

## **GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY**

**Thursday, October 26, 2017**

**4:00pm**

**Grand Rapids City Hall**

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, October 26, 2017 at 4:00pm.

### **AGENDA**

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the October 12, 2017 regular meeting.
5. Consider approval of claims
6. Consider adopting a resolution approving a loan agreement with Grand Itasca Clinic and Hospital.
7. Updates:
  
8. Adjourn

#### GREDA Members/terms:

Dale Christy – 12/31/18 (with council term)

Rick Blake– 12/31/18 (with council term)

Mike Przytarski – 3/1/21

Cory Jackson – 3/1/17

Mike Stefan – 3/1/18

Chris Lynch – 3/1/19

Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY  
REGULAR MEETING  
THURSDAY, OCTOBER 12, 2017  
4:00 P.M.**

**GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A  
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

**CALL TO ORDER:** Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, October 12, 2017 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

**CALL OF ROLL:** On a Call of Roll the following members were present: Commissioners: Sholom Blake, Dale Christy, Rick Blake, Mike Przytarski. Absent: Michael Stefan, Cory Jackson, Chris Lynch.

**SETTING OF REGULAR AGENDA:** **Approved with addition.**

- **Approve a lease with Megan Brekke.**

**DRAFT**

APPROVAL OF MINUTES:

**MOTION BY COMMISSIONER PRZYTARSKI, SECOND BY COMMISSIONER CHRISTY TO APPROVE THE MINUTES OF THE SEPTEMBER 14, 2017 REGULAR MEETING. The following voted in favor thereof: R. Blake, S. Blake, Christy, Przytarski. Opposed: None, passed unanimously.**

**APPROVAL OF CLAIMS:**

**MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER PRZYTARSKI TO APPROVE CLAIMS IN THE AMOUNT OF \$1,373.44.**

City of Grand Rapids	\$763.00	Kennedy & Graven	\$457.84
P.U.C.	\$152.60		

**The following voted in favor thereof: S. Blake, Christy, R. Blake, Przytarski. Opposed: None, passed unanimously.**

Conduct a public hearing regarding a business subsidy agreement consisting of a forgivable loan to Grand Itasca Clinic and Hospital.

**MOTION BY COMMISSIONER CHRISTY, SECOND BY COMMISSIONER R. BLAKE TO RECESS THE REGULAR MEETING AND OPEN THE PUBLIC HEARING. The following voted in favor thereof: Przytarski, R. Blake, Christy, S. Blake. Opposed: None, passed unanimously.**

Commissioner Jackson joined the meeting at 4:05.

President Blake stated the public hearing held today is for a business subsidy agreement consisting of a forgivable loan to Grand Itasca Clinic and Hospital. Recorder Groom noted all notices required by law had been met.

Community Development Director Mattei provided background on the project. The Minnesota Department of Iron Range Resources and Rehabilitation (IRRR) has previously approved a request from Grand Itasca Foundation for a \$300,000 grant in to support a 13,000 sf renovation and expansion of the Grand Itasca Clinic and Hospital to convert hospital space to clinical space for specialty services including dedicated space for cancer care and a 12 bay infusion center. The total estimated cost of the project is \$4.1M.

IRRR has subsequently decided that they would prefer to provide this funding support through a \$300,000 grant to the Grand Rapids EDA revolving loan fund (Commercial Building Improvement Loan Program). That grant request was submitted by the City and will be acted on by IRRR at their October 26<sup>th</sup> meeting.

The draft agreement, prepared by GREDA's attorney, as preferred by IRRR, provides the \$300,000 contribution to the Grand Itasca Clinic and Hospital project through a loan from GREDA to Grand Itasca with forgivable terms.

The advancement of these funds by GREDA, as a forgivable loan to Grand Itasca, constitutes a business subsidy under the Business Subsidy Act. The goals of the subsidy are to assist the assist Grand Itasca with their renovation and expansion, to create jobs and maintain the "Improvements" on the property for a minimum period of 5 years.

The creation of a minimum of 4 FTE jobs with estimated annual wage and benefits totaling \$575,000 is required within 2 years of the benefit date", which is the loan closing date. If the job and wage goals are met and the facility is operated for the required minimum 5 years, no payments on the loan will be required.

**MOTION BY COMMISSIONER R. BLAKE, SECOND BY COMMISSIONER PRZYTARSKI TO CLOSE THE PUBLIC HEARING AND REOPEN THE REGULAR MEETING. The following voted in favor thereof: Jackson, R. Blake, S. Blake, Christy, Przytarski. Opposed: None, passed unanimously.**

Community Development Director Mattei noted the agreement did not need to be approved at this time the attorneys are still in the review process.

Approve a Central School lease with Megan Brekke dba Wildland Fabrics.

Ms. Brekke is interested in setting up a pop up shop for the next two months at central school at the discounted rate for the remainder of the year.

**MOTION BY COMMISSIONER JACKSON, SECOND BY COMMISSIONER R. BLAKE TO APPROVE A CENTRAL SCHOOL LEASE AGREEMENT WITH MEGAN BREKKE DBA WILDLAND FABRICS. The following voted in favor thereof: Przytarski, Christy, S. Blake, Jackson, R. Blake. Opposed: None, passed unanimously.**

Updates:

ASV Parts Distribution Center Project-The agreements have been approved by ASV and the project is moving forward.

SCDP Commercial and Residential Rehabilitation grant-The letters have been mailed to the property owners in the target area and we have already received responses from interested property owners.

There being no further business the meeting adjourned at 4:20 p.m.

