option not less than forty-five (45) days prior to the date on which the option is to be exercised and shall deposit with the Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due and the applicable Purchase Option Price. The purchase shall be on the Payment Date on which the option is to be exercised at the office of Lessor.

Section 10.3. Release of Lessor's Interest. Upon exercise by Lessee of its option to purchase Lessor's interest in the Project, this Lease shall terminate and Lessee thereupon shall become entitled to the Project **AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY Lessee,** except that the Project shall not be subject to any lien or encumbrance created by or arising through Lessor other than any Permitted Encumbrances. To evidence the foregoing, Lessor shall, at the request and expense of Lessee, execute such documents as Lessee reasonably determines are necessary to convey and release to Lessee, any and all of Lessor's remaining right, title and/or interest in and to the Project.

Section 10.4. Defeasance. Lessee shall have the option to provide for the payment of the Rental Payments (and, if applicable, the Purchase Option Price) by the deposit in escrow pursuant to an escrow agreement that satisfies the conditions for Bonds under the Bond Resolution, of cash or securities for which the full faith and credit of the United States are pledged for the payment of principal and interest or which are guaranteed as to payment of principal and interest by the United States, in an amount sufficient (together with interest earnings thereon) to provide for payment of said Rental Payments (and, if applicable, the Purchase Option Price) prior to their respective Payment Dates as provided in Section 5.1 through August 15, 2030, or such earlier Payment Date upon which an option to purchase would have been exercisable by Lessee; provided that such earlier Payment Date is designated by Lessee as the date on which the applicable Purchase Option Price shall be applied towards prepayment of the Bonds; and provided further that Lessee files with Lessor an opinion of Bond Counsel stating in effect that such defeasance will not impair the tax exempt status of the Bonds. Upon exercise by Lessee of this option, this Lease shall terminate and, at the request and expense of Lessee, Lessor shall convey and release its interest in the Project as provided in Section 10.3. For purposes of executing such release Lessor may in good faith conclusively rely upon a report of an independent certified public accountant acceptable to the Lessor stating in effect that the sums held in escrow satisfy the payment requirements set forth in this section.

ARTICLE XI

ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. Subject to Section 8.8, Lessor shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. The Lessor's sole obligation is to provide to the Lessee quiet enjoyment of the Project. Any and all of Lessor's rights, title and/or interest in and to this Lease, the Rental Payments and other amounts due hereunder and the Project may be assigned and reassigned in whole or in part to one or more assignees or sub-assignees by Lessor at any time pursuant to the Bond Resolution or otherwise, without the consent of Lessee. No such assignment shall be effective as against Lessee unless and until the assignor shall have filed with Lessee a copy or written notice thereof identifying the assignee. Lessee shall pay all Rental Payments due hereunder to or at the direction of Lessor or the assignee named in the most recent assignment or notice of assignment filed with Lessee.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Lease nor Lessee's interest in the Project may be assigned or subleased by Lessee without the written consent of Lessor, with consent to the Sublease hereby expressly given, and any such assignment or sublease shall not relieve Lessee from its obligation to make the Rental Payments hereunder; provided that Lessor's consent to a sublease shall not be required if (1) the sublease provides that the sublessee will not take any action in derogation of Lessee's obligations hereunder, (2) a copy of the sublease is filed with Lessor and the Paying Agent, and (3) either (A) the sublease is to a Governmental Unit or (B) an opinion of Bond Counsel is first filed with the Lessor and the Paying Agent stating in effect that the sublease will not impair the tax exempt status of the Bonds.

Section 11.3. Restriction on Mortgage or Sale of Project by Lessee. Lessee will not sell, transfer or convey its interest in the Project or any portion thereof during the Term of this Lease, without the written consent of Lessor.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used in this Lease, with respect to the Project, any one or more of the following events:

(i) Failure by Lessee to pay any Rental Payment or other payment required to be paid under this Lease at the time specified herein (which in the case of a Rental Payment shall be five days prior to the Payment Date or, if Lessee elects to pay by wire transfer, the last Business Day immediately preceding the Payment Date) and, except in the case of a failure to pay when due any Rental Payment, the continuation of said failure for a period of seven days.

