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**LEASE**

*BETWEEN*

**MENDOCINO COAST HEALTH CARE DISTRICT,  
as Landlord**

*AND*

**ADVENTIST HEALTH MENDOCINO COAST,  
as Tenant**

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LEASE

This LEASE (the “Lease”) is made and entered into as of May 5, 2020 (the “Execution Date”) , between MENDOCINO COAST HEALTH CARE DISTRICT, a California health care district (the “District” and, in its capacity as landlord under this Lease, “Landlord”), and ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation (“Tenant”), a wholly owned subsidiary of STONE POINT HEALTH, a California nonprofit public benefit corporation (“Stone Point Health”), an affiliate of ADVENTIST HEALTH SYSTEM/WEST, d/b/a ADVENTIST HEALTH, a California nonprofit religious corporation (“Adventist Health”).

**WITNESSETH:**

**WHEREAS**, Landlord is the owner of a critical access hospital located in Fort Bragg, California, known as Mendocino Coast District Hospital (the “Hospital”);

**WHEREAS**, at the Execution Date, Landlord owns the following real property that constitutes the Hospital (collectively, the “Premises”): (a) the land described in **Exhibit A** (the “Land”); (b) all buildings, structures, and other improvements and appurtenances located on the Land or otherwise constituting part of the Premises (the “Improvements”); (c) all right, title, and interest of Landlord, if any, in and to the land lying in the bed of any street or highway in front of or adjoining the Land to the center line of such street or highway; (d) the appurtenances and all the estate and rights of Landlord in and to the Land; (e) any strips or gores adjoining the Land; and (f) all Building Equipment attached or appurtenant to any of the foregoing;

**WHEREAS**, in connection with the Premises, Landlord owns Existing FF&E (as defined herein);

**WHEREAS**, the parties have entered into that certain Interim Management Services Agreement dated May 4, 2020, pursuant to which Tenant provides certain management and administrative services to Landlord related to the operations of the Hospital;

**WHEREAS**, Landlord desires to lease the Premises and the Existing FF&E to Tenant, and Tenant desires to lease the Premises and the Existing FF&E from Landlord so that Tenant may become the successor operator of the Hospital as of the Commencement Date, to effect the continued delivery of health care for the benefit of communities served by the Landlord;

**WHEREAS**, the parties desire to enter into this Lease to set forth their rights and obligations to each other relating to the Premises and the Existing FF&E; and

**WHEREAS**, in connection with this Lease, the parties are entering a related Transfer of Business Operations Agreement (“OTA”), which sets forth the terms on which Tenant will assume certain assets, liabilities, and other operational items from Landlord to ensure continuous Hospital operations.

**NOW, THEREFORE**, for good and valuable consideration, Landlord leases and demises the Premises and the Existing FF&E to Tenant, and Tenant takes and leases the Premises and the Existing FF&E from Landlord for the Term, upon the terms and conditions of this Lease.

1. Definitions. The following definitions apply in this Lease:

“Additional Rent” means all sums that this Lease requires Tenant to pay Landlord, whether or not expressly called Additional Rent, except Base Rent.

“Affiliate” of any specified Person means any other Person Controlling or Controlled by or under common Control with such specified Person. “Affiliated” shall have the correlative meaning.

“Application” means any agreement, application, certificate, document, or submission (or amendment of any of the foregoing): (a) necessary or appropriate for any Construction this Lease allows, including any application for any building permit, certificate of occupancy, utility service or hookup, easement, covenant, condition, restriction, subdivision plat, or such other instrument as Tenant may from time to time reasonably request for such Construction; (b) to allow Tenant to obtain any abatement, deferral, or other benefit otherwise available for Real Estate Taxes; (c) if and to the extent (if any) this Lease permits, to allow Tenant to change the use or zoning of the Premises; (d) to enable Tenant from time to time to seek any Approval or to use and operate the Premises in accordance with this Lease; or (e) otherwise reasonably necessary and appropriate to permit Tenant to realize the benefits of the Premises under this Lease.

“Approvals” means any and all licenses, permits (including building, demolition, alteration, use, and special permits), approvals, consents, certificates (including certificate(s) of occupancy), rulings, variances, authorizations, or amendments to any of the foregoing as shall be necessary or appropriate under any Law for the commencement, performance, or completion of any Construction, or the zoning, rezoning (to the extent this Lease allows), use, occupancy, maintenance, or operation of the Premises.

“Building” means all occupiable Improvements located or to be located on the Premises from time to time.

“Building Equipment” means all fixtures incorporated in the Premises and used, useful, or necessary to operate the Building as such (including boilers; compactors; compressors; conduits; ducts; elevators; escalators; heating, ventilating and air conditioning systems; and pipes) as opposed to operating any particular business in the Building.

“Business Day” means any weekday on which State-chartered banks are open to conduct regular banking business with bank personnel.

“Casualty” means any damage or destruction of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, affecting any or all Improvements, whether or not insured or insurable.

“Casualty Termination” means a termination of this Lease because of a Substantial Casualty, when and as this Lease expressly allows such a termination.

“Commencement Date” means the date Tenant commences operation of the Premises following the occurrence or satisfaction of all of the following events, which are reasonably necessary for Hospital operations as determined by Tenant: (a) Electorate Approval has been received, (b) timing coordination related to transitioning Hospital operations onto Tenant’s internal systems, including but not limited to supply chain and vendor arrangements, (c) all regulatory approvals necessary to operate an acute care hospital, including but not limited to approvals from California Department of Public Health, California Board of Pharmacy, Centers for Medicare and Medicaid Services and Department of Health Care Services have been received, but only to the extent any such regulator requires approval of a change in ownership application prior to the Commencement Date and (d) satisfaction of all closing conditions set forth in Section 9.1 of the OTA, unless waived by the appropriate party. Tenant shall keep Landlord informed of the progress of the foregoing applications for approvals and events and shall give Landlord at least five (5) business days’ advance notice of the Commencement Date.

“Condemnation” means: (a) any temporary or permanent taking of (or of the right to use or occupy) any Premises by condemnation, eminent domain, or any similar proceeding; or (b) any action by any Government not resulting in an actual transfer of an interest in (or of the right to use or occupy) any Premises but creating a right to compensation, such as a change in grade of any street upon which the Premises abut.

“Condemnation Award” means any award(s) paid or payable (whether or not in a separate award) to either party after the Commencement Date because of or as compensation for any Condemnation, including: (1) any award made for any Improvements that are the subject of the Condemnation; (2) the full amount paid or payable by the condemning authority for the estate that is the subject of the Condemnation, as determined in Condemnation; (3) any interest on such award; and (4) any other sums payable on account of such Condemnation, including for any prepayment premium under any mortgage.

“Condemnation Effective Date” means, for any Condemnation, the first date when the condemning authority has acquired title to or possession of any Premises subject to the Condemnation.

“Construction” means any alteration, construction, demolition, development, expansion, reconstruction, redevelopment, repair, Restoration, or other work affecting any Improvements, including new construction.

“Contracts” means all written commitments, contracts, leases, licenses, agreements and understandings relating to the Hospital or the Licensed Operations, including, without limitation, agreements with payors, physicians and other providers; agreements with health plans, health maintenance organizations, independent practice associations, preferred provider organizations and other managed care plans and alternative delivery systems; joint venture and partnership agreements; management, employment, retention and severance agreements; vendor agreements; real and personal property leases and schedules; maintenance agreements and schedules; agreements with municipalities and labor organizations; and bonds, mortgages and other loan agreements.

“Control” means the possession, directly or indirectly, of either: (a) at least 51% direct or indirect ownership of the Equity Interests of a Person; or (b) the power to direct or cause the direction of the management and policies of such Person, whether by ownership of Equity Interests, by contract, or otherwise.

“County” means the county where the Premises are located.

“CPI” means the United States Department of Labor, Bureau of Labor Statistics “Consumer Price Index” for All Urban Consumers published for San Francisco-Oakland-San Jose, California, with a base of 1982-1984 = 100. If the CPI ceases to be published, with no successor index, then the parties shall reasonably agree upon a reasonable substitute index.

“CPI Adjustment Factor” means, for any Lease Year, the lesser of (a) 1.03 and (b) quotient of (i) the CPI for the month preceding by two months the first month of such Lease Year divided by (ii) the CPI for the month preceding by two months the first month of the immediately preceding Lease Year (solely by way of example and for the avoidance of doubt, if the first month of the second Lease Year were June 2020 then the CPI Adjustment Factor for the second Lease Year would be the lesser of (a) 1.03 and (b) the quotient of the CPI for April 2020 divided by the CPI for April 2019).

“Default” means an uncured default or breach under this Lease. A Default may consist of a Monetary Default or a Nonmonetary Default.

“Default Interest” means interest at an annual rate equal to the lesser of: (a) the Prime Rate plus two percent (2%) per annum; or (b) the Usury Limit.

“District Bonds” means: (i) Mendocino Coast Health Care District (Mendocino County, California) Insured Health Facility Refunding Revenue Bonds Series 2016; and (ii) Mendocino Coast Health Care District (Mendocino County, California) Election of 2000 General Obligation Refunding Bonds, Series 2016.

“Employee Benefit Plan” means any (i) nonqualified deferred compensation or retirement plan or arrangement which is an Employee Pension Benefit Plan, (ii) qualified defined contribution retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (iii) qualified defined benefit retirement plan or arrangement which is an Employee Pension Benefit Plan (including any Multiemployer Plan), (iv) Employee Welfare Benefit Plan or material fringe benefit plan or program, (v) employment, consulting, severance, termination, pension, retirement, supplemental retirement, excess benefit, profit sharing, bonus, incentive, deferred compensation, retention, transaction and change in control plan, program, arrangement, agreement, policy or commitment, (vi) stock option, restricted stock, deferred stock, performance stock, stock appreciation, stock unit or other equity or equity-based plan, program, arrangement, agreement, policy or commitment, (vii) savings, life, health, disability, accident, medical, dental, vision, death benefit, cafeteria, insurance, flex spending, adoption/dependent/employee assistance, tuition, vacation, paid-time-off, perquisite, outplacement, welfare benefit, fringe benefit and other similar compensation or benefit plan, program, arrangement, agreement, policy (whether formal or informal) or commitment, including

in each case each “employee benefit plan” as defined in Section 3(3) of ERISA (whether or not subject to ERISA).

“Environmental Law” means any Law about the following at, in, under, above, or upon the Premises: (a) air, environmental, ground water, or soil conditions; or (b) clean-up, control, disposal, generation, storage, release, transportation, or use of, or liability or standards of conduct concerning, Hazardous Substances.

“Equipment Lien” means any security interest, financing lease, personal property lien, conditional sales agreement, chattel mortgage, security agreement, title retention arrangement or any similar arrangement (including any related financing statement) for Tenant’s acquisition or leasing of any Financed FF&E used in the Premises that is leased, purchased under conditional sale or installment sale arrangements, encumbered by a security interest, or used under a license, provided that each Equipment Lien encumbers or otherwise relates only to the Financed FF&E for which such secured party provides bona fide purchase-money financing or a bona fide equipment lease, after the Commencement Date.

“Equity Interest” means all or any part of any direct or indirect equity or ownership interest(s) (whether stock, partnership interest, beneficial interest in a trust, membership interest, or other interest of an ownership or equity nature) in any entity at any tier of ownership that directly or indirectly owns or holds any ownership or equity interest in a Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Estoppel Certificate” means a statement setting forth, as of the date of such statement, (a) the documents comprising this Lease, (b) whether or not any Defaults exist under this Lease, (c) the Base Rent and (d) whether any Base Rent has been prepaid for more than one (1) month in advance.

“Expiration Date” means the date when this Lease terminates or expires in accordance with its terms or otherwise, whether on the Scheduled Expiration Date, by Landlord’s exercise of remedies for an Event of Default, by Tenant’s exercise of its termination right or otherwise.

“Existing FF&E” means FF&E owned by Landlord immediately before the Commencement Date and leased to Tenant pursuant to this Lease.

“Fee Estate” means Landlord’s fee estate in the Premises, including Landlord’s reversionary interest in the Premises after the Expiration Date.