Respectfully submitted:

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Aurimy Groom, Recorder

**DRAFT**

EDA BILL LIST - OCTOBER 26, 2017

DATE: 10/19/2017  
 TIME: 14:42:15  
 ID: AP443000.CGR

CITY OF GRAND RAPIDS  
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 10/26/2017

VENDOR #	NAME	AMOUNT DUE
-----		
ECONOMIC DEVELOPMENT AUTHORITY		
1105530	KENNEDY & GRAVEN	570.00
	TOTAL	570.00
EDA - CAPITAL PROJECTS		
	DOWNTOWN REDVELPMNT BLK 18-21	
1105530	KENNEDY & GRAVEN	259.74
	TOTAL DOWNTOWN REDVELPMNT BLK 18-21	259.74
	ASV PARTS DISTRIBUTION CTR	
1105530	KENNEDY & GRAVEN	342.00
	TOTAL ASV PARTS DISTRIBUTION CTR	342.00
	TOTAL UNPAID TO BE APPROVED IN THE SUM OF:	\$ 1,171.74
CHECKS ISSUED-PRIOR APPROVAL		
	PRIOR APPROVAL	
1621130	P.U.C.	204.61
	TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF:	\$204.61
	TOTAL ALL DEPARTMENTS	1,376.35

**EDA RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION APPROVING A LOAN AGREEMENT  
BETWEEN THE GRAND RAPIDS ECONOMIC  
DEVELOPMENT AUTHORITY AND GRAND ITASCA  
CLINIC AND HOSPITAL**

BE IT RESOLVED BY the Board of Commissioners ("Board") of the Grand Rapids Economic Development Authority (the "Authority") as follows:

Section 1. Recitals.

1.01. The Authority is a grantor as defined in Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the "Business Subsidy Act"), and is authorized to grant financial assistance to private development, including grants in the form of forgivable loans.

1.02. The Authority and Grand Itasca Clinic and Hospital (the "Borrower") desire to enter into a loan agreement (the "Loan Agreement") for a forgivable loan to be used for improvements to the existing clinic facility (the "Clinic") in the City of Grand Rapids (the "Loan"), utilizing funds provided to the Authority by the Iron Range Resources and Rehabilitation Board.

1.03. Pursuant to the Loan Agreement, the Authority will loan to the Borrower the sum of \$300,000 (the "Loan"), evidenced by a promissory note (the "Note") and a mortgage (the "Mortgage"), to be executed and delivered to the Authority by the Borrower.

1.04. The terms of the Loan Agreement and Note shall conform to the Authority's written Business Subsidy Policy, including a five-year loan term and the inclusion of job and wage requirements, provided that the Loan will be forgiven if the Borrower meets the job and wage goals provided in the Loan Agreement and maintains the Clinic as a "qualified facility" (as defined in the Business Subsidy Act) for at least five years.

Section 2. Loan Agreement and Note Approved.

2.01. The Authority hereby approves the Loan Agreement, the Note, and the Mortgage in substantially the form presented to the Board, and authorizes execution of the Loan Agreement and all documents prepared in connection therewith, subject to modifications that do not alter the substance of the transaction and that are approved by the President and Executive Director, provided that execution of the Amendment by such officials shall be conclusive evidence of approval.

Approved this 26th day of October, 2017, by the Board of Commissioners of the Grand Rapids Economic Development Authority.

\_\_\_\_\_  
President

ATTEST:

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Executive Director

## LOAN AGREEMENT

This Loan Agreement ("Agreement") is made this \_\_\_ day of October, 2017, between Grand Itasca Clinic and Hospital, a Minnesota nonprofit corporation ("Borrower") and Grand Rapids Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota ("Lender").

### RECITALS

A. In consideration for the loan contemplated by this Agreement, Borrower is executing and delivering to Lender this Loan Agreement.

B. Lender agrees to loan to Borrower the maximum principal amount of \$300,000 (the "Loan") to pay a portion of the costs of certain site and building improvements (the "Improvements") necessary for the operation of a medical facility (the "Facility") located in the City of Grand Rapids, Minnesota (the "City"), on certain real property described in Exhibit A hereto (the "Property").

C. The parties agree and acknowledge that the Loan constitutes a business subsidy, pursuant to Minnesota Statutes, Sections 116J.993 to 116J.995, as amended (the "Business Subsidy Act"), and that a business subsidy agreement is required pursuant to the Business Subsidy Act.

D. The Lender and Borrower have negotiated the terms of the business subsidy and of repayment or forgiveness of the Loan, and now desire to memorialize such terms in this Agreement.

ACCORDINGLY, to induce Lender to make the Loan to Borrower, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Loan Amount. Subject to and upon the terms and conditions of this Agreement, Lender agrees to loan to Borrower the sum of Three Hundred Thousand and no/100ths Dollars (\$300,000), or so much thereof as is disbursed to Borrower in accordance with this Agreement. The Loan shall be evidenced by a promissory note ("Note") payable by Borrower to Lender and substantially in the form of Exhibit B attached to this Agreement, which shall be dated as of the date of closing on the Loan (the "Loan Closing Date"). Proceeds of the Loan shall be disbursed in accordance with Section 3 hereof.

2. Repayment or Forgiveness of Loan. The Loan shall be repaid or forgiven as follows:

(a) The Note shall not bear interest.

