



A Duke LifePoint Hospital

August 29, 2014

City Manager William E. Vajda
City of Marquette, MI
300 W. Baraga Ave.
Marquette MI 49855

Dear Mr. Vajda:

I am pleased to submit the proposed Memorandum of Understanding (MOU) between Duke LifePoint Healthcare and the Marquette City Commission regarding our offer to purchase the city-owned Roundhouse Property to construct the new medical campus for Marquette General Hospital.

We look forward to the opportunity to collaborate with the City of Marquette to construct a new, state-of-the-art hospital and medical office facility that will allow us to continue to provide quality healthcare care close to home for residents of Marquette and the Upper Peninsula.

I want to thank you and the members of the Commission for your hard work and cooperation that have led us to the point. I look forward to attending the upcoming public meeting on September 8, 2014, at 7 p.m. at which the Commission will consider our proposal.

Please feel free to contact me if I can be of further assistance. Again, thank you for this opportunity to continue to provide quality healthcare services within the City of Marquette.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeff Seraphine', is written over a horizontal line.

Jeff Seraphine
President, Eastern Group

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (the “**MOU**”) is entered into effective as of _____, 2014 (“**Effective Date**”) between the CITY OF MARQUETTE, MICHIGAN (the “**City**”) and DLP MARQUETTE GENERAL HOSPITAL, LLC, a Michigan limited liability company (“**DLP**”), pursuant to which the City proposes to provide certain assistance and economic incentives in connection with DLP’s intended construction of a new acute care hospital (the “**Replacement Hospital**” which assistance and economic incentives shall provide the framework for any future binding contract between them. This document is understood to be an expression of the intent of the City and DLP (collectively, the “Parties”) to attempt in good faith to negotiate and reach binding agreements on the matters discussed herein (the “**Definitive Agreements**”), and it is not a contract or an otherwise legally binding instrument.

NOW, THEREFORE, The Parties agree to pursue good faith discussions and negotiations for such written agreements as may be necessary to finalize their mutual understandings of the following:

1. Roundhouse/MSC Site. DLP is currently considering the Roundhouse/MSC Site (as defined herein) as the location for the construction and operation of the Replacement Hospital (which has an estimated minimum project budget of \$170,000,000), which Roundhouse/MSC Site is situated within the jurisdictional boundaries of Marquette County, Michigan and more particularly described as follows: a certain tract or tracts of land containing thirty-seven (37) acres located south of Washington Street, West of 7th Street, and north of US 41 and more particularly described on **Exhibit A** attached hereto (the “**Roundhouse/MSC Site**”).

2. Proposed Commitments of the City and DLP.

(a) City’s Proposed Commitments for Roundhouse/MSC Site. In the event DLP is able to acquire fee simple title to the Roundhouse/MSC Site from the City for a purchase price of \$4,000,000 and in order to induce DLP to construct and operate the Replacement Hospital on the Roundhouse/MSC Site, the City proposes to, *at its sole cost and expense*, do the following with respect to the Roundhouse/MSC Site to be reimbursed through the associated Brownfield Project (as defined in Section 2(a)(ii)(A) herein), in connection with the construction and opening of the Replacement Hospital (collectively, the “**City’s Proposed Commitments for Roundhouse/MSC Site**”):

(i) Facilitate DLP’s application and request for a 12-year, fifty percent (50%) real property tax abatement on the Roundhouse/MSC Site and all improvements on or hereinafter constructed on the Roundhouse/MSC Site pursuant to MCL 207.659(2), which real property tax abatement period would commence in the first day of the next real property tax year that immediately follows the date on which the Replacement Hospital opens for the admission of patients (the “**Real Property Tax Abatement Period Commencement Date**”) and would expire on the twelfth (12th) anniversary of the Real Property Tax Abatement Period Commencement Date (such twelve year period being referred to herein as the “**Real Property Tax Abatement**”).

