

RESOLUTION #99-342

A RESOLUTION BY THE MAYOR AND CITY COUNCIL OF THE CITY OF NORTHFIELD, MINNESOTA APPROVING A GROUND LEASE BETWEEN THE CITY OF NORTHFIELD AND ST. OLAF COLLEGE.

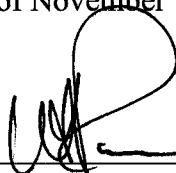
WHEREAS, the City Council has received a recommendation from the Northfield Hospital Board to enter into a lease with St. Olaf College to secure land for the site of a new municipal medical campus; and,

WHEREAS, the City Council is required to approve the lease documents for them to become effective.

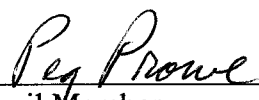
NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL THAT:

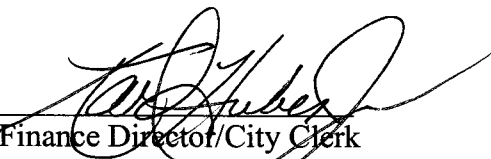
The proposed ground lease agreement [see attached] between the City of Northfield and St. Olaf College is approved.

PASSED by the City Council of the City of Northfield on this 1st day of November 1999.

  
\_\_\_\_\_  
Mayor

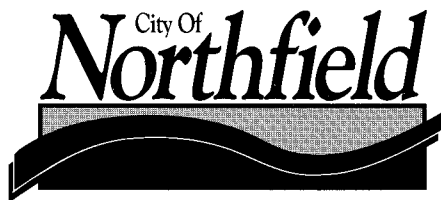
ATTEST

  
\_\_\_\_\_  
Council Member

  
\_\_\_\_\_  
Finance Director/City Clerk

  
\_\_\_\_\_  
Council Member

VOTE: Y ROSSMAN Y MALECHA Y LINSTROTH  
Y GARWOOD-DELONG Y HANSEN Y PROWE Y KOENIG



***Office of the City Administrator***  
***Memorandum #99-205***

DATE: October 28, 1999

TO: Mayor Rossman and City Council

FROM: Scott H. Neal, City Administrator 

RE: City Council Resolution #99-342: Hospital Ground Lease With St. Olaf College

The Hospital Board has reviewed and approved a proposed ground lease for land for a new hospital site on land owned by St. Olaf in Greenvale Township. The Board, Administrator, and their legal counsel made a presentation to the City Council on the proposed lease terms at the Council's October 26, 1999 Work Session.

The Hospital Board, Administrator, staff and various consultants have worked many months in the development of this proposed ground lease. They have included City staff in their deliberations, when necessary, and we have provided them with our input on how the project might best be implemented.

There is a limit to how far the Hospital can proceed with the development of this project without the approval of the City Council. I believe we have reached that limit. The new hospital campus development project must have a firm site before much more can be done in terms of land development planning, architectural design, utility and street planning, etc.

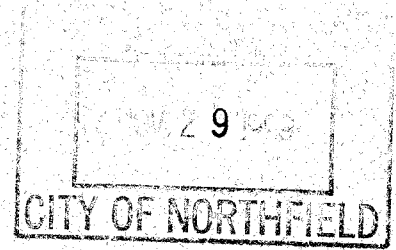
There are many more steps that must be accomplished before the groundbreaking can be scheduled for the new hospital. The approval of the proposed site for the development is the first, and maybe the most important, of these steps.

**RECOMMENDATION**

I recommend the City Council approve City Council Resolution #99-342.



**Northfield  
Hospital**  
and  
Skilled Nursing Facility



## MEMO FORM

**TO:** Scott Neal, City Administrator  
Maren Swanson, City Attorney

**FROM:** Ken Bank  
Administrator

**DATE:** November 23, 1999

**RE:** Land Lease Agreement

Enclosed is a fully executed agreement of the land lease between St. Olaf College and the City of Northfield.

**CC:** Bob Straughn, McGrann, Shea, Franzen, Carnival, Straughn & Lamb  
John Donnelly, Frauenshuh Companies

## AGREEMENT

THIS AGREEMENT, made this 17<sup>th</sup> day of November, 1999, between ST. OLAF COLLEGE, a Minnesota non-profit corporation ("College") and CITY OF NORTHFIELD, a Minnesota municipal corporation ("City").

WHEREAS, College owns approximately 400 acres of undeveloped land in Dakota County, Minnesota, lying north of its existing college campus and legally described in Exhibit A attached hereto and incorporated herein by reference (the "Dakota County Property");

WHEREAS, College desires to develop the Dakota County Property for uses compatible with its college and community activities and its college campus; and

WHEREAS, City desires to be an anchor tenant of the Dakota County Property and to build a hospital and related facilities on an approximately 60-acre site on the Dakota County Property and legally described in Exhibit B attached hereto and incorporated herein by reference (the "Hospital Property").

NOW, THEREFORE, it is agreed between the parties as follows:

1. Representations and Warranties of Parties.
  - (a) College represents and warrants that it is a Minnesota non-profit corporation duly organized and validly existing in good standing under the laws of the State of Minnesota, has been determined to be a Section 501(c)(3) organization under the Internal Revenue Code as amended and knows of no event or circumstance why such determination would be called into question, and is not in violation of any provisions of its corporate charter or bylaws and has full power and authority to enter into this Agreement and perform its obligations hereunder.
  - (b) City represents and warrants that it is a Minnesota municipal corporation duly organized and validly existing in good standing under the laws of the State of Minnesota, is exempt from federal income taxes under Section 115 of the Internal Revenue Code as amended and is not in violation of any provisions of its corporate charter or bylaws and has full power and authority to enter into this Agreement and perform its obligations hereunder.
2. Hospital Due Diligence.
  - (a) College shall promptly at its expense furnish City with a commitment for a lessee's title insurance policy to the Hospital Property issued by Old Republic National Title Insurance

Company or other title insurance company selected by College and reasonably acceptable to City, naming City as the proposed tenant-insured of the Hospital Property and including copies of each instrument listed as an exception to title or referred to therein and searches for special assessments (the "Title Evidence"). In addition, College shall promptly at its expense furnish City with an ALTA survey of the Hospital Property to be prepared by a Minnesota registered land surveyor which ALTA survey shall at a minimum show boundaries, encroachments, wetlands as defined under the Federal Clean Water Act or the Minnesota Wetlands Conservation Act and the computation of the area of the Hospital Property and the wetlands, if any. City, within thirty (30) days after receipt of the later of the Title Evidence or the ALTA survey, shall make objections to the marketability of the title to the Hospital Property based upon examination of the Title Evidence and the ALTA survey, said objections to be made by written notice or to be deemed waived.

If any objections are so made to the marketability of the title to the Hospital Property, College shall be allowed 180 days after the making of such objections by City to cure such objections and make the title to the Hospital Property good and marketable in College.

Once the City has approved title to the Hospital Property, College shall not prior to the execution of the Lease, without the prior written consent of City, undertake any voluntary actions or permit any liens (other than liens for real estate taxes and special assessments not yet due and payable) which affect title to the Hospital Property.

- (b) At City's expense, City, its agents and designees, are hereby granted the right at any time or times after the date hereof to enter upon and to inspect, analyze, survey and test the Hospital Property. City shall give College copies of all written documents received relating to the Hospital Property. City shall hold College harmless from any liability including attorneys' fees resulting solely from the entering upon the Hospital Property or the performing of any of the tests or inspections referred to in this Paragraph by City, its agents or designees. The Hospital Property is subject to a farm lease for the 1999 crop season and may have crops on it. Any injury or damage to crops shall be the responsibility of City.
- (c) If title to the Hospital Property, as evidenced by the Title Evidence, is not good and marketable of record in College and is not made so

within 180 days after the timely, proper making of objections by City (or if all uncured objections to title have not been waived in writing by City), or if City objects in writing to the physical condition of the Hospital Property in its sole discretion due to soil conditions, environmental matters, elevation or other matters within ninety (90) days following the later of the date of this Agreement or City's receipt of a survey showing the boundaries and general topography of the Hospital Property (which survey need not be an ALTA survey), then this Agreement shall automatically terminate and neither party shall have any liability to the other except that City's hold harmless under Paragraph 2(b) above and Paragraph 12 below shall survive the termination of this Agreement.

3. Development Matters. College and City agree to cooperate in good faith and to diligently pursue all approvals, agreements and other matters necessary for the development of the Dakota County Property and the Hospital Property as hereinafter set forth. However, except for this agreement, neither party shall be obligated to take any irrevocably binding action or enter into any binding agreement with any government authorities with jurisdiction unless and until a complete development plan has been agreed to in writing among College, the City and all other applicable governmental authorities. (the "Development Agreement"). Notwithstanding any provision of this Agreement, neither College nor City shall be obligated to enter into a Development Agreement which it finds objectionable in the exercise of good faith. Without limiting the foregoing College shall not be obligated to enter into any Development Agreement which requires College to donate land for public improvements, pay for movement of existing utilities or, except as specifically set forth in this Agreement, waive other costs in connection with or related to development of the Hospital Property. If all governmental development approvals, consents, licenses, permits, agreements and actions sought by College and City with respect to or related to the development of the Dakota County Property and the Hospital Property have not been obtained or waived by the affected party or parties prior to July 1, 2001, then, unless this Agreement is mutually extended, either party may at any time thereafter terminate this Agreement by written notice to the other party and neither party shall have any liability to the other except that City's hold harmless under Paragraph 2(b) above and Paragraph 12 below shall survive the termination of this Agreement.

- (a) Matters of Primary College Responsibility. Promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition, College shall at its expense take the following actions:

- (i) Make formal application to the City that the City annex all or part of the Dakota County Property as determined by the College in its sole discretion but including at a minimum the annexation of the Hospital Property. The annexation shall not be effective unless and until the Development Agreement and the Lease as hereinafter defined are executed and effective.
  - (ii) Make formal application to the City that the City rezone and amend its Comprehensive Use Plan to that part of the Dakota County Property proposed to be annexed to a category or categories satisfactory to College in its sole discretion but consistent with the use of the Hospital Property for hospital purposes.
  - (iii) Make formal application to the City that the City plat that part of the Dakota County Property proposed to be annexed if required by the City or desired by the College in a manner satisfactory to the College in its sole discretion but, if platted, including the Hospital Property as one or more lots and/or outlots separate from the balance of the Dakota County Property. City shall have the right to approve any roadway and utility easements included in any plat which approval shall not be unreasonably withheld or delayed. If College determines not to plat the Hospital Property, College will make formal application to create the Hospital Property as a separate tax parcel.
  - (iv) Although College's plans for the Dakota County Property have not been finalized, College will make reasonable efforts to identify such proposed uses and plans (including site plans) for the Dakota County Property as may be needed or desirable to address pre-development matters and lead to a Development Agreement.
- (b) Matters of Primary Hospital Responsibility. Promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition, City shall at its expense take the following actions:
- (i) Enter into discussions and finalize with the City, Dakota County, Rice County, Minnesota Department of Transportation, College and others as appropriate with respect to the design, development and financing of roadways and transportation to serve the Dakota County

Property, Hospital Property and surrounding areas, subject to the approval of College which approval shall not be unreasonably withheld or delayed. It is contemplated that the roadway and transportation projects will be the paving of North Avenue from Eveleth Avenue to a new City arterial street (sometimes referred to as Cedar Avenue) connecting trunk Highway 19 and North Avenue and the extension of such new City arterial street from North Avenue to trunk Highway 19 and such other roadway and transportation projects, if any, approved by College at the request of City in connection with the initial development of the Hospital Property pursuant to this Agreement (the "Roadway Projects"). College shall not be liable for any roadway construction costs arising out of or related to the Roadway Projects and should the Dakota County Property, the Hospital Property or any other land of College be subjected to any liens or assessments arising out of or related to the design, development or financing of said roadways payment thereof shall be a rent obligation of City under the Lease.

- (ii) Enter into discussions and finalize with Dakota County, Rice County, College and others as appropriate with respect to the design, development and financing of utilities to serve the Dakota County Property, Hospital Property and surrounding areas subject to the approval of College which approval shall not be unreasonably withheld or delayed. College shall not be liable for any utilities construction costs arising out of or related to City's development discussions pursuant to this Agreement, nor shall the Dakota County Property, the Hospital Property or other land of College be subjected to any liens or assessments arising out of or related to the design, development or financing of said utilities; provided, however, College agrees that the balance of any annexed Dakota County Property excluding the Hospital Property may be subjected to deferred SAC/WAC charges on a per acre basis payable in cash or by assessment upon the first to occur of final platting, or if not platted, of site plan approval or building permit approval, whichever first occurs, based upon the number of acres platted, built upon or developed as the case may be. If the City requires the platting of the Dakota County Property to be annexed or any other condition to development of such property which would cause deferred SAC/WAC charges to become immediately payable on the



Dakota County Property (other than the Hospital Property) in connection with the development of the Hospital Property, College shall have no obligation to enter into the Development Agreement or the Lease. City shall pay in cash or by assessment at the time the Hospital Property is platted or when a site plan or building permit is approved for the Hospital Property, whichever first occurs, all SAC/WAC charges to which the Hospital Property is subjected (which shall be on a per acre basis equal to the per acre SAC/WAC charge on the balance of the annexed Dakota Property).

- (iii) Identify and resolve with applicable governmental authorities all issues relating to the construction, operation and financing of a hospital on the Hospital Property which need to be addressed prior to execution of the Development Agreement and the Lease including without limitation obtaining any licenses or approvals as may be required to relocate the hospital to the Hospital Property.
- (iv) Although City's plans for the Hospital Property have not been finalized, City will make reasonable efforts to identify such proposed uses and plans (including site plans) for the Hospital Property as may be needed or desirable to address pre-development matters and lead to a Development Agreement.

- (c) Preparation. Following the execution of this Agreement but prior to City's acceptance of the condition of title to the Hospital Property and its physical condition, College and City agree to make reasonable preparation in order to implement subsections (a) and (b) above promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition. Without limiting the foregoing, College agrees to begin informational meetings with City and appropriate governmental authorities regarding annexation and, within a reasonable period of time, to determine how much of the Dakota County Property College desires to be annexed and to begin the formal application process for annexation.

- 4. Lease. Attached to this Agreement as Exhibit C is a proposed ground lease of the Hospital Property between College and City, the form of which is acceptable to the parties (the "Lease"), and which Lease is incorporated herein by reference. Contemporaneously, with the execution of the Development Agreement, the parties shall execute and deliver the

Lease. Should this Agreement terminate before execution of the Lease, City shall have no legal or equitable interest in the Hospital Property and shall, if requested by College, promptly provide College with an executed quit-claim deed to the Hospital Property in recordable form.