(b) The entire unpaid balance of principal of the Note shall be due and payable upon the earlier of the following: (i) thirty (30) days after written notification by Lender to Borrower of the occurrence of an Event of Default as defined in this



Agreement, and demand of payment according to Section 6 of this Agreement; or (ii) ten (10) days after the Borrower makes or allows to be made any total or partial transfer, sale, assignment, conveyance, lease, or transfer in any other mode, of the Property (as defined hereafter), if such transfer occurs within five (5) years after the date of the Note. If no Events of Default occur, and if the Borrower does not sell the Property within five (5) years of the Loan Closing Date, no payments shall be payable on the Note and the principal balance shall be forgiven.

3. Disbursement of Loan Proceeds.

(a) The Loan proceeds shall be paid to Borrower in accordance with the terms and conditions of this Agreement. Notwithstanding anything to the contrary herein, if the cost of the Improvements exceeds the amount to be reimbursed under this Agreement, such excess shall be the sole responsibility of the Borrower.

(b) All disbursements of proceeds of the Loan will be made subject to the conditions precedent that prior to the date of such disbursement:

(i) The Lender has received from Borrower, without expense to Lender, executed copies of this Agreement and the Note, and Borrower further having caused to be executed and delivered to Lender a mortgage in substantially the form set forth hereto at Exhibit C (the "Mortgage");

(ii) The Lender has received a written statement from the Borrower's authorized representative certifying with respect to each payment: (a) that none of the items for which the payment is proposed to be made has formed the basis for any payment previously made under this Section; and (b) that each item for which the payment is proposed is included in the Improvements;

(iii) Borrower has provided evidence satisfactory to Lender that Borrower has established a separate accounting system for the exclusive purpose of recording the receipt and expenditure of the Loan proceeds;

(iv) Borrower has paid to Lender the full amount of the legal fees incurred by Lender in the negotiation and preparation of this Agreement and any other agreement or instrument securing the Loan; and

(v) No Event of Default shall have occurred and be continuing.

(c) Whenever the Borrower desires a disbursement to be made hereunder, which shall be no more often than weekly, the Borrower shall submit to the Lender a draw request in the form attached as Exhibit D duly executed on behalf of the Borrower, accompanied by paid invoices or other comparable evidence that the cost has been incurred and paid or is payable by Borrower. Each draw request shall constitute a representation and warranty by the Borrower that all representations and warranties set forth in this Agreement are true and correct as of the date of such draw request.

(d) If the Borrower has performed all of its agreements and complied with all requirements to be performed or complied with hereunder, including satisfaction of all applicable conditions precedent contained in this Section, the Lender shall make a disbursement to the Borrower in the amount of the requested disbursement or such lesser amount as shall be approved, within twenty days after the date of the Lender's receipt of the draw request.

4. Representations and Warranties. Borrower represents and warrants to Lender that:

(a) Borrower is duly authorized and empowered to execute, deliver, and perform this Agreement and to borrow money from Lender.

(b) The execution and delivery of this Agreement, and the performance by Borrower of its obligations hereunder, do not and will not violate or conflict with any provision of law and do not and will not violate or conflict with, or cause any default or event of default to occur under, any agreement binding upon Borrower.

(c) The execution and delivery of this Agreement has been duly approved by all necessary action of Borrower, and this Agreement has in fact been duly executed and delivered by Borrower and constitutes its lawful and binding obligation, legally enforceable against it.

(d) Borrower warrants that it shall keep and maintain books, records, and other documents relating directly to the receipt and disbursements of Loan proceeds and that any duly authorized representative of Lender shall, at all reasonable times, have access to and the right to inspect, copy, audit, and examine all such books, records, and other documents of Borrower pertaining to the Loan until the completion of all closeout procedures and the final settlement and conclusion of all issues arising out of this Loan.

(e) Borrower warrants that it has fully complied with all applicable state and federal laws pertaining to its business and will continue to comply throughout the terms of this Agreement. If at any time Borrower receives notice of noncompliance from any governmental entity, Borrower agrees to take any necessary action to comply with the state or federal law in question.

(f) Borrower warrants that it will use the proceeds of the Loan made by Lender solely for the Improvements.

(g) Borrower warrants that it will not create, permit to be created, or allow to exist any liens, charges, or encumbrances prior to the obligation created by this Agreement, except as otherwise authorized in writing by Lender.

5. Business Subsidy Agreement. The provisions of this Section constitute the business subsidy agreement for the purposes of the Business Subsidy Act.

(a) *General Terms.* The parties agree and represent to each other as follows:

(1) The subsidy provided to the Borrower consists of the forgivable Loan, representing a total subsidy of \$300,000.

(2) The public purposes of the subsidy are to facilitate site and building improvements for the Facility in the City, increase net jobs in the City and the State, and increase the tax base of the City and the State.

(3) The goals for the subsidy are: to secure development of the Improvements on the Property; to maintain such improvements as a hospital and clinic for the time period described in clause (6) below; and to create the jobs and wage levels in accordance with Section 5(b) hereof.

(4) If the goals described in clause (3) are not met, the Borrower must make the payments to the Lender described in Section 5(c).

(5) The subsidy is needed to mitigate the cost of site and building improvements needed at the existing hospital site in the City.

(6) The Borrower must continue operation of the Facility as a "Qualified Facility" for at least five (5) years after the Benefit Date (defined hereinafter). The term Qualified Facility means a healthcare facility. The Facility will be a Qualified Facility as long as it is operated by Borrower for the aforementioned qualified uses. During any period when the Facility is vacant and not operated for the aforementioned qualified uses, the Facility will not constitute a Qualified Facility.

(7) The Borrower does not have a parent corporation.