Period”). For the avoidance of doubt, the fifty percent (50%) real property tax abatement would mean that DLP will pay during the Real Property Tax Abatement Period one-half of the real property taxes on the Roundhouse/MSC Site and all improvements thereon that DLP would have paid during the Real Property Tax Abatement Period had the Roundhouse/MSC Site and all improvements thereon not been subject to the fifty percent (50%) real property tax abatement (the “**Roundhouse/MSC Site Real Property Tax Abatement Approvals**”). For purposes of this MOU, the term “**12-Year Real Property Tax Period**” means the twelve (12) consecutive real property tax years (January 1 through December 31) commencing with the real property tax year in which the later of the following events occurs: (1) the date on which a Brownfield Project (as defined below) is created and approved for the development of the Roundhouse/MSC Site for the Replacement Hospital, and (2) the date on which the City incurs public debt to fund a Brownfield Project plan relating to the Roundhouse/MSC Site. By way of illustration, if the later of the foregoing events occurs on July 1, 2015, the first real property tax year would mean the period of January 1, 2016 through December 31, 2016 and the final real property tax year in the 12-Year Real Property Tax Period would be the period of January 1, 2027 through December 31, 2027. Notwithstanding the foregoing, if during the fourth (4th) through twelfth (12th) real property tax years during the 12-Year Real Property Tax Period, the amount of the City’s actual real property tax receipts (net after tax abatement) generated from the fully completed Replacement Hospital for a given real property tax year is less than the amount needed to cover the City’s debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) for the period covered by such real property tax year on any City debt issued (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) to fund the MBRA Brownfield Project, then DLP would be responsible to pay to the City the amount of such shortfall; provided, however, that (1) DLP would not be responsible for paying to the City any shortfall in the first (1st), second (2nd) or third (3rd) real property tax years during the 12-Year Real Property Tax Period; (2) if in any given real property tax year during the fourth (4th) through twelfth (12th) real property tax years of the 12-Year Real Property Tax Period, the amount of the City’s actual real property tax receipts (net after tax abatement) generated from the fully completed Replacement Hospital for such real property tax year is more than the amount needed to cover the City’s debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) for the period covered by such real property tax year on such City debt issued (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) to fund the MBRA Brownfield Project, the amount of such excess would be carried forward to the next real property tax year and be applied as a credit against any future shortfall amount that may be payable by DLP during remaining years of the 12-Year Real Property Tax Period; and (3) in the event the City incurs debt issued (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) to fund the MBRA Brownfield Project in excess of the original principal amount of \$20,000,000, DLP’s shortfall obligations will be calculated using the assumption that the City’s debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000)

are based on the City's debt being in the original principal amount of \$20,000,000 (it being understood that DLP will have no obligation to reimburse to the City its debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) for debt in excess of the original principal amount of \$20,000,000). By way of illustration and for the avoidance of doubt, if in the sixth (6th) real property tax year of the 12-Year Real Property Tax Period, the amount of City's actual real property tax receipts (net after tax abatement) generated from the fully completed Replacement Hospital for such real property tax year exceeds the amount needed to cover the City's debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) for such real property tax year by \$100,000, such \$100,000 would be applied by the City as a credit against any future shortfall payments that DLP may be obligated to make during the remainder of the 12-Year Real Property Tax Period. Notwithstanding anything to the contrary herein, DLP would reserve the right to appeal future appraisals, valuations or real property tax assessments with respect to the Roundhouse/MSD Site and any improvements located on the Roundhouse/MSD Site and nothing in this Section would be construed as a waiver of DLP's right to appeal such appraisals, valuations or real property tax assessments in any given real property tax year.

(ii) (A) Facilitate the establishment of a Brownfield Project pursuant to authority granted under Michigan Public Act 381 of 1996, as amended (a "**Brownfield Project**"), which Brownfield Project would make available to DLP a variety of financial incentives utilized to support brownfield redevelopment projects including tax increment financing (TIF), and establish through the MEDC a Community Revitalization Program (CRP) tax abatement, and a variety of grant and loans that can potentially assist in numerous phases of a Brownfield Project. By way of explanation, Tax Increment Financing (TIF) is a tool that allows a developer to be reimbursed for eligible costs related to an eligible property (contaminated, functionally obsolete, or blighted) using the incremental increase in the taxes on the property resulting from the new development. Eligible activities include: Environmental Due Diligence (Phase I, II, and Baseline Environmental Assessments); Due Care Activities (e.g. deed restrictions, monitoring activities); Additional Response Activities (e.g. other clean-up costs); Environmental Insurance; Demolition; Asbestos/lead-based paint abatement; Site Preparation; and Public Infrastructure benefitting the project.