5. Exclusive Negotiations. Each party anticipates considerable expense and effort to be expended on its part in connection with its activities under this Agreement. Accordingly, City agrees that it will not, while this Agreement remains in force and effect, have discussions with, negotiate with, or enter into an agreement with any other party with respect to the purchase or lease of land or facilities for use as a new hospital facility; and College agrees that it will not, while this Agreement remains in force and effect, have discussions with, negotiate with, or enter into an agreement with any other party with respect to the sale or lease of the Hospital Property, or with respect to the sale or lease of the balance of the Dakota County Property for use as a hospital facility or for medical clinics or medical offices. Elderly housing including assisted living is not included within the use of a hospital facility, medical clinics or medical offices.
6. Notices. All documents to be delivered and all correspondence and notices to be given in connection with this Agreement shall be in writing and given by personal delivery or sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to College:                      St. Olaf College  
                                                 1520 St. Olaf Avenue  
                                                 Northfield, MN 55057-1098  
                                                 Attn: Alan J. Norton, Ph.D.  
                                                 Vice President and Treasurer

If to Hospital:                      City of Northfield  
                                                 801 Washington Street  
                                                 Northfield, MN 55057-2598  
                                                 Attn: City Administrator

cc: Northfield Hospital  
                                                 801 W. First Street  
                                                 Northfield, MN 55057  
                                                 Attn: Hospital Administrator

Each such mailed notice or communication shall be deemed to have been given to or served upon, the party to whom it is addressed on the date the same is deposited in the United States registered or certified mail, return receipt requested, postage prepaid, properly addressed in the manner above provided. Either party hereto may change such party's address for the service of the notice hereunder by written notice of such change to the

other party hereto, in the manner above specified ten (10) days prior to the effective date of change.

11. Assignment. This Agreement may not be assigned by either party without the consent of the other party which consent may be withheld in a party's sole discretion; provided, however, City may, without the prior consent of College, assign this Agreement to an agency of the City. A change in control of a party, whether by operation of law or otherwise, shall be deemed an assignment requiring consent.
12. Commission. Each party represents and warrants to the other that it has not engaged or made use of any agent or broker in connection with this Agreement including the Lease and that no commission or fee is due to any agent or broker by reason such party's actions except that City has engaged Frauenshuh Companies to assist it in the development of a new hospital facility and medical campus. City shall hold College harmless from any commission or fee payable to Frauenshuh Companies.
13. Miscellaneous. This is a final agreement between the parties and contains their entire agreement and supersedes all previous understandings and agreements, oral and written, relative to the subject matter of this Agreement.

Time is of the essence in the performance of this Agreement.

Each party shall be responsible for its own fees, costs and expenses incurred in connection with the negotiation and implementation of this Agreement including attorneys' fees; provided, however, in the event of any litigation between the parties arising out of or connected with this Agreement (but not the executed Lease which shall be governed by its own provisions), the prevailing party shall be entitled to recover its costs and expenses including reasonable attorneys' fees.

In applying rules of interpretation to the provisions of this Agreement, this Agreement shall be considered the joint work product of College and City.

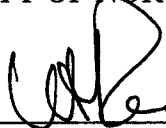
14. Termination. This Agreement shall terminate upon the earlier to occur of:
  - (a) Automatic termination as provided in Section 2(c) of this Agreement.
  - (b) Written notice of termination as provided in Section 3 of this Agreement.
  - (c) Execution and recording of a short form of Lease as provided in Article XXII, Section 2 of the Lease.

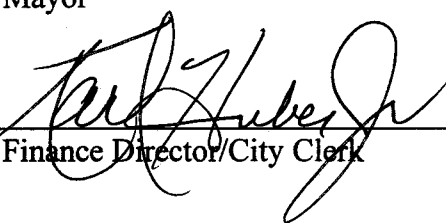
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

ST. OLAF COLLEGE

By   
Its Vice President + Treasurer

CITY OF NORTHFIELD

By   
Its Mayor

Dated By   
Its Finance Director/City Clerk

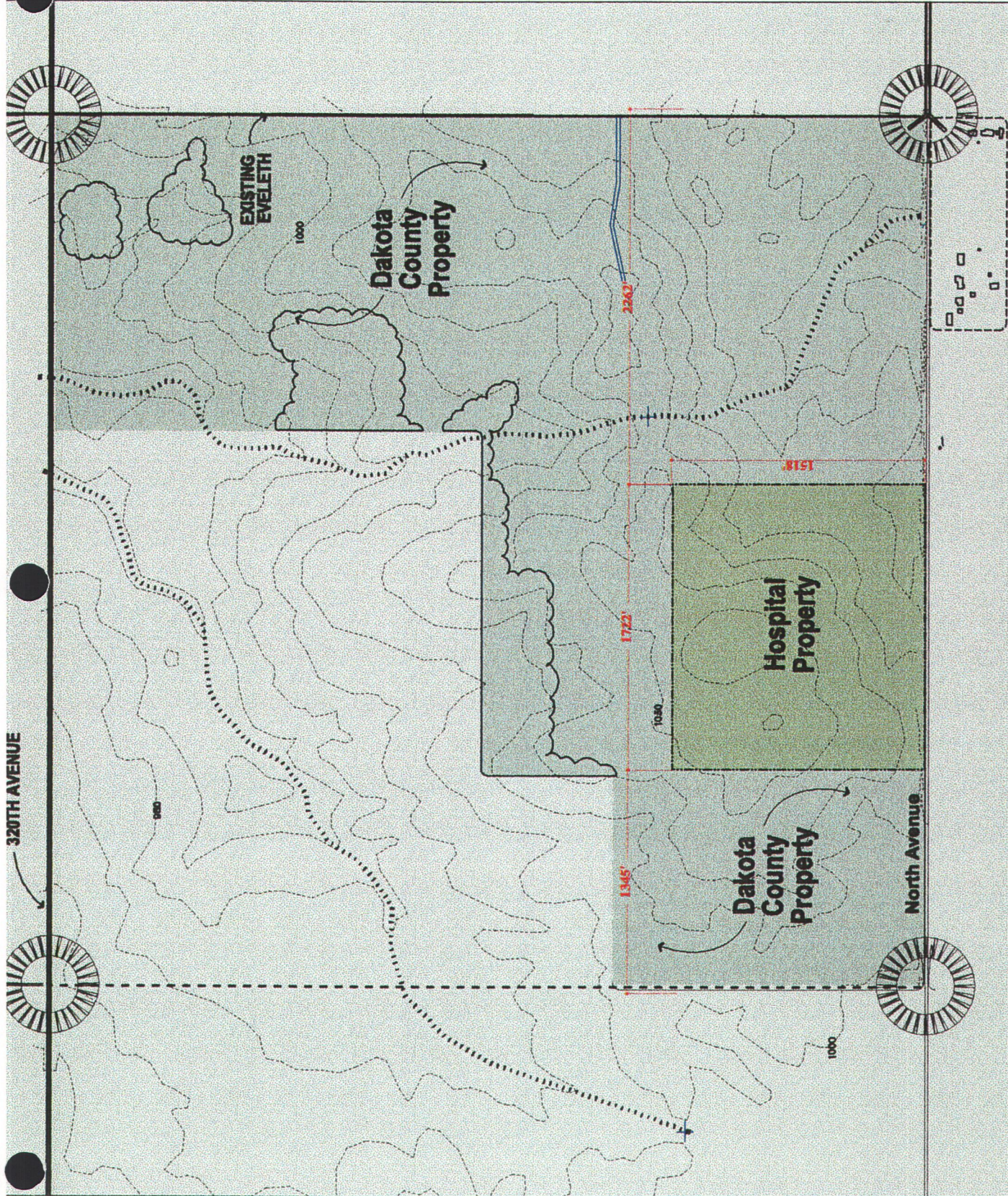
GP:563934 v8

EXHIBIT A

DAKOTA COUNTY PROPERTY

GP:563934 v8





# Exhibit A- Dakota County Property



EXHIBIT B  
HOSPITAL PROPERTY

GP:563934 v8

COMMERCIAL PARTNERS TITLE, LLC

2001 NOV 28 P 1:24

1834253

DOC. NO. **1834253**  
JOEL T. BECKMAN, COUNTY RECORDER

BY *[Signature]* Deputy  
FEE *56.00* SURCHARGE *5.00*

CASH ☐ CHECK ☐ ESCROW ☒

WELL ☐ CHARGE ☐

CHARGE TO: \_\_\_\_\_

O/R \_\_\_\_\_

**DO NOT REMOVE**

COMMERCIAL  
PARTNERS

GROUND LEASE

By and Between

ST. OLAF COLLEGE

and

CITY OF NORTHFIELD

Dated: November 17, 1999

|                                                                                                                                           |                         |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| No delinquent taxes and transfer entered; Certificate of Real Estate Value ( ) filed ( <input checked="" type="checkbox"/> ) not required |                         |
| Certificate of Real Estate Value No. <u>1106 28</u> . <u>2001</u>                                                                         |                         |
| <u>Care Leonard</u>                                                                                                                       |                         |
| DAKOTA COUNTY TREASURER-AUDITOR                                                                                                           |                         |
| by <u>K. Smith</u>                                                                                                                        | <u>per K. S.</u> Deputy |



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## GROUND LEASE

THIS GROUND LEASE ("Lease") dated as of November 17, 1999, but effective as of August 30, 2001, is made and entered into by and between ST. OLAF COLLEGE, a Minnesota non-profit corporation ("Lessor") and CITY OF NORTHFIELD, a Minnesota municipal corporation ("Lessee");

Lessor and Lessee, for and in consideration of the keeping by the parties of their respective obligations hereinafter contained agree as follows:

### Article I

#### Demised Premises

1. Lessor's Demise. Upon the terms and conditions hereinafter set forth, and in consideration of the payment of the rents and the prompt performance by Lessee of the covenants and agreements, to be kept and performed by Lessee, Lessor does lease, let, and demise to Lessee and Lessee hereby leases from Lessor, the premises, situate, lying, and being in Dakota County, State of Minnesota, described on Exhibit A attached hereto and incorporated herein ("Demised Premises"), together with certain easements, if any, described on Exhibit A for the benefit of the Demised Premises, and all other rights, privileges, easements and appurtenances belonging to or in any way pertaining to the Demised Premises. A drawing showing the location of the Demised Premises is attached hereto as Exhibit A-1 and incorporated herein.

2. Conditions. Lessee leases the Demised Premises subject to the following:

- (a) All matters described in Exhibit B to this Lease;
- (b) Building and zoning codes and ordinances of the City of Northfield, the County of Dakota, State of Minnesota, and any other competent governmental body now existing or which may hereafter exist during the life of this Lease having jurisdiction over the Demised Premises;
- (c) Any questions of survey, Lessee having satisfied itself as to the boundary lines and contents of the Demised Premises as well as with the sufficiency of Lessor's present title;
- (d) Lessee's proper performance of all the terms and conditions contained in this Lease; and
- (e) Terms and provisions of that certain St. Olaf College North Avenue Development Subdivision Agreement/Final Development Plan (the "Development Agreement") among the Lessor and Lessee and Northfield Hospital and Skilled Nursing Facility, an agency of the Lessee, dated August 30, 2001.



## Article II

### Term

1. Initial Term. The initial term of this Lease shall be sixty (60) years commencing August 30, 2001 (the "Commencement Date") and expiring on August 29, 2061, unless terminated sooner as provided below ("Original Term").

2. Extension Options. Lessee shall have the right to extend the term of this Lease for additional terms (each, an "Additional Term"), as follows:

(a) Lessee shall have the right to extend the term of this Lease for two (2) consecutive Additional Terms of twenty (20) years each (each, a "Twenty Year Additional Term"). Each Twenty Year Additional Term shall be automatic unless, at least three (3) years prior to the expiration of the Original Term or first Twenty Year Additional Term, as applicable, Lessee gives written notice to the Lessor of Lessee's election to not extend the Lease beyond its then current term.

(b) Following the second Twenty Year Additional Term, Lessee shall have the right to extend the term of this Lease for an indefinite Additional Term (the "Indefinite Additional Term"). The Indefinite Additional Term shall be automatic unless, at least five (5) years prior to the expiration of the second Twenty Year Additional Term, Lessee gives written notice to Lessor of Lessee's election to not extend the Lease beyond the second Twenty Year Additional Term. The Indefinite Additional Term shall continue and remain in force and effect, subject to the terms of this Lease including but not limited to Lessor's right to terminate this Lease for Lessee's default or breach of this Lease as provided in Article XVI, until such date as Lessee shall terminate this Lease by written notice to Lessor given not less than five (5) years prior to the date of termination specified in such notice.

(c) For any Additional Term to take effect, at the date of expiration of the Original Term or the prior Additional Term, as applicable, this Lease shall be in full force and effect and Lessee shall not be in default in the performance of the terms, covenants and conditions of this Lease beyond any applicable grace or default cure periods. However, if the Lease would automatically be extended because Lessee has not given notice to Lessor of its election not to extend the term of this Lease for an Additional Term but for a default by Lessee in the performance of any of the terms, covenants and conditions of the Lease, which default has not been cured within any applicable grace or default cure periods, Lessor will have the option to extend the term of this Lease for the applicable Additional Term. Lessor shall give written notice to Lessee of Lessor's exercise of this option prior to the expiration of the Original Term or preceding Additional Term as applicable. Lessor's exercise of its option under this subparagraph (c) shall not constitute a waiver of Lessee's default or of any of Lessor's remedies with respect to such default or any other default.

(d) The Lease for any Additional Term shall be on the terms, covenants and conditions of this Lease.

(e) In the event this Lease is not effectively extended for an Additional Term, all options for Additional Terms following the expiration of the Original Term or Additional Term then in place shall terminate and be null and void."

3. Term of Lease. As used in this Lease, the expressions "term," "term of this Lease" and similar expressions refer to the Original Term and any Additional Terms of this Lease as provided above in Section 2.

4. Termination for Non-Use. In the event Lessee shall not have commenced physical construction of a Hospital as hereinafter defined on the Demised Premises on or before the third anniversary of the Commencement Date of the Lease, Lessor may, at its sole option, give written notice to Lessee terminating this Lease. Such notice, to be effective, shall be given within 90 days following the date of said third anniversary. Once Lessee has commenced physical construction of a Hospital, Lessee shall diligently pursue the construction of the Hospital to completion.

### Article III

#### Rent

1. Annual Base Rent. Lessee shall pay Lessor base rent in annual installments in advance on the Commencement Date and on each anniversary of the Commencement Date in each year during the term of this Lease in accordance with the schedule or as determined by the method set forth in Exhibit C attached hereto and incorporated herein by reference.

2. Place of Payment. Rent shall be payable at such place as Lessor may specify, in writing, from time to time.

3. Net Lease. All rent shall be absolutely net to Lessor, so that except as in this Lease expressly provided to the contrary, this Lease shall yield net to Lessor the rent, to be paid each year during the term of this Lease. Accordingly, except as otherwise provided in this Lease, Lessee shall pay, as additional rent, all costs, expenses, and obligations of every kind or nature, relating to the Demised Premises, or any improvements thereon, which may arise or become due during the term of this Lease, and shall indemnify and hold harmless Lessor from and against the same. Nothing in this Lease shall be deemed to require Lessee to pay or discharge any liens or mortgages of any character which may later be placed upon the Demised Premises by Lessor's affirmative acts. However, Lessee shall pay and discharge all other temporary and permanent mortgages referred to in Article XIII hereof.