(8) The Borrower has not received, and does not expect to receive, financial assistance from any other "grantor" as defined in the Business Subsidy Act, in connection with the Property or the Facility.

(b) *Job and Wage Goals.* The "Benefit Date" of the assistance provided in this Agreement is the Loan Closing Date. By the Compliance Date, which is the date two (2) years after the Benefit Date, the Borrower shall (i) create at least 4 full-time equivalent jobs at the Facility, and (ii) cause the average hourly wage of the 4 created jobs to be at least \$\_\_\_\_\_ per hour, exclusive of benefits. Notwithstanding anything to the contrary herein, if the wage and job goals described in this paragraph are met by the Compliance Date, those goals are deemed satisfied despite the Developer's continuing obligations under Sections 5(a)(6) and 5(d). The Lender may, after a public hearing, extend the Compliance Date by up to one year, provided that nothing in this section will be construed to limit the Lender's legislative discretion regarding this matter.

(c) *Remedies.* If the Borrower fails to meet the goals described in Section 5(a)(3), the Borrower shall repay to the Lender upon written demand from the Lender a "pro rata share" of the outstanding principal amount of the Note. The term "pro rata share" means percentages calculated as follows:

(i) if the failure relates to the number of jobs, the jobs required less the jobs created, divided by the jobs required;

(ii) if the failure relates to wages, the number of jobs required less the number of jobs that meet the required wages, divided by the number of jobs required;

(iii) if the failure relates to maintenance of the Facility as a Qualified Facility in accordance with Section 5(a)(6), 60 less the number of months of operation as a Qualified Facility (where any month in which the Qualified Facility is in operation for at least 15 days constitutes a month of operation), commencing on the Benefit Date and ending with the date the Qualified Facility ceases operation as determined by the Lender, divided by 60; and

(iv) if more than one of clauses (i) through (iii) apply, the sum of the applicable percentages, not to exceed 100%.

Nothing in this Section shall be construed to limit the Lender's remedies under Section \_\_\_ hereof. In addition to the remedy described in this Section and any other remedy available to the Lender for failure to meet the goals stated in Section 5(a)(3), the Borrower agrees and understands that it may not receive a business subsidy from the Lender or any grantor (as defined in the Business Subsidy Act) for a period of five (5) years from the date of the failure or until the Borrower satisfies its repayment obligation under this Section, whichever occurs first.

(d) *Reports.* The Borrower must submit to the Lender a written report regarding business subsidy goals and results by no later than February 1 of each year, commencing February 1, 2018 and continuing until the later of (i) the date the goals stated Section 5(a)(3) are met; (ii) 30 days after expiration of the period described in Section 5(a)(6); or (iii) if the goals are not met, the date the subsidy is repaid in accordance with Section 5(c). The report must comply with Section 116J.994, subdivision 7 of the Business Subsidy Act. The Lender will provide information to the Borrower regarding the required forms. If the Borrower fails to timely file any report required under this Section, the Lender will mail the Borrower a warning within one week after the required filing date. If, after 14 days of the postmarked date of the warning, the Borrower fails to provide a report, the Borrower must pay to the Lender a penalty of \$100 for each subsequent day until the report is filed. The maximum aggregate penalty payable under this Section is \$1,000.

6. Event of Default by Borrower. The following shall be Events of Default under this Agreement:

(a) failure to pay any principal or interest on the Loan when due;

(b) any representation or warranty made by Borrower herein or in any document, instrument, or certificate given in connection with this Agreement, the Note, or the Mortgage is false when made;

(c) Borrower fails to pay its debts as they become due, makes an assignment for the benefit of its creditors, admits in writing its inability to pay its debts as they become due,

files a petition under any chapter of the Federal Bankruptcy Code or any similar law, state or federal, now or hereafter existing, becomes "insolvent" as that term is generally defined under the Federal Bankruptcy Code, files an answer admitting insolvency or inability to pay its debts as they become due in any involuntary bankruptcy case commenced against it, or fails to obtain a dismissal of such case within thirty (30) days after its commencement or convert the case from one chapter of the Federal Bankruptcy Code to another chapter, or be the subject of an order for relief in such bankruptcy case, or be adjudged a bankrupt or insolvent, or has a custodian, trustee, or receiver appointed for, or has any court take jurisdiction of its property, or any part thereof, in any proceeding for the purpose of reorganization, arrangement, dissolution, or liquidation, and such custodian, trustee, or receiver is not discharged, or such jurisdiction is not relinquished, vacated, or stayed within thirty (30) days of the appointment;

(d) a garnishment summons or writ of attachment is issued against or served upon Lender for the attachment of any property of Borrower in Lender's possession or any indebtedness owing to Borrower, unless appropriate papers are filed by Borrower contesting the same within thirty (30) days after the date of such service or such shorter period of time as may be reasonable in the circumstances;

(e) any breach or failure of Borrower to perform any other term or condition of this Agreement not specifically described as an Event of Default in this Agreement and such breach or failure continues for a period of thirty (30) days after Lender has given written notice to Borrower specifying such default or breach, unless Lender agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lender will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Borrower within the applicable period and is being diligently pursued until the Default is corrected, but no such extension shall be given for an Event of Default that can be cured by the payment of money (i.e., payment of taxes, insurance premiums, or other amounts required to be paid hereunder);

(f) any breach by Borrower of any other agreement between Borrower and Lender.