“FF&E” means all movable furniture, furnishings, equipment, and personal property (excluding Building Equipment) that may be removed without material damage to the Premises and without adversely affecting: (a) the structural integrity of the Premises; (b) any electrical, plumbing, mechanical, or other system in the Premises; (c) the present or future operation of any such system; or (d) the present or future provision of any utility service to the Premises. FF&E includes items such as hospital equipment, furniture, movable equipment,

telephone, telecommunications and facsimile transmission equipment, point of sale equipment, televisions, radios, network racks, and computer systems and peripherals.

“Financed FF&E” means any FF&E subject to an Equipment Lien in favor of a lessor or lender that: (a) is not an Affiliate of Tenant, and (b) actually provides bona fide financing or a bona fide equipment lease after the Commencement Date for Tenant’s acquisition or use of such FF&E.

“Government” means each and every governmental agency, authority, bureau, department, quasi-governmental body, or other entity or instrumentality having or claiming jurisdiction over the Premises (or any activity this Lease allows), including the United States federal government, the State and County governments and their subdivisions and municipalities, and all other applicable governmental agencies, authorities, and subdivisions thereof. “Government” shall also include any planning commission, board of standards and appeals, department of buildings, city council, zoning board of appeals, or planning board or commission having or claiming jurisdiction over the Premises or any activities on or at the Premises.

“Government Healthcare Programs” means Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs, including such program’s Participation Agreements.

“Handling of Hazardous Substances” means the production, use, reuse, generation, Release, storage, treatment, formulation, processing, labeling, distribution, introduction into commerce, registration, transportation, reclamation, recycling, disposal, arranging for disposal, discharge or other handling or disposition of Hazardous Substances.

“Hazardous Substances” includes flammable substances, explosives, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, medical wastes, toxic substances or related materials, explosives, petroleum and petroleum products, and any “hazardous” or “toxic” material, substance or waste that is defined by those or similar terms or is regulated as such under any Law, including any material, substance or waste that is: (i) defined as a “hazardous substance” under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317), as amended; (ii) defined as a “hazardous waste” under Section 1004 of The Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq., as amended; (iii) defined as a “hazardous substance” or “hazardous waste” under Section 101 of The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. or any so-called “superfund” or “superlien” law, including the judicial interpretations thereof; (iv) defined as a “pollutant” or “contaminant” under 42 U.S.C.A. § 9601(33); (v) defined as “hazardous waste” under 40 C.F.R. Part 260; (vi) defined as a “hazardous chemical” under 29 C.F.R. Part 1910; or (vii) subject to any other Law regulating, relating to or imposing obligations, liability or standards of conduct concerning protection of human health, plant life, animal life, natural resources, property or the enjoyment of life or property free from the presence in the environment of any solid, liquid, gas, odor or any form of energy from whatever source.

“Hazardous Substances Discharge” means any deposit, discharge, generation, emission, release, or spill of Hazardous Substances that occurs at or from the Premises, or into the Land, or that arises at any time from the use, occupancy, or operation of the Premises or any activities conducted therein or any adjacent or nearby real property, or resulting from seepage, leakage, or other transmission of Hazardous Substances from other real property to the Land, whether or not caused by a party to this Lease and whether occurring before or after the Commencement Date.

“Improvements” has the meaning set forth in the recitals of this Lease.

“Indemnify” means, where this Lease states that any Indemnitor shall “Indemnify” any Indemnitee from, against, or for a particular matter (the “Indemnified Risk”), that the Indemnitor shall indemnify the Indemnitee and defend and hold the Indemnitee harmless from and against any and all loss, cost, claims, liability, penalties, judgments, damages, and other injury, detriment, or expense (including Legal Costs, interest and penalties) that the Indemnitee suffers or incurs: (a) from, as a result of, or on account of the Indemnified Risk; or (b) in enforcing the Indemnitor’s indemnity. Indemnitor’s counsel shall be subject to Indemnitee’s approval, not to be unreasonably withheld. Any counsel satisfactory to Indemnitor’s insurance carrier shall be automatically deemed satisfactory.

“Indemnitee” means any party entitled to be Indemnified under this Lease and its agents, directors, employees, Equity Interest holders, mortgagees, and officers.

“Indemnitor” means a party that agrees to Indemnify any other Person.

“Insubstantial Condemnation” means any Condemnation except a Substantial Condemnation or a Temporary Condemnation.

“Land” has the meaning set forth in the recitals of this Lease.

“Landlord” means the Landlord named in the opening paragraph of this Lease and its permitted successors and assigns (in all cases in compliance with this Lease, including requirements regarding any Trust Funds).

“Landlord Employee Benefit Plans” means any Employee Benefit Plan sponsored, maintained or contributed to, or required to be sponsored, maintained or contributed to by Landlord, or with respect to which Landlord has any actual or contingent liability.

“Laws” means all laws, ordinances, requirements, orders, proclamations, directives, rules, and regulations of any Government affecting the Premises, this Lease, or any Construction in any way, including any use, maintenance, taxation, operation, or occupancy of, or environmental conditions affecting, the Premises, or relating to any Real Estate Taxes, or otherwise relating to this Lease or any party’s rights and remedies under this Lease, or any Transfer of any of the foregoing, whether in force at the Commencement Date or passed, enacted, or imposed at some later time, subject in all cases, however, to any applicable waiver, variance, or exemption.

“Lease Year” means: (a) the twelve consecutive calendar month period starting on the Rent Commencement Date; and (b) every subsequent period of twelve consecutive calendar months during the Term.

“Leasehold Estate” means Tenant’s leasehold estate, and all of Tenant’s rights, privileges, and Preemptive Rights, under this Lease, upon and subject to all the terms and conditions of this Lease, and any direct or indirect interest in such leasehold estate.

“Legal Costs” of any Person means all reasonable costs and expenses such Person incurs in any legal proceeding (or other matter for which such Person is entitled to be reimbursed for its Legal Costs), including reasonable attorneys’ fees, court costs, and expenses, and in or as a result of any bankruptcy proceeding.

“Liability Insurance” means commercial general liability insurance against claims for personal injury, death, or property damage occurring upon, in, or about the Premises or adjoining streets and passageways.

“Licensed Operations” means the services licensed as part of the consolidated general acute care hospital license for the Hospital, including, without limitation, the Hospital’s outpatient services, including those outpatient clinics reimbursed through the “Rural Health Clinics Program” (as defined in 42 C.F.R. Pt. 405).

“Loss” means any Casualty or Condemnation.

“Loss Proceeds” means Condemnation Award(s) and/or Property Insurance Proceeds.

“Market Value” of the Fee Estate or the Leasehold Estate means, as of any date of determination, the present fair market value of such estate (including the fair market value of the rights of the holder of such estate in and to any Improvements) as of such date, considered: (a) as if no Loss had occurred; (b) without adjusting for any expectation of any Loss; (c) as if the Leasehold Estate had not been terminated; (d) taking into account the benefits and burdens of this Lease, the remaining Term, all Permitted Real Property Encumbrances, and all other matters affecting such estate and its valuation; and (e) discounting to present value all the obligations and benefits associated with such estate (including, in the case of the Fee Estate, the Rent and Landlord’s reversion). The Market Value shall be determined as if the Term: (1) were to continue until the Scheduled Expiration Date and (2) included, prospectively, all renewal Terms except any renewal Term for which Tenant Notifies Landlord that Tenant would not have exercised the renewal option in due course. Market Value shall be determined independently of, and without regard to, any valuation established in a Condemnation.

“Memorandum of Lease” means a memorandum of this Lease, in recordable form, setting forth the following provisions of this Lease: (a) all information any Law requires; (b) the Purchase Option; and (c) such other provisions, except the amount or means of determining Rent, as either party reasonably desires.

“Modification” means any abandonment, amendment, cancellation, discharge, extension, modification, rejection, renewal, replacement, restatement, substitution, supplement, surrender, termination, or waiver of a specified agreement or document, or of any of its terms or provisions, or the acceptance of any cancellation, rejection, surrender, or termination of such agreement, document, or terms.

“Modify” means agree to, cause, make, or permit any Modification.

“Monetary Default” means a party’s failure to pay money (including Real Estate Taxes and insurance premiums) when and as this Lease requires.

“Nonmonetary Default” means a party’s material: (a) failure to comply with any affirmative or negative covenant or obligation in this Lease, except a Monetary Default; or (b) breach of any representation or warranty (as of the date made or deemed made).

“Notice” means any consent, demand, designation, election, notice, or request relating to this Lease, including any Notice of Default. Notices shall be delivered, and shall become effective, only in accordance with the “Notices” section of this Lease.

“Notice of Default” means any Notice claiming or giving Notice of a Default or alleged Default.

“Notify” means give a Notice.

“OSHPD” means the California Office of Statewide Health Planning and Development.

“Participation Agreement” means any of Landlord’s Government Healthcare Program participation agreement, provider agreement and related provider and/or certification numbers and national provider identifiers (“NPIs”).

“Permitted Real Property Encumbrance” means (i) all liens for taxes and assessments not yet due and payable and (ii) liens for taxes, assessments and other charges, if any, the validity of which is being contested in good faith by appropriate action, and with respect to the Landlord, for which adequate reserves (as determined in accordance with GASB) have been established on Landlord’s books with respect thereto, (iii) those encumbrances listed on **Schedule 14.10** attached hereto; and (v) any other matter disclosed to Tenant and deemed in writing by Tenant to be a Permitted Real Property Encumbrance.

“Person” means any association, corporation, Government, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind. (This does not limit any Transfer restriction.)

“Preemptive Right” means any expansion, extension, purchase, or renewal option; right of first refusal or first offer; or other preemptive right this Lease gives Tenant.

“Premises” has the meaning set forth in the recitals of this Lease.

“Prime Rate” means the prime rate or equivalent “base” or “reference” rate for corporate loans that is from time to time: (a) published in the Wall Street Journal; or (b) if such rate is no longer so published or announced, then a reasonably equivalent rate published by an authoritative third party that Landlord and Tenant jointly designate. Notwithstanding anything to the contrary in this paragraph, the Prime Rate shall never exceed the Usury Limit.

“Prohibited Lien” means any mechanic’s, vendor’s, laborer’s, or material supplier’s statutory lien or other similar lien arising from work, labor, services, equipment, or materials supplied, or claimed to have been supplied, to Tenant (or anyone claiming through either), which lien attaches (or may attach upon termination of this Lease) to the Fee Estate. An Equipment Lien is not a Prohibited Lien.

“Property Insurance” means insurance providing coverage for the Premises, the Building, and Building Equipment, against loss, damage, or destruction by fire and other hazards (except earthquake or war risk) from time to time during the Term.

“Property Insurance Proceeds” means net proceeds (after reasonable costs of adjustment and collection, including Legal Costs) of Property Insurance, when and as received by Landlord or Tenant, excluding proceeds of Tenant’s business interruption insurance in excess of Rent.

“Real Estate Taxes” means all general and special real estate taxes (including taxes on FF&E, sales taxes, use taxes, and the like), assessments, municipal water and sewer rents, rates and charges, excises, levies, license and permit fees, fines, penalties and other governmental charges and any interest or costs with respect thereto, and charges for public utilities not otherwise payable directly by Tenant (including gas, electricity, light, heat, air conditioning, power and telephone and other communication services), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever that at any time before or during the Term and applicable to the Term or any part of it may be assessed, levied, imposed upon, or become due and payable out of or in respect of, or charged with respect to or become a lien on, the Premises, or any FF&E, Building Equipment or other facility used in the operation thereof, or the rent or income received therefrom, or any use or occupancy thereof. “Real Estate Taxes” shall not, however, include any of the following, all of which Landlord shall pay before delinquent or payable only with a penalty: (a) any franchise, income, excess profits, estate, inheritance, succession, transfer, gift, corporation, business, capital levy, or profits tax, or license fee, of Landlord; (b) any item listed in this paragraph that is levied, assessed, or imposed against the Premises during the Term based on the recapture or reversal of any previous tax abatement or tax subsidy, or compensating for any previous tax deferral or reduced assessment or valuation, or correcting a miscalculation or misdetermination, relating to any period(s) before the Commencement Date; and (c) interest, penalties, and other charges for items “a” and “b.” If at any time during the Term the method of taxation prevailing at the Commencement Date shall be altered so that any new tax, assessment, levy (including any municipal, state or federal levy), imposition, or charge, or any part thereof, shall be measured by or be based in whole or in part upon the Premises and imposed upon Landlord, then all such new taxes, assessments, levies, Real Estate Taxes, or charges, or the part thereof to the extent that they are so measured or based, shall be deemed to be included within the term “Real Estate Taxes,” to the extent that such Real Estate

Taxes would be payable if the Premises were the only property of Landlord subject to such Real Estate Taxes.