### Article IV

#### Use

1. Permitted Uses. Lessee may use the Demised Premises for a Hospital, Nursing Home, medical clinics, medical office buildings and other health care facilities. A Hospital is

defined as an inpatient care medical facility licensed as a Hospital under Minnesota law. A Nursing Home is defined as a facility which provides inpatient nursing care licensed as a Nursing Home under Minnesota law. Permitted uses will include without limitation inpatient care, acute care, emergency care, same day and extended surgery, outpatient and ambulatory clinics, diagnostic and laboratory services, services rendered by physicians, surgeons, dentists, chiropractors, osteopaths, homeopaths, naturopaths, optometrists, podiatrists, acupuncturists, physical therapists, occupational therapists and other rehabilitation therapists, psychiatrists, psychologists and other healthcare professionals to patients and services in support thereof, healthcare training, education and research, chaplaincy, clinical pastoral training and education and counseling services, ground and air ambulance services, home care and hospice services, day care, assisted living, long term care and specialty care facilities, administrative, medical and foundation offices, one or more medical staff lounges, gift shops, pharmacies, optical centers, restaurants, cafeterias or coffee shops, newsstands, and parking facilities.

In addition, Lessee may only with the consent of Lessor, which may be granted or withheld in Lessor's sole discretion, use the Demised Premises for uses other than those permitted under the preceding paragraph. Without limiting Lessor's right to grant or withhold consent to a requested use in Lessor's sole discretion, Lessor agrees that, if Lessor withholds consent to a requested use by Lessee, Lessor will at the request of Lessee seek with Lessee to identify a mutually agreeable additional use of the Demised Premises. In no event may Lessee use the Demised Premises for industrial or manufacturing or other use which is incompatible with the college campus environment in which the Demised Premises is located.

2. Exclusive Uses. During the first five (5) years of this Lease and thereafter, so long during the term of this Lease as a Hospital or medical clinic is continuously operated on the Demised Premises, the Dakota County Property as legally described on Exhibit A attached to this Lease and incorporated herein by reference shall not be used for Hospital, medical clinic or medical office purposes. The foregoing restriction shall not restrict the use of the Dakota County Property for medical purposes not serving the general public or for incidental medical purposes including but not limited to a medical clinic for employees and students of St. Olaf College, a medical clinic devoted to medical research or development of medical technology, or a medical component ancillary to a primary non-medical use such as a health club or elderly housing facility. For purposes of this section, "continuously operated" means that from and after the fifth anniversary of the Commencement Date of this Lease a Hospital or medical clinic shall be operated on the Demised Premises during the term of this Lease with no gap in operation of a Hospital or medical clinic on the Demised Premises exceeding a continuous period of eighteen (18) months; provided, however, if Lessee is unable to commence operations of a Hospital or medical clinic on the Demised Premises within said eighteen (18) month period due to Force Majeure, then the eighteen (18) month period shall be extended for a period equal to the period of delay due to said Force Majeure. Force Majeure is defined as any accident, breakage, casualty, strike or labor troubles, shortages of labor or materials, or any other cause whatsoever beyond the reasonable control of Lessee (expressly excluding Lessee's financial ability to perform), including but not limited to governmental preemption in connection with a national emergency, or by reason of governmental laws or any rule, order, regulation or directive of any department, subdivision, agency or personnel thereof (other than the City of Northfield so long as the City or a municipal corporation or an agency of the City is the Lessee). The burden of proof as to a Force Majeure occurrence and the period of any delay due to such Force Majeure

occurrence shall be on the Lessee. Should Lessee fail to continuously operate a Hospital or medical clinic on the Demised Premises after the first five (5) years of this Lease, this Exclusive Uses Section shall terminate and any recorded short form of Lease or other recorded evidence of the Exclusive Uses shall be amended or terminated of record as appropriate by Lessor and Lessee.

## Article V

### Payment of Taxes and Utilities

1. Lessee's Obligations. Except as otherwise provided in Section 6 of this Article, Lessee shall pay, as additional rent, before any fine, penalty, interest, or cost may be added, become due, or be imposed for nonpayment thereof, the following: all taxes, assessments, water and sewer rents, rates and charges, transit taxes, charges for water, electricity, lights, heat, gas, steam, power and other utilities furnished to the Demised Premises whether by public or private suppliers including Lessor, excises, levies, licenses and permit fees and other governmental charges, general and special, ordinary and extraordinary, unforeseen and foreseen, of any kind and nature, which at any time during the term of this Lease may be assessed, levied, confirmed, imposed upon, or grow or become due and payable out of or in respect of, or become a lien on, the Demised Premises, or any improvements thereon, or any part thereof or any appurtenance thereto, or otherwise arising out of the rent and income received by Lessee from subleases, any use or occupation of the Demised Premises, and such franchises as may be appurtenant to the use of the Demised Premises, or any document (to which Lessee is a party) creating or transferring an interest or estate in the Demised Premises. Notwithstanding the foregoing, any "green acres" deferred real estate taxes assessed against the Demised Premises but which are attributable to periods prior to the term of this Lease shall be the obligation of Lessor. Further, notwithstanding the foregoing, if any real estate taxes are levied against the Demised Premises, or any improvements thereon, following the transfer of the Lessor's interest in the Demised Premises to a not tax-exempt affiliated entity of Lessor (as defined in Article XXI, Section 1(a)) and such taxes would not have been levied if the Hospital had retained ownership of the Lessor's interest in the Demised Premises, then the Lessor shall be responsible for the payment of such taxes

2. Obligations Altered. Nothing herein shall require Lessee to pay municipal, state, or federal income taxes assessed against Lessor, Lessor's municipal, state, or federal capital levy, estate, succession, inheritance, transfer, excess profits or revenue taxes, or franchise taxes imposed upon any owner of the fee of the Demised Premises. However, if at any time during the term of this Lease the methods of taxation prevailing at the commencement of the term of this Lease are altered so as to cause the whole or any part of the taxes, assessments, levies, impositions, or charges now levied, assessed and imposed against the Demised Premises and/or the improvements located thereon, to be imposed wholly or partially as a capital levy, or otherwise, on the rents received therefrom, or if any tax, corporation franchise tax, assessments, levy (including, but not limited to any municipal, state, or federal levy), imposition or charge, or any part thereof, are measured by or based in whole or in part upon the Demised Premises and/or the improvements located thereon and is imposed upon Lessor, then all such taxes, assessments, levies, impositions, or charges, or the part thereof so measured or based, shall be paid and discharged by Lessee.

3. Mode of Payment. Lessee shall pay the taxes and other charges enumerated in this Article directly to the applicable taxing authority or utility company and, upon written request by Lessor in such instance, deliver to Lessor official receipts evidencing payment by the later of (i) the date thirty (30) days after written request by Lessor, or (ii) the date the tax or other charge itself would become delinquent in accordance with the then applicable law or contract governing such payments. If, however, Lessee desires to contest the validity of any tax, tax claim or other charge which if not paid would be a lien against the Demised Premises and/or the improvements thereon, it may do so without being in default hereunder, provided it gives Lessor written notice of its intention to contest the tax, tax claim or charge, and pays to the proper taxing authority or utility provider, as applicable, the amount of such taxes or charge required by law to be paid to contest such tax, tax claim or charge. The payment of any special assessments will be spread over the longest period possible unless Lessee agrees to a shorter period.

4. Lessee's Default. If Lessee fails, refuses, or neglects to make any payment required in this Article, Lessor may do so. In that event, Lessee shall, upon Lessor's demand, repay to it the amounts so paid, including reasonable attorneys' fees and all other expenses reasonably incurred because of or in connection with the payments, together with interest thereon from the date of payment by Lessor at the Default Rate specified herein. Lessor may collect or enforce any payment in the same manner as though it were an installment of rent specifically required by the terms of the Lease to be paid by Lessee, on the day when Lessor demands repayment of or reimbursement therefore. However, Lessor's election to make a payment shall not waive Lessee's default.

5. Proration. Notwithstanding the above, the taxes and other charges due and payable in the first and last calendar years of this Lease shall be prorated proportionately between Lessor and Lessee based upon the days during each such calendar year that the Lease is in effect.

6. Tax Exempt Status. Lessor makes no representation that the Demised Premises or any part thereof will qualify for real estate tax exemption during the term of this Lease or any part thereof and this Lease is not conditioned on any real estate tax exemption being available to the Demised Premises and the improvements hereafter located thereon. Lessee shall be responsible for securing and maintaining any real estate tax exemption on the Demised Premises and the improvements located thereon to which they may be at any time or from time to time qualified. Lessor shall execute such applications or other documents reasonably required of the fee owner by Lessee in seeking any real estate tax exemption for the Demised Premises.

7. Development Related Special Assessments and Other Changes. It is contemplated that Lessee's development of the Demised Premises will involve the roadway improvements identified in the Development Agreement as the North Avenue Improvements, Decker Avenue Improvement, and North-South Connection (the "Street Improvements"):

Lessor and Lessee agree to use reasonable efforts to cause any assessments arising out of or related to the Street Improvements to be assessed on a linear footage basis to all abutting properties. Without limiting Lessee's obligations provided elsewhere in this Article V, Lessee shall pay, as additional rent, as they become due, all special assessments assessed against the Dakota County Property and other property owned by St. Olaf College or its affiliated entities (as defined in Article XXI, Section 1(a)) on the Commencement Date of this Lease arising out of or

related to the Street Improvements. If any part of such assessments are assessed or charged against any property owned by St. Olaf College or its affiliated entities which is located outside of the City limits Lessee shall pay comparable installments of such assessments at the same time as Lessee pays assessments against the property of St. Olaf College and its affiliated entities lying within the City limits regardless of whether or not payment of such installments may be currently enforced by the City of Northfield. At such time as St. Olaf College or its affiliated entities ceases to own property subject to special assessments arising out of or related to the Street Improvements the Lessee's obligation to pay special assessments thereafter coming due with respect to such property shall cease (this provision does not apply to the Demised Premises).

It is also contemplated that Lessee's development of the Demised Premises will involve sewer and water construction. Lessor and Lessee agree to use reasonable efforts to cause all SAC/WAC charges arising out of or related to development of the Demised Premises to be spread on a per acre basis over the Demised Premises and the Dakota County Property with payment deferred until the first to occur of final platting, or if not platted, of site plan approval or building permit approval for the acres being platted or developed. Lessee shall pay in cash or by assessment at the time of final platting of the Demised Premises, or if not platted, of site plan building permit approval, whichever first occurs, all SAC/WAC charges and/or assessments applicable to the Demised Premises. Lessee shall not be liable under this Lease for SAC/WAC charges and/or assessments applicable to the Dakota County Property.

Except as specifically set forth above, Lessee shall not seek or accept public financing in connection with or related to the development of the Demised Premises in the form of special assessments, tax increment financing or otherwise which obligates Lessor for its repayment or subjects Lessor's property including but not limited to the Demised Premises and the Dakota County Property to liens, assessments or deferred charges in connection therewith. If requested by Lessor, Lessee will cooperate in opposing such public financing. The foregoing shall not limit Lessee in seeking or accepting private or public financing for the development of the Demised Premises which only obligates Lessee for its repayment and/or only subjects Lessee's interest in the Demised Premises to liens, assessments or deferred charges.

## Article VI

### Ownership of Improvements

1. While Lease is in Effect. Lessee shall at all times during the term of this Lease have title to all buildings, other improvements and fixtures (collectively, "Improvements") which the Lessee hereafter makes or installs on the Demised Premises.

2. At End of Lease. Upon the expiration, termination or forfeiture of this Lease by any cause whatsoever, title to all Improvements then located on the Demised Premises shall automatically vest in and be the sole and absolute property of Lessor.

## Article VII

### Prohibition Against Liens

1. No Lien. Lessee shall not permit any mechanics' or material suppliers' liens or other lien of any kind to be filed against the Demised Premises, except for mortgages expressly contemplated by Article XIII of this Lease and real estate taxes and special assessments not yet due and payable. Lessee shall give Lessor not less than thirty (30) days prior written notice before commencement of any activity or series of related activities costing in excess of one hundred thousand dollars (\$100,000) (subject to adjustment as provided in Article XXII, Section 19) which would give rise to lien rights. Lessor shall have the right to post the Demised Premises with notices of non-responsibility for Lessee's improvements.

2. Release or Security for Payment of Liens. If any lien is claimed or filed against the Demised Premises, Lessee shall cause the Demised Premises to be released from the claim within ninety (90) days after the claim has been filed, either by paying to the court the amount necessary to relieve and release the Demised Premises from the claim, or in any other manner which, as a matter of law, will result, within the ninety (90) day period, in releasing the Demised Premises from the claim; provided, however, Lessee may contest such lien without causing the Demised Premises to be released if Lessee, during said ninety (90) day period, shall post with Lessor cash, a bond, a letter of credit or other security acceptable to Lessor in an amount equal to at least 125% of the amount of the lien claim to insure payment thereof and to prevent any foreclosure or forfeiture of the Demised Premises by reason of such non-payment. Upon final determination of such lien action, Lessee shall immediately pay any judgment rendered.

## Article VIII

### Release/Indemnification

1. Release of Lessor. Except as provided in Section 3 of this Article VIII, Lessor, its agents, employees and servants shall not be liable, and Lessee waives all claims for damage to property and business sustained during the term of this Lease by Lessee occurring in or about the Demised Premises, resulting directly or indirectly from any existing or future condition, defect, matter or thing in the Demised Premises, or any part thereof, or from equipment or appurtenances becoming out of repair or from accident, or from any occurrences or act or omission of Lessor, its agents, employees or any other person.

2. Indemnification by Lessee. Lessee agrees to indemnify and hold Lessor harmless against and from any and all claims, loss, damage and expense (collectively, "Claims") by or on behalf of any person or entity arising out of the development, use or occupancy of the Demised Premises by Lessee or any person or entity claiming by, through or under Lessee, any breach or default on the part of Lessee in the performance of any covenant or agreement to be performed by Lessee pursuant to this Lease or arising from any act or negligence or willful misconduct on the part of Lessee, any person or entity claiming by, through or under Lessee or its or their agents, contractors, employees or invitees, occurring during the term of this Lease or any extension thereof, in or about the Demised Premises, and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in connection with any Claim or action or

proceeding brought thereon against Lessor. If it becomes necessary for Lessor to defend any action seeking to impose any such liability, Lessee will pay Lessor all costs of court and reasonable attorneys' fees incurred by Lessor in effecting such defense in addition to all other sums that Lessor may be called upon to pay by reason of the entry of a judgment against it in the litigation in which such Claim is asserted, or, at Lessor's election and at Lessee's sole expense, Lessee shall supply the defense for Lessor, utilizing counsel reasonably satisfactory to Lessor.