(B) If at any time during the Amortization Period (as defined herein), any portion of the land comprising the Roundhouse/MSD Site or any improvements thereon is conveyed, re-conveyed, or sold to any tax-exempt entity or for tax-exempt purposes, including, but not limited to, the owner of the Replacement Hospital becoming a 501(c)(3) corporation under the U.S. Internal Revenue Code (each a "**Triggering Event**"), DLP or the then owner of the Replacement Hospital would be required to pay the Reimbursement Fee (as defined herein) to the City and/or Marquette Brownfield Redevelopment Authority ("**MBRA**"). As defined herein, the "**Reimbursement Fee**" is the dollar amount that is the product of multiplying (A) the Applicable Percentage (as defined herein) by (B) the remaining outstanding principal balance for those public debt obligations representing the City's actual costs associated with the City's debt which directly funds the MBRA Brownfield Project plan relating to

the Roundhouse/MSC Site. Notwithstanding the foregoing, in the event the City incurs debt issued (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) to fund the MBRA Brownfield Project in excess of the original principal amount of \$20,000,000, DLP's Reimbursement Fee will be calculated using the assumption that the City's debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) are based on the City's debt being in the original principal amount of \$20,000,000 (it being understood that DLP will have no obligation to reimburse to the City its debt service obligations (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) for debt in excess of the original principal amount of \$20,000,000). Notwithstanding anything to the contrary herein, the dollar value of any real property tax abatements or reductions received by DLP or its successors and assigns during the Amortization Period would not be counted as part of the costs incurred by the City for purposes of this paragraph). For purposes of this MOU, the term "**Amortization Period**" means that twenty (20) year period following the later to occur of (1) the date on which a Brownfield Project is created and approved for the development of the Roundhouse/MSC Site for the Replacement Hospital, and (2) the date on which the City incurs public debt (including principal and interest and debt settlement costs on debt not to exceed the original principal amount of \$20,000,000) to fund a Brownfield Project plan relating to the Roundhouse/MSC Site. By way of illustration, if the later of the foregoing events occurs on July 1, 2015, the Amortization Period would commence on July 1, 2015 and would expire on June 30, 2035. The term "**Applicable Percentage**" means the applicable percentage described in Schedule 2(a)(ii)(B) attached hereto based on the date on which a Triggering Event occurs.

(iii) As part of the Brownfield Project, design and construct the following road realignments and upgrades: (A) realignment of Baraga Avenue to tie into Spring Street (including the acquisition of land owned by third parties to permit such realignment work, if necessary) which would include, but not be limited to the design and construction of the new realigned street to meet minimum State of Michigan recognized standards for a commercial street, and in a configuration reasonably consistent with the layout as shown on Schedule 2(a)(iii)(A) attached hereto, (B) expansion and upgrade in 7th Street and West Spring Street including but not limited to a center lane in S. 7th Street to at least the connection with W. Spring Street (to allow for left turn movement), and upgrade W Spring Street to meet minimum State of Michigan recognized standards for a commercial street, (C) new roundabout or other signalized entrance to the Replacement Hospital off of Highway 41 to minimum State of Michigan recognized standards for a modern roundabout, and in a configuration and location reasonably consistent that shown on Schedule 2(a)(iii)(B) attached hereto, and (D) new bridge spanning US 41 northeast to southwest at Grove Street, eliminating the Grove Street access to US 41, (collectively the "**Roundhouse/MSC Site Road Upgrades**"). The Roundhouse/MSC Site Road Upgrades are more particularly described in Schedules 2(a)(iii)(A) and 2(a)(iii)(B) attached hereto.

(iv) As part of the Brownfield Project, expedite and facilitate all land use and zoning applications, including PUD application, for the development and operation of the Replacement Hospital on the Roundhouse/MSC Site (the "**Roundhouse/MSC Site Land Use Applications**"). The Roundhouse/MSC Site Land Use Applications are more particularly described in Schedule 2(a)(iv) attached hereto.

(v) As part of the Brownfield Project, solicit and facilitate written determination from MDEQ that DLP and its successors and assigns shall not be liable for any existing hazardous substances or petroleum remaining at the Roundhouse/MSC Site after the activities described in Section 2(b)(iii) and 2(b)(iv) are completed.