7. Lender's Remedies upon Borrower's Default. Upon an Event of Default by Borrower and after provision by Lender of written notice, Lender shall have the right to exercise any or all of the following remedies (and any other rights and remedies available to it):

(a) declare the principal amount of the Loan thereon to be immediately due and payable upon providing written notice to Borrower;

(b) suspend its performance under this Agreement;

(c) take any action provided for at law to enforce compliance by Borrower with the terms of this Agreement and the Note;

- (d) exercise its rights under the Mortgage.

In addition to any other amounts due on the Loan, and without waiving any other right of Lender under any this Agreement or any other instrument securing the Loan applicable documents, Borrower shall pay to Lender a late fee of \$250 for any payment not received in full by Lender within 30 calendar days of the date on which it is due. Furthermore, interest will continue to accrue on any amount due until the date on which it is paid to Lender, and all such interest will be due and payable at the same time as the amount on which it has accrued.

8. Lender's Costs of Enforcement of Agreement. If an Event of Default has occurred as provided herein, then upon demand by Lender, Borrower shall pay or reimburse Lender for all expenses, including all attorneys fees and expenses incurred by Lender in connection with the enforcement of this Agreement and the Note, or in connection with the protection or enforcement of the interests and collateral security of Lender in any litigation or bankruptcy or insolvency proceeding or in any action or proceeding relating in any way to the transactions contemplated by this Agreement.

9. Indemnification.

(a) Borrower shall and does hereby agree to indemnify against and to hold Lender, and its officers, agents, and employees, harmless of and from any and all liability, loss, or damage that it may incur under or by reason of this Agreement, and of and from any and all claims and demands whatsoever that may be asserted against Lender by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained herein.

(b) Should Lender, or its officers, agents, or employees incur any such liability or be required to defend against any claims or demands pursuant to this Section, or should a judgment be entered against Lender, the amount thereof, including costs, expenses, and attorneys fees, shall bear interest thereon at the rate then in effect on the Note, shall be secured hereby, shall be added to the Loan, and Borrower shall reimburse Lender for the same immediately upon demand, and upon the failure of Borrower to do so, Lender may declare the Loan immediately due and payable.

(c) This indemnification and hold harmless provision shall survive the execution, delivery, and performance of this Agreement and the creation and payment of any indebtedness to Lender. Borrower waives notice of the acceptance of this Agreement by Lender.

(d) Nothing in this Agreement shall constitute a waiver of or limitation on any immunity from or limitation on liability to which Borrower is entitled under law.

10. Miscellaneous.

(a) Waiver. The performance or observance of any promise or condition set forth in this Agreement may be waived, amended, or modified only by a writing signed by

Borrower and Lender. No delay in the exercise of any power, right, or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right, or remedy.

(b) Assignment. This Agreement shall be binding upon Borrower and its successors and assigns and shall inure to the benefit of Lender and its successors and assigns. All rights and powers specifically conferred upon Lender may be transferred or delegated by Lender to any of its successors and assigns. Borrower's rights and obligations under this Agreement may be assigned only when such assignment is approved in writing by Lender.

(c) Governing Law. This Agreement is made and shall be governed in all respects by the laws of the state of Minnesota. Any disputes, controversies, or claims arising out of this Agreement shall be heard in the state or federal courts of Minnesota, and all parties to this Agreement waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

(d) Severability. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications that can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby.

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

To Lender:                   Grand Rapids Economic Development Authority  
420 N. Pokegama Avenue  
Grand Rapids, MN 55744  
Attn: Chief Executive Officer

To Borrower:               Grand Itasca Clinic and Hospital  
1601 Golf Course Road  
Grand Rapids, MN 55744  
Attn:

(f) Termination. If the Loan is not disbursed pursuant to this Agreement by December 31, 2017, this Agreement shall terminate and neither party shall have any further obligation to the other, except that if the Loan is not disbursed because Borrower has failed to use its best efforts to comply with the conditions set forth in Section 3 of this Agreement then Borrower shall pay to Lender all reasonable attorneys fees, costs, and expenses incurred by Lender in connection with this Agreement and the Note.

(g) Entire Agreement. This Agreement, together with the Exhibits hereto, which are incorporated by reference, constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to this Agreement, superseding all prior or

contemporaneous proposals, communications, and understandings, whether oral or written, concerning the Loan.

(h) Headings. The headings appearing at the beginning of the several sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.



IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the proper officers thereunto duly authorized on the day and year first written above.

**GRAND RAPIDS ECONOMIC DEVELOPMENT  
AUTHORITY**

By: \_\_\_\_\_

**Its President**

By: \_\_\_\_\_

**Its Executive Director**

**[SIGNATURE PAGE TO LOAN AGREEMENT – GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY]**

GRAND ITASCA CLINIC AND HOSPITAL

By: \_\_\_\_\_

Title: \_\_\_\_\_

[SIGNATURE PAGE TO LOAN AGREEMENT – GRAND ITASCA CLINIC AND HOSPITAL]

**EXHIBIT A**

**PROPERTY**

The Northwest Quarter of the Northwest Quarter (NW  $\frac{1}{4}$  NW  $\frac{1}{4}$ ), Section Twenty-nine (29), Township Fifty-five (55) North, Range Twenty-five (25), West of the Fourth Principal Meridian, LESS the South 191 feet of the East 363 feet thereof;

AND

The Northeast Quarter of the Northeast Quarter (NE  $\frac{1}{4}$  NE  $\frac{1}{4}$ ), Section Thirty (30), Township Fifty-five (55) North, Range Twenty-five (25), West of the Fourth Principal Meridian, LESS the South 250 feet of the West 347 feet thereof;

all according to the United States Government Survey thereof, Itasca County, Minnesota.