3. Indemnification by Lessor. Lessor agrees to indemnify and hold Lessee harmless against and from any and all Claims by or on behalf of any person or entity (i) arising out of any breach or default on the part of Lessor in the performance of any covenant or agreement to be performed by Lessor pursuant to this Lease; or (ii) arising from any act or negligence or willful misconduct on the part of Lessor, any person or entity claiming by, through or under Lessor or its or their agents, contractors, employees or invitees, occurring during the term of this Lease or any extension thereof, in or about the Demised Premises; and (iii) from and against all costs, reasonable counsel fees, expenses and liabilities incurred in connection with any Claim or action or proceeding brought against Lessee with respect to a matter described in clause (i) or (ii) of this Section 3. If it becomes necessary for Lessee to defend any action seeking to impose any such liability, Lessor will pay Lessee all costs of court and reasonable attorneys' fees incurred by Lessee in effecting such defense, in addition to all other sums that Lessee may be called upon to pay by reason of the entry of a judgment against it in the litigation in which such Claim is asserted, or, at Lessee's election and at Lessor's sole expense, Lessor shall supply the defense for Lessee utilizing counsel reasonably satisfactory to Lessee.

## Article IX

### Insurance

1. Public Liability Insurance. Lessee, at all times during the term of this Lease, at its sole cost and expense, shall procure and maintain in force and effect a policy or policies of commercial public liability insurance issued by an insurance carrier reasonably approved by Lessor, insuring against injury or death to persons and loss or damage to property occurring from any cause whatsoever in, upon or about the Demised Premises. Such liability insurance shall be in an amount as then generally being maintained by owners or operators of properties of similar use in the Minneapolis/St. Paul metropolitan area, but in all events not less than One Million and no/100ths Dollars (\$1,000,000.00) combined single limit per occurrence and Three Million and no/100ths Dollars (\$3,000,000.00) aggregate, together with One Million and no/100ths Dollars (\$1,000,000.00) in umbrella coverage.

2. Lessee's Casualty Insurance. Lessee at all times during the term of this Lease, at its sole cost and expense, shall keep insured any and all Improvements now or hereafter located upon the Demised Premises against all loss or damage by fire and other casualties covered, from time to time, by a standard form of "all risks" insurance policy or equivalent. The amount of insurance shall at all times be in the amount not less than ninety percent (90%) of the full insurable value thereof on a replacement cost basis, with a deductible not to exceed Twenty-five Thousand Dollars (\$25,000.00) subject to adjustment as provided in Article XXII, Section 19. All of the insurance policies shall include Lessor as one of the insured parties and shall protect both Lessor and Lessee, as their respective interests may appear. Upon the request of Lessor



from time to time, but not more often than once during any three (3) year period, Lessee, at its sole cost, shall cause an appraisal or evaluation to be performed to establish the replacement cost of the Improvements. In addition, Lessee at all times during the term of this Lease, at its sole cost and expense, shall keep insured any of its personal property which may be now or hereafter located upon the Demised Premises against such losses and in such amount as it may deem appropriate from time to time.

3. Payment of Insurance Premiums. Lessee shall pay when due premiums for all of the insurance policies it is required to carry under the terms of this Lease, and shall deliver to Lessor evidence of such payment promptly after written request by Lessor. Lessee shall deliver to Lessor copies of the originals of all policies of insurance required of Lessee under this Lease prior to the Commencement Date of this Lease and shall cause renewals of expiring policies to be written and copies to be delivered to Lessor at least fifteen (15) days before the expiration dates of then current policies.

4. Waiver of Insurable Claims. Notwithstanding anything contained in this Lease to the contrary, Lessee releases Lessor and its agents and employees from any liability for loss or damage to its property by fire or other casualty coverable at the time of loss or damage by a standard form of "all risks" insurance policy, whether or not the loss or damage results from the negligence of Lessor, its agents or employees. Lessee will use reasonable efforts to obtain policies of insurance which provide that this release will not adversely affect the rights of the insureds under the policies. The release in this Section 4 will be effective whether or not the loss or damage is actually covered by insurance.

5. Acceptable Insurance Companies. All policies of insurance required to be maintained by Lessee under this Lease shall be issued by companies having a rating of "A" or better from A.M. Best insurance rating service, or otherwise be reasonably acceptable to Lessor. If A.M. Best ceases to rate insurance companies, Lessor shall have the right to select a substitute rating service and comparable minimum rating, which service and minimum rating shall be subject to the approval of Lessee, which approval will not be unreasonably withheld or delayed.

## Article X

### Casualty

1. Removal of Damaged Improvements. If any of the Improvements are damaged or destroyed, Lessee shall give written notice thereof to Lessor generally describing the nature and extent of such damage, and shall at Lessee's expense promptly remove any rubble and any damaged Improvements which are not to be immediately repaired or restored and cause the portion of the Demised Premises formerly occupied by the damaged Improvements to be returned to a safe condition.

2. Restoration/Use of Proceeds. Lessee shall not be required to restore any Improvements which are damaged or destroyed. However, Lessee may, at its sole cost and expense cause the damaged Improvements to be repaired and restored or construct other alternative improvements desired by Lessee. Lessee shall comply with Article XIV in connection with any repair, restoration or new construction. All proceeds from the casualty

insurance policies required to be maintained by Lessee pursuant to this Lease ("Proceeds") shall be paid to Lessee. If Lessee elects to restore or elects to construct alternative Improvements, Lessee shall effect such restoration or construction of alternate Improvements whether or not the Proceeds are sufficient to pay the entire cost thereof.

3. Lessee's Election Not to Restore. If more than fifty percent (50%) by area of the Improvements located on the Demised Premises shall be destroyed or damaged by fire or other casualty, and Lessee elects not to repair, restore or construct other Improvements pursuant to Article XIV of this Lease, Lessee may terminate this Lease by giving Lessor written notice thereof within one hundred eighty (180) days after the date of any casualty, in which event Lessee, at its sole cost and expense, shall complete the work required under Section 1 of this Article to the reasonable satisfaction of Lessor within six (6) months after giving Lessor written notice terminating this Lease, and upon completion of such work this Lease shall terminate. Notwithstanding the foregoing, no termination of this Lease under this Section by Lessee shall affect any Investor Sublease for which Lessor has entered into a nondisturbance agreement under Article XI, Section 3, unless the subtenant under the Investor Sublease has joined in Lessee's termination of this Lease.

4. Lessor's Election to Terminate. If more than fifty percent (50%) of the Improvements located on the Demised Premises shall be destroyed or damaged by fire or other casualty and the unexpired portion of the term of this Lease (including all Additional Terms, unless Lessee has notified Lessor of Lessee's election not to extend) shall be three (3) years or less at the date of the damage, Lessor at its option may terminate this Lease by giving Lessee written notice thereof within sixty (60) days after the date Lessee notifies Lessor in writing of such casualty, in which event Lessee, at its sole cost and expense, shall complete the work required under Section 1 of this Article to the reasonable satisfaction of Lessor within six (6) months after Lessor gives Lessee written notice terminating this Lease, and upon completion of such work this Lease shall terminate.

5. Distribution of Proceeds. If this Lease is terminated under Section 3 or Section 4 of this Article, the Proceeds of Lessee's casualty insurance shall be distributed as follows: (a) first, to pay the principal, accrued interest, prepayment premiums, and other amounts due, if any, on any leasehold mortgage; (b) second, to pay for or to reimburse Lessee for the work performed under Section 1 of this Article; (c) third, to pay the Lessee (after deducting the amount of the payments of Proceeds in (a) and (b) above) the fair market value of the Improvements immediately prior to the casualty; and (d) fourth, to pay the balance (if any) to Lessor. If the parties cannot agree on the fair market value of the Improvements within six (6) months after written notice terminating this Lease under Section 3 or Section 4 of this Article, the fair market value of the Improvements shall, by appropriate proceedings, be submitted to binding arbitration in accordance with the Rules for the Resolution of Commercial Disputes of the American Arbitration Association.

## Article XI

### Assignment and Subletting

1. Prohibition on Assignment, Etc. Except as otherwise expressly provided in this Article XI or, with respect to mortgages, as provided in Article XIII, no portion of the Demised Premises or of Lessee's interest in this Lease may be acquired by any other person or entity, whether by assignment, mortgage, sublease, transfer, operation of law or act of Lessee, without Lessor's prior written consent; provided, however, if the proposed acquirer is a governmental entity or an organization determined to be a Section 501(c)(3) organization by the Internal Revenue Service or if the proposed acquirer is an investor subtenant whose sublease will not include any Hospital existing or to be constructed on the Demised Premises, then Lessor's consent shall not be unreasonably withheld or delayed. Any attempted transfer without such consent shall be voidable and shall, at Lessor's option, constitute a non-curable breach of this Lease. Notwithstanding the foregoing, Lessee may assign Lessee's interest in this Lease or sublease the Demised Premises without Lessor's prior written consent to a municipal corporation or an agency of the City of Northfield. If at any time Lessee is a for-profit corporation (other than a corporation whose shares are publicly traded on a recognized exchange system), limited liability company or partnership, any change in the majority ownership of Lessee determined with reference to the date such entity became Lessee shall be deemed as assignment which shall require Lessor's consent.

2. No Release of Lessee. No transfer, whether with or without Lessor's consent, shall release Lessee or change Lessee's primary liability to pay the rent and to perform all other obligations of Lessee under this Lease. Lessor's acceptance of rent from any other person is not a waiver of any provision of this Article XI. Consent to one transfer is not a consent to any subsequent transfer. If Lessee's transferee defaults under this Lease, Lessor may proceed directly against Lessee without pursuing remedies against the transferee.

3. Investor Subleases. Subject to the provisions of Section 1 and Section 2 of this Article, Lessor agrees at the request of Lessee to enter into a nondisturbance agreement with any investor subtenant (other than a Northfield Entity as defined in Article XII, Section 5) subleasing all or a material portion of the Demised Premises for the purpose of developing or acquiring one or more independent Improvements on the Demised Premises on terms which are commercially reasonable at the time the sublease is entered into and are not in conflict with the terms of this Lease. An independent Improvement is an Improvement all of which is under a single sublease and which is legally and operationally capable of functioning independently from other Improvements on the Demised Premises and contains not less than fifteen thousand (15,000) square feet of building gross floor area. By way of example but not of limitation, an independent Improvement must have legal vehicular and pedestrian access, designated minimum legal parking, legal utilities access and functionally and legally sufficient electrical, mechanical, plumbing and operational systems within the Improvement to make the Improvement self-reliant but such Improvement may share legally documented common elements such as party walls, driveways and parking areas, common entrance or reception area, utility lines and central heating and cooling and loading docks with other Improvements and otherwise have been approved by Lessor pursuant to Article XIV. The investor sublease shall provide that the Lessee may at its cost relocate and modify or change common elements and any easements associated therewith as

reasonably required by Lessee (subject to any required Lessor approval pursuant to Article XIV) at any time and from time to time and in the event of the destruction or demolition of Improvements containing common elements, the Lessee shall not be required to replace or furnish the independent Improvement with any common elements other than party walls, driveways, parking areas and utility lines and may eliminate easements associated with eliminated common elements. However, the Lessee may make other arrangements with the investor subtenant regarding these common elements with the prior consent of Lessor pursuant to Article XIV. Such nondisturbance agreement shall be reasonably acceptable to Lessor and among its terms shall provide that, in the event of a termination of this Lease or possession of the Demised Premises by Lessor for default by Lessee or by Lessee for casualty under Article IX, Section 3 or for a "substantially all" condemnation under Article XII, Section 1, unless joined in by subtenant, the subtenant shall attorn to the Lessor and so long as such subtenant is not in default under its sublease beyond any applicable notice or grace period, such subtenants' rights under its sublease will not be disturbed by Lessor; provided, however, in no event shall Lessor be liable or responsible for or have any obligations under such sublease for any prior default of Lessee thereunder nor shall Lessor be responsible for any monetary obligation of Lessee under such sublease including but not limited to any obligations with respect to any rent paid more than one month in advance or any security deposit or other monies or funds deposited or paid by such subtenant to Lessee or with respect to any financial incentive offered by Lessee to subtenant for rent forgiveness, rent buyout or tenant improvements. No sublease shall have a term (including renewal options) which extends beyond the expiration of this Lease unless it includes a right on the part of the Lessor to terminate such sublease at any time from and after the expiration of this Lease without payment of any cancellation fee by the Lessor or unless Lessor in a nondisturbance agreement or otherwise has approved a longer term in writing.

4. Occupancy Agreements. Notwithstanding the provisions of Section 1 of this Article, Lessee may from time to time without the prior consent of Lessor enter into occupancy agreements with occupants of space in Improvements on the Demised Premises of a nature reasonably foreseeable as being in the ordinary course of Lessee's business as contemplated in the permitted uses in Section 1 of Article IV or as consented to by Lessor under said Section 1. Without limiting the foregoing, examples of reasonably foreseeable occupancy agreements would include healthcare professionals' office leases, clinic leases, food service agreements and hospital patient and nursing home residency agreements.

5. Assignment by Lessor. Lessor may sell, convey, transfer or assign its interest in this Lease and the Demised Premises only to a party who assumes in writing the obligations of Lessor under this Lease. This Lease will not be affected by any such sale, conveyance, transfer or assignment.

## Article XII

### Condemnation

1. Eminent Domain; Cancellation. If at any time during the continuance of this Lease, all or substantially all of the Demised Premises and the Improvements located thereon are taken, appropriated or condemned by reason of eminent domain, this Lease shall terminate as of the date title vests in the condemning authority. A taking of substantially all of the Demised

Premises and Improvements means a taking of such portion of the Demised Premises or Improvements so as to prevent Lessee, in Lessee's reasonable judgment, from using the remaining portion of the Demised Premises for the uses permitted under Article IV. Notwithstanding the foregoing, no termination of this Lease by Lessee for a taking of substantially all of the Demised Premises shall affect any Investor Sublease for which Lessor has entered into a nondisturbance agreement under Article XI, Section 3, unless the subtenant under this Investor Sublease has joined in Lessee's termination of this Lease.

2. Partial Taking. If a portion of the Demised Premises or the Improvements located thereon is taken, appropriated or condemned by reason of eminent domain and this Lease is not terminated as provided under Section 1, this Lease shall remain in full force and effect as to that portion of the Demised Premises remaining after such taking, except that the rent payable under Article III, Section 1, will be reduced in proportion to the reduction in the square footage of the Demised Premises.