(b) DLP's Proposed Commitments for Roundhouse/MSC Site. DLP represents that it proposes to do the following with respect to the Roundhouse/MSC Site (collectively, "**DLP's Commitments for Roundhouse/MSC Site**"), subject to the following conditions precedent being satisfied or waived in writing by DLP: (1) the work and activities described as part of DLP's Commitments for the Roundhouse/MSC Site are 100% reimbursed through the associated Brownfield Project, estimates of which are shown in the column noted as the DLP cost categories in the attached Schedule 2(b), and (2) in the event of a Triggering Event, DLP would not be required to reimburse the City, the MBRA or any affiliated entity for any reimbursements received by DLP from the MBRA in connection with the construction and opening of the Replacement Hospital (provided, however, that DLP may be obligated to pay the Reimbursement Fee under Section 2(a)(ii)(B) herein).

(i) Subject to and conditioned upon the City agreeing that the existing Marquette General Hospital and all related land and improvements thereon, located within the City of Marquette and subject to City of Marquette real property tax, have a cumulative taxable value of not more than \$40,249,500 for real property tax purposes in tax years 2013 and 2014 (as established by that certain appraisal/valuation, dated August 15, 2013, and prepared by Deloitte Financial Advisory), DLP, as owner of the existing Marquette General Hospital, would agree to dismiss all real property tax appeals for the existing Marquette General Hospital property that are currently pending on the dockets of either the City Board of Review or the Michigan Tax Tribunal (MTT). Furthermore, subject to and conditioned upon the City agreeing that the business personal property of Marquette General Hospital, located within the City of Marquette and subject to City of Marquette personal property tax, have a cumulative taxable value of not more than \$9,411,500 and \$11,101,800 for business property tax purposes in tax years 2013 and 2014, respectively, DLP, as owner of the existing Marquette General Hospital business personal property, would agree to dismiss all business personal property tax appeals for the existing Marquette General Hospital property that are currently pending on the dockets of either the City Board of Review or the MTT.

(ii) As part of the Brownfield Project, design and construct, certain electric service improvements benefitting the Replacement Hospital (the "**Roundhouse/MSC Site Electrical Service Improvements**"). The Roundhouse/MSC

Site Electrical Service Improvements are more particularly described in Schedule 2(b)(ii) attached hereto. The Roundhouse/MSC Site Electrical Service Improvements would include, but not be limited to a circuit extension 1.25 miles, a double circuit rebuild, a dual feed and automatic transfer switchgear to serve the Replacement Hospital site. The switchgear would include (3) 2,000 kVa transformers plus 1 2000 kVA spare to serve the Replacement Hospital. Provide one 2000 kVA transformer to serve the medical office building and one 300 kVA transformer to serve the parking garage. The estimated connected load for the Replacement Hospital site is approximately 11 megawatts. The actual demand will be less. The substation, feeders and switchgear to the Replacement Hospital site would have capacity to accommodate these loads.

(iii) As part of the Brownfield Project, design and construct, certain water service improvements benefitting the Replacement Hospital (the "**Roundhouse/MSC Site Water Service Improvements**"). The Roundhouse/MSC Site Water Service Improvements are more particularly described in Schedule 2(b)(iii) attached hereto. The Roundhouse/MSC Site Water Service Improvements would include, but not be limited to relocation of the existing (x" main) from its current location and installation of a new x" main all as shown on Schedule 2(b)(iii) attached hereto. The final design will ensure a "loop" system for redundancy should there be an interruption in service.

(iv) As part of the Brownfield Project, design and construct, certain sanitary and storm sewer service improvements benefitting the Replacement Hospital (the "**Roundhouse/MSC Site Sewer Service Improvements**"). The Roundhouse/MSC Site Sewer Service Improvements are more particularly described in Schedule 2(b)(iv) attached hereto. The Roundhouse/MSC Site Sewer Service Improvements would include, but not be limited to City relocation of the existing (x" main) from its current location and installation of a new x" main all as shown on Schedule 2(b)(iv) attached hereto. The final design will ensure a "loop" system for redundancy should there be an interruption in service.

(v) As part of the Brownfield Project, fully assess the entire Roundhouse/MSC Site for the presence of hazardous substances or petroleum which may pose a threat to human health and the environment, and identify the full extent of any contaminant observed at concentrations equal to or exceeding its Part 201 Residential Criteria; and remove and replace with clean structural fill, any hazardous substance or petroleum present at concentrations equal to or exceeding the corresponding Part 201 Residential Criteria within the footprint (plus ten (10) feet laterally from such footprint) (the "**Footprint**") of the Replacement Hospital and associated medical office buildings and parking deck/garage structures to levels equal to or less than the Part 201 Residential Criteria.