**EXHIBIT B**

**PROMISSORY NOTE**

-\$300,000-

\_\_\_\_\_, 2017

-0.0%-

GRAND ITASCA CLINIC AND HOSPITAL, a Minnesota nonprofit corporation (“Maker”), for value received, hereby promises to pay to Grand Rapids Economic Development Authority, a public body corporate and politic and political subdivision of the State of Minnesota or its assigns (“Holder”), at its designated principal office or such other place as the Holder may designate in writing, the principal sum of Three Hundred Thousand and no/100ths Dollars (\$300,000) or so much thereof as may be advanced under this Note, in any coin or currency that at the time or times of payment is legal tender for the payment of private debts in the United States of America. The principal of this Note is payable as follows:

1. As provided in the loan agreement between Borrower and Lender dated as of \_\_\_\_\_, 2017 (“Loan Agreement”), this Note shall not bear interest.
2. The entire unpaid balance of principal shall be due and payable upon the earlier of the following: (i) thirty (30) days after written notification by Holder to Maker of the occurrence of an Event of Default as defined in the Loan Agreement, and demand of payment according to Section 6 of the Loan Agreement; or (ii) ten (10) days after the Maker makes or allows to be made any total or partial transfer, sale, assignment, conveyance, lease, or transfer in any other mode, of the Property (as defined in the Loan Agreement), if such transfer occurs within five (5) years after the date of this Note. If no Events of Default occur, and if the Maker does not sell the Property within five (5) years of the Loan Closing Date, no payments shall be payable on this Note and the principal balance shall be forgiven.
3. The Maker shall have the right to prepay the principal of this Note, in whole or in part, on any date.
4. This Note is given pursuant to the Loan Agreement and a mortgage of even date herewith delivered by Borrower (the “Mortgage”). If any such security is found to be invalid for whatever reason, such invalidity shall constitute an Event of Default hereunder.

All of the agreements, conditions, covenants, provisions, and stipulations contained in the Loan Agreement, the Mortgage, or any other instrument securing this Note are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein. It is agreed that time is of the essence of this Note. If an Event of Default occurs under the Loan Agreement, the Mortgage, or any other instrument securing this Note, then the Holder of this

Note may at its right and option, without notice, declare immediately due and payable the principal balance of this Note and interest accrued thereon, together with reasonable attorneys fees and expenses incurred by the Holder of this Note in collecting or enforcing payment hereof, whether by lawsuit or otherwise, and all other sums due hereunder or any instrument securing this Note. The Maker of this Note agrees that the Holder of this Note may, without notice to and without affecting the liability of the Maker, accept additional or substitute security for this Note, or release any security or any party liable for this Note or extend or renew this Note.

5. The remedies of the Holder of this Note as provided herein, and in the Loan Agreement, the Mortgage, or any other instrument securing this Note shall be cumulative and concurrent and may be pursued singly, successively, or together, and, at the sole discretion of the Holder of this Note, may be exercised as often as occasion therefor shall occur; and the failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder of this Note shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. This Note may not be amended, modified, or changed except only by an instrument in writing signed by the party against whom enforcement of any such amendment, modifications, or change is sought.

6. If any term of this Note, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Note, or the application of such term to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term of this Note shall be valid and enforceable to the fullest extent permitted by law.

7. It is intended that this Note is made with reference to and shall be construed as a Minnesota contract and is governed by the laws thereof. Any disputes, controversies, or claims arising out of this Note shall be heard in the state or federal courts of Minnesota, and all parties to this Note waive any objection to the jurisdiction of these courts, whether based on convenience or otherwise.

8. The performance or observance of any promise or condition set forth in this Note may be waived, amended, or modified only by a writing signed by the Maker and the Holder. No delay in the exercise of any power, right, or remedy operates as a waiver thereof, nor shall any single or partial exercise of any other power, right, or remedy.

9. IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts, and things required to exist, happen, and be performed precedent to or in the issuance of this Note do exist, have happened, and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Maker has caused this Note to be duly executed as of the  
\_\_\_\_\_ day of \_\_\_\_\_, 2017.

GRAND ITASCA CLINIC AND HOSPITAL

By: \_\_\_\_\_

Title: \_\_\_\_\_

[SIGNATURE PAGE FOR PROMISSORY NOTE – GRAND ITASCA CLINIC AND HOSPITAL]

## EXHIBIT C

### MORTGAGE

**THIS MORTGAGE** (the "Mortgage") is made as of the \_\_\_\_ day of \_\_\_\_\_, 2017 by Grand Itasca Clinic and Hospital, a Minnesota nonprofit corporation, with its principal place of business located at 1601 Golf Course Road, Grand Rapids, MN 55744 (hereinafter designated as the "Mortgagor"), in favor of the Grand Rapids Economic Development Authority, a public body corporate and politic whose address is 420 N. Pokegama Avenue, Grand Rapids, Minnesota, 55744 (hereinafter designated as the "Authority").

#### WITNESSETH:

Mortgagor owes Authority the principal sum of \$300,000.00. This debt is evidenced by a promissory note of even date herewith (the "Note"). This Mortgage secures to Authority: (a) the repayment of the debt evidenced by the Note, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, advanced to protect the security of this Mortgage; and (c) the performance of Mortgagor's covenants and agreements under this Mortgage and the Note. For this purpose, Mortgagor does hereby mortgage, grant and convey to Authority, with power of sale, the property located in Itasca County, Minnesota and fully described in the attached Exhibit A, together with all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Mortgage. All of the foregoing is referred to in this Mortgage as the "Property".