3. Application of Award for Partial Taking. If the partial taking only involves a taking of part of the Demised Premises and does not involve a taking of Improvements, all proceeds and awards in the condemnation proceedings shall belong to Lessor. If the partial taking involves a taking of part of the Demised Premises and Improvements, any proceeds and awards in the condemnation proceedings (other than amounts payable to Lessee and its subtenants for relocation, loss of business, leasehold improvements, and similar benefits) will be applied as follows:

(a) first, to pay for or reimburse Lessee for any reconstruction or repair of the Improvements on the remainder of the Demised Premises as may be required due to such taking;

(b) second, to the Lessor that portion of proceeds and awards representing the fair market value of that part of the Demised Premises taken in condemnation as vacant land but with access to roadways and utilities in place without taking into account this Lease or any Improvements; and

(c) third, the remainder to Lessee.

It shall be the obligation of Lessor to satisfy claims of any holder of a mortgage or security interest in the Demised Premises or in Lessor's interest in this Lease affected by the partial taking and it shall be the obligation of Lessee to satisfy claims of any holder of a mortgage or security interest in Lessee's interest in this Lease as well as any obligations Lessee may have made to subtenants under subleases affected by the partial taking.

4. Application of Awards When Lease Terminated. If this Lease is terminated on account of a taking, any proceeds and awards in the condemnation proceedings (other than amounts payable to Lessee and its subtenants for relocation, loss of business, leasehold improvements, and similar benefits) will be applied as follows:

(a) first, to the Lessor that portion of proceeds and awards representing the fair market value of the Demised Premises as vacant land but with access to roadways and utilities in place without taking into account this Lease or any Improvements;

provided, however, during the first fifteen (15) years of this Lease there shall be deducted from Lessor's portion of proceeds and awards hereunder the amount, if any, of the unamortized principal cost of the Street Improvements allocated to land of St. Olaf College and its affiliated entities other than the Demised Premises and paid by Lessee under Article V, Section 7, based upon a fifteen (15) year amortization schedule commencing on the commencement date of this Lease and computed as of the date of taking of the Demised Premises; and

(b) second, the remainder to Lessee, including the unamortized principal cost of the Street Improvements as computed under (a) above, if applicable.

As an example of the computation of the unamortized principal cost of the Street Improvements, assume that the principal cost of the Street Improvements is five hundred thousand dollars (\$500,000), that one hundred fifty thousand dollars (\$150,000) of principal cost is allocated to land (other than the Demised Premises) owned by St. Olaf College and its affiliated entities on the commencement date of this Lease, that the Demised Premises are taken by condemnation at the end of the tenth Lease year and that Lessee paid the one hundred fifty thousand dollars (\$150,000) in cash prior to the condemnation taking at the end of the tenth lease year. Lessor's portion of proceeds and awards would be reduced by fifty thousand dollars (\$50,000), being the one-third unamortized portion of one hundred fifty thousand dollars (\$150,000) and Lessee's portion of the proceeds and awards would be increased by fifty thousand dollars (\$50,000). If the same facts are assumed except that the one hundred fifty thousand dollars (\$150,000) of principal cost was payable by special assessments spread over twelve (12) years in equal semi-annual installments of principal of six thousand two hundred fifty dollars (\$6,250) each and that Lessee had paid one hundred twenty-five thousand dollars (\$125,000) as of the date of taking, Lessor's portion of proceeds and awards would be reduced by forty-one thousand six hundred sixty-six dollars and sixty-five cents (\$41,666.65), being the one-third unamortized portion of the one hundred twenty-five thousand dollars (\$125,000) paid by Lessee prior to the taking and Lessee's portion of the proceeds and awards would be increased by forty-one thousand six hundred sixty-six dollars and sixty-five cents (\$41,666.65).

It shall be the obligation of Lessor to satisfy claims of any holder of a mortgage or security interest in the Demised Premises or in Lessor's interest in this Lease and it shall be the obligation of Lessee to satisfy claims of any holder of a mortgage or security interest in Lessee's interest in this Lease as well as any obligations Lessee may have made to subtenants under subleases.

The parties acknowledge that the amount of base rent required under this Lease is artificially low, was established by Lessor as a benefit to the community of Northfield, Minnesota and in due recognition of the City commitment to pay certain street improvement costs which may otherwise be assessed against other property owned by the Lessor and shall be disregarded in any condemnation valuation.

If the parties cannot agree on the division of the award pursuant to the foregoing provisions within 30 days after the award has been made, the disputed matter shall, by appropriate proceedings, be submitted to binding arbitration in accordance with the Rules for the Resolution of Commercial Disputes of the American Arbitration Association. The arbitrator

shall have jurisdiction and authority to interpret, apply, or determine compliance with the provisions of this Lease or of any law, statute or regulation insofar as necessary to decide the matter or matters under this Article XII which gave rise to the arbitration. The arbitrator shall have no power to add to, subtract from, supplement, or modify any of the specified terms of this Lease.

5. Taking by City. Notwithstanding anything in Section 4 to the contrary, if the Lessor's interest is owned by St. Olaf College or an entity directly or indirectly owned or controlled by St. Olaf College, and the City of Northfield directly or indirectly acquires fee title to the Demised Premises or a substantial part thereof (excluding insubstantial takings for road widenings, utility easements along the perimeter, etc.) by exercise or threat of eminent domain (i) while the City of Northfield, any entity directly or indirectly owned or controlled by the City of Northfield, or a community foundation established for the benefit of the City of Northfield and its residents, determined to be a Section 501(c)(3) organization by the Internal Revenue Service, and whose organizational documents have been found to be reasonably acceptable in form and content to Lessor (each, a "Northfield Entity") is the Lessee; or (ii) in connection with or related to the sale or transfer of the Lessee's interest in the Lease by a Northfield Entity; then, Lessor shall receive not only the amount of the award provided in Section 3(a) above but the remainder of the award provided in Section 3(b) after payment of principal, accrued interest, prepayment premium and other amounts due on any Qualified Mortgage granted by Lessee as permitted by Article XIII and after payment of the condemnation amount to which any investor subtenant other than a Northfield Entity is entitled under an investor sublease with respect to which Lessor has granted a nondisturbance agreement under Section 3 of Article XI.

### Article XIII

#### Mortgage Financing

1. Lessee's Permitted Mortgages. Lessee and investor subtenants as defined in Article XI, Section 3, when not in default hereunder beyond any applicable grace periods, may place a Qualifying Mortgage (as hereinafter defined) (by mortgage or deed of trust) against its leasehold estate in the Demised Premises and the buildings or other Improvements hereafter located on the Demised Premises (which Qualifying Mortgage shall only constitute a lien against Lessee's leasehold estate in the Demised Premises and the Improvements and not against Lessor's fee interest or any other real property of Lessor).

"Qualifying Mortgage" means any mortgage on all or any part of Lessee's interest in this Lease or the Improvements or on all or any part of an investor subtenant's interest in its sublease or its independent Improvements which secures a bona fide loan made by a recognized institutional lender (a lender subject to federal or state banking or insurance regulation, a pension fund subject to ERISA, a college or university endowment or investment fund, or the bond holders, other than Northfield Entities, of tax-exempt bonds issued by the City of Northfield or other government agency under a bond indenture) which meets at least one of the following requirements:

- (a) the proceeds of the loan are used or reserved for the out-of-pocket cost of acquiring the Lessee's leasehold interest in this Lease and obtaining such financing and

the out-of-pocket cost of design, construction, development, management, subleasing, equipping and improving the Demised Premises or any Improvement by Lessee or any independent Improvement by investor subtenant, including without limitation the cost of any real estate taxes and special assessments and other costs of leasing, operating and maintaining the Demised Premises or the subleased part thereof prior to substantial completion of the Improvements or the independent Improvements; or

(b) the principal amount of the loan plus accrued and unpaid interest thereon (when taken together with the principal and accrued and unpaid interest of all other loans then secured by a mortgage or other security interest on (i) the Lessee's interest in this Lease or the Improvements (excluding the value of investor subleases and independent Improvements) or (ii) an investor subtenant's interest in its sublease or its independent Improvements, as applicable) does not exceed 90% of the amount by which (A) the market value of the Demised Premises and Improvements (or subleased portion and independent Improvements) as of the date such loan is made and any Improvements (or independent Improvements) to be thereafter constructed thereon with the proceeds of such loan exceeds (B) the market value of the Demised Premises (or subleased portion) as of the date such loan is made determined as though the Demises Premises (or subleased portion) did not contain any Improvements (or independent Improvements) all as determined by an appraisal approved by the institutional lender making such loans; or

(c) the proceeds of the loan are used to refinance the unpaid principal amounts of any loan plus accrued and unpaid interest thereon secured by any then-existing Qualifying Mortgages on the Lessee's interest in this Lease or the Improvements or on an investor subtenant's interests in the sublease or its independent Improvements (including payment of any prepayment premiums and the out-of-pocket cost of obtaining such replacement financing); or

(d) in the event of a fire or other damage or any taking in eminent domain, the proceeds of the loan are used to repay the unpaid principal amount of any loan plus accrued and unpaid interest thereon secured by any then-existing Qualifying Mortgages on the Lessee's interest in this Lease or the Improvements or on an investor subtenant's interest in its sublease or its independent Improvements (including any prepayment premiums), pay any out-of-pocket cost of obtaining such replacement financing, and pay out-of-pocket cost to repair, restore or replace the Improvements or independent Improvements located thereon; provided that the amount of the loan will be reduced by the amount of any insurance proceeds collected by Lessee or the investor subtenant (net of the out-of-pocket costs of collection) which are not applied to prepayment of any then-existing Qualifying Mortgages on the Lessee's interest in this Lease or the Improvements or on an investor subtenant's interest in its sublease or its independent Improvements, payment of any out-of-pocket cost of obtaining such replacement financing, or payment of the out-of-pocket cost to repair, restore or replace such Improvements or independent Improvements; or

(e) any other mortgage or security interest which Lessor agrees in writing in its sole discretion otherwise qualifies as a Qualifying Mortgage.



In addition to the requirements set out above, each Qualifying Mortgage may also secure any costs incurred by the holder thereof in protecting its security and interest accruing thereon which, under the terms of such Qualifying Mortgage may be added to the indebtedness secured by such Qualifying Mortgage.

The lien and other rights acquired by any mortgagee or trustee under such Qualifying Mortgage, and any renewals, modifications, replacements and extensions thereof, shall be a first lien upon the leasehold estate of Lessee and the buildings and other Improvements located upon the Demised Premises (or upon the leasehold estate of an investor subtenant and its independent Improvements); provided, however, that no mortgagee or trustee, nor anyone who claims by, through or under such Qualifying Mortgage or acquire any greater or more extended rights in the Demised Premises and the buildings and other Improvements thereof than Lessee or an investor subtenant has under the terms of this Lease or its sublease respectively. Any such Qualifying Mortgage shall provide that the mortgagee or trustee give to Lessor copies of all notices such mortgagee or trustee gives to the mortgagor/grantor and, in the event of a default by the mortgagor/grantor the right, but not the obligation, to cure any default within the same number of days after receiving such notice as the mortgagor/grantor has under the Qualifying Mortgage. The Qualifying Mortgage shall further provide that the mortgagee or trustee will not exercise any rights or remedies it may have as a result of such default until Lessor's cure period has expired.

2. Notices to Leasehold Mortgagees. If Lessor receives written notice from Lessee that Lessee has placed a Qualifying Mortgage against the Demised Premises pursuant to this Article XIII and such notice specifies the name and address of the mortgagee or trustee, in the event of a default by Lessee hereunder, Lessor will give to such mortgagee or trustee copies of all notices given to Lessee pursuant to Article XVI hereof and allow such mortgagee or trustee to cure such default within the time permitted by the Article after Lessor gives notice to such mortgagee or trustee.

3. Mortgages by Lessor. Any mortgage, deed of trust or lien presently or at any time hereafter placed or suffered to be placed against the fee interest in the Demised Premises by Lessor shall be subject to any and all rights and interests conferred by this Lease so that any mortgagee of the fee will not acquire an interest on foreclosure greater than Lessor's fee interest subject to this Lease.

4. Performance by Lessee. Lessee (and any investor subtenant who places a Qualifying Mortgage) covenants and agrees to make all payments and perform all obligations to be paid or performed by it under any Qualifying Mortgage granted pursuant to this Article XIII when due and indemnify and hold Lessor harmless from any and all expenses, costs or liabilities including court costs and reasonable attorneys' fees arising out of its failure to do so.

5. No Mortgage by Lessee on Fee. It is expressly understood and agreed neither Lessee nor any investor subtenant has any authority, express or implied, to create any lien, charge or encumbrance upon the leasehold estate and the Improvements on the Demised Premises other than that provided in Section 1 of this Article XIII and real estate taxes and special assessments not yet due and payable and that neither Lessee nor any investor subtenant has any authority, express or implied, to create any lien, charge or encumbrance against Lessor's fee interest in the Demised Premises, or Lessor's interest in the buildings and other

Improvements located thereon upon expiration or termination of this Lease or any investor sublease.

6. Performance by Mortgagee. If Lessee fails to make any payment or perform any act required of Lessee under this Lease, then the mortgagee or trustee may (but shall not be obligated to) to the extent permitted under its Qualifying Mortgage, make such payment or perform such act with the same effect as if made or performed by Lessee. Entry by such mortgagee or trustee upon the Demised Premises for such purpose or partial performance of the mortgagee or trustee shall not waive or release Lessee from any obligation or default under this Lease except for an obligation or default fully performed or cured by such mortgagee or trustee.

7. Forbearance. If there is a Qualifying Mortgage on Lessee's interest in this Lease or the Demised Premises as to which Lessor has received written notice, under Section 2 above, Lessor will not terminate this Lease or Lessee's right of possession of the Demised Premises in connection with a default by Lessee if:

(a) as to a default in the payment of any amounts owing under this Lease, the mortgagee or trustee shall within 60 days after the notice to such mortgagee or trustee of such default pay to Lessor all such amounts; and

(b) as to any other default,

i. The mortgagee or trustee shall, within 180 days after the notice to such mortgagee or trustee of the default give written notice to Lessor of such mortgagee's or trustee's intent to foreclose its mortgage, and

ii. The mortgagee or trustee shall, within the same 180 days, begin foreclosure or similar proceedings under the mortgage to acquire Lessee's interest in this Lease and the Demised Premises and thereafter diligently prosecute such foreclosure or acquisition, and

iii. The mortgagee or trustee shall, within the same 180 days, cure all defaults susceptible of being cured without possessory rights by such entity (or, if such cure would reasonably require more than 180 days to rectify, commence cure within such 180 days and thereafter promptly, effectively and continuously proceed to cure such default), and

iv. The mortgagee or trustee, any receiver, or any purchaser or transferee of Lessee's interest in this Lease or the Demised Premises by reason of foreclosure or other proceedings or by deed or assignment in lieu of such proceedings shall, within 60 days after acquiring Lessee's interest in this Lease or the Demised Premises cure all defaults susceptible of being cured by such entity (or, if such cure would reasonably require more than 60 days to rectify, commence cure within such 60 days and thereafter promptly, effectively and continuously proceed to cure such default); and

v. The mortgagee or trustee shall, within 60 days after the notice by Lessor of the default, pay all amounts then owing and all amounts thereafter accruing under this Lease.