(vi) Upon completion, would retain relevant records, reports and studies related to the remediation effort on the Roundhouse/MSC Site.

(vii) Remove and replace with clean structural fill, any undocumented fill material as identified as such (in addition, some containing debris fragments such as asphalt, slag, brick, etc.), in the Preliminary Geotechnical Evaluation Report, dated June 6, 2014 (the "Geotechnical Report"), prepared by Soil and Materials Engineers, Inc. (the "Geotechnical Engineer") outside the Footprint that DLP deems is necessary, in its sole discretion, for its site development activities. Physical properties of all such clean structural fill material placed on the Roundhouse/MSA Site by DLP would be determined by DLP. Further, such removal and replacement of soils would be documented by DLP.

3. DLP's Remedies for Non-Performance. TO BE DETERMINED.
4. City Remedies for DLP Non-Performance. TO BE DETERMINED
5. General Provisions

(a) *Conditions Precedent.* Any future binding contract between the Parties will require the approval by resolution of the Marquette City Commission.

(b) *Notices.* All notices, demands, requests and other communications under this MOU shall be in writing and shall be either (i) delivered in person, (ii) sent by certified mail, return receipt requested, or (iii) delivered by a recognized delivery service and addressed as follows:

City: City of Marquette
300 West Baraga Avenue
Marquette, Michigan 49855
Attn: Gary Simpson, CFO

DLP: DLP Marquette General Hospital, LLC
330 Seven Springs Way
Brentwood TN 37027
Attn: Tom Butler

With a copy to: DLP Marquette General Hospital, LLC
330 Seven Springs Way
Brentwood TN 37027
Attn: Vice President - Real Estate

With a copy to: Mr. Dana Young
RECOR LLC
800 Breckston Lane
Nashville, TN 37221

A notice, demand, consent, approval, request and other communication shall be deemed to be duly received (y) if delivered in person or by a recognized delivery service, when left at the address of the recipient; and (z) if sent by certified mail, return receipt requested, three (3) business days after the date on which such notice was deposited in the U.S. Mail. Either Party may change its address for the purpose of this paragraph by giving written notice of such change to the other Party in the manner provided in its paragraph.

(c) *Gender.* The use herein of any gender includes all others, and the singular number includes the plural and vice-versa, whenever the context so requires.

(d) *Captions.* Captions in this MOU are inserted for convenience of reference only and do not define, describe or limit the scope or the intent of this MOU or any of the terms hereof.

(e) *Entire Understanding.* This MOU contains the entire understanding between the Parties regarding the subject matter hereof.

(f) *Governing Law.* This MOU shall be construed in accordance with the laws of the State of Michigan.

(g) *Counterparts.* This MOU may be executed in one or more counterparts, each of which shall be deemed an original and when taken together will constitute one instrument.

(h) *Exhibits and Schedules.* **Exhibit A** and Schedules 2(a)(ii)(B), 2(a)(iii)(A), 2(a)(iii)(B), 2(a)(iv), 2(b), 2(b)(ii), 2(b)(iii) and 2(b)(iv) attached hereto are by this reference incorporated herein and made a part hereof.

[Remainder of page intentionally left blank]

The parties hereto have caused this MOU to be executed as of the day and year first above written.

DLP:

DLP MARQUETTE GENERAL HOSPITAL, LLC, a Michigan limited liability company

By: DLP Marquette Holding Company, LLC, a Delaware limited liability company

Its: Sole Member

By: 
Print Name: _____
Print Title: _____
Date of signature: _____

CITY:

CITY OF MARQUETTE, MICHIGAN

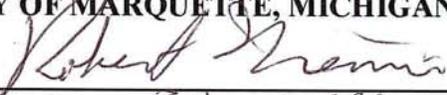
By: 
Printed Name: Robert Niemi
Printed Title: Mayor
Date of signature: 9/15/14

Exhibit A
The Roundhouse/MSC Site



Schedule 2(a)(ii)(B)
Schedule of Applicable Percentages

[To be agreed upon by the parties and included in the Definitive Agreements]