(ii) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Clause (i) of this Section, for a period of thirty days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(iii) The filing by Lessee of a voluntary petition in bankruptcy; or failure by Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its governmental or proprietary function; or adjudication of Lessee as a bankrupt; or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors; or the approval by a court of competent jurisdiction of a petition applicable to Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

(iv) The vacation or abandonment by the Lessee of the Project for a period of ninety consecutive days.

The provisions of this section and Section 12.2 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to carry out its obligations under this Lease with respect to the Project, other than its obligation to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots, landslides;

earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee and not resulting from its negligence. Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Lessee from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Lessee and Lessee shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of Lessee, unfavorable to Lessee.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have happened and be continuing with respect to the Project, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(i) Lessor, with or without terminating this Lease, may declare all Rental Payments due or to become due during the Term of the Lease to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable. If Lessor has not terminated the Lease and has not declared all Rental Payments immediately due and payable and if Lessee has cured the event of default and pays the late charge provided in Section 12.6, if applicable, the Lessee shall be restored to its former position before the event of default occurred.

(ii) Lessor, with or without terminating this Lease, may repossess the Project or any portion thereof by giving Lessee written notice to vacate the Project, whereupon Lessee shall do so in the manner provided in Section 12.3; or in the event Lessee fails to do so within ten days after receipt of such notice, Lessor may enter upon the Project and take possession of the Project and charge Lessee for costs incurred in repossessing such portion of the Project, including reasonable attorneys' fees. Lessee hereby expressly waives any damages occasioned by such repossession. If the Project or any portion of it has been destroyed, wasted, or damaged beyond repair, Lessee shall pay the applicable Purchase Option Price of the Project, as set forth in Exhibit C (less credit for Net Proceeds), to Lessor. Lessee shall continue to be responsible for the payment of Rental Payments. If this Lease has not been terminated, Lessor shall return the Project or any portion thereof to Lessee at Lessee's expense when the event of default is cured.

(iii) If the Lessor terminates this Lease and takes possession of the Project or any portion thereof, Lessor shall have the right to sell the Project or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws. Lessor shall apply the proceeds of such sale to pay the following items in the following order; (a) all costs incurred in securing possession of the Project; (b) all expenses incurred in completing the sale; (c) the applicable Purchase Option Price of the Project; and (d) the balance of any accrued Rental Payments owed by Lessee. Any sale proceeds remaining after the requirements of Clauses (a), (b), (c) and (d) have been met may be retained by the Lessor.

(iv) Lessor may take any other remedy available at law or in equity to require Lessee to perform any of its obligations hereunder.

In no event however, shall the Lessee be liable under this article in excess of the moneys appropriated by it on a yearly basis (other than for any additional Rental Payments due if the Lessee occupies the Project after termination of the Lease pursuant to Section 4.4).

Section 12.3. Return of Project. Upon the termination of this Lease prior to the payment of all Rental Payments in accordance with Exhibit B, Lessee shall vacate the Project in the condition, repair, appearance and working order required in Section 7.2, reasonable wear and tear damage by the elements and insured damage excepted in the following manner as may be specified by Lessor; (i) by executing such documents as Lessor reasonably deems necessary to transfer all of Lessee's right, title and interest under this Lease in and to the Project to Lessor and (ii) by paying all reasonable costs and expenses whether incurred by the Lessor (including attorneys fees) with respect to such transfer of the property; provided that nothing herein shall limit the rights of Lessee as fee owner of the Land. If Lessee refuses to return the Project in the manner designated, Lessor may repossess the Project and charge to Lessee the costs of such repossession or pursue any remedy described in Section 12.2. In addition to all other remedies provided in this Lease, Lessor shall also have the right in its sole discretion to abandon the Project or any portion thereof, and upon such abandonment Lessor shall have no further interest in or any obligation with respect to the Project or the portion thereof being abandoned. In such event Lessor shall execute such documents as Lessee reasonably deems necessary to transfer all of Lessor's right, title and interest in and to the Project or the portion thereof being abandoned to Lessee.