Nothing in this Section shall affect Lessor's right to enforce any remedy under this Lease for a default by Lessee except, so long as the mortgagee or trustee is in the process of curing such default or foreclosing its mortgage or deed of trust under this Section, the right to terminate this Lease or Lessee's right of possession of the Demised Premises.

8. New Lease. If this Lease is rejected or disaffirmed pursuant to bankruptcy law or other law affecting creditor's rights and the mortgagee or trustee of a Qualifying Mortgage cures all defaults under this Lease other than personal defaults which are susceptible of being cured only by the defaulting Lessee, then Lessor shall, at the request of mortgagee or trustee given not later than the effective date of such rejection or disaffirmance, execute and deliver a new lease with the mortgagee or trustee or its nominee, purchaser, assignee or transferee, as the case may be, for the remainder of the term of this Lease with the same terms as are contained in this Lease; provided, however, if the new lessee is not a Northfield Entity then the rent under the new lease shall be Fair Market Annual rent as defined and calculated in Exhibit C attached hereto and incorporated herein by reference, with initial phase-in (if applicable) and periodic adjustments on the same dates as provided in this Lease. Any new lessee, other than the mortgagee or trustee, shall be considered an assignee requiring Lessor's consent under Article XI of this Lease.

#### Article XIV

##### Construction/Alterations/Exterior Signage/Maintenance

1. Construction. It is contemplated by the parties that Lessee (or investor subtenants under investor subleases) will construct Improvements, including a Hospital upon the Demised Premises. Lessee acknowledges Lessor's interest in the proposed Improvements being compatible in design, style, materials, height, color, quality and land use density with Lessor's adjacent college campus and in the Demised Premises, as part of construction, being developed, graded and landscaped in a manner which maximizes and allows flexibility for future development consistent with the intended use of the Demised Premises as permitted in Article IV and which is compatible with Lessor's Campus Framework Plan referenced on Exhibit D attached hereto and incorporated herein by reference. It is also contemplated that Lessee will create and extend wetlands areas on the Demised Premises as part of its storm water plan. Any wetlands credits derived from such creation and extension of wetlands areas on the Demised Premises shall belong to Lessor. Wetlands areas on the Demised Premises shall not be reduced on a net basis without the consent of Lessor. Lessee agrees that Lessee will submit to Lessor for Lessor's approval, site plans, outside architectural renderings and material specifications and landscape plans for the development of the Demised Premises prior to Lessee entering into binding commitments with governmental authorities, contractors and others. Lessor shall respond in writing to Lessee within fifteen (15) days following receipt of Lessee's materials giving Lessor's approval or specifying matters of concern. If Lessor specifies matters of concern, Lessee shall use reasonable efforts to satisfy Lessor's specified concerns prior to proceeding with its project.

Similarly, following initial construction on the Demised Premises, whenever during the term of this Lease Lessee undertakes any reconstruction, alteration, addition or new project which adds new Improvements or materially affects the exterior of any existing Improvements or the grading or landscaping of the Demised Premises, Lessee shall again seek Lessor's written consent under this Section 1.

2. Adequate Financing. Before commencing construction of any Improvements including the Hospital on the Demised Premises reasonably expected to cost in excess of One Hundred Thousand Dollars (\$100,000.00) (subject to adjustment as provided in Article XXII, Section 19) either alone or when aggregated with related construction projects, Lessee shall submit to Lessor reasonable evidence showing that Lessee has the funding for the proposed construction project or that it is unconditionally available and that Lessee has binding construction contracts in place to complete the construction project within the amount of the available funding.

3. Demolition/Alterations. As owner of the Improvements located on the Demised Premises, Lessee shall have the right, subject to Sections 1 and 2 above and the other provisions of this Lease, without Lessor's approval, to (i) demolish all or part of the Improvements from time to time or (ii) make any alterations to the Improvements.

4. Compliance with Laws. All of Lessee's Improvements on the Demised Premises, whether new construction or alterations or repairs shall comply with all applicable laws, ordinances, rules and regulations including but not limited to building codes, wetlands regulations and the Americans with Disabilities Act in effect at the time of performance thereof of the City or any other governmental body now existing or which may hereafter exist during the term of this Lease having jurisdiction over the Demised Premises.

5. Exterior Signage. Exterior signage on the Demised Premises shall be erected and affixed in accordance with all applicable laws, codes and regulations and shall be architecturally compatible with the general signage plan of Lessor's adjacent college campus. In no event, however, shall Lessee erect any exterior signage for the purpose of advertising the services or products of parties other than Lessee, sublessees or other permitted occupants of the Demised Premises.

Signs placed on the Demised Premises or the Improvements shall be removed by Lessee, at its sole expense, upon expiration of this Lease or sooner termination thereof unless Lessor and Lessee otherwise agree in writing; and upon removal of any such signs, Lessee shall repair at Lessee's sole cost and expense, any damage to the Demised Premises or the Improvements caused by the signs or their removal.

6. Maintenance Obligations. During the continuance of this Lease, Lessee shall at its sole cost and expense keep the Demised Premises and Improvements, furnishings, equipment, and landscaping (including but not limited to lawn watering and mowing, tree, shrub and flower maintenance and snowplowing) now or hereafter located on the Demised Premises in a good state of repair and condition, consistent with Hospital and related facilities of similar size and age in the Minneapolis/St. Paul metropolitan area, reasonable wear and tear and damage from casualty excepted, and in compliance with all applicable laws and regulations, whether now

existing or established in the future. If the use of the Improvements changes, Lessee shall keep the Improvements in good state of repair and condition consistent with properties used for the same purpose of similar size and age in the Minneapolis/St. Paul metropolitan area, reasonable wear and tear and damage from casualty excepted and in compliance with all applicable laws and regulations, whether now existing or established in the future. Lessee shall not suffer or permit any waste or neglect of the Demised Premises, or of any Improvements now or hereafter located on the Demised Premises.

## Article XV

### Environmental

Lessee agrees that it will not use the Demised Premises or Improvements now or hereafter located thereon for the purposes of transporting, storing, using, generating, treating or disposing of any toxic or hazardous substances, pollutants or contaminants, except for such transporting, use, storage and offsite disposal as is customary in the ordinary course of operating a Hospital, or as is customary in the ordinary course of operating any other permitted use for which the Demised Premises is then being used and that all such storage, usage and offsite disposal will be in compliance with all applicable local, state and federal environmental laws and regulations now or hereafter in effect.

As used in this Lease, "toxic or hazardous substances, pollutants and contaminants" shall include any dangerous, toxic or hazardous pollutants, petroleum products, solvents, chemicals, radioactive materials, wastes or substances including (but not limited to) those defined under the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Federal Resource Conservation and Recovery Act of 1976, the Superfund Amendment and Reauthorization Act of 1986, Chapter 115B of the Minnesota Statutes, or any other federal, state or local statutes, regulations, rules, requirements and ordinances relating to human health or the environment.

Lessee agrees to indemnify, defend and hold Lessor harmless from any loss, damage, costs, expenses, including all court costs, consultants' fees and attorneys' fees, arising out of or in any manner related to the generation, transportation, treatment, storage, manufacture, emission, use or disposal of any toxic or hazardous substances, pollutants or contaminants in, from, to or about the Demised Premises or the Improvements now or hereafter located thereon, to the extent arising out of the acts or omission of Lessee, its sublessees, or assignees, or its or their employees, agents or invitees, during the term, whether or not such activity is permitted by this Article XV.

## Article XVI

### Lessee's Default

#### 1. Notice and Termination, Lessor's Options. In the event that:

(a) Lessee shall default in the payment of any sum of money required to be paid hereunder and such default continues for thirty (30) days after written notice thereof from Lessor to Lessee; or

(b) Lessee shall default in the performance of any other provision, covenant or condition of this Lease on the part of the Lessee to be kept and performed and such default continues for sixty (60) days after written notice thereof from Lessor to Lessee, provided, however, that if the default is of such a nature that the same can be rectified or cured, but cannot with reasonable diligence be done within said sixty (60) day period, then such default shall be deemed to be rectified or cured if Lessee shall, within said sixty (60) day period, commence to rectify and cure the same and shall thereafter complete such rectification and cure with all due diligence; or

(c) Any event shall occur which shall be a breach of any provision of Article XVII hereof

Then and in any such event (and in addition to all other rights and remedies it may have under this Lease or at law or in equity including, but not limited to specific performance), Lessor, at its option, shall have the following rights:

i. The right to declare the term of this Lease ended and to reenter the Demised Premises and Improvements and take possession thereof, and to terminate all of the rights of Lessee in and to the Demised Premises and Improvements; or

ii. The right, without declaring the term of this Lease ended, to reenter the Demised Premises and Improvements by any means permitted by applicable law and to occupy the same, or any portion thereof, or to lease the whole or any portion thereof, for and on account of Lessee as hereinafter provided; or

iii. The right, even though it may have relet all or any portion of the Demised Premises and Improvements, to thereafter at any time elect to terminate this Lease for such previous default on the part of Lessee, and to terminate all of the rights of Lessee in and to the Demised Premises and Improvements.

Pursuant to said rights of reentry, Lessor may remove all persons from the Demised Premises and Improvements in any manner permitted by applicable law and may, but shall not be obligated to, remove all property therefrom, including, but not limited to Lessee's personal property, and may, but shall not be obligated to, enforce any rights Lessor may have against said property, or store the same in any public or private warehouse or elsewhere at the cost and for the account of Lessee or the owners or owner thereof.

Anything contained herein to the contrary notwithstanding, Lessor shall not be deemed to have terminated this Lease or the liability of Lessee to pay any rent or other sum of money thereafter to accrue hereunder, or Lessee's liability for damages under any of the provisions hereof, by any such reentry, or by any action in unlawful detainer or otherwise to obtain possession of the Demised Premises and Improvements, unless Lessor shall have notified Lessee in writing that it has so elected to terminate this Lease. Lessee covenants and agrees that the service by Lessor of any notice pursuant to the unlawful detainer statutes of the State of Minnesota and the surrender of possession pursuant to such notice shall not unless Lessor elects

to the contrary at the time of, or at any time subsequent to, the service of such notice, and Lessor's election is evidenced by written notice thereof to Lessee) be deemed to be a termination of this Lease, or the termination of any liability of Lessee hereunder to Lessor.

2. Right to Re-let Demised Premises.

(a) In the event Lessor elects to reenter the Demised Premises as hereinabove provided, or should Lessor take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by laws, Lessor may at its option either terminate this Lease, or it may from time to time without terminating this Lease re-let the Demised Premises and Improvements, or any portion thereof (but nothing contained herein shall be construed as obligating Lessor to re-let the whole or any portion of the Demised Premises and Improvements) for such a term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable. In addition to the foregoing, Lessor shall have the right, but not the obligation, to make such alterations and repairs to the Demised Premises and the Improvements, and to divide or subdivide the Demised Premises and Improvements, as may be required or occasioned by any such re-letting. In the event Lessor re-lets the Demised Premises and Improvements, or any portion thereof, it may execute any such lease either in its own name or in the name of Lessee, as Lessor shall see fit, but the tenant in such case of re-letting shall be under no obligation whatsoever to see to the application by Lessor of any rent collected by Lessor from such tenant, nor shall Lessee hereunder have any right or authority whatsoever to collect any rent from the tenant in the case of re-letting.

(b) Upon such re-letting, Lessor shall apply the rentals and sums received from such reletting in the following order: (a) first, to the payment of costs of recovering the Demised Premises and Improvements including, without limitation, court costs and reasonable attorneys' fees; (b) second, to the payment of any costs and expenses of said re-letting including, without limitation, the costs of alterations and repairs, dividing and subdividing, of the Improvements and or the Demised Premises in connection therewith, and to the payment of any brokerage commissions or other similar expenses of Lessor in connection with such reletting; (c) third, the balance, if any, shall then be applied by Lessor, from time to time, on account of the payments of rent and other payments on the part of Lessee due and payable hereunder; and (d) fourth, the residue, if any, shall be held by Lessor and applied in payment of future rent and other payments on the part of Lessee as the same may become due and payable hereunder.

3. Damages on Termination. Should Lessor at any time terminate this Lease for any default, breach or failure of Lessee hereunder, then, in addition to any other rights or remedies available to Lessor hereunder or by law provided, Lessor may have and recover from Lessee all damages Lessor may incur by reason of such default, breach or failure including, without limitation, all costs of recovering the Demised Premises and Improvements, including, without limitation, court costs and reasonable attorneys' fees for services in recovering possession, all costs and expenses of any reletting including, without limitation, all utility charges, insurance costs, security costs and other costs of securing and maintaining the Demised Premises and Improvements pending such re-letting, costs of alterations and repairs and dividing and

subdividing of the Improvements and/or Demised Premises in connection therewith, all brokerage commissions or other similar expenses of Lessor in connection with such re-letting, or, at the option of Lessor, Lessor may have and recover from Lessee the present value (discounted at an annual rate equal to the interest rate on judgments as provided in Minn. Stat. § 549.09 at the time of default) at the time of termination of this Lease, of the excess, if any, of the total base annual rental and other charges payable by Lessee pursuant to this Lease for the remainder of the term hereof, over the reasonable rental value of the Demised Premises exclusive of any Improvements for the same period, all of which amounts, including all court costs and reasonable attorneys' fees of Lessor, shall be immediately due and payable by Lessee to Lessor.

4. Waiver of Default/Cumulative Remedies. The waiver by Lessor of any default or breach of any of the provisions, covenants or conditions hereof on the part of Lessee to be kept and performed shall not be a waiver of any preceding or subsequent breach of the same or any other provision, covenant or condition contained herein. The subsequent acceptance of rent or any other payment hereunder by Lessee to Lessor shall not be construed to be a waiver of any preceding breach by Lessee of any provision, covenant or condition of this Lease other than the failure of Lessee to pay the particular rental or other payment or portion thereof so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rental or other payment. All rights and remedies accruing to Lessor shall be cumulative; that is, Lessor may pursue all rights and remedies that the law, equity and this Lease afford to it, in whatever order Lessor desires without being compelled to resort to any one right or remedy in advance of any other.

## Article XVII

### Insolvency Etc. of Lessee

1. Breach of Lease. The filing of any petition in bankruptcy, or the adjudication of Lessee as a bankrupt or insolvent, or the appointment of a receiver or trustee to take possession of all or substantially all of the assets of the Lessee, or a general assignment by Lessee for the benefit of creditors, or any action taken or suffered by Lessee under any state or federal insolvency or bankruptcy act, or any similar law now or hereafter in effect, including, without limitation, the filing of any petition for or in reorganization, or should the Demised Premises or any portion thereof be taken or seized under levy of execution or attachment against Lessee, and the continuance of the same for a period of ninety (90) days, shall constitute a breach of this Lease by Lessee and in such event Lessor may at its option terminate this Lease upon written notice to Lessee.