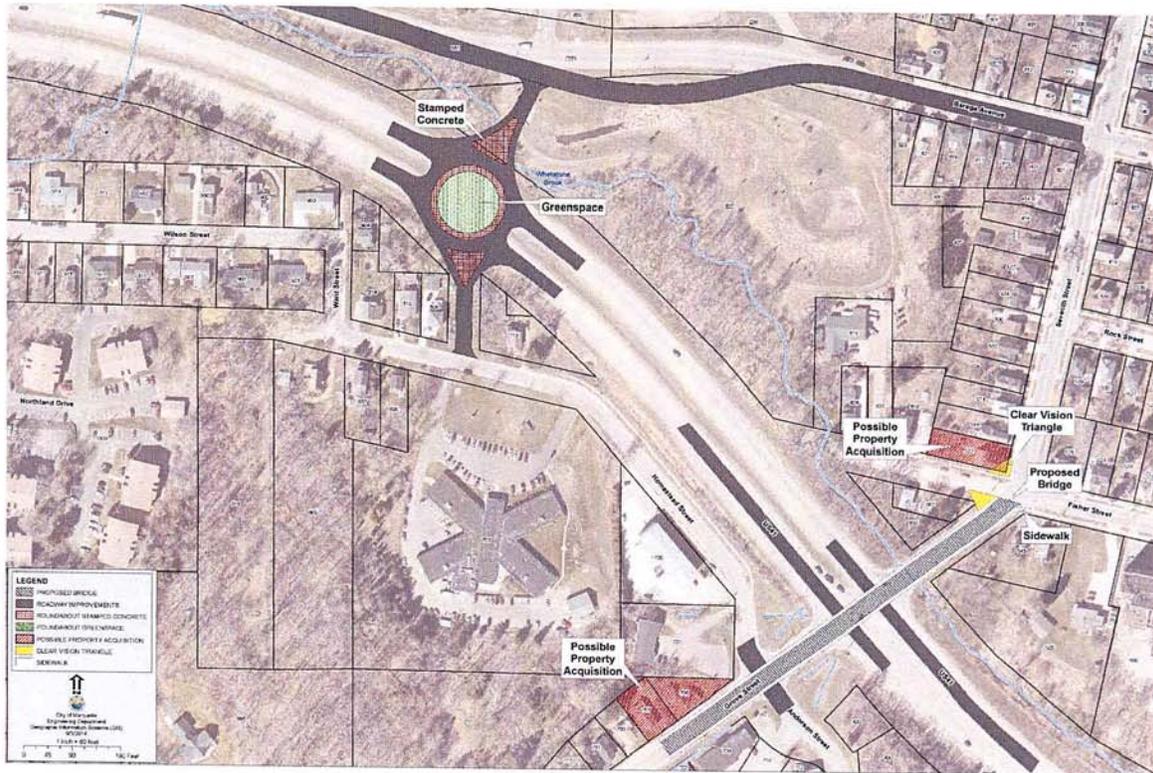
Schedule 2(a)(iii)(A)
Roundhouse/MSO Site Road Upgrades
 (Relating to Realignment of Baraga Avenue)

Relocation of Baraga Avenue to include all associated utilities and infrastructure to be further defined in the Brownfield Project plan and constructed to State recognized standards. See attached diagram for general depiction of relocation of Baraga Avenue.



Schedule 2(a)(iii)(B)
Roundhouse/MSO Site Road Upgrades
(Relating to New Traffic Circle)

New modern roundabout on US-41/M-28 to include all associated utilities (if necessary) and infrastructure to be further defined in the Brownfield Project plan and constructed to State recognized standards. See attached diagram.



Schedule 2(a)(iv)
Roundhouse/MSC Site Land Use Applications

The City will facilitate all necessary zoning and land use applications, including, but not limited to, Planned Unit Development, Land Division/Combination and Site Plan Review, dependent on submission of engineering plans for the development of the Property.