Section 12.4. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. 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 by Lessor.

Section 12.5. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the non-defaulting party should employ attorneys and/or incur other expenses for the collection of moneys or for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fee of such attorneys and/or such other reasonable expenses so incurred by the non-defaulting party.

Section 12.6. Late Charge. Whenever any event of default referred to in Section 12.1, Clause (i) hereof shall have happened and be continuing with respect to the Project, Lessor shall have the right, at its option and without any further demand or notice, to require a late payment charge equal to four percent of the delinquent amount or such lesser amount as may be permitted by Minnesota law if four percent exceeds Minnesota law, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor; provided, however, that this section shall not be applicable if or to the extent that the application thereof would affect the validity of this Lease.

ARTICLE XIII

ADMINISTRATIVE PROVISIONS

Section 13.1. Notices. All notices, certificates, legal opinions or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered or certified form with postage fully prepaid; provided that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, legal opinions or other communications will be sent.

Section 13.2. Financial Information. Lessee shall annually provide Lessor with current financial statements and budgets, and such other financial information relating to the ability of Lessee to continue this Lease as may be requested by Lessor.

Section 13.3. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.4. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.5. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written document duly authorized, executed and delivered by Lessor and Lessee.

Section 13.6. Captions. The captions or headings in the Lease are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article, Section or Clause of this Lease.

Section 13.7. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or intended so to be, or for otherwise carrying out the expressed intention of this Lease.

Section 13.8. Execution In Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.9. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, Lessor With Option to Purchase Agreement has caused this Lease With Option to Purchase Agreement to be executed in its corporate name by its duly authorized officer; and Lessee has caused this Lease With Option to Purchase Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF LE SUEUR, MINNESOTA,
Lessor

By _____
Its President

By _____
Its Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF LE SUEUR)

The foregoing instrument was acknowledged before me on Sept 14, 2010, by Henry D Kress, President, and Ruth Vortherms, Secretary, of the Economic Development Authority of the City of Le Sueur, Minnesota, a public body corporate and politic and a political subdivision of the State of Minnesota, on behalf of said public entity.

_____
Notary Public

(Notarial Seal)

TODD MICHAEL CORYELL
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2015

2618980v4

CITY OF LE SUEUR, MINNESOTA, Lessee

By _____
Its Mayor

By _____
Its City Clerk

STATE OF MINNESOTA)
) ss.
COUNTY OF LE SUEUR)

The foregoing instrument was acknowledged before me on Sept. 14, 2010, by Robert Oberle, Mayor, and Richard Almich, City Clerk, of the City of Le Sueur, Minnesota, a municipal corporation and political subdivision of the State of Minnesota on behalf of said municipal corporation.

_____
Notary Public

(Notarial Seal)

TODD MICHAEL CORYELL
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2015

2618980v4

EXHIBIT A

DESCRIPTION OF PROJECT AND LAND

PROJECT:

The construction and equipping of a family medicine primary care clinic.