MORTGAGOR COVENANTS that Mortgagor will warrant and defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

Mortgagor and Authority agree as follows:

1. PAYMENT OF PRINCIPAL; LATE CHARGES. Mortgagor shall promptly pay when due the principal of the debt evidenced by the Note and any late charges due under the Note.
2. SUBORDINATION. This Mortgage shall be subordinate to any mortgage of record in the office of the Itasca County Recorder prior to the date of this Mortgage.
3. HAZARD OR PROPERTY INSURANCE. Mortgagor shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire and any other hazards for which Authority requires insurance. This insurance shall be maintained in the amounts and for the periods that Authority reasonably requires. The insurance carrier providing the insurance shall be chosen by Mortgagor subject to Authority's approval, which shall not be unreasonably withheld or delayed. If Mortgagor fails to maintain coverage described above, Authority may, at Authority's option, obtain coverage to protect Authority's

rights in the Property in accordance with paragraph 5.

All insurance policies and renewals shall be reasonably acceptable to Authority and shall include a standard mortgage clause. If Authority requires, Mortgagor shall promptly give to Authority all receipts of paid premiums and renewal notices. In the event of loss, Mortgagor shall give prompt notice to the insurance carrier and Authority. Authority may make proof of loss if not made promptly by Mortgagor.

If under paragraph 15 the Property is acquired by Authority, Mortgagor's right to any insurance policies and proceeds resulting from damage to the Property prior to the acquisition shall pass to Authority to the extent of the sums secured by this Mortgage immediately prior to the acquisition.

4. PROTECTION OF THE PROPERTY. Mortgagor shall not destroy or damage the Property or commit waste on the Property. Mortgagor shall be in default if any forfeiture action or proceeding, whether civil or criminal, is begun that in Authority's good faith judgment could result in forfeiture of the Property or otherwise materially impair the lien created by this Mortgage or Authority's security interest. Mortgagor may cure such a default and reinstate, as provided in paragraph 13, by causing the action or proceeding to be dismissed with a ruling that, in Authority's good faith determination, precludes forfeiture of the Mortgagor's interest in the Property or other material impairment of the lien created by this Mortgage or Authority's security interest. Mortgagor shall also be in default if Mortgagor gave materially false or inaccurate information or statements to Authority in connection with the loan evidenced by the Note.

5. PROTECTION OF AUTHORITY'S RIGHTS IN THE PROPERTY. If Mortgagor fails to perform the covenants and agreements contained in this Mortgage, or there is a legal proceeding that may significantly affect Authority's rights in the Property (such as a proceeding in bankruptcy, condemnation or forfeiture), Authority may do and pay for whatever is necessary to protect the value of the Property and Authority's rights in the Property. Authority's actions may include paying any sums secured by a lien which has priority over this Mortgage, appearing in court, paying reasonable attorneys' fees and entering on the Property to make repairs. Although Authority may take action under this paragraph 5, Authority is not required to do so.

Any amounts disbursed by Authority under this paragraph 5 shall become additional debt of Mortgagor secured by this Mortgage. Unless Mortgagor and Authority agree to other terms of payment, these amounts shall bear interest from the date of disbursement at a rate equal to the interest rate on the Note and shall be payable, with interest, upon notice from Authority to Mortgagor requesting payment.

6. INSPECTION. Authority or its agent may make reasonable entries upon and inspections of the Property.

7. CONDEMNATION. The proceeds of any award or claim for damages, direct or



consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Authority.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Mortgage, whether or not then due, with any excess paid to Mortgagor. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is equal to or greater than the amount of the sums secured by this Mortgage immediately before the taking, unless Mortgagor and Authority otherwise agree in writing, if any, the sums secured by this Mortgage shall be reduced by the amount of the proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the taking, divided by (b) the fair market value of the Property immediately before the taking. Any balance shall be paid to Mortgagor. In the event of a partial taking of the Property in which the fair market value of the Property immediately before the taking is less than the amount of the sums secured immediately before the taking, unless Mortgagor and Authority otherwise agree in writing or unless applicable law otherwise provides, the proceeds shall be applied to the sums secured by this Mortgage whether or not the sums are then due.

8. FORBEARANCE BY AUTHORITY NOT A WAIVER. Any forbearance by Authority in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

9. SUCCESSORS AND ASSIGNS BOUND. The covenants and agreements of this Mortgage shall bind and benefit the successors and assigns of Authority and Mortgagor.

10. LOAN CHARGES. If the loan secured by this Mortgage is or becomes subject to a law which sets maximum loan charges, and that law is finally interpreted so that the interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected from Mortgagor which exceeded permitted limits will be refunded to Mortgagor. Authority may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Mortgagor. If a refund reduces principal, the reduction will be treated as a partial prepayment under the Note.

11. NOTICES. Any notice to Mortgagor provided for in this Mortgage shall be given by delivering it personally or by mailing it by first class United States mail, postage prepaid, return receipt requested. The notice shall be directed to the Mortgagor at the Mortgagor address first written above. Any notice to Authority shall be given or mailed to the Authority address first written above, or any other address Authority designates by notice to Mortgagor. Any notice provided for in this Mortgage shall be deemed to have been given to Mortgagor or Authority when given as provided in this paragraph.

12. GOVERNING LAW: SEVERABILITY. This Mortgage shall be governed by the law of the state of Minnesota. In the event that any provision or clause of this Mortgage or the

Note conflicts with applicable law, such conflict shall not affect other provisions of this Mortgage or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Mortgage and the Note are declared to be severable.