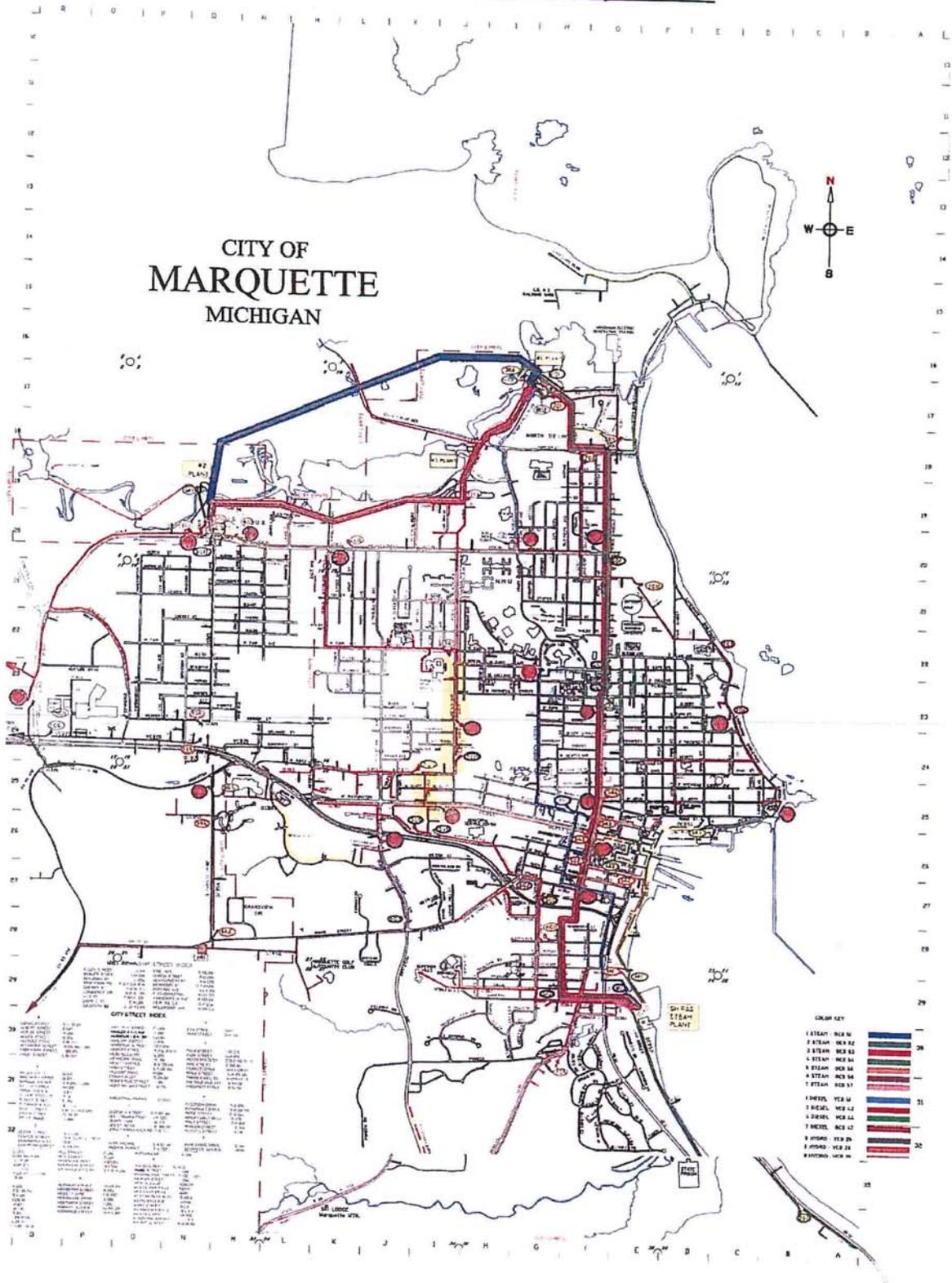
Schedule 2(b)
List of Not-To-Exceed Costs for Line Items

