

A BUSINESS PROPOSAL

NORTHFIELD HOSPITAL & CLINICS

Northfield Hospital + Clinics is requesting permission from the City of Northfield to purchase an established ENT clinic in Faribault. This document will present a formal request and provide background information on the evaluation process.



November, 2016

REQUEST

Northfield Hospital + Clinics is seeking authorization from the City of Northfield to purchase the commercial condo unit 103 at 1645 Lyndale Avenue N., Faribault, MN at the appraised value of \$170,000.00.

HISTORY

Dr. Gerard O'Halloran provides both clinic and surgical otorhinolaryngology (ENT) services at Northfield Hospital + Clinics through a professional services agreement (PSA). At the same time, he has owned and operated a small ENT clinic in Faribault. He sees patients in his Faribault clinic but performs related surgery at the Northfield Hospital. This partnership has served both organizations well.

Dr. O'Halloran has expressed an interest in modifying his relationship with NHC where he no longer would need to manage his Faribault Practice. NH+C was open to evaluating this opportunity.

EVALUATION:

NH+C worked with Dr. O'Halloran to obtain information needed to determine if this proposal would be a sound financial investment. With positive initial results, NH&C began working with WiPFLI, Clifton Larson Allen, along with FriedemannFoarde to address financial and legal/compliance questions. This work created the outline to be used for negotiating an agreement with Dr. O'Halloran.

An important step in this process was to obtain fair market value for the building and equipment. For compliance reasons fair market values are used. Those values were obtained (the appraisal for the building is attached).

With the fair market information in place the evaluation continued. The advantages to this proposal for NH+C and its patients were then put together:

1. Allows NH+C to solidify our ENT market presence in Faribault.
2. Keeps an established, respected provider in communities we already serve.
3. Continues to support a profitable service line for NH+C.
4. Patients seen in Faribault would now have an option for a single system for ENT services (one bill).
5. Low cost to enter (fair market value) an establish line of business and operate it.
6. Capital funds are available. No debt to be incurred.

APPROVAL PROCESS:

A formal proposal to acquire the practice then began the approval process at NH+C.

- NH+C Administration approval: September 2016
- NH+C Board approval: October 27, 2016
- City of Northfield consideration: November 2016

If approved by the City of Northfield, NH+C would work with Stinson Leonard Street LLP to finalize a purchase agreement for the identified property in Faribault at the appraised value. The target date for the transaction would be by January 1, 2017.

Board of Directors Meeting Minutes:



MEETING MINUTES RECORD

Meeting: Board of Directors: (Excerpt related to ENT from Closed Session Meeting)

Date: October 27, 2016 Location: Conference Center Start time: 8:35 p.m. Adjourn time: 8:54 pm

Members present: Virginia Kaczmarek, Charles Kyte, CC Linstroth, Michelle Muench, MD, Bob Murray, Steve O'Neill, Jonathan Reppe, James Schlichting

Members excused: Charlie Mandile

Members absent:

Staff Present: Steve Underdahl, Jerry Ehn, Scott Edin, Vicki Stevens, Betsy Spethmann, Bobbi Jenkins (Recorder)

Others present:

Issue/Problem	Discussion/Conclusions	Action	Follow-up/Resolution
1. Proposed Purchase of ENT Building		<p>Charlie Kyte made a motion that was seconded by CC Linstroth to move forward with two purchase agreements:</p> <ol style="list-style-type: none"> 1. \$170k for the building, and 2. \$62,650 for the equipment and practice. <p>Both agreements are subject to approval by the City of Northfield.</p> <p>Seven voted in favor, and one (Bob Murray) voted against this motion.</p>	Take to the City Council for final approval.

LMH APPRAISAL, INC.



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March 14, 2016

Mr. Gerard O'Halloran
1645 Lyndale Avenue N. - Unit 103
Faribault, MN 55021

Re: Restricted Appraisal Report, Real Estate Appraisal
Commercial Condo Unit
1645 Lyndale Avenue N. - Unit 103, Faribault,
Rice County, MN, 55021

File Name: 160568

Dear Mr. O'Halloran:

At your request, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

1 STORY OFFICE CONDO

Please reference page 9 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date.

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 7). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, I note the following:

Hypothetical Conditions:

- There are no hypothetical conditions for this appraisal.



Extraordinary Assumptions:

- There are no Extraordinary Assumptions for this appraisal.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), I have made the following value conclusion(s):

Current As Is Market Value:

The "As Is" market value of the Fee Simple estate of the property, as of March 2, 2016, is

One Hundred Seventy Thousand Dollars (\$170,000)

The market exposure time preceding March 2, 2016 would have been 12 months and the estimated marketing period as of March 2, 2016 is 12 months.

Respectfully submitted,
LMH Appraisal, Inc.

A handwritten signature in dark ink, appearing to read "Laurence Harn", is written over a light-colored background.

Laurence Harn, SRA
MN-4000631