LAND:

All that part of the North Half of the Northeast Quarter of Section 2, Township 111 North, Range 26 West, City of Le Sueur, Le Sueur County, Minnesota, described as follows:

Commencing at the southwest corner of Fractional Block 4, SMITH'S THIRD ADDITION, according to the recorded plat thereof; thence South 30 degrees 34 minutes 04 seconds West (assumed bearing) on the east line of Fourth Street according to the recorded plat of RISEDORPH'S ADDITION TO LE SUEUR, a distance of 477.73 feet; thence South 59 degrees 25 minutes 56 seconds East, 80.42 feet to the point of beginning; thence North 00 degrees 20 minutes 18 seconds East, 101.76 feet; thence northeasterly 98.79 feet on a 148.86 foot radius curve to the left, not tangent to previous line, having a central angle of 38 degrees 01 minutes 27 seconds and a 96.99 foot chord that bears North 76 degrees 56 minutes 20 seconds East; thence South 44 degrees 39 minutes 40 seconds East, not tangent to previous curve, 32.03 feet; thence South 00 degrees 20 minutes 18 seconds West, 30.28 feet; thence South 89 degrees 39 minutes 42 seconds East, 6.17 feet; thence South 00 degrees 20 minutes 18 seconds West, 13.42 feet; thence North 89 degrees 39 minutes 42 seconds West, 6.17 feet; thence South 00 degrees 20 minutes 18 seconds West, 36.33 feet; thence South 89 degrees 39 minutes 42 seconds East, 17.08 feet; thence South 00 degrees 20 minutes 18 seconds West, 18.66 feet; thence North 89 degrees 39 minutes 42 seconds West, 17.08 feet; thence North 00 degrees 20 minutes 18 seconds East, 7.31 feet; thence North 89 degrees 39 minutes 42 seconds West, 90.99 feet; thence South 00 degrees 20 minutes 18 seconds West, 10.20 feet; thence North 89 degrees 39 minutes 42 seconds West, 26.01 feet to the point of beginning.

EXHIBIT B
SCHEDULE OF RENTAL PAYMENTS

Pmt	Total Payment Due	After Payment Principal Balance	Payment Due Date
	$0.00	$2,466,000.00	Sep 17, 2010
1	$70,897.50	$2,466,000.00	Mar 17, 2011
2	$70,897.50	$2,466,000.00	Sep 17, 2011
3	$96,250.00	$2,440,647.50	Mar 17, 2012
4	$96,250.00	$2,414,566.12	Sep 17, 2012
5	$96,250.00	$2,387,734.89	Mar 17, 2013
6	$96,250.00	$2,360,132.27	Sep 17, 2013
7	$96,250.00	$2,331,736.07	Mar 17, 2014
8	$96,250.00	$2,302,523.48	Sep 17, 2014
9	$96,250.00	$2,272,471.03	Mar 17, 2015
10	$96,250.00	$2,241,554.58	Sep 17, 2015
11	$96,250.00	$2,209,749.27	Mar 17, 2016
12	$96,250.00	$2,177,029.56	Sep 17, 2016
13	$96,250.00	$2,143,369.16	Mar 17, 2017
14	$96,250.00	$2,108,741.03	Sep 17, 2017
15	$96,250.00	$2,073,117.33	Mar 17, 2018
16	$96,250.00	$2,036,469.45	Sep 17, 2018
17	$96,250.00	$1,998,767.95	Mar 17, 2019
18	$96,250.00	$1,959,982.53	Sep 17, 2019
19	$96,250.00	$1,920,082.03	Mar 17, 2020
20	$96,250.00	$1,879,034.38	Sep 17, 2020
21	$96,250.00	$1,836,806.62	Mar 17, 2021
22	$96,250.00	$1,793,364.81	Sep 17, 2021
23	$96,250.00	$1,748,674.05	Mar 17, 2022
24	$96,250.00	$1,702,698.43	Sep 17, 2022
25	$96,250.00	$1,655,401.01	Mar 17, 2023
26	$96,250.00	$1,606,743.79	Sep 17, 2023
27	$96,250.00	$1,556,687.67	Mar 17, 2024
28	$96,250.00	$1,505,192.44	Sep 17, 2024
29	$96,250.00	$1,452,216.73	Mar 17, 2025
30	$96,250.00	$1,397,717.96	Sep 17, 2025
31	$96,250.00	$1,341,652.35	Mar 17, 2026
32	$96,250.00	$1,283,974.85	Sep 17, 2026
33	$96,250.00	$1,224,639.13	Mar 17, 2027
34	$96,250.00	$1,163,597.51	Sep 17, 2027
35	$96,250.00	$1,100,800.94	Mar 17, 2028
36	$96,250.00	$1,036,198.96	Sep 17, 2028
37	$96,250.00	$969,739.68	Mar 17, 2029
38	$96,250.00	$901,369.70	Sep 17, 2029
39	$96,250.00	$831,034.08	Mar 17, 2030
40	$96,250.00	$758,676.31	Sep 17, 2030
41	$96,250.00	$684,238.25	Mar 17, 2031
42	$96,250.00	$607,660.10	Sep 17, 2031
43	$96,250.00	$528,880.33	Mar 17, 2032
44	$544,085.64	$0.00	Sep 17, 2032