Roundhouse Site

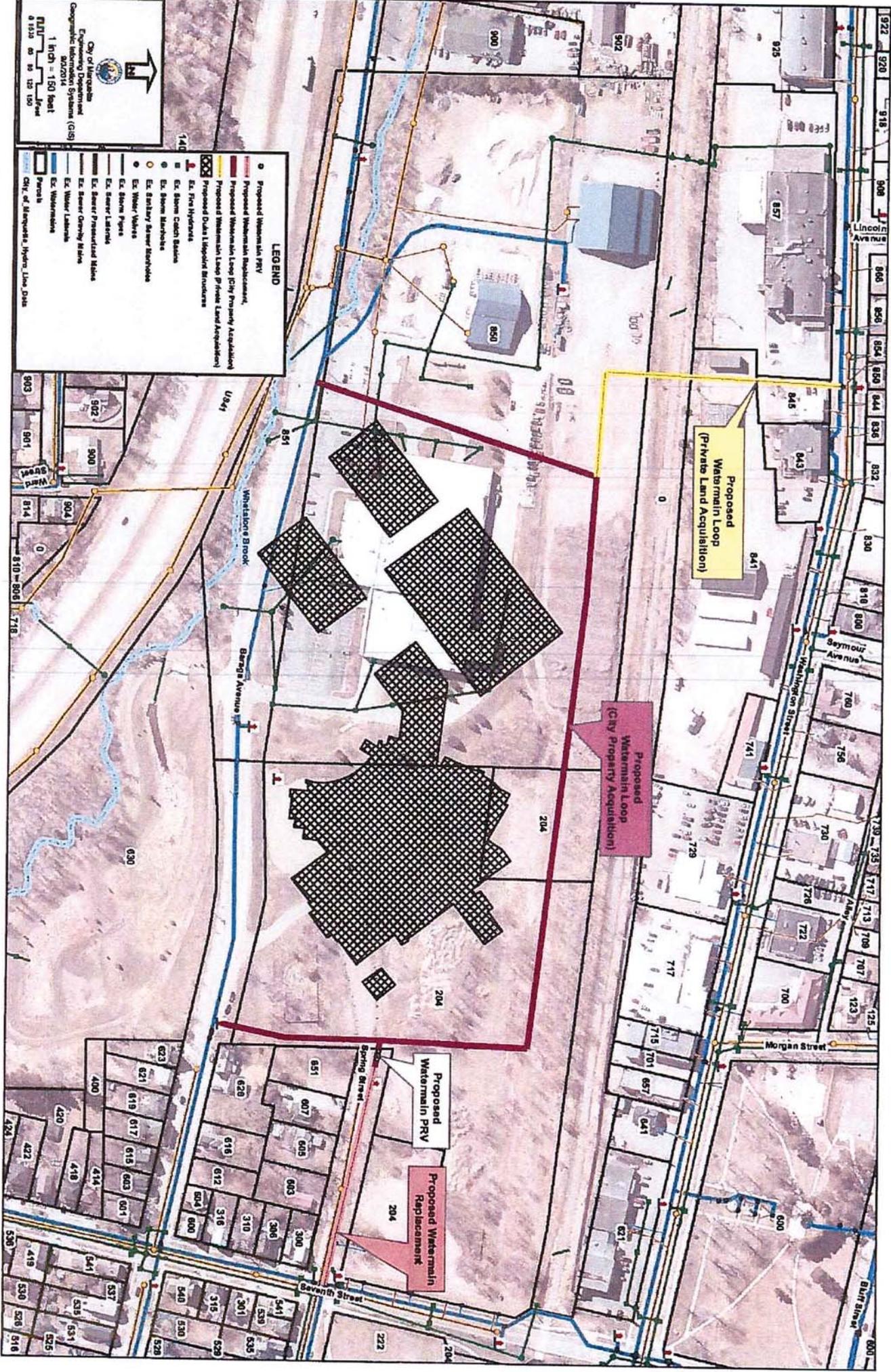
8/22/2014

	Contracts For And Reimbursement To (plus interest):	
	DLP	City of Marquette
New Roundabout on 41		\$5,000,000
Realignment of Baraga		\$1,000,000
Upgrade 7th and W Spring		\$700,000
New Flyover/Bridge at Grove		\$3,000,000
Realigned ROW - Associated Property Acquisitions (if needed)		\$1,500,000
New Municipal Center		\$8,800,000
Electric Power Service & Upgrades	\$800,000	
Water Service Offsite Upgrade	\$400,000	
Water Service (on site)	\$200,000	
Sewer Service Offsite Upgrade	\$400,000	
Sanitary Sewer (on site)	\$125,000	
Environmental Remediation	\$4,000,000	
Demolition (exist MSC) Keep 1-2 existing outlying buildings (no asbestos assumed)	\$300,000	
Remove/replace unsuitable (unclassified) soils	\$1,500,000	
Earthwork (Misc Onsite Cut & Fill)	\$400,000	
Geotechnical Fabric	\$50,000	
Import additional fill (raise building FFE +/- 2', 600x600 area)	\$780,000	
Erosion Control & Maintenance	\$50,000	
Drainage	\$375,000	
Tap Fees	\$20,000	
New Access Point on Washington Avenue	\$600,000	
SUBTOTAL	\$10,000,000	
	\$10,000,000	\$20,000,000
TOTAL	\$30,000,000	

Schedule 2(b)(ii)
Roundhouse/MSC Site Electrical Service Improvements



Schedule 2(b)(iii)
Roundhouse/MSC Site Water Service Improvements



Schedule 2(b)(iv) Roundhouse/MSC Site Sewer Service Improvements