2. Operation of Law. It is understood and agreed that neither this Lease, nor any interest herein or hereunder, nor any estate hereby created, in favor of Lessee, shall pass by operation of law under any state and federal insolvency or bankruptcy act, or any similar law now or hereafter in effect, to any trustee, receiver, assignee for the benefit of creditors, or any other person whomsoever without the prior express written consent of Lessor. Any purported transfer in violation of the provisions of this Section 2 shall constitute a breach of this Lease by Lessee.



## Article XVIII

### Additional Covenants of Lessee

1. Insurance Claims. If the Lease is terminated because of Lessee's default while any obligation from an insurance company to pay for all or any part of the damage remains outstanding, the claim against the insurance company shall, upon cancellation of this Lease, be deemed immediately to become the absolute and unconditional property of Lessor; provided, however, any amount obtained by Lessor in excess of amounts due Lessor under Article X shall be applied by Lessor against all obligations of Lessee under this Lease including but not limited to damages under Article XVI, Sections 2 and 3, with any amounts remaining thereafter to be paid by Lessor to Lessee.

2. Termination. Upon termination of this Lease, Lessee shall peaceably and quietly deliver to Lessor possession of the Demised Premises and Improvements (but Lessee may remove any equipment, furnishings, trade fixtures, inventory or other personal property) then located on Demised Premises.

## Article XIX

### Quiet Enjoyment

Lessor warrants that Lessor is the fee owner of the Demised Premises and that to the best of Lessor's knowledge the Demised Premises are subject only to the encumbrances listed on the attached Exhibit B. Lessor agrees not to create or suffer to be created, as a result of Lessor's acts or omissions (or those of anyone claiming under, by or through Lessor), any liens or encumbrances against the Lessee's interest in the Demised Premises during the term of this Lease. Lessor disclaims any lien arising out of this Lease, statutory or otherwise, (but not out of any separate security agreement, pledge, mortgage or other agreement between Lessee and Lessor) on any of Lessee's equipment, furnishings, trade fixtures, inventory or any other personal property. So long as Lessee keeps and performs all of its covenants and conditions under this Lease, it shall have quiet, undisturbed, and continued possession of the Demised Premises, free from all claims against Lessor and all persons claiming under, by, or through Lessor.

## Article XX

### Right of Entry

Lessor and its agents may enter upon the Demised Premises at all reasonable times upon reasonable prior notice to Lessee and, at Lessee's option, accompanied by an escort provided by Lessee, to examine their condition and use so long as that right is exercised in a manner that does not interfere with Lessee in the conduct of its business on the Demised Premises. If Improvements located on the Demised Premises are damaged by fire or other casualty which causes them to be exposed to the elements, Lessor may enter upon them to make emergency repairs if Lessee fails to do so within a reasonable time after the fire or other casualty, as required by the circumstances. However, if Lessor does so, the act or acts shall not be deemed to excuse Lessee from its obligation to keep the Improvements located on the Demised Premises in repair, and Lessee shall, upon Lessor's demand, immediately reimburse Lessor for the cost of the

emergency repairs together with interest at the Default Rate from the date of advance until payment in full.

## Article XXI

### Lessee Right of First Offer

1. Right of First Offer. Prior to Lessor entering into any binding agreement to sell, assign, convey, lease, or otherwise transfer its interest in this Lease and the Demised Premises to any third party (other than a mortgage or deed of trust placed against the fee interest in the Demised Premises), Lessor shall give Lessee written notice that Lessor's interest in this Lease and the Demised Premises is available for purchase and setting out the terms on which Lessor is willing to transfer its interest in this Lease and the Demised Premises ("Offer Notice"). Such Offer Notice shall include a copy of any covenants, restrictions and easements which Lessor intends to reserve as part of any transfer (the "Restrictions"). The Restrictions shall not prohibit any uses specifically permitted by the Lease. Lessee may within 30 days after receipt of Lessor's Offer Notice elect to acquire Lessor's interest in this Lease and the Demised Premises from Lessor under the terms set out in the Offer Notice. If Lessee so exercises its option to acquire Lessor's interest in the Lease and the Demised Premises closing will occur on a date selected by Lessee, which date will be no later than 60 days after Lessee has exercised its option. Lessee will select the date on which closing will occur by written notice to Lessor given at the time Lessee exercises its option to purchase Lessor's interest in this Lease and the Demised Premises. If Lessee fails to exercise its right to acquire Lessor's interest within such 30-day period, Lessor may at any time within one year thereafter transfer Lessor's interest in this Lease or the Demised Premises to any third party on such terms and conditions as are not more favorable to such third party than those set out in the Offer Notice. If, during said one-year period, Lessor desires to transfer Lessor's interest in this Lease or the Demised Premises to such third party upon terms and conditions more favorable to such third party than those set out in the Offer Notice, Lessor shall reoffer the Lessor's interest in the Lease and the Demised Premises to Lessee upon the revised terms and conditions and Lessee shall have five (5) business days in which to elect to accept the revised terms and conditions. If Lessee does not so accept, Lessor may transfer its interest in the Lease and the Demised Premises to the third party upon the revised terms and conditions. If Lessor's interest in this Lease and the Demised Premises are so transferred to such third party, the provisions of this Article shall no longer be effective and Lessee shall have no further rights under this Lease to acquire Lessor's interest in this Lease and the Demised Premises. Upon termination of Lessee's rights to acquire Lessor's interest in this Lease and the Demised Premises, Lessee shall enter into an amendment of this Lease documenting such termination and shall enter into such other documents as Lessor may reasonably request including but not limited to any amendment of any recorded short form of Lease.

2. Transfer to Affiliate. Notwithstanding Section 1, the provisions of this Article shall not apply to any sale, conveyance or other transfer of all or any part of Lessor's interest in this Lease or the Demised Premises to an Affiliate of Lessor so long as such assignment shall otherwise comply with the provisions of this Lease and the provisions of this Article shall continue to apply following transfer to such Affiliate. For purposes of this Lease, an Affiliate of Lessor is an entity directly or indirectly controlling, controlled by or under common control with Lessor (whether such control occurs by contract, organizational document or ownership interest).

## Article XXII

### Miscellaneous

1. Estoppel Certificates. Either party, without charge, at any time and from time to time hereafter, within twenty (20) days after the written request of the other, shall certify by instrument duly executed and acknowledged to any mortgagee or purchaser or proposed mortgagee or proposed purchaser, or any other person, firm, or corporation specified in the request as to:

(a) Whether this Lease has been supplemented or amended, and, if so, the substance and manner of the supplement or amendment;

(b) The validity and force and effect of this Lease, in accordance with its tenor as then constituted;

(c) The existence of any default under this Lease;

(d) The existence of all offsets, counterclaims or defenses thereto on the part of the other party;

(e) The commencement and expiration dates of the Original Term and each Additional Term of this Lease; and

(f) All other matters that may reasonably be so requested.

Any such certificate may be relied upon by the party who requested it and any other person, firm or corporation to whom it is addressed, and the contents of the certificate shall be binding on the party executing it.

2. Duplicates: Recordation. Either party, at any time, at the other's request, shall promptly execute duplicate originals of an instrument, in recordable form, which shall constitute a short form of this Lease. The short form of lease will set forth the parties to this Lease, a description of the Demised Premises, the Commencement Date, the Original Term and all Additional Terms of this Lease, and any other portion thereof, except for the rental provisions, requested by either party.

3. Income Tax Deductions and Credits. Only Lessee may take deductions and credits on its tax returns for the buildings, structures, Improvements, changes, alterations, repairs, additions, and installations, and for their depreciation or cost recovery for the period that this Lease is in effect.

4. Covenants Run with Land: Binding Effect. All covenants, conditions, and obligations contained herein or implied by law are covenants running with the land and shall attach and bind and inure to the benefit of Lessor and Lessee and their respective heirs, legal representatives, successors and assigns, except as otherwise provided herein.

5. Non-waiver. No waiver of a breach of any covenant in this Lease shall be construed to be a waiver of any succeeding breach of the same covenant. No delay or failure by either party to exercise any right under this Lease, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

6. Arrears/Default Rate. All arrearages in the payment of rent or other sums payable under this Lease shall bear interest from the date five (5) days after receipt of notice of nonpayment until paid at three percent (3%) per annum above the rate publicly announced from time to time by US Bank, National Association ("US Bank") as its "prime" or "reference rate" or the highest rate permitted by applicable law, whichever is less ("Default Rate"). If US Bank shall cease to exist, Lessor shall select a similar institution as a substitute, which selection shall be subject to the approval of Lessee, which approval shall not be unreasonably withheld.

7. Written Modifications. No modification, release, discharge or waiver of any provision hereof shall be of any force and effect or value unless signed in writing by Lessor and Lessee with respect to the subject matter thereof.

8. Rule of Construction. Both Lessor and Lessee participated in the preparation of this Lease. Accordingly, no provision of it shall be construed in favor of one party because it was drafted by the other party.

9. Notices. All notices shall be in writing and given by facsimile or registered or certified mail, deposited in the United States mails with postage prepaid. All notices given by facsimile shall be deemed given on the date the facsimile is successfully transmitted. All mailed notices shall be deemed given on the date deposited. The notices shall be addressed as follows:

Notices to St. Olaf:                      St. Olaf College  
                                                         1520 St. Olaf Avenue  
                                                         Northfield, Minnesota 55057-1098  
                                                         Attention: Treasurer  
                                                         Facsimile: 507-646-3210

Notice to Hospital:                      City of Northfield  
                                                         801 Washington Street  
                                                         Northfield, Minnesota 55057-2598  
                                                         Attention: City Administrator  
                                                         Facsimile: 507-645-3055

cc:                                              Northfield Hospital  
                                                         801 West First Street  
                                                         Northfield, Minnesota 55057  
                                                         Attention: Hospital Administrator  
                                                         Facsimile: 507-663-7547

Either Lessor or Lessee may change the facsimile number or address for giving notice to it by written notice in the manner set forth in this Section 9 by giving ten (10) days' notice to the other.

10. Construction: Governing Law. If any term or provision of this Lease shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Lease shall not be affected thereby, but each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law. This Lease shall be construed and enforced in accordance with the laws of the State of Minnesota.

11. Liability Continued. All references to Lessor and Lessee mean the persons who, from time to time, occupy the positions, respectively, of Lessor and Lessee. However, this Section 11 shall not be construed as relieving a person of any liability incurred by reason of or in connection with it having been Lessor or Lessee at one time.

12. Brokers. Lessee acknowledges that it is responsible for any brokerage commissions payable to Frauenshuh Companies arising out of this Lease. Except for Frauenshuh Companies, Lessor and Lessee, respectively, each warrants to the other that it has dealt with no agent or broker in connection with this Lease.

13. Headings. Headings in this Lease are for convenience of reference only and shall not be used to interpret or construe its provisions.

14. Relationship between Parties. This Lease shall not be deemed or construed to create or establish any partnership, joint venture or other relationship between Lessor and Lessee except that of lessor and lessee.

15. Time of Essence. Time is expressly declared to be of the essence of this Lease.

16. Attorneys' Fees. In any dispute between Lessor and Lessee, the reasonable attorneys' fees of the prevailing party will be paid by the non-prevailing party.

17. Counterparts. This Lease may be executed in any number of counterparts, each of which, when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.

18. Survival. The indemnification provisions contained in this Lease shall survive its expiration, termination or forfeiture.

19. Inflation. All specified dollar amounts set forth in Article VII, Section 1, Article IX, Section 2 and Article XIV, Section 2, of this Lease shall be increased or decreased each five (5) years during the term of this Lease including all extensions as measured from Commencement Date of this Lease by multiplying the specified dollar amount by a fraction, the numerator of which is the most recently published Building Cost Index, as of the time in question and the denominator of which is the most recently published Building Cost Index as of the commencement Date of this Lease. "Building Cost Index" means ENR 20 - Cities Building Cost Index (1913 = 100) of the Engineering News - Record, a McGraw-Hill, Inc. publication or, if that index is discontinued, a comparable index prepared by a governmental agency or a responsible periodical of recognized authority as reasonably selected by Lessor.

20. Entire Agreement. This Lease contains the entire agreement between the parties as of this date. The execution hereof has not been induced by either party by representations,

provisions or understandings not expressed herein. There are no collateral agreements, stipulations, promises or undertakings whatsoever upon the respective parties in any way touching the subject matter of this Lease which are not expressly contained in it.

IN WITNESS WHEREOF, Lessor and Lessee have hereunto set their hands as of the day and year first above written.

ST. OLAF COLLEGE

By C. M. Thompson  
Its President

And Alan J. Norton  
Its V.P. & Treasurer

Lessor

CITY OF NORTHFIELD

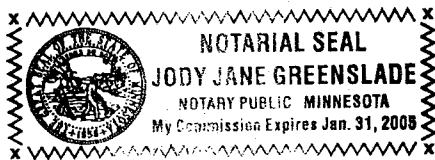
By Keith Covey  
Its Mayor

And Mr. [Signature]  
Its Finance Director/City Clerk

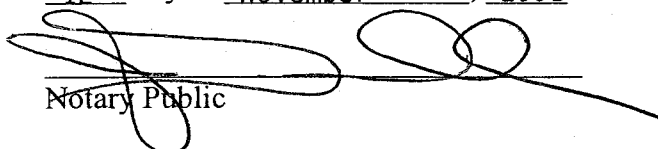
Lessee

STATE OF MINNESOTA    )  
                                          ) ss.  
COUNTY OF   Rice      )

The foregoing was acknowledged before me this 12 day of November, 2001 by C.M. Thomforde and Alan J. Norton the President and V.P. & Treasurer of St. Olaf College, a Minnesota non-profit corporation, on behalf of said corporation.

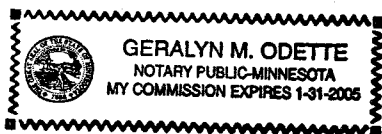


Subscribed and sworn to before me this  
12 day of November, 2001

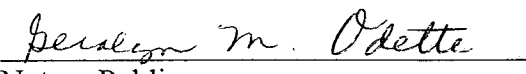
  
\_\_\_\_\_  
Notary Public

STATE OF MINNESOTA    )  
                                          ) ss.  
COUNTY OF   RICE      )

The foregoing was acknowledged before me this 12th day of November, 2001, by Keith Covey and Karl Huber, Jr. the Mayor and Finance Director/City Clerk, respectively, of City of Northfield, a Minnesota municipal corporation, on behalf of said corporation.