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EXHIBIT C

SCHEDULE OF PURCHASE OPTION PRICE AND CASUALTY VALUES

Payment	After Payment Termination Value	Payment Due Date
		Sep 17, 2010
1		Mar 17, 2011
2		Sep 17, 2011
3		Mar 17, 2012
4		Sep 17, 2012
5		Mar 17, 2013
6	$2,401,988.93	Sep 17, 2013
7	$2,372,334.06	Mar 17, 2014
8	$2,341,857.01	Sep 17, 2014
9	$2,310,534.98	Mar 17, 2015
10	$2,278,344.55	Sep 17, 2015
11	$2,245,261.64	Mar 17, 2016
12	$2,211,261.51	Sep 17, 2016
13	$2,176,318.72	Mar 17, 2017
14	$2,140,407.15	Sep 17, 2017
15	$2,103,499.92	Mar 17, 2018
16	$2,065,569.45	Sep 17, 2018
17	$2,026,587.35	Mar 17, 2019
18	$1,986,524.47	Sep 17, 2019
19	$1,945,350.85	Mar 17, 2020
20	$1,903,035.69	Sep 17, 2020
21	$1,859,547.34	Mar 17, 2021
22	$1,814,853.28	Sep 17, 2021
23	$1,768,920.08	Mar 17, 2022
24	$1,721,713.38	Sep 17, 2022
25	$1,673,197.87	Mar 17, 2023
26	$1,623,337.28	Sep 17, 2023
27	$1,572,094.29	Mar 17, 2024
28	$1,519,430.60	Sep 17, 2024
29	$1,465,306.80	Mar 17, 2025
30	$1,409,682.43	Sep 17, 2025
31	$1,352,515.86	Mar 17, 2026
32	$1,293,764.36	Sep 17, 2026
33	$1,233,383.97	Mar 17, 2027
34	$1,171,329.53	Sep 17, 2027
35	$1,107,554.63	Mar 17, 2028
36	$1,042,011.58	Sep 17, 2028
37	$974,651.35	Mar 17, 2029
38	$905,423.55	Sep 17, 2029
39	$834,276.41	Mar 17, 2030
40	$761,156.72	Sep 17, 2030
41	$686,009.79	Mar 17, 2031
42	$608,779.40	Sep 17, 2031
43	$529,407.81	Mar 17, 2032
44	$1.00	Sep 17, 2032

EXHIBIT D

CERTIFICATE OF INCUMBENCY

I, the undersigned, hereby certify that I am the duly qualified and acting City attorney * of the City of Le Sueur, Minnesota ("Lessee"); and, with respect to the Lease With Option to Purchase Agreement, dated as of September 17, 2010 (the "Lease"), by and between Lessee and the Economic Development Authority of the City of Le Sueur, Minnesota ("Lessor"), that I am well acquainted with the persons listed below and with their signatures; that the persons hold the respective offices or positions set forth opposite their signatures below; that the signatures below written are true and correct signatures of the officers; and that as of the date of execution of the Lease or other documents relating thereto by any of the officers, they were duly qualified and acting as the officers or position holders indicated below and duly authorized to execute the same:

Name	Office or Position	Signature
Robert Oberle	Mayor	
Richard Almich	City Clerk	

Dated: September 14, 2010.