“Release” means any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching, or migration into or through the environment.

“Rent” means Base Rent and Additional Rent.

“Restoration” means, after a Loss, the alteration, clearing, rebuilding, reconstruction, repair, replacement, restoration, and safeguarding of the damaged or remaining Improvements, substantially consistent with their condition before the Loss, subject to such Construction as Tenant shall perform in conformity with this Lease, subject to any changes in Law that would limit the foregoing.

“Restoration Funds” means any Loss Proceeds (and deposits by Tenant) to be applied to Restoration.

“Restore” means accomplish a Restoration.

“Scheduled Expiration Date” means 11:59 p.m. on either (x) if the Commencement Date is not the first day of a calendar month, the last day of the thirtieth (30<sup>th</sup>) year following the Commencement Date or (y) if the Commencement Date is the first day of a calendar month, the date preceding the thirtieth (30<sup>th</sup>) year “anniversary” of the Commencement Date (in either case, the “Original Scheduled Expiration Date”).

“State” means the state of California.

“Structure” of the Premises means only the concrete floors, footings, foundation, load-bearing walls, roof, roof support system, and structural steel or other structural support system of the Premises.

“Sublease” means, for the Premises, any: (a) sublease; (b) agreement or arrangement (including a concession, license, management, or occupancy agreement) allowing any Person to occupy, use or possess; (c) sub-sublease or any further level of subletting; or (d) Modification or assignment of “a” through “c.” (Any reference to Subleases does not diminish, impair, limit, or waive any limit on Subleases.)

“Substantial Casualty” means a Casualty that: (a) renders 10% or more of the Premises used for a general acute care hospital facility not capable of being used or occupied; (b) requires Restoration whose cost Tenant reasonably estimates in writing would exceed Two Million Dollars (\$2,000,000); or (c) pursuant to Law, prevents the Premises from being restored to the same bulk, and for the same use(s), as before the Casualty.

“Substantial Condemnation” means any Condemnation that (a) takes the entire Premises; (b) in Tenant’s reasonable determination renders the remaining Premises Uneconomic; or (c) occurs less than two (2) years before the end of the Term.

“Subtenant” means any Person entitled to occupy, use, or possess any Premises under a Sublease.

“Temporary Condemnation” means a Condemnation of the temporary right to use or occupy all or part of the Premises.

“Transfer” of any property means any of the following, whether by operation of law or otherwise, whether voluntary or involuntary, and whether direct or indirect: (a) any assignment, conveyance, grant, hypothecation, mortgage, pledge, sale, or other transfer, whether direct or indirect, of all or any part of such property, or of any legal, beneficial, or equitable interest or estate in such property or any part of it (including the grant of any easement, lien, or other encumbrance); (b) any conversion, exchange, issuance, modification, reallocation, sale, or other transfer of any direct or indirect Equity Interest(s) in the owner of such property by the holder of such Equity Interest(s); (c) any transaction described in “b” affecting any Equity Interest(s) or any other interest in such property or in any such owner (or in any other direct or indirect owner at any higher tier of ownership) through any manner or means whatsoever; or (d) any transaction that is in substance equivalent to any of the foregoing. A transaction affecting Equity Interests, as referred to in clauses “b” through “d,” shall be deemed a Transfer by Tenant even though Tenant is not technically the transferor. A “Transfer” shall not, however, include any of the foregoing (provided that the other party to this Lease has received Notice thereof) transactions affecting Equity Interests: (a) that constitutes a mere change in form of ownership with no material change in beneficial ownership and is a tax-free transaction under federal income tax law and the State real estate transfer tax; (b) to member(s) of the immediate family(ies) of the transferor(s) or trusts for their benefit; or (c) to any Person that, as of the Commencement Date, holds an Equity Interest in the entity whose Equity Interest is being transferred.

“Trust Funds” means any funds that this Lease requires or allows Landlord (or anyone acting for Landlord) to hold, and in which Tenant has an interest.

“Unavoidable Delay” means delay in performing any obligation under this Lease (except payment of money) arising from or on account of any cause whatsoever beyond the obligor’s reasonable control, despite such obligor’s reasonable diligent efforts, including industry-wide strikes, labor troubles or other union activities (but only to the extent such actions affect similar premises at that time and do not result from an act or omission of the obligor), the obligor’s inability to obtain required labor or materials after commercially reasonable efforts to do so, litigation (unless caused by the obligor), Loss, accidents, Laws, governmental preemption, war, or riots. Unavoidable Delay shall exclude delay caused by the obligor’s financial condition, illiquidity, or insolvency. Any obligor claiming Unavoidable Delay shall Notify the obligee: (a) within 30 days after such obligor knows of any such Unavoidable Delay; and (b) within 10 days after such Unavoidable Delay ceases to exist. To be effective, any such Notice must describe the Unavoidable Delay in reasonable detail. Where this Lease states that performance of any obligation is subject to Unavoidable Delay(s) or words of similar import, such Unavoidable Delay(s) shall extend the time for such performance only by the number of days by which such Unavoidable Delay(s) actually delayed such performance.

“Uneconomic” means that the Premises or any substantial part of the Premises: (1) is materially diminished in value or utility; (2) cannot be used for its previously intended

purpose; (3) is subject to material impairment of access to, parking facilities benefiting, or any material service(s) necessary or appropriate for economic operation; (4) requires Restoration whose cost Tenant reasonably estimates in writing would exceed the then-current aggregate Market Value of the Premises; (5) does not comply with any operating requirements under any hospital license held by Tenant; (6) cannot reasonably be operated as a general acute care hospital, whether in a manner substantially consistent with past practice or on a scale that is smaller but nevertheless profitable (after taking into account the payment of all expenses, including Rent as adjusted after any Condemnation) and reasonably feasible; or (7) cannot be developed or operated in a commercially reasonable manner.

“Usury Limit” means the highest rate of interest, if any, that Law allows under the circumstances.

“Valuation Consultant” means Deloitte Financial Advisory Services LLP or another third-party valuation consultant mutually agreed upon between Landlord and Tenant.

“Waiver of Subrogation” means a provision in, or endorsement to, any Property Insurance policy, by which the carrier agrees to waive rights of recovery by way of subrogation against either party to this Lease for any loss such policy covers.

## 2. Term and Effective Date.

2.1 *Term.* The term of this Lease (the “Term”) shall: (a) commence on the Commencement Date; and (b) continue until the Original Scheduled Expiration Date, unless terminated sooner.

2.2 *Effective Date.* The Lease shall become effective as of the date of execution of the Amendment described in Section 5.4, or such other date as may be designated in said Amendment.

## 3. Rent.

3.1 *Base Rent.* For the first three (3) years of the Term, Tenant shall pay an annual rent (“Base Rent”) in the amount of One Million Seven Hundred and Fifty Thousand Dollars (\$1,750,000), without deduction, set off, prior notice or demand from Landlord (the “Initial Base Rent”). Thereafter, for the next two (2) subsequent years of the Term, if the total earnings before interest, taxes, depreciation and amortization (“EBITDA”) from the Medical Business is equal to or greater than five percent (5%) of the net revenue for the immediately preceding twelve- (12-) month period prior to the annual anniversary renewal date of the Term, Tenant shall pay Base Rent in the amount of Two Million Nine Hundred and Fifty Thousand Dollars (\$2,950,000) (the “Increased Base Rent”); otherwise Tenant shall continue to pay the Initial Base Rent. Beginning in the sixth (6<sup>th</sup>) year of the Term (on the fifth [5<sup>th</sup>] year anniversary of the Commencement Date), Tenant shall pay Base Rent in the amount of the Increased Base Rent. Base Rent will be payable on the Commencement Date and on each anniversary thereafter until the Lease expires or is terminated in accordance with the terms of this Lease. For each successive year during the Term after the fifth (5<sup>th</sup>) year anniversary of the Commencement Date, the Base Rent shall be equal to the product of (a) the Base Rent for the immediately preceding year multiplied by (b) the CPI

Adjustment Factor, provided that in no event will the Base Rent ever be an amount less than the Initial Base Rent. In the event this Lease is terminated prior to the end of the Term, Landlord shall return a pro-rata share of the Base Rent to Tenant based on the date Tenant vacates the Premises. Landlord and Tenant acknowledge and agree that from and after the first date on which the Base Rent is the Increased Base Rent, the difference between the Base Rent paid by Tenant and the Initial Base Rent (which difference shall be One Million Two Hundred Thousand Dollars for the first such year of the Term; and adjusting the Initial Base Rent by the CPI Adjustment Factor in subsequent years of the Term as the Base Rent is so adjusted) (such difference, cumulatively, the “Rent Delta”) shall be deemed and constitute Tenant’s contribution to the Restricted Capital Fund; and, in the event that Tenant exercises Tenant’s ROFR or the Purchase Option, the Rent Delta shall be credited toward the purchase price (with respect to Tenant’s ROFR) or the Purchase Option Price (with respect to the Purchase Option) paid by Tenant at closing of such Transfer.

3.2 *Payment.* During the Term, Tenant shall pay Base Rent by good and sufficient check payable to Landlord or by wire transfer, at such address, as Landlord shall designate from time to time. The annual rental payable hereunder shall be paid to Landlord in two equal payments each year of the Lease. The first payment will be due on the Commencement Date and then on each subsequent anniversary of the Commencement Date during the Term. The second payment will be due six months after the Commencement Date and thereafter every six months after each Commencement Date anniversary during the Term. Each rent payment shall be made without offset or diminution from any cause whatsoever.

3.3 *Additional Rent.* In addition to Base Rent, Tenant shall pay Landlord, as additional rent under this Lease, all Additional Rent, subject to Section 3.1.

3.4 *Offsets.* Except as expressly provided in this Lease, Tenant shall pay all Rent without offset, defense, claim, counterclaim, reduction, or deduction of any kind whatsoever.

3.5 *Late Charges.* In the event the Base Rent or other sums due under this Lease are received more than ten (10) days after the due date, Tenant agrees to pay to Landlord as Additional Rent a late charge equal to 5% of the amount due, not to exceed Five Hundred Dollars (\$500.00) but in no event less than Fifty Dollars (\$50.00). This does not create a grace period. Tenant further agrees to pay Landlord any costs incurred by Landlord in effecting the collection of such past due Rent and late charge including but not limited to fees of an attorney, court costs or collection agency fees. Nothing herein contained shall limit any other remedy of Landlord.

#### 4. Real Estate Taxes; Other Payments.

4.1 *Real Estate Taxes.* Tenant shall pay and discharge all Real Estate Taxes payable or accruing for all period(s) within the Term, before failure to pay creates a material risk to Landlord of forfeiture or penalty, subject however to Tenant’s right of Contest as this Lease expressly provides. Tenant shall also pay all interest and penalties any Government assesses for late payment of any Real Estate Taxes, except late payment because Landlord failed to remit any payment for Real Estate Taxes (paid to Landlord by Tenant) in accordance with Tenant’s reasonable instructions or failed to promptly forward Tenant a copy of any applicable bill that Landlord receives. In the latter case Landlord shall pay such interest and penalties. Tenant shall within a reasonable time after Notice from Landlord give Landlord reasonable proof that Tenant

has paid any Real Estate Taxes that this Lease requires Tenant to pay. Tenant shall have the sole right and authority to Contest Real Estate Taxes, in compliance with the Contest Conditions. Notwithstanding the foregoing, (a) Landlord acknowledges and agrees that, as of the Commencement Date, certain Real Estate Taxes are not payable with respect to the Premises due to the tax-exempt status of both Landlord and Tenant; (b) Landlord covenants and agrees that it shall not take any action, or fail to take any action (including, without limitation, the failure to cooperate with Tenant to file for Tenant's organizational clearance certificate with the California Board of Equalization), which shall result in the Premises becoming subject to such Real Estate Taxes; (c) Landlord covenants and agrees that it shall not take any action, or fail to take any action, which shall result in the Premises becoming subject to additional Real Estate Taxes; and (d) in the event that Landlord breaches the covenants in clauses (b) and (c) and Real Estate Taxes are imposed on the Premises as a result thereof, Landlord shall be solely responsible for the payment of such Real Estate Taxes and Tenant shall have no liability or obligation hereunder with respect thereto.