13. MORTGAGOR'S RIGHT TO REINSTATE. If Mortgagor meets certain conditions, Mortgagor shall have the right to have enforcement of this Mortgage discontinued at any time prior to the earlier of: (a) 5 days before sale of the Property pursuant to any power of sale contained in this Mortgage; or (b) entry of a judgment enforcing this Mortgage. Those conditions are that Mortgagor: (a) pays Authority all sums which then would be due under this Mortgage and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Mortgage, including, but not limited to, reasonable attorneys fees; and (d) takes such action as Authority may reasonably require to assure that the lien of this Mortgage, Authority's rights in the Property and Mortgagor's obligation to pay the sums secured by this Mortgage shall continue unchanged. Upon reinstatement by Mortgagor, this Mortgage and the obligations secured hereby shall remain fully effective as if no acceleration had occurred.

14. HAZARDOUS SUBSTANCES. Mortgagor shall not cause or permit the presence, use, disposal, storage, or release of any hazardous substances on or in the Property, except those solvents, oils, cleaning materials, and other substances as are used in the ordinary course of Mortgagor's business. Mortgagor shall not do, and will use its best efforts not to allow anyone else to do, anything affecting the Property that is in violation of any environmental law.

Mortgagor shall promptly give Authority written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any hazardous substance or environmental law of which Mortgagor has actual knowledge. If Mortgagor learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any hazardous substance affecting the Property is necessary, Mortgagor shall promptly take all necessary remedial actions in accordance with that environmental law.

As used in this paragraph 14, "hazardous substances" are those substances defined as toxic or hazardous substances by environmental law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph 14, "environmental law" means federal or state laws that relate to environmental protection.

15. ACCELERATION; REMEDIES. Authority shall give notice to Mortgagor prior to acceleration following Mortgagor's breach of any covenant or agreement in this Mortgage. The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Mortgagor by which the default must be cured, provided, however, if Mortgagor is diligently pursuing a cure, Mortgagor shall have such additional time as is reasonably necessary to complete the cure; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums

secured by this Mortgage and sale of the Property. The notice shall further inform Mortgagor of the right to reinstate after acceleration and sale. If the default is not cured on or before the date specified in the notice, Authority at its option may require immediate payment in full of any sums secured by this Mortgage without further demand and may invoke the power of sale and any other remedies permitted by law. Authority shall be entitled to collect all expenses incurred in pursuing the remedies provided in this paragraph 15, including, but not limited to, reasonable attorneys' fees.

If Authority invokes the power of sale, Authority shall cause a copy of a notice of sale to be served upon any person in possession of the Property. Authority shall publish a notice of sale, and the Property shall be sold at public auction in the manner prescribed by law. Authority or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorneys fees; (b) to all sums secured by this Mortgage; and (c) any excess to the person or persons legally entitled to it.

16. RELEASE OF MORTGAGE. Upon payment of all sums secured by this Mortgage, Authority shall discharge this Mortgage without charge to Mortgagor. Mortgagor shall pay any recordation costs.

**IN WITNESS WHEREOF**, Mortgagor has caused this Mortgage to be duly executed as of the day and year first above written.

MORTGAGOR:

GRAND ITASCA CLINIC AND HOSPITAL, a  
Minnesota nonprofit corporation

By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF MINNESOTA    )  
  )  
COUNTY OF ITASCA     )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2017, by \_\_\_\_\_, the \_\_\_\_\_ of Grand Itasca Clinic and Hospital, a Minnesota nonprofit corporation, on behalf of the corporation.

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

THIS INSTRUMENT WAS DRAFTED BY:

Kennedy & Graven, Chartered  
200 South Sixth Street, Suite 470  
Minneapolis, Minnesota 55402  
(612) 337-9300

**EXHIBIT A TO MORTGAGE**

**PROPERTY**

The Northwest Quarter of the Northwest Quarter (NW  $\frac{1}{4}$  NW  $\frac{1}{4}$ ), Section Twenty-nine (29), Township Fifty-five (55) North, Range Twenty-five (25), West of the Fourth Principal Meridian, LESS the South 191 feet of the East 363 feet thereof;

AND

The Northeast Quarter of the Northeast Quarter (NE  $\frac{1}{4}$  NE  $\frac{1}{4}$ ), Section Thirty (30), Township Fifty-five (55) North, Range Twenty-five (25), West of the Fourth Principal Meridian, LESS the South 250 feet of the West 347 feet thereof;

all according to the United States Government Survey thereof, Itasca County, Minnesota.

**EXHIBIT D**

**DRAW REQUEST**

TO: Grand Rapids Economic Development Authority  
420 N. Pokegama Avenue  
Grand Rapids, MN 55744  
Attn: Executive Director

DISBURSEMENT DIRECTION

The undersigned Authorized Representative of GRAND ITASCA CLINIC AND HOSPITAL, a Minnesota nonprofit corporation (the "Borrower"), hereby authorizes and requests you to disburse from proceeds of the Loan, in accordance with the terms of the Loan Agreement between Grand Rapids Economic Development Authority ("Lender") and the Borrower, dated as of \_\_\_\_\_, 2017 (the "Agreement"), the following amount to the following person and for the following proper cost of the Improvements:

1. Amount:
2. Payee:
3. Purpose:

all as defined and provided in the Agreement. The undersigned further certifies to the Lender that (a) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made under Section 3 of the Agreement; and (b) that each item for which the payment is proposed is Improvements, eligible for funding from the proceeds of the Loan.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Borrower's Authorized Representative