CITY OF LE SUEUR, MINNESOTA,
Lessee

By _____
Its City Attorney

Subscribed and sworn to before me
this 14th day of September, 2010.

_____
Notary Public

(Notarial Seal)

KATHRYN M. HOLICKY
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2015

*This Certificate of Incumbency must be executed by an officer of Lessee different from those persons whose signatures are listed in the text hereof.

2618980v4

EXHIBIT B

FORM OF TERMINATION LETTER FOR MAYO SUBLEASE

_____, 2017

[City of Le Sueur letterhead]

VIA CERTIFIED MAIL
Receipt No.:
Immanuel St. Joseph's - Mayo Health System
Attn: Jerome Crest
1025 Marsh Street
Mankato, MN 56002

VIA CERTIFIED MAIL
Receipt No.:
Mayo Clinic Legal Department
200 First Street SW
Rochester, MN 55905

To Whom It May Concern:

The City of Le Sueur, Minnesota, ("Sublessor") and Immanuel St. Joseph's - Mayo Health System ("Sublessee") are parties to a certain Sublease dated September 17, 2010 regarding a medical clinic facility located in the City of Le Sueur, Minnesota. Pursuant to Section 2 of the Sublease, "Term," the Sublessor hereby gives Sublessee notice that the Sublease will not be renewed at the end of its current term, which the Sublessor's records indicate expires on August 30, 2018. As such, no automatic renewal of the lease term shall occur and Sublessor shall vacate the Leased Premises (as defined in the Sublease) prior to the expiration of the current term in conformance with the terms of the Sublease.

Very truly yours,

c: CEO, Minnesota Valley Health Center

EXHIBIT C

FORM OF MEMORANDUM OF LEASE

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (the "**Memorandum**"), is made and entered into effective December _____, 2016, by and between the City of Le Sueur, Minnesota, a municipal corporation (the "**Sublessor**"), Minnesota Valley Health Center, Inc., a Minnesota nonprofit corporation (the "**Sublessee**"), and the Economic Development Authority of the City of Le Sueur, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota (the "**Prime Lessor**").

RECITALS

A. Sublessor and Sublessee have entered into a Clinic Sublease Agreement dated December _____, 2016 (the "**Sublease**") pursuant to which Sublessor is subleasing to Sublessee, and Sublessee is subleasing from Sublessor, certain real property in the City of Le Sueur, Le Sueur County, Minnesota, legally described as follows:

> All that part of the North Half of the Northeast Quarter of Section 2, Township 111 North, Range 26 West, City of Le Sueur, Le Sueur County, Minnesota, described as follows:
>
> > Commencing at the southwest corner of Fractional Block 4, SMITH'S THIRD ADDITION, according to the recorded plat thereof; thence South 30 degrees 34 minutes 04 seconds West (assumed bearing) on the east line of Fourth Street according to the recorded plat of RISEDORPH'S ADDITION TO LE SUEUR, a distance of 477.73 feet; thence South 59 degrees 25 minutes 56 seconds East, 80.42 feet to the point of beginning; thence North 00 degrees 20 minutes 18 seconds East, 101.76 feet; thence northeasterly 98.79 feet on a 148.86 foot radius curve to the left, not tangent to previous line, having a central angle of 38 degrees 01 minutes 27 seconds and a 96.99 foot chord that bears North 76 degrees 56 minutes 20 seconds East; thence South 44 degrees 39 minutes 40 seconds East, not tangent to previous curve, 32.03 feet; thence South 00 degrees 20 minutes 18 seconds West, 30.28 feet; thence South 89 degrees 39 minutes 42 seconds East, 6.17 feet; thence South 00 degrees 20 minutes 18 seconds West, 13.42 feet; thence North 89 degrees 39 minutes 42 seconds West, 6.17 feet; thence South 00 degrees 20 minutes 18 seconds West, 36.33 feet; thence South 89 degrees 39 minutes 42 seconds East, 17.08 feet; thence South 00 degrees 20 minutes 18 seconds West, 18.66 feet; thence North 89 degrees 39 minutes 42 seconds West,