Subscribed and sworn to before me this  
12th day of November, 2001

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

GP:562407 v11

Drafted by :  
Briggs + Morgan  
2200 First National Bank Bldg.  
St. Paul, MN 55101

## EXHIBIT A

### Demised Premises and Dakota County Property

#### A. Legal Description of Demised Premises.

That part of the south half of Section 26, Township 112, Range 20, Dakota County, Minnesota described as beginning at the south quarter corner of said Section 26; thence on an assumed bearing of North 89 degrees 22 minutes 52 seconds West, along the south line of the Southwest Quarter of said Section 26, a distance of 1302.82 feet to the west line of the Southeast Quarter of said Southwest Quarter of Section 26; thence North 0 degrees 19 minutes 28 seconds West, along said west line of the Southeast Quarter of the Southwest Quarter of Section 26 and its northerly extension, a distance of 1518.00 feet; thence South 89 degrees 22 minutes 52 seconds East, parallel with said south line of the Southwest Quarter of Section 26, a distance of 1722.00 feet; thence South 0 degrees 19 minutes 28 seconds East, parallel with said west line of the Southeast Quarter of the Southwest Quarter of Section 26, a distance of 1517.90 feet to the south line of the Southeast Quarter of said Section 26; thence North 89 degrees 23 minutes 40 seconds West, along said south line of the Southeast Quarter of Section 26, a distance of 419.17 feet to the point of beginning.

which property is being platted as Lot 1, Block 1 and Outlot A, St. Olaf College North Avenue Development, Dakota County, Minnesota.

#### B. Legal Description of Dakota County Property.

The East three-quarters of the Northeast Quarter ( $E \frac{3}{4}$  of  $NE \frac{1}{4}$ ), and the Southeast Quarter ( $SE \frac{1}{4}$ ), and the East half of the Southwest Quarter ( $E \frac{1}{2}$   $SW \frac{1}{4}$ ), and the South three-quarters of the West half of the Southwest Quarter ( $S \frac{3}{4}$  of  $W \frac{1}{2}$   $SW \frac{1}{4}$ ) of Section Twenty-six (26); the South three-quarters of the East half of the East half of the Southeast Quarter ( $S \frac{3}{4}$  of  $E \frac{1}{2}$   $E \frac{1}{2}$   $SE \frac{1}{4}$ ) of Section Twenty-seven (27); all in Township One Hundred Twelve (112), Range (20), Dakota County, Minnesota.

a portion of which property is being platted as Outlot B, St. Olaf College North Avenue Development, Dakota County, Minnesota.

Excluding the Demised Premises described above on this EXHIBIT A, part A.



EXHIBIT A-1  
Drawing of Demised Premises  
and  
Dakota County Property

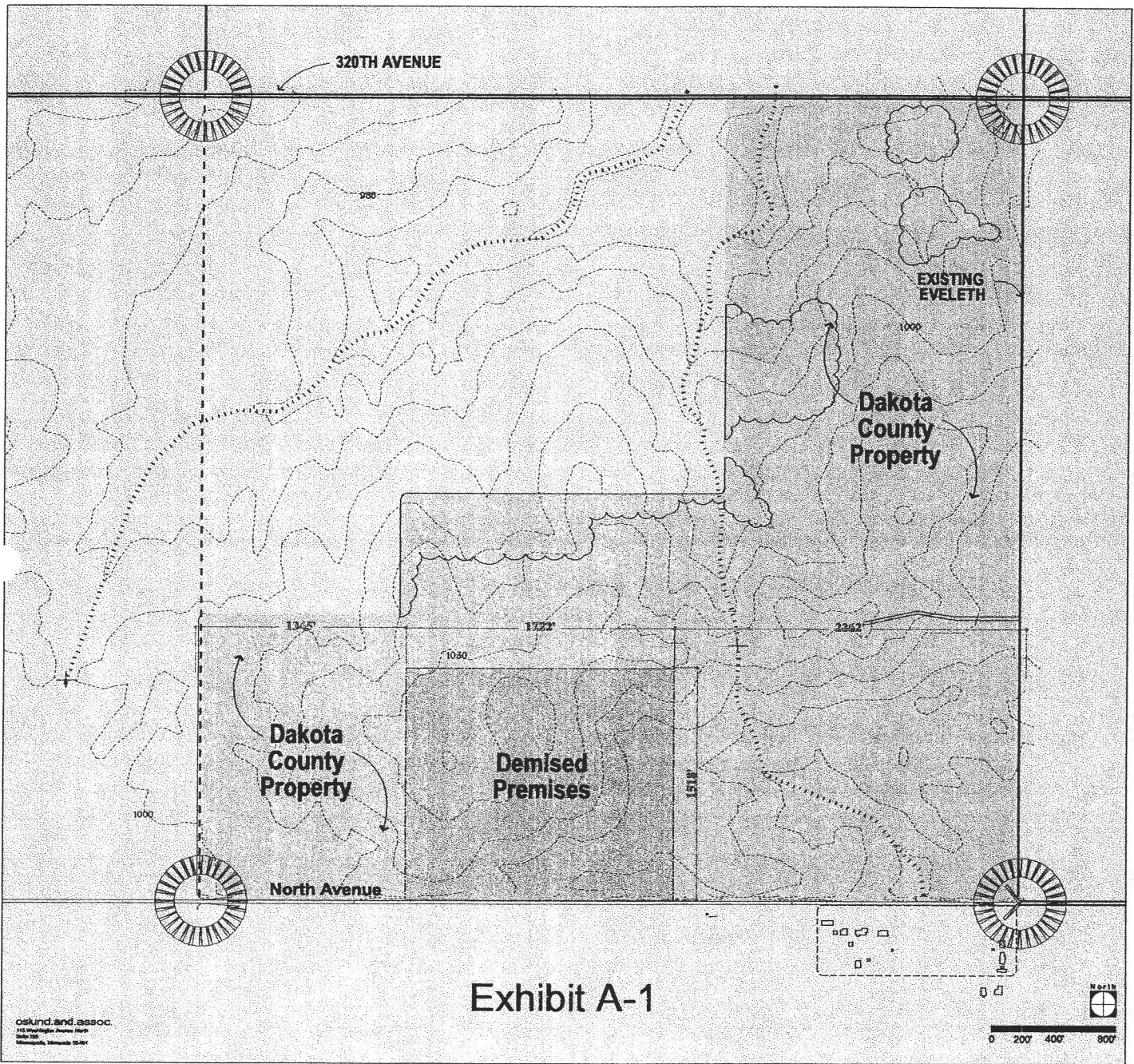


Exhibit A-1

EXHIBIT B

Encumbrances and Other Matters

1. Roadway for West 330<sup>th</sup> Street over the Southerly 33.00 feet of the Demised Premises, as shown on ALTA/ASCM Land Title Survey made by Sunde Land Surveying, LLC, dated February 7, 2000.

GP:562407 v11

## EXHIBIT C

### Rent

- (1) Except as provided in paragraph (3) of this Exhibit C, during the first twenty years, the annual ground rent payable by the Lessee under the Lease will be as follows:

Year 1 through 5: \$5,100 per year =  $(\$2,200 \times 0.0386364 \times 60)$

Year 6 through 10: \$5,280 per year =  $(\$2,200 \times 0.04 \times 60)$

Year 11 through 15: \$5,940 per year =  $(\$2,200 \times 0.045 \times 60)$

Year 16 through 20: \$6,600 per year =  $(\$2,200 \times 0.05 \times 60)$

- (2) Except as provided in paragraph (3) of this Exhibit C, during the 20th, 30th, 40th, 50th, 60th, 70th, 80th and 90th year the Lessor will obtain from a Minnesota licensed appraiser an estimate of the market price for rural agricultural land in the Dakota/Rice County region that is being used by typical farm operations raising the crops common to this area, currently corn and soybeans. The estimated price per acre provided by the appraiser will be used to calculate the annual rent for the next ten years. If Lessee desires to contest the estimate of market price, it shall within thirty (30) days after receipt of Lessor's estimate of market price notify Lessor of its desire to contest Lessor's estimate of market price and give Lessor the name of the Minnesota licensed appraiser Lessee has appointed. The two appraisers shall choose a third Minnesota licensed appraiser. The three appraisers shall then determine the estimate of market price. If the three appraisers cannot agree then the decision of two appraisers shall control. Lessor and Lessee shall each pay the costs and expenses of their appraiser and shall pay equally the costs and expenses of the third appraiser. The annual rent will equal the product of the appraised price per acre times five percent times the number of acres. For example, if the estimated price in the 20th year is \$2,350 per acre, then the annual rent for Year 21 through 30 would be \$7,050 =  $(\$2,350 \times .05 \times 60)$ .

- (3) (A) Upon any Trigger Event, the rent under this Lease shall change to the Fair Market Annual Rent as hereinafter defined, subject to the initial phase-in and periodic adjustments as hereinafter set forth. As used herein, a "Trigger Event" will be the earliest to occur of (a) the date (i) substantially all of City of Northfield's interest in this Lease or in the Demised Premises is transferred or assigned within the meaning of Article XI, Section 1 of this Lease other than to a Northfield Entity as defined in Article XII, Section 5, of the Lease, or (ii) substantially all of a Northfield Entity's interest in this Lease or in the Demised Premises is transferred or assigned within the meaning of Article XI, Section 1 of the Lease other than to the City of Northfield or another Northfield Entity, or (b) the date a party other than City of Northfield or a Northfield Entity commences to operate any Hospital located upon the Demised Premises for its own account or for the account of any party other than City of Northfield or a Northfield Entity, or (c) the commencement of the Indefinite Additional Term.

(B) Upon any Trigger Event, during each year thereafter on which rent is to be adjusted under paragraph (2) above, and upon commencement of the Indefinite Additional Term and each five years thereafter so long as this Lease continues in full force and effect, annual rent will be adjusted as follows:

The Lessor will obtain from a Minnesota licensed appraiser a determination of the FAIR MARKET ANNUAL RENT of the Demised Premises for the rental period in question based upon a valuation of the Demised Premises as vacant land subject to a commercially reasonable ground lease contemplating the highest and best use of the Demised Premises with all necessary developmental infrastructure and zoning and public and private permits and approvals in place. The appraiser in making his or her determination of Fair Market Annual Rent shall ignore the existence of this Lease and any existing improvements on the Demised Premises other than developmental infrastructure. If the Lessee desires to contest the determination of FAIR MARKET ANNUAL RENT, it shall within thirty (30) days after receipt of the determination of FAIR MARKET ANNUAL RENT, notify Lessor of its desire to contest Lessor's determination of FAIR MARKET ANNUAL RENT and give Lessor the name of the Minnesota licensed appraiser Lessee has appointed. The two appraisers shall choose a third Minnesota licensed appraiser. The three appraisers shall then determine the FAIR MARKET ANNUAL RENT utilizing the standard set forth above. If the three appraisers cannot agree then the decision of two appraisers shall control. Lessor and Lessee shall each pay the costs and expenses of their appraiser and shall pay equally the costs and expenses of the third appraiser.

(C) Notwithstanding the foregoing, the first time that FAIR MARKET ANNUAL RENT is determined under this paragraph (3) the appraiser (and the three appraisers if the Lessee does not accept the appraiser's determination) shall also determine what annual rent would have been if the agricultural model under paragraph (2) had been applicable; provided, however, if the first time that FAIR MARKET ANNUAL RENT is determined under this paragraph (3) occurs during the first twenty (20) years of this Lease, the rent schedule set forth in paragraph (1) above shall be used as the rent under the agricultural model. The rent payable under the Lease following a Trigger Event shall be the lesser of (i) FAIR MARKET ANNUAL RENT or (ii) an amount equal to what annual rent would have been under the agricultural model increased or decreased by ten percent (10%) (but not above or below FAIR MARKET ANNUAL RENT) depending upon whether FAIR MARKET ANNUAL RENT is higher or lower than what annual rent would have been under the agricultural model. The first annual rent determined under this paragraph (3) shall be in effect from the occurrence of the Trigger Event until the first anniversary of the Commencement Date of this Lease occurring more than twelve (12) calendar months following the date of the Trigger Event. Within ten (10) days following the determination of the amount of the first annual rent under this paragraph (3), Lessee shall pay Lessor as rent an amount equal to the determined first annual rent increased for any additional stub period until the first anniversary of the Commencement Date of this Lease more than twelve (12) calendar months following the date of the Trigger Event less any credit for annual rent previously paid under the Lease for the period in which the Trigger Event occurred.

(D) On the first anniversary of the Commencement Date of this Lease more than twelve (12) calendar months following the date of the Trigger Event and on each anniversary of the Commencement Date thereafter, the annual rent under this Lease shall be increased or decreased by ten percent (10%) until the Lessee is paying FAIR MARKET ANNUAL RENT; provided, however, if annual rent is being determined and paid under this paragraph (3) and has not been adjusted to FAIR MARKET ANNUAL RENT within five (5) years (excluding any first year stub period) following the Trigger Event, the annual rent shall nevertheless be adjusted to FAIR MARKET ANNUAL RENT on the next anniversary of the Commencement Date of this Lease following said five (5) year period. Thereafter annual base rent under this Lease shall be FAIR MARKET ANNUAL RENT.

(E) Following is an example of the rent determination under this paragraph (3):

- (1) assume that the Commencement Date of this Lease is March 1, 2001. On January 1, 2023, a Trigger Event occurs due to the City of Northfield transferring its Lessee's interest in the Lease to a party which is not a Northfield Entity, thereby triggering the rent adjustment under this paragraph (3). The appraiser (or three appraisers) determine that FAIR MARKET ANNUAL RENT on the date of the Trigger Event is \$12,000 and that the annual rent under the agricultural model under paragraph (2) is \$7,500. Annual rent under the Lease before the Trigger Event was \$7,000 computed under paragraph (2) for the period beginning March 1, 2021.
- (ii) Based upon such assumptions, the annual rent due from Lessee for the period from January 1, 2023 until March 1, 2024 (14 months) would be \$8,458.34 computed as follows: \$7,500 (agricultural rent model as FAIR MARKET ANNUAL RENT is higher than \$7,500 and more than 10% higher than \$7,000) plus \$750 (10% of \$7,500); \$1,375 (two month stub period of 1/6th of \$8,250) less \$1,166.66 (two month stub period credit of 1/6th of \$7,000). On March 1, 2024, annual rent would adjust to \$9,075 (\$8,250 plus \$825 or 10%); on March 1, 2025, to \$9,982.50 (\$9,075 plus \$907.50 or 10%); on March 1, 2026, to \$10,980.75 (\$9,982.50 plus \$998.25 or 10%) and on March 1, 2027, to \$12,000, the FAIR MARKET ANNUAL RENT as determined by the appraiser. Annual rent would remain at \$12,000 until March 1, 2031, when under the Exhibit C rental adjustment schedule, rent is to be adjusted for the next ten (10) year lease period. As a Trigger Event has occurred, the rent adjustment would be to the FAIR MARKET ANNUAL RENT as of March 1, 2031.

EXHIBIT D

Campus Framework Plan

St. Olaf College Framework Plan dated July, 1996; as amended by the St. Olaf College Framework Plan Update dated December 15, 1999.

GP:562407 v11