4.2 *Assessments in Installments.* To the extent Law allows, Tenant may apply to have any assessment payable in installments. Tenant shall then pay and discharge only such installments as become due and payable during the Term.

4.3 *Utilities.* Tenant shall arrange and pay for all fuel, gas, light, power, water, sewage, garbage disposal, telephone, and other utility charges, and the expenses of maintenance, use, and service in connection with the foregoing, for the Premises during the Term. Landlord shall have absolutely no liability or responsibility for the foregoing, provided that Landlord performs its obligations regarding any related Application.

4.4 *Triple Net Lease.* The parties intend that this Lease shall be a true triple net lease and that except for such costs or expenses which are expressly set forth herein as the obligation of Landlord, all cost, fees and expenses associated with the Premises and the use or maintenance of the Premises shall be the responsibility of and shall be paid by Tenant.

## 5. Use.

5.1 *Permitted Use.* Tenant shall use the Premises for the operation of a general acute care hospital (the "Mandated Use"), including outpatient services, rural health clinics, ambulance services, and any other lawful purpose (collectively, the "Medical Business"), for the period comprising the first one hundred twenty (120) months after the Commencement Date (the "Mandated Use Period"). Additionally, Tenant shall maintain the existing number of acute care beds required to maintain critical access hospital designation, and provide existing standby emergency services and existing ambulance services during the Mandated Use Period. Additionally, Tenant or an Affiliate shall provide home health services during the Mandated Use Period. Tenant (or an Affiliate) shall provide the existing services at Premises listed on **Schedule 5.1** for a period of twenty-four (24) months after the Commencement Date. Thereafter, Tenant shall provide the type and number of services at the Premises as Tenant shall determine in its sole discretion. Notwithstanding the foregoing, (a) Landlord and Tenant may mutually agree to terminate the services commitments as set forth herein at any time during the Term, and (b) throughout the Term, Tenant shall provide emergency services. Tenant's obligations under this Section 5 will not survive termination of this Lease.

5.2 *Exclusive Control.* Tenant shall have exclusive control, possession, occupancy, use, and management of the Premises. Tenant shall have full and complete charge, authority and control of the administration, management and operation of the Medical Business at the Premises. Tenant shall have the right and authority to determine all business, technical and professional policies relating to the operation of the Medical Business, with no restrictions, qualifications or supervision by Landlord. Tenant shall determine the financial policy of the Medical Business and shall have complete power to fix, control and regulate the charges and collections made for services therein. In fixing such charges, Tenant shall apply its best judgment and be controlled by applicable State and federal regulatory statutes and rules.

5.3 *Character of Service.* Tenant is a nonprofit charitable corporation which furthers the mission of the Seventh-day Adventist Church. As such, it operates under certain defined principles and objectives in the operation and management of its health care facilities. Tenant desires to maintain an atmosphere consistent with its beliefs. Landlord understands and agrees that the Medical Business shall be operated in accordance with the characteristics of Seventh-day Adventist medical facilities, subject to Tenant's covenants set forth in Section [6.1] of this Lease.

5.4 *District Bonds Use Requirements.* Tenant and Landlord agree in good faith to execute an amendment to this Lease as soon as reasonably practicable after the Execution Date, but no later than fifty-five (55) days from such date, to reflect any amendments acceptable to Tenant and necessary: (i) to be made to the provisions of this Lease in order to comply with or otherwise render the provisions of this Lease consistent with the requirements imposed by OSHPD and (ii) in order to preserve the tax-exempt status of the District Bonds during the Term of this Lease.

5.5 *Mandated Use.* Tenant's failure to operate the Premises for the Mandated Use during the Mandated Use Period, other than as the result of Loss or other Unavoidable Delay, shall constitute a Default.

6. *Compliance.*

6.1 *Generally.* Tenant shall during the Term, at Tenant's expense, in all material respects, subject to Tenant's right of Contest: (a) comply with all Laws and (b) procure and comply with all Approvals required by Law.

6.2 *Copies of Notices.* Landlord shall promptly give Tenant a copy of any notice of any kind regarding the Premises or any Real Estate Taxes (including any bill or statement), and any notice of nonrenewal or threatened nonrenewal of any Approval that Landlord receives from any Government, utility company, insurance carrier, or insurance rating bureau.

7. *Maintenance and Construction.*

7.1 *Obligation to Maintain.* Landlord shall, during the Term, keep and maintain the Premises and the Existing FF&E in good order, condition, and repair, as reasonably specified and prioritized by Tenant according to Tenant's operational needs, subject to Loss (governed by other provisions of this Lease). Landlord's obligation to maintain the Premises and the Existing

FF&E includes an obligation to make all repairs, improvements and replacements that the Premises and the Existing FF&E may require by Law from time to time during the Term, whether foreseen or unforeseen, capital or operating. The parties acknowledge the Premises and the Existing FF&E will require significant and ongoing maintenance, repair, and improvements. The parties agree that Tenant, as the operator of the Premises, shall have the principal interest in determining the priority and schedule of Premises and Existing FF&E maintenance, repair, improvements and/or replacements, as applicable. Therefore, beginning on the Execution Date, Tenant shall develop a schedule of maintenance, alterations and construction for the Premises (the “Improvements Schedule”). Tenant will have sole discretion in determining and prioritizing projects on the Improvements Schedule except as may be required to comply with the provisions of the Measure C (2018). Prior to undertaking any project described in the Improvements Schedule, Tenant shall provide the Improvements Schedule to Landlord so that Landlord can determine whether the expenditures comply with Measure C. Beginning on the Commencement Date, Landlord shall make Two Million Dollars (\$2,000,000) (“Improvements Fund”) annually available to fund (i) the Improvements Schedule projects and (ii) any repairs, improvements or replacements of Existing FF&E and/or procurement of new FF&E for Hospital operations as determined by Tenant in its sole discretion (“New FF&E”). Landlord shall make the Improvements Funds available each year of this Lease in two equal installments. The first installment will be made available to Tenant on the Commencement Date and each subsequent anniversary of the Commencement Date during the Term. The second installment will be made available to Tenant on the date that is six months after the Commencement Date and thereafter on the date that is six months after each Commencement Date anniversary during the Term. Tenant shall provide an accounting annually to Landlord of the use the Improvements Fund and for the purpose of retrospective review and validation on the use of Measure C funds. Notwithstanding anything herein to the contrary, any FF&E Tenant acquires or leases during the Term for Hospital operations using funds other than the Improvements Fund shall not be included in the definition of “New FF&E.” Landlord shall deposit the Improvements Fund in an account. Tenant shall manage the Improvements Fund account and shall have authority to withdraw money for Improvements Schedule projects and FF&E related expenses as described herein. On each anniversary of the Commencement Date, the Improvements Fund shall be increased by an amount equal to the product of (a) the Improvements Fund for the immediately preceding year multiplied by (b) the CPI Adjustment Factor, provided that in no event will the Improvements Fund ever be an amount less than Two Million Dollars (\$2,000,000). Any surplus of the Improvements Fund from a given year will be carried forward and added to the following year’s Improvements Fund.

7.2 *Restricted Capital Fund.* No later than the Commencement Date, Landlord shall open a non-transferable account with a bank or escrow company of its choosing and begin depositing monies according to the schedule set forth in **Exhibit D**. Landlord will retain sole ownership and control of this Restricted Capital Fund account (“Restricted Capital Fund”), subject to a springing control agreement in favor of Tenant in the event of the occurrence of a Landlord Default under Section 19.2.2.1. Landlord shall provide Tenant with an accounting of the Restricted Capital Fund upon Tenant’s request, subject to Section 15.5.7 of this Lease. Landlord may only use the Restricted Capital Fund (1) to achieve seismic compliance of the Improvements as mandated by state and federal Laws (“Seismic Compliance”), or (2) upon mutual agreement with Tenant, for (i) the development or modernization of Hospital outpatient facilities or (ii) the development or modernization of inpatient facilities.

7.2.1. *Seismic Compliance Plan.* No later than January 1, 2025, Landlord shall prepare, to the reasonable satisfaction of Tenant, a committed plan to achieve Seismic Compliance for the Improvements. Landlord must achieve Seismic Compliance no later than January 1, 2030, or on the date required by Law, whichever occurs later. The Seismic Compliance Plan and Schedule herein are based on current statutory and regulatory seismic safety requirements as of the effective date of this Lease. The Seismic Compliance Plan and Schedule shall be modified *in pari materia* to account for any subsequent legislative or regulatory modifications of current seismic requirements which delays, reduces, relieves or otherwise affects the seismic safety requirements applicable to the hospital premises. Notwithstanding anything to the contrary contained herein, Landlord, and not Tenant, shall be solely responsible for the compliance of the Premises with any Laws relating to seismic performance standards and any costs and expenses related thereto. Landlord's obligation for Seismic Compliance shall not survive expiration of this Lease caused by the closing of Tenant's purchase of the Hospital Assets pursuant to Section 15.5 of this Lease.

7.3 *Improvements Schedule, Restricted Capital Fund and Construction Projects.* Landlord may perform the Improvements Schedule projects or Restricted Capital Fund Projects. Landlord shall provide at least thirty (30) days written notice to Tenant before performing any such projects it wishes to perform. Upon receiving notice, Tenant may elect to perform any Landlord-noticed projects, by delivering written notice to Landlord within Landlord's notice period. Additionally, Tenant may perform any Improvements Schedule projects it deems necessary or appropriate under Sections 7.1. Tenant shall keep Landlord reasonably informed of the Improvements Schedule projects it is performing. Tenant may make withdrawals from the Improvements Fund as costs are incurred for Improvements Schedule projects it performs. Tenant shall provide monthly accounting of the Improvements Fund account to Landlord and provide reasonably requested documentation supporting withdrawals it makes. If Landlord performs any Improvements Schedule projects, it shall invoice Tenant within thirty (30) days it completes the project. Tenant shall pay Landlord within forty-five (45) days of receiving Landlord's invoice. For Improvements Schedule or Construction projects with estimated costs that equal or are less than amounts available in the Improvements Fund, Tenant may proceed with such projects with Notice to Landlord. For Improvements Schedule or Construction projects with estimated costs that are greater than the amounts available in the Improvements Fund, Tenant shall seek Landlord's prior consent, which will not be unreasonably withheld, and the parties shall come to an agreement as to which party shall assume responsibility for what portion of the cost of such projects within a reasonable period after Tenant initially seeks Landlord's consent for such project. Tenant may carry any excess costs of Improvements Schedule or Construction projects from a given year into future Improvements Funds years until Tenant is made whole. To the extent that Tenant commences any projects hereunder, Tenant shall complete the project with reasonable diligence and within a reasonable period. Tenant shall timely obtain and promptly deliver to Landlord, for Landlord's information, all Approvals necessary or appropriate for any projects. All Improvements that Tenant constructs on the Land shall become part of the Premises.

7.4 *Plans and Specifications.* To the extent that Tenant obtains plans and specifications or surveys (including working plans and specifications and "as-built" plans and specifications and surveys) for any Improvements Schedule or Construction projects, Tenant shall

promptly upon Landlord's request give Landlord a copy, subject to the terms of any agreement between Tenant and the applicable architect, engineer, or surveyor.

7.5 *Applications and Approvals.* Tenant shall apply to each applicable Government for such Approvals as any projects undertaken by Tenant shall require. Upon Tenant's request, Landlord shall, without cost to Landlord, promptly join in and execute any Application as Tenant reasonably requests, and otherwise reasonably cooperate with Tenant in obtaining Approvals, provided that such Application is in customary form and imposes no material obligations (beyond obligations ministerial in nature or merely requiring compliance with Law) upon Landlord. Landlord grants to Tenant a power of attorney, coupled with an interest, and therefore irrevocable, to sign on Landlord's behalf any Application that this Lease requires Landlord to sign. Promptly upon Tenant's request and without charge, Landlord shall furnish all information in its possession that Tenant reasonably requests for any Application. Landlord assumes no liability by cooperating with any projects undertaken by Landlord.

7.6 *Landlord Nonopposition.* Landlord shall not appear in opposition to any Application brought, sought, or defended by Tenant before any Government arising out of any Application consistent with this Lease.

7.7 *Tenant EMR and Business Systems.* Tenant may implement an electronic medical record ("EMR") system of its choice and other standard business technology solutions for use in operations at the Premises at such time as Tenant decides. Upon expiration or termination of this Lease, Landlord may purchase Tenant's EMR electronic platform and receive associated data in a manner consistent with state and federal law.

## 8. Prohibited Liens.

8.1 *Tenant's Covenant.* If a Prohibited Lien is filed then Tenant shall, within 30 days after receiving Notice from Landlord of such filing (but in any case within 15 days after receipt of Notice from Landlord of commencement of foreclosure proceedings), commence appropriate action to cause such Prohibited Lien to be paid, discharged, bonded, or cleared from title. Tenant shall thereafter prosecute such action with reasonable diligence and continuity. If Landlord receives notice of any such filing, then Landlord shall promptly Notify Tenant. Nothing in this Lease shall be construed to: (a) limit Tenant's right of Contest; or (b) obligate Tenant regarding any lien that results from any act or omission by Landlord. If any Subtenant causes a Prohibited Lien, then Tenant's obligations under this paragraph shall be suspended so long as both: (a) Tenant is with reasonable diligence endeavoring to cause the Subtenant to remove the Prohibited Lien; and (b) the holder of the Prohibited Lien has not commenced foreclosure proceedings.

8.2 *Protection of Landlord.* NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT UPON CREDIT, AND THAT NO MECHANIC'S OR OTHER LIEN FOR ANY SUCH LABOR OR MATERIALS SHALL ATTACH TO OR AFFECT THE FEE ESTATE. NOTHING IN THIS LEASE SHALL BE DEEMED OR CONSTRUED IN ANY WAY TO CONSTITUTE LANDLORD'S CONSENT OR REQUEST, EXPRESS OR IMPLIED, BY INFERENCE OR OTHERWISE, TO ANY CONTRACTOR,

SUBCONTRACTOR, LABORER, EQUIPMENT OR MATERIAL SUPPLIER FOR THE PERFORMANCE OF ANY LABOR OR THE FURNISHING OF ANY MATERIALS OR EQUIPMENT FOR ANY CONSTRUCTION, NOR AS GIVING TENANT ANY RIGHT, POWER OR AUTHORITY TO CONTRACT FOR, OR PERMIT THE RENDERING OF, ANY SERVICES, OR THE FURNISHING OF ANY MATERIALS THAT WOULD GIVE RISE TO THE FILING OF ANY LIENS AGAINST THE FEE ESTATE. TENANT SHALL INDEMNIFY LANDLORD AGAINST ANY CONSTRUCTION UNDERTAKEN BY TENANT OR ANYONE CLAIMING THROUGH TENANT, AND AGAINST ALL PROHIBITED LIENS.

9. *Hazardous Substances.*

9.1 *Restrictions.* Tenant shall not cause on, under or at the Premises during the Term: (a) any material violation of any Environmental Law; or (b) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance, or transportation to or from the Premises of any Hazardous Substance, unless in compliance with all applicable Environmental Laws.

9.2 *Compliance; Clean-Up.*

9.2.1. Tenant shall, at Tenant's expense: (a) comply with Environmental Law in connection with its operations and, to the extent Environmental Law requires, investigate, mitigate and/or clean up any Hazardous Substance Discharge on, at, or under the Premises to the extent caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws in connection with its operations; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Landlord against all Liabilities associated with Hazardous Substances Discharge, noncompliance with Environmental Law and any other matter that arises in connection with an environmental condition, property damage, natural resource damage or bodily injury to the extent caused or exacerbated by Tenant or any of Tenant's People or attributable to Tenant's operation of the Hospital during the Term.

9.2.2. Landlord shall, at Landlord's expense: (a) comply with Environmental Law and, to the extent Environmental Law requires, investigate, mitigate and/or clean up any Hazardous Substance Discharge on, at, or under the Premises (i) to the extent caused or exacerbated by Landlord or any of Landlord's People or attributable to Landlord's operation of the Hospital or (ii) predating the Commencement Date; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Landlord or any of Landlord's People, attributable to Landlord's operation of the Hospital, or predating the Commencement Date, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Tenant against all

Liabilities associated with Hazardous Substances Discharge, noncompliance with Environmental Law and any other matter that arises in connection with an environmental condition, property damage, natural resource damage or bodily injury caused or exacerbated by Landlord or any of Landlord's People, attributable to Landlord's operation of the Hospital, or predating the Commencement Date, in any case whether known or unknown.

9.2.3. "Liabilities" for purposes of this Section 9.2 shall include all costs, losses, liabilities, obligations, damages, lawsuits, deficiencies, claims, demands and expenses (whether or not arising out of third-party claims), including without limitation interest, penalties, costs of mitigation, any investigation or clean-up, remedial correction or response action, damages to the environment or natural resources, legal fees and all amounts paid in investigation, defense or settlement. Any party's obligations under this Section 9.2 shall not limit such party's rights against third parties. With respect to either party hereto, its "People" means its agents, employees, contractors, officers, directors, consultants and representatives. This Section shall survive the expiration or termination of this Lease.

#### 10. Indemnification; Liability of Landlord.

10.1 *Obligations.* Landlord and Tenant shall each Indemnify the other against any: (a) wrongful act, wrongful omission, or negligence of the Indemnitor (and anyone claiming by or through the Indemnitor) or its or their partners, members, directors, officers, or employees; (b) breach or default by the Indemnitor under this Lease; or (c) breach of any representation or warranty made by Indemnitor in this Lease. In addition, Tenant shall Indemnify Landlord against the following during the Term: (w) any Contest Tenant initiates; (x) any Application made at Tenant's request; (y) any Construction undertaken by Tenant and any agreements that Tenant (or anyone claiming through Tenant) makes for any such Construction; and (z) any accident, injury or damage whatsoever caused to any person in or on the Premises or upon or under the sidewalks adjoining the Premises. Notwithstanding anything to the contrary in this Lease, no Indemnitor shall be required to Indemnify any Indemnitee regarding the Indemnitee's intentional acts or omissions or negligence. This paragraph does not apply to Environmental Law and Hazardous Substances Discharges, which are covered elsewhere.

10.2 *Liability of Landlord.* During the Term: (a) Tenant is and shall be in exclusive control and possession of the Premises; and (b) Landlord shall not be liable for any injury or damage to any property (of Tenant or any other Person) or to any person occurring on or about the Premises, unless caused by Landlord's intentional act, omission, or Landlord's negligence. Nothing in this Lease shall be construed to exculpate, relieve, or Indemnify Landlord from or against any liability of Landlord: (y) to third parties existing at or before the Commencement Date; or (z) arising from Landlord's intentional acts or omissions or Landlord's negligence.

10.3 *Indemnification Procedures.* Wherever this Lease requires any Indemnitor to Indemnify any Indemnitee:

10.3.1. *Prompt Notice.* Indemnitee shall promptly Notify Indemnitor of any claim. If Indemnitee fails to give prompt Notice, then to the extent, and only to the extent, such failure materially prejudices Indemnitor, Indemnitor shall be relieved of its indemnity obligations for such claim.

*10.3.2. Selection of Counsel.* Indemnitor shall select counsel reasonably acceptable to Indemnitee. Counsel to Indemnitor's insurance carrier shall be deemed satisfactory. Even though Indemnitor shall defend the action, Indemnitee may, at its option and its own expense, engage separate counsel to advise it regarding the claim and its defense. Such counsel may attend all proceedings and meetings. Indemnitor's counsel shall actively consult with Indemnitee's counsel. Indemnitor and its counsel shall, however, fully control the defense.

*10.3.3. Cooperation.* Indemnitee shall reasonably cooperate with Indemnitor's defense, provided Indemnitor reimburses Indemnitee's actual reasonable out of pocket expenses (including Legal Costs) in providing such cooperation.

*10.3.4. Settlement.* Indemnitor may, with Indemnitee's consent, not to be unreasonably withheld, settle the claim. Indemnitee's consent shall not be required for any settlement by which: (w) Indemnitor procures (by payment, settlement, or otherwise) a release of Indemnitee by which Indemnitee need not make any payment to the claimant; (x) neither Indemnitee nor Indemnitor on behalf of Indemnitee admits liability; (y) the continued effectiveness of this Lease is not jeopardized in any way; and (z) Indemnitee's interest in the Premises is not jeopardized in any way.

*10.3.5. Insurance Proceeds.* Indemnitor's obligations shall be reduced by net insurance proceeds Indemnitee actually receives for the matter giving rise to indemnification.

10.4 *Survival.* This Section 10 shall survive the expiration or termination of this Lease.

11. *Right of Contest.*

11.1 *Tenant's Right; Contest Conditions.* Notwithstanding anything to the contrary in this Lease, Tenant shall have the exclusive right to contest, at its sole cost, by appropriate legal proceedings diligently conducted in good faith, the amount or validity of any Real Estate Taxes or Prohibited Lien; the valuation, assessment, or reassessment (whether proposed, phased, or final) of the Premises for Real Estate Taxes; the amount of any Real Estate Tax; the validity of any Law or its Application to the Premises; the terms or conditions of, or requirements for, any Approval; or the validity or merit of any claim against which this Lease requires Tenant to Indemnify Landlord (any of the foregoing, a "Contest"). Tenant may defer payment or performance of the contested obligation pending outcome of the Contest, provided that Tenant causes the following conditions (collectively, the "Contest Conditions") to remain satisfied:

*11.1.1. No Criminal Act.* Such deferral or noncompliance shall not constitute a criminal act by Landlord or subject Landlord to a material risk of any fine or penalty, or, if such material risks exists, Tenant has given Landlord a bond, letter of credit, or other security reasonably satisfactory to Landlord (the "Contest Security") in an amount equal to the reasonably estimated amount of such civil penalties.

*11.1.2. No Liability.* Such deferral or noncompliance creates no material risk of a lien, charge, or other liability of any kind against the Fee Estate, or, if such material risk

exists, Tenant has given Landlord Contest Security equal to the reasonably estimated amount of such lien, charge, or other liability.

*11.1.3. No Forfeiture.* Such deferral or noncompliance will not place the Fee Estate in material danger of being forfeited or lost.

*11.1.4. No Cost to Landlord.* Such Contest shall be without cost, liability, or expense to Landlord.

*11.1.5. Diligence.* Tenant shall prosecute such Contest with reasonable diligence and in good faith.

*11.1.6. Payment.* If required for such Contest, Tenant shall have paid the Contested Real Estate Taxes or other matter.

*11.1.7. Collection of Real Estate Taxes.* If such Contest relates to any Real Estate Tax, then such Contest shall suspend its collection from Landlord and the Fee Estate.

*11.1.8. No Tax Deed.* If, at any time, payment of any Real Estate Taxes is necessary to prevent the imminent (i.e., within 30 days) delivery of a tax deed of the Fee Estate for nonpayment, then Tenant shall pay or cause to be paid the sums in sufficient time to prevent delivery of such deed.

*11.1.9. Named Parties.* If Landlord has been named as a party in any action, then Tenant shall cause Landlord to be removed as such party and Tenant substituted in Landlord's place, if permissible under the circumstances.

*11.2 Landlord Obligations and Protections.* Landlord need not join in any Contest unless (a) Tenant has complied with the Contest Conditions; and (b) such Contest must be initiated or prosecuted in Landlord's name. In such case, Landlord shall cooperate, as Tenant reasonably requests, to permit the Contest to be prosecuted in Landlord's name. Landlord shall give Tenant any documents, deliveries, and information in Landlord's control and reasonably necessary for Tenant to prosecute its Contest. Landlord shall otherwise assist Tenant in such Contest as Tenant reasonably requires. Tenant shall pay all reasonable costs and expenses, including Legal Costs, of any Contest.

*11.3 Miscellaneous.* Tenant shall be entitled to any refund of any Real Estate Taxes (and penalties and interest paid by Tenant), to the extent attributable to periods within the Term, whether such refund is made during or after the Term. When Tenant concludes Tenant's Contest of any Real Estate Taxes, Tenant shall pay the amount of such Real Estate Taxes (if any) as has been finally determined in such Contest to be due, to the extent attributable to periods within the Term, and any costs, interest, penalties, or other liabilities in connection with such Real Estate Taxes. Upon final determination of Tenant's Contest of a Law, Tenant shall comply with such final determination. So long as the Contest Conditions remain satisfied, Landlord shall enter no objection to any Contest.

11.4 *Contest Security.* Landlord shall promptly release any Contest Security to Tenant after the Contest has been resolved and Tenant has performed its obligations, if any, as determined by such resolution. Landlord shall hold any Contest Security in an interest-bearing account separate from any other account held by Landlord.

12. *Insurance.*

12.1 *Insurance Program.*

*12.1.1. Professional Liability Insurance; General Liability Insurance; Property Insurance.* Tenant shall, at its sole expense, during the Term, maintain hospital professional and general liability protection for the Premises during the Term through either (a) the AHS/West HPL/GL self-funded Trust Program which provides liability protection for all AHS/West participant health care facilities, or (b) alternative commercial insurance coverage with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. To the extent that the hospital medical staff bylaws require physicians exercising clinical privileges to maintain their own liability insurance policies, Tenant will enforce said requirement. In addition, Tenant or, at Tenant's election with not less than thirty (30) days' prior written Notice to Landlord and at Tenant's sole cost and expense, Landlord shall maintain Property Insurance on the Premises and buildings and Improvements within the Premises. The limits for such Property Insurance shall be for the full replacement value of the property so insured. Such insurance shall provide protection on a comprehensive special form "all risk" basis.

12.2 *Nature of Insurance Program.* All insurance policies this Lease requires, if issued by a commercial insurer (as opposed to protection through the AHS/West self-funded HPL/GL Trust Program), shall be issued by carriers that: (a) have a policyholders' rating of "A-/VIII" or better, based on the latest rating publication of Property and Casualty Insurers by A.M. Best Company (or its equivalent if such publication ceases to be published); and (b) are lawfully doing business in the State.

12.3 *Policy Requirements and Endorsements.* All insurance policies this Lease requires (except any insurance policies required under Section 12.6 to which the following provisions may be inapplicable) shall contain (by endorsement or otherwise) the following provisions:

*12.3.1. Insureds.* Liability coverage shall name Landlord as an "additional insured" or as an "additional participant" as respects Tenant's acts, errors and omissions. Notwithstanding anything to the contrary in this paragraph, all Property Insurance Proceeds shall be paid and applied as this Lease provides.

*12.3.2. Primary Coverage.* All policies or programs of self-insurance shall be written as primary coverage as respects Tenant's acts, errors and omissions, not contributing to or in excess of any coverage that Landlord may carry.

*12.3.3. Notice to Landlord.* The insurance carrier or the AHS/West self-funded HPL/GL Trust Program shall provide Landlord 30 days' prior Notice of cancellation or nonrenewal.

12.4 *Tenant's Inability to Obtain Insurance.* So long as (a) any insurance (except Property Insurance) this Lease requires is, after diligent effort by Tenant, unobtainable at commercially reasonable rates through no act or omission by Tenant; and (b) Tenant obtains the insurance coverage reasonably obtainable and Notifies Landlord of the extent of Tenant's inability to obtain the full insurance this Lease requires, Tenant's obligation to procure and maintain such insurance as is unobtainable shall be excused, but only so long as conditions "a" and "b" are satisfied. Notwithstanding the foregoing, if Landlord at any time can procure for Tenant such insurance at commercially reasonable rates at any time after Tenant's Notice of inability to do so (and before Tenant has withdrawn such Notice), then Tenant shall obtain and maintain such insurance at Tenant's expense.

12.5 *Waiver of Certain Claims.* To the extent that Landlord or Tenant purchases any policy of Property Insurance, the party purchasing such insurance (the "Insurance Purchaser") shall cause the insurance carrier to agree to a Waiver of Subrogation, if not already in the policy. If any insurance policy cannot be obtained with a Waiver of Subrogation, or a Waiver of Subrogation is obtainable only by paying an additional premium, then the Insurance Purchaser shall so Notify the other party. The other party shall then have 10 Business Days after receipt of such Notice either to (a) direct the Insurance Purchaser to place such insurance with a company reasonably satisfactory to the other party and willing to issue the insurance with a Waiver of Subrogation at no greater or additional cost, or (b) agree to pay the additional premium if such a policy can be obtained only at additional cost. To the extent that the parties actually obtain insurance with a Waiver of Subrogation, the parties release each other, and their respective authorized representatives, from any claims for damage to any person or the Premises that are caused by or result from risks insured against under such insurance policies.

12.6 *Landlord Insurance.* Landlord shall, at its sole expense, maintain comprehensive general liability coverage for its own protection, and other insurance policies or programs of self-insurance it deems appropriate to cover the liability of Landlord. In addition, if Landlord's medical/hospital professional liability insurance is written on a claims made basis, Landlord agrees to purchase an unlimited extended reporting period endorsement or "tail" coverage. Landlord agrees to provide Tenant with evidence of such coverage.

12.7 *No Representation.* Neither party makes any representation that the limits, scope, or forms of insurance coverage this Lease requires are adequate or sufficient.

12.8 *Updates to Insurance Coverage.* Tenant and Landlord hereby covenant and agree that each will reevaluate, no later than the commencement of each renewal Term, the insurance coverage requirements set forth in this Section 12 of this Lease, and will update or otherwise amend the requirements of this Section 12 to ensure that at all times each party will carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other entities in connection with the ownership and operation of property and facilities of similar character and size in California.

13. Losses and Loss Proceeds.

13.1 *Prompt Notice.* If either party becomes aware of any Casualty or actual, contemplated, or threatened Condemnation, then such party shall promptly so Notify the other party.

13.2 *Casualty.* If any Casualty occurs that is not a Substantial Casualty, then Tenant shall, except as otherwise provided in this paragraph, Restore with reasonable promptness. If the Casualty is a Substantial Casualty, then Tenant may, by Notice to Landlord given within six (6) months after the Casualty elect a Casualty Termination effective thirty (30) days after such Notice. Upon any Casualty Termination, Tenant shall assign and transfer to Landlord all of Tenant's rights to Property Insurance Proceeds Tenant received, or is entitled to receive, because of the Casualty. If, however, pursuant to Law, the Premises cannot be restored to the same bulk, and for the same use(s), as before the Casualty, then upon any resulting Casualty Termination, Tenant shall be entitled to receive and retain (as a first priority claim to the Property Insurance Proceeds) a portion of the Property Insurance Proceeds equal to the Market Value of the Leasehold Estate. Unless Tenant has validly elected a Casualty Termination: (a) this Lease shall not terminate; and (b) Tenant shall be solely responsible for negotiating and adjusting any Property Insurance Proceeds (or, if Landlord is the insuring party, then Landlord shall allow Tenant to participate in the negotiation and adjustment of any Property Insurance Proceeds).

13.3 *Substantial Condemnation.* If a Substantial Condemnation occurs during the Term, then as of the Condemnation Effective Date the Expiration Date shall occur and the parties shall apportion Rent. Landlord shall not settle or compromise any Condemnation Award without consent by Tenant. Landlord and Tenant shall allocate the Condemnation Award as follows and in the following order of priority, without duplication, until exhausted:

13.3.1. *Costs and Expenses.* To reimburse Landlord and Tenant for their respective actual costs and expenses, including Legal Costs, incurred in the Substantial Condemnation and determining and collecting the Condemnation Award.

13.3.2. *Landlord's Claim.* Landlord shall receive such portion of the Condemnation Award as shall equal the Market Value of the Fee Estate at the Condemnation Effective Date.

13.3.3. *Tenant's Claim.* Tenant shall receive such portion of the Condemnation Award as shall equal the Market Value of the Leasehold Estate, if any, at the Condemnation Effective Date.

13.3.4. *Residual Claim.* Landlord shall receive the entire remaining Condemnation Award.

13.4 *Insubstantial Condemnation.* If an Insubstantial Condemnation occurs during the Term then any Condemnation Award(s) shall be paid to Tenant and applied first toward Restoration, in the same manner as Restoration after Casualty, provided that if the Condemnation Award is inadequate to complete the Restoration, Tenant shall contribute the deficiency and Tenant shall Restore in compliance with this Lease. After Tenant has completed and fully paid for

Restoration, any remaining Condemnation Award shall be distributed to Landlord and Tenant as if it arose from a Substantial Condemnation that affected only the part of the Premises taken, with an equitable allocation of all elements taken into account in determining such distribution. After the Condemnation Effective Date, all Base Rent shall decrease by a fraction whose numerator is the amount of the Condemnation Award paid to Landlord and whose denominator is the Market Value of the Fee Estate immediately before the Condemnation Effective Date.

13.5 *Near End of Term.* If an Insubstantial Condemnation occurs during the last three (3) years of the Term, then Tenant, upon thirty (30) days' prior Notice to Landlord, given at any time within ninety (90) days after such Insubstantial Condemnation, may cancel or terminate this Lease. Upon such termination, the Rent shall be apportioned as of the date of termination, and Tenant need not Restore. In that event, the balance of the Condemnation Award, less any reasonable amounts expended by Tenant to the date of termination to safeguard, clear, or make emergency repairs to the Premises (the costs of which shall be reimbursed to Tenant from the Condemnation Award), shall belong to Landlord free of any claim by Tenant.

13.6 *Temporary Condemnation.* If a Temporary Condemnation occurs during the Term and relates to a period longer than 90 days, then Tenant may terminate this Lease effective as of the Condemnation Effective Date. In that event, and to the extent that the period of such Temporary Condemnation otherwise includes any period outside the Term, the Condemnation Award from such Temporary Condemnation shall belong to Landlord. If the Temporary Condemnation relates to a period of 90 days or less, or if Tenant does not terminate this Lease because of the Temporary Condemnation, then Tenant shall receive the Condemnation Award (to the extent attributable to periods within the Term) and this Lease shall not be affected in any way. Landlord shall have no right to participate in any Temporary Condemnation proceedings unless either (a) Tenant elects to terminate this Lease because of the Temporary Condemnation; or (b) Tenant may not legally participate in such proceedings. In the latter case, Landlord shall participate in such proceedings in accordance with Tenant's instructions, all at Tenant's reasonable expense and using counsel selected, instructed, and paid by Tenant.

13.7 *Use of Loss Proceeds.* Landlord assigns to Tenant the right to receive all Loss Proceeds if the event giving rise to such Loss Proceeds has not resulted in the termination of this Lease. If Landlord receives any Loss Proceeds under such circumstances, Landlord shall promptly remit them to Tenant. Until Tenant has completed and paid for Restoration, Tenant shall hold all Loss Proceeds to be used first to Restore and for no other purpose. When Tenant has completed and paid for Restoration, Tenant may retain any remaining Loss Proceeds. Notwithstanding anything in this Lease to the contrary, if Restoration Funds are insufficient to Restore, then Tenant may terminate this Lease on thirty (30) days' Notice to Landlord and shall deliver all of the Loss Proceeds received by Tenant (or the right to receive same if not yet received by Tenant) to Landlord.

13.8 *Continuation of Lease.* Except as this Lease expressly provides, this Lease shall not terminate, be forfeited, or be affected in any other manner, and Tenant waives any right to quit or surrender the Premises or any part of the Premises, because of any Loss or any resulting untenantability. Unless and until this Lease has been validly terminated, Tenant's obligations under this Lease, including the obligation to pay Rent, shall continue unabated, subject to the Nonrecourse Clause.

14. Representations and Warranties.

Landlord represents and warrants to Tenant that the following facts and conditions exist and are true as of the Commencement Date:

14.1 *Due Authorization and Execution.* Landlord has full right, title, authority, and capacity to execute and perform this Lease, the Memorandum of Lease and any other agreements and documents to which Landlord is a party and referred to or required by this Lease, subject to the Electorate Approval (collectively, the “Lease-Related Documents”); the execution and delivery of the Lease-Related Documents have been duly authorized by all requisite actions of Landlord; the Lease-Related Documents constitute valid, binding, and enforceable obligations of Landlord; and neither the execution of the Lease-Related Documents nor the consummation of the transactions they contemplate violates any agreement (including Landlord’s governing documents), contract, or other restriction to which Landlord is a party or is bound. Tenant makes to Landlord representations and warranties reciprocal to those in the preceding sentence. Both parties’ representations and warranties in this paragraph shall continue to apply in full force and effect throughout the Term as if made continuously during the Term.

14.2 *Real Property.* With respect to Landlord’s real property, Landlord represents and warrants the following:

*14.2.1. Use of Real Property and Condition.* The Premises has been operated by Landlord as an acute care hospital from the date of first licensure as such to the present, which use included the handling of certain substances normally used in such hospitals some of which may be Hazardous Substances. Landlord has limited or no knowledge of any uses or operations of the Premises prior to such first acute care hospital licensure. Landlord has no knowledge of any Release or threatened Release by any person of any Hazardous Substances, at, under or about the Premises, which may give rise to any cost, penalty, expense, claim, demand, order, or liability, including, but not limited to, investigation, remediation, or other response action costs being imposed against Landlord and/or Tenant by any third party. Landlord hereby represents and warrants to Tenant that Landlord is not aware of, nor has Landlord received notification of any information which reasonably should have alerted Landlord to become aware of, any actual or potential claim, action, or demand relating to the handling of Hazardous Substances or Environmental Laws, actual material violations of any statutes, regulations or laws relating to maintenance, disposition, release or handling of any Hazardous Substances at the Hospital.

*14.2.2. Permits.* The Hospital and the Premises are and, during the period of Landlord’s ownership always have been, operated in compliance in all material respects with all Environmental Laws. Landlord has all permits required under Environmental Laws for any and all operations, activities, alterations, or improvements at the Hospital, and for the Transferred Assets, which permits are listed in Schedule 14.2.2. Landlord is in full compliance with the terms and conditions of such permits and all such permits are presently in full force and effect. No such permits will terminate as a result of the consummation of the transactions contemplated by this Agreement, and no such permit is required to be transferred to Tenant or any of its affiliates at or prior to the Commencement Date for Tenant to lawfully operate the Hospital on and after the Commencement Date.

*14.2.3. Violations.* Landlord has not: (a) entered into or been subject to any consent decree, compliance order, or administrative order with respect to the Hospital or operations thereon, in each case relating to Environmental Law; (b) received notice under the citizen provision of any Environmental Law in connection with the Hospital or operations thereon; (c) received any request for information, notice, notice of violation, demand letter, administrative inquiry, or complaint or claim with respect to any environmental condition or Environmental Law relating to the Hospital or operations thereon; or (d) been subject to or threatened with any governmental or citizen enforcement action with respect to the Hospital or operations thereon; and Landlord has no reason to believe that any of the above will be forthcoming.

*14.2.4. Reports.* Landlord has provided to Tenant all material permits, audits, reports, notices, assessments, and other documentation relating to the Handling of Hazardous Substances or Environmental Laws at the Hospital or Premises that are in the possession, custody, or control of Landlord.

14.3 *No Litigation.* Landlord has not been served with any summons, complaint or written notice to arbitrate, and there is no existing or, to Landlord's knowledge, pending or threatened litigation, suit, action, investigation or proceeding before any court or administrative agency affecting Landlord, any constituent entity or individual of Landlord, or the Premises that would, if adversely determined, materially adversely affect Landlord, the Premises, the Licensed Operations, this Lease, or the Leasehold Estate, except as set forth in **Schedule 14.3**.

14.4 *No Pending Condemnation.* There is no existing or, to Landlord's knowledge, pending or threatened Condemnation affecting any portion of the Premises or any pending public improvements in, about, outside or appurtenant to the Premises that will materially adversely affect the use and operation of the Premises for the Medical Business, the value of the Premises, or access to the Premises or that will create additional cost to any owner or Tenant of the Premises by means of special assessments or otherwise.

14.5 *Equipment Liens.* To Landlord's knowledge, the Premises are free and clear of any rights or claims of a type that, if Tenant entered into or granted them after the Commencement Date, would constitute Equipment Liens.

14.6 *FIRPTA.* Landlord is not a "foreign person" within the meaning of Section 1445(f)(3) of the United States Internal Revenue Code of 1986.

14.7 *No Pending Construction or Liens.* Other than the construction contemplated in Section 7, Landlord is not a party to any contract for any Construction. With the exception of matters related to the construction contemplated in Section 7, to Landlord's knowledge, no Person has the right to claim any mechanic's or supplier's lien arising from any labor or materials furnished to the Premises before the Commencement Date.

14.8 *[Reserved].*

14.9 *Electorate Approval.* To Landlord's knowledge, Landlord has taken such actions as are necessary to submit to the voters of Landlord's district a measure proposing the transfer and lease of Premises and Existing FF&E as contemplated under this Lease, in accordance

with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code (the “Electorate Approval”).

14.10 *Premises Status.* The Premises are subject only to the Permitted Real Property Encumbrances listed on Schedule 14.10; and except as disclosed on Schedule 14.10, there are no purchase contracts, options, rights of first refusal, rights of first offer or first negotiation, restrictive covenants or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in the Premises. No officers, directors or employees of Landlord, or relative of any of such officer, director or employee, has any direct or indirect interest in any of the Premises.

14.11 *Zoning.* To Landlord’s knowledge, the Premises are zoned to permit the uses for which the Premises is presently used and/or intended to be used, without variances or conditional use permits.

14.12 *Easements and Encroachments.* To Landlord’s knowledge, Landlord has all easements and rights of way, including without limitation, easements for all utilities, services, roadways and other means of ingress and egress, necessary for access to the Premises. Except as disclosed in the express map and/or the title report, none of the Improvements encroach onto adjacent property, violate set-back, building, or sideline requirements, or encroach onto any easements located on the Premises.

15. *Landlord’s Transfers.*

15.1 *Landlord’s Right to Convey.* Landlord may Transfer the Fee Estate from time to time, but only if (a) such transaction and the resulting ownership of Landlord do not otherwise violate this Lease; and (b) Landlord promptly Notifies Tenant of such Transfer and Tenant grants its written consent thereto prior, and as a condition, to the effectiveness of such Transfer. If any transaction violates the preceding sentence, then: (w) it shall be null, void, and of no force or effect; (x) notwithstanding the foregoing, Tenant shall be entitled to equitable relief to cancel and rescind it; (y) Tenant may terminate this Lease; and (z) Tenant may exercise any other available right or remedy.

15.2 *Release of Landlord.* Upon any Transfer of the entire Fee Estate in compliance with this Lease, the grantor shall be automatically freed and relieved from all liability (excluding liability previously accrued) for performance of any covenants or obligations to be performed by Landlord after the Transfer, provided that: (i) Landlord delivers and turns over to the grantee all Trust Funds; and (ii) such successor Landlord acknowledges to Tenant receipt of such Trust Funds and assumes Landlord’s future obligations under this Lease, subject to the Nonrecourse Clause. This Lease shall bind Landlord only while Landlord owns the Fee Estate, except as to any liabilities and obligations accrued before the date of Transfer of the Fee Estate or arising from failure to turn over any Trust Funds.

15.3 *Tenant’s Right of First Refusal.* If Landlord desires to Transfer the Fee Estate at any time prior to the Expiration Date, then Landlord shall first offer (the “Landlord’s”

Offer”) to Transfer the Fee Estate to Tenant (or a purchaser Tenant procures) (“Tenant’s ROFR”) before offering it to any other Person, all as follows:

*15.3.1. Landlord’s Offer.* Landlord’s Offer shall be in writing and shall set forth the terms on which Landlord proposes to Transfer the Fee Estate. Such terms shall: (a) require either payment in cash at closing or deferred payments secured, if at all, only by a standard printed form fee mortgage; (b) not involve any other real property (but shall include the then Existing FF&E); (c) not require either purchaser or Landlord to perform or bear any material post-closing obligations or deliver any guaranties, except for the Special Operating Covenant and except that Landlord shall indemnify Tenant for any and all liabilities, whether known or unknown, connected with any violation of Environmental Law or any Hazardous Substance Discharge caused by the Landlord or beginning or occurring prior to the Commencement Date; (d) allow the purchaser to assign its contract; and (e) require conveyance of title subject only to (i) nonmonetary encumbrances recorded against the Fee Estate prior to the Commencement Date and (ii) encumbrances created by, or resulting from the acts or omissions of, or with the express written consent of, Tenant, and the Special Operating Covenant. The Transfer shall otherwise be on the terms of a standard printed form contract of sale used in the State for improved real property and selected by Tenant, modified as necessary in Tenant’s reasonable judgment to reflect the terms of Landlord’s Offer, with a closing 60 to 180 days (as designated by Tenant on 60 days’ Notice to Landlord) after the date Tenant has accepted Landlord’s Offer. Time shall not be of the essence for the closing date.

*15.3.2. Sale to Third Party.* If Tenant Notifies Landlord that Tenant does not desire to purchase the Fee Estate on the terms of Landlord’s Offer, or fails to accept Landlord’s Offer within sixty (60) days after receipt, then Landlord may Transfer the Fee Estate to any other Person, except as set forth below, provided that such Transfer closes within one hundred eighty (180) days after the date that Tenant notifies Landlord that it does not desire to purchase the Fee Estate (or the date of expiration of the sixty (60) days if no such notice is given) and complies with the limitations that apply to “Landlord’s Offer” in the previous paragraph (including the Special Offering Covenant, which shall apply to any other Person purchasing the Fee Estate as if such Person were Tenant). If, however, Landlord desires to Transfer the Fee Estate for a price less than ninety-five percent (95%) of the price in Landlord’s Offer, or on terms that in any other way are materially more favorable to the purchaser than those in Landlord’s Offer, then Landlord shall again deliver to Tenant a Landlord’s Offer. The procedure described above shall again apply, but Tenant’s response period shall be thirty (30) days.

*15.3.3. Transferees.* Any purchaser (or direct or indirect subsequent purchaser) of the Fee Estate or any interest in the Fee Estate shall be bound, as to subsequent Transfers, by Tenant’s ROFR, whether or not the instrument(s) of Transfer to such purchaser so state.

*15.4 Special Operating Covenant.* As a material consideration to Landlord for the conveyance of the Fee Estate to Tenant pursuant to Tenant’s ROFR (or pursuant to the Purchase Option described below), Tenant covenants for itself and its successors and assigns to use and operate the real property solely for operating and maintaining the property as a general acute care hospital facility with the requisite number of licensed beds to maintain designation as a Critical Access Hospital from the Centers for Medicare and Medicaid Services (“CMS”) and a 24 hour

emergency room for a period equal to the balance of the Mandated Use Period, if any, that remains following such conveyance of the Fee Estate to Tenant or its designee (the “Special Operating Covenant”), except to the extent prevented from doing so as a result of and during the occurrence of an Unavoidable Delay. In the event of a violation of the Special Operating Covenant, Landlord shall thereafter have the power, at its option, to terminate all right, title, and interest in the Fee Estate granted by deed to Tenant and its successors and assigns, in the manner provided by law for the exercise of this power of termination. Immediately on such a termination, Tenant (and its successors or assigns, as applicable) shall forfeit all rights and title to the Fee Estate, and the Fee Estate shall revert to Landlord to reenter and take possession of the Fee Estate with all improvements thereon and to revest in Landlord the Fee Estate (the “Power of Termination”). Following Landlord’s exercise of the Power of Termination, provided Tenant (or its successor and assign, as applicable) shall have executed all documentation reasonably requested by Landlord to effectuate and document the revesting of the Fee Estate in Landlord, Landlord shall pay to Tenant (or the then current Fee Owner) an amount equal to the then current fair market value of the Fee Estate as determined by an MAI appraisal from the Valuation Consultant. The Special Operating Covenant and Power of Termination constitute covenants, equitable servitudes, restrictions and easements in gross in favor of Landlord without regard to technical classification and designation, run with the land and shall be binding on Tenant and all successors and assigns during the term of the Special Operating Covenant and shall be expressly set forth in the recorded grant deed conveying the Fee Estate to Tenant (or its designee, as applicable) and, at Landlord’s option, in a separate restrictive covenant agreement to be recorded immediately following such grant deed. If the Power of Termination is exercised by Landlord as a result of Tenant’s violation of the Special Operating Covenant, Tenant (or the then-current owner and operator of the Fee Estate) shall reasonably cooperate with Landlord (without limitation on any remedies otherwise available to Landlord), in transitioning any remaining healthcare operations over to Landlord (or its designated successor lessee or operator) at no additional charge to Landlord (except for the purchase price for the Fee Estate and the fair market value of Tenant’s (or its successor’s) FF&E and inventory if Landlord desires to acquire such FF&E and inventory) so as to reasonably limit interruption to patient care.

15.5 *Tenant’s Purchase Option.* Tenant shall have the option (the “Purchase Option”), at any time after the third (3<sup>rd</sup>) anniversary of the Commencement Date, to purchase any one or more of the parcels of improved real property identified on Exhibit E (the “Purchase Option Parcels”) from Landlord at a purchase price equal to the Market Value for the Purchase Option Parcels designated by Tenant (the “Designated Purchase Option Parcels”) and the Existing FF&E, to the extent then present at the Premises (collectively, the “Purchase Option Price”) on the terms and conditions in subsections 15.5.1 thru 15.5.9. Tenant’s Purchase Option rights with respect to unimproved land parcels identified in Exhibit E shall be conditioned upon and subject to Landlord’s compliance with the requirements of Law with respect to its disposition of Surplus Real Property.

15.5.1 *Tenant’s Notice.* Tenant may exercise its Purchase Option by giving Landlord written Notice of Tenant’s intent to purchase the Designated Purchase Option Parcels (the “Option Exercise Notice”), which Option Exercise Notice shall set forth the desired closing date for the purchase (which shall not be more than sixty (60) days after the date of Electorate Approval of Sale) and shall contain a request that Landlord solicit Electorate Approval of Sale.

The Option Exercise Notice shall be accompanied by (a) an MAI appraisal from the Valuation Consultant showing the Market Value for the Designated Purchase Option Parcels and the Existing FF&E (collectively, for purposes of this Section 15.5, the “Hospital Assets”), and (b) three (3) counterparts of an escrow agreement, in customary form (the “Escrow Agreement”), naming a nationally recognized title company as escrow agent (“Escrow Agent”) and Landlord and Tenant as the other parties, all executed by Escrow Agent and Tenant.

*15.5.2. Further Electorate Approval.* Promptly upon receiving the Option Exercise Notice, Landlord shall take such actions as are necessary to submit to the voters of Landlord’s district a measure proposing the sale of the Hospital Assets to Tenant, as contemplated under this Lease, in accordance with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code; the voters’ approval of such sale, as certified by the registrar of voters, shall constitute “Electorate Approval of Sale”. If the voters do not approve the sale of the Hospital Assets, Tenant may terminate the Lease by providing two hundred and seventy (270) days written Notice to Landlord. Tenant must exercise this right no later than ninety (90) days after the election is certified by registrar of voters.

*15.5.3. Opening of Escrow.* Landlord shall sign the three (3) counterparts of the Escrow Agreement and return one (1) fully executed counterpart to each of Tenant and the Escrow Agent within five (5) Business Days of Landlord’s receipt of the Option Exercise Notice. Escrow Agent’s receipt of a fully executed counterpart of the Escrow Agreement shall effect the opening of escrow for Tenant’s purchase of the Hospital Assets.

*15.5.4. Payment of Purchase Price.* Tenant shall have discretion in paying the purchase price of the Fee Estate through any combination of following: (i) cash payment to Landlord, (ii) assumption of Landlord Debt, (iii) promissory note in favor of the Landlord secured by the Fee Estate, or (iv) as the parties may mutually agree.

*15.5.5. Closing Conditions.*

(a) At closing and as a condition to Tenant’s obligation to close, Landlord shall pay and so covenants to pay, on the Closing Date all State and local transfer taxes payable by reason of the sale of the Hospital Assets from Landlord to Tenant. Landlord, as seller, and Tenant, as purchaser, shall execute and deliver all questionnaires, returns, reports and other documents required to be executed and filed in connection with such taxes in a timely fashion so that all clearances required to be obtained shall have been obtained by the Closing Date.

(b) At closing and as a condition to Tenant’s obligation to close, title to the Hospital Assets shall be conveyed, and Landlord covenants so to convey, free and clear of all exceptions to title other than Permitted Real Property Encumbrances, the Special Operating Covenant and any municipal, state or federal rules or regulations which may then affect the Land or the Improvements or such transfer and conveyance.

(c) At closing, as a condition to Tenant’s obligation to purchase the Hospital Assets, Landlord will deliver to Tenant an affidavit that it is not a “foreign person” within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, or will otherwise comply with the provisions of such Section.

*15.5.6. Closing Procedures.* On the Closing Date, the Hospital Assets shall be conveyed in their “as is” condition and there shall be no abatement or diminution of the Purchase Option Price by reason of any fire, casualty, eminent domain or Condemnation affecting the Designated Purchase Option Parcels or the Improvements located thereon. The Purchase Option Price shall be paid by Tenant on the Closing Date by payment to the Escrow Agent of an amount equal to the Purchase Option Price (reduced, as applicable, by the amount of Rent paid in advance with respect to any period from and after the Closing Date) by wire transfer of federal funds to Escrow Agent’s account. On or before the Closing Date, Landlord and Tenant shall deliver to Escrow Agent the deed to the Designated Purchase Option Parcels, which deed shall be the usual grant deed in proper form for recording (but including the Special Operating Covenant) and shall be duly executed and acknowledged by both parties so as to convey to Tenant title to the Designated Purchase Option Parcels in fee simple, subject to the Special Operating Covenant, in accordance with this Section 15.5.6 (the “Deed”), as well as any other documents or instruments reasonably requested by Tenant, Landlord and/or Escrow Agent to confirm the proper Transfer of the Hospital Assets from Landlord to Tenant (such as a bill of sale for the then-Existing FF&E) in accordance with the terms and provisions of this Section 15.5.6 (the “Ancillary Documents”). Upon Escrow Agent’s receipt of the Deed and the Ancillary Documents from Landlord and Tenant (as applicable) and the Purchase Option Price from Tenant, the closing shall be deemed to have occurred, Escrow Agent shall be authorized to record the Deed in the applicable land records and to release the Purchase Option Price (as adjusted for the payment of any State and local transfer taxes or other closing amounts payable by Landlord) to Landlord, and this Lease shall terminate and be of no further force or effect and neither party hereto shall have any obligations to the other under this Lease (other than provisions of this Lease which expressly provide that they survive termination of this Lease). In the event that Landlord fails timely to deliver the Deed and the Ancillary Documents to Escrow Agent, Tenant shall have the right to pursue all rights and remedies afforded at law and in equity, including specific performance. In the event that Tenant fails timely to deliver the Purchase Option Price to Escrow Agent and provided that all conditions to Tenant’s performance were previously satisfied, Landlord shall have no further obligation to sell the Hospital Assets to Tenant under this Section 15.4 and the Purchase Option shall be of no further force or effect.

*15.5.7. Improvements Fund and Restricted Capital Fund.* If Tenant purchases the Designated Purchase Option Parcels, Landlord will retain ownership and control of the Improvements Fund. Tenant will be deemed on the Closing Date to have waived all rights on the use of the Improvements Fund set forth in this Lease. Notwithstanding the foregoing, Landlord shall retain responsibility for the completion and payment of all Improvements Schedule projects that are commenced prior to Tenant delivering the Option Exercise Notice.

*15.5.8. No Other Agreement.* In the event that the Option Exercise Notice shall have been given, the provisions of this Section 15.5 shall constitute the entire agreement of sale with respect to the sale by Landlord to Tenant of the Hospital Assets and no further agreement of sale shall be required of Landlord or Tenant with respect to the Hospital Assets, other than closing documents reasonably required by Landlord or Tenant or Escrow Agent hereunder and for the normal and usual closing adjustments.

15.5.9. *Merger.* Upon the closing of the purchase of the Hospital Assets, the Term shall expire and neither the Landlord nor Tenant shall have any further rights or obligations under this Lease, except for those rights and/or obligations which are expressly provided in this Lease to survive said closing.

16. *Tenant's Transfers.*

16.1 *Tenant's Right.* Tenant may Transfer this Lease or the Leasehold Estate to an Affiliate of Tenant without Landlord's consent (but with prior written Notice) and otherwise with Landlord's prior written consent, not to be unreasonably withheld, delayed or conditioned. Any assignee of Tenant shall assume all obligations and liabilities of Tenant under this Lease. Tenant shall pay all transfer and other taxes payable on account of any Transfer by Tenant. Tenant shall promptly Notify Landlord of any Transfer. After Tenant assigns this Lease and the assignee assumes it, the assignor shall have no obligation or liability under this Lease, except any unperformed obligations that arose before the assignment (unless assumed in writing, in recordable form, by the assignee). If Tenant assigns this Lease, then as between Landlord and Tenant, Tenant shall be deemed to have assigned to the assignee or transferee all claims against Landlord then existing, and the assignee shall be deemed, by assuming this Lease, to have assumed all liabilities and obligations of Tenant then existing or thereafter arising under this Lease (except as this Lease otherwise expressly states).

17. *Equipment Liens.*

17.1 *Tenant's Rights.* After the Commencement Date, Tenant intends, from time to time, to acquire or lease FF&E. If at any time or from time to time Tenant desires to enter into or grant any Equipment Lien that otherwise complies with this Lease, then upon Tenant's request Landlord shall enter into such customary documentation regarding the Financed FF&E as Tenant reasonably requests, providing for matters such as: (a) waiver of any right to take possession of such Financed FF&E upon an Event of Default; (b) waiver of any other right, title, or interest in the Financed FF&E; and (c) agreements to enable the holder of such Equipment Lien to repossess such Financed FF&E if such holder exercises remedies under its Equipment Lien. Tenant shall not enter into any Equipment Lien that causes any Prohibited Lien.

18. *Quiet Enjoyment; Title to Certain Premises; Certain Agreements.*

18.1 *Quiet Enjoyment.* So long as this Lease has not been terminated, Landlord covenants that Tenant shall and may peaceably and quietly have, hold, and enjoy the Premises and the Existing FF&E for the Term, subject to the terms of this Lease, without molestation, hindrance, or disturbance by or from Landlord or by anyone claiming by or through Landlord or having title to the Premises or the Existing FF&E paramount to Landlord, and free of any encumbrance created or suffered by Landlord, except Permitted Real Property Encumbrances.

18.2 *Access and Inspection.* Notwithstanding anything to the contrary in this Lease, Landlord and its agents, representatives, and designees shall have the right to enter the Premises upon reasonable Notice during regular business hours, solely to: (a) ascertain whether Tenant is complying with this Lease; (b) cure Tenant's Defaults; (c) inspect the Premises and any Construction; (d) perform such tests, borings, and other analyses as Landlord determines may be

necessary or appropriate relating to (non)compliance with any Law or possible Hazardous Substances Discharge; (e) show the Premises to a prospective transferee; or (f) to fulfill any legal obligation Landlord may retain, as a healthcare district, with respect to the Premises under the California Health & Safety Code. In entering the Premises, Landlord and its designees shall not unreasonably interfere with operations on the Premises and shall comply with Tenant's reasonable instructions and all applicable Laws. Landlord shall Indemnify Tenant against any claims arising from Landlord's entry upon the Premises.

19. Events of Default; Remedies.

19.1 *Definition of "Event of Default."* An "Event of Default" means the occurrence of any one or more of the following:

*19.1.1. Monetary Default.* If a Monetary Default occurs and continues for 10 Business Days after Notice from the non-defaulting party, specifying in reasonable detail the amount of money not