17.08 feet; thence North 00 degrees 20 minutes 18 seconds East, 7.31 feet; thence North 89 degrees 39 minutes 42 seconds West, 90.99 feet; thence South 00 degrees 20 minutes 18 seconds West, 10.20 feet; thence North 89 degrees 39 minutes 42 seconds West, 26.01 feet to the point of beginning.

(the "**Leased Premises**").

B. The parties wish to give notice of the existence of the Sublease.

NOW, THEREFORE, in consideration of the sum of one dollar ($1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Sublessor, Prime Lessor and Sublessee have entered into the Sublease described above.

2. The term of the Sublease commences and expires as described in the Sublease.

3. The Sublease, as amended, grants Sublessee an option to purchase the Leased Premises.

4. The parties agree that upon the expiration or earlier termination of the Sublease they will execute and acknowledge a written termination, in recordable form, of this Memorandum.

5. This Memorandum has been executed and is to be recorded for the purpose of giving notice of the Sublease and Sublessee's option to purchase the Leased Premises, and it is in no way intended to supersede or vary the terms or conditions of the Sublease. Nothing contained herein shall be construed to amend, modify, change, alter, amplify, interpret or supersede any of the terms and provisions of the Sublease, which shall in all things control.

6. The terms and conditions of the Sublease are incorporated by reference into this Memorandum as if set forth fully herein at length.

7. This Memorandum may be executed in several counterparts, each of which when executed is an original, but all of which together shall constitute one instrument. Separate signature pages may be signed by various parties and each complete set of pages hereto, with a signature page signed by each party, shall constitute an original of this Memorandum.

IN WITNESS WHEREOF, the parties have caused this Memorandum to be executed effective the day and year first above written.

[signature pages follow]

SUBLESSOR:

CITY OF LE SUEUR, MINNESOTA

By:_____
Mayor

By:_____
City Clerk

STATE OF MINNESOTA)
) ss.:
COUNTY OF _____)

The foregoing was acknowledged before me this ____ day of _____, 2016, by Robert Broeder, Mayor, and Stacy Lawrence, City Clerk, of the City of Le Sueur, Minnesota, a municipal corporation and political subdivision of the State of Minnesota, on behalf of said municipal corporation.

_____
Notary Public

SUBLESSEE:

MINNESOTA VALLEY HEALTH CENTER, INC.

By:_____

Name:_____

Its:_____

STATE OF MINNESOTA)
) ss.:
COUNTY OF _____)

The foregoing was acknowledged before me this ____ day of _____, 2016, by _____, the _____ of Minnesota Valley Health Center, Inc., a Minnesota nonprofit corporation, on behalf of the corporation.

_____
Notary Public

PRIME LESSOR:

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF LE SUEUR, MINNESOTA

By:_____
Its: President

By: _____
Its: Secretary

STATE OF MINNESOTA)
) ss.:
COUNTY OF _____)

The foregoing was acknowledged before me this ____ day of _____, 2016, by _____, President, and _____, Secretary, of the Economic Development Authority of the City of Le Sueur, Minnesota, a public body corporate and politic and a political subdivision duly organized and existing under the laws of the State of Minnesota, on behalf of the public entity.

_____
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
Melchert Hubert Sjodin, PLLP
121 West Main Street, Suite 200
Waconia, MN 55387-1023
Phone: (952) 442-7700
Fax: (952) 442-6166
(jmm)

https://mhslaw.sharepoint.com/sites/clients/4/39868/draftdocs/clinic sublease/clinic sublease 10-27-2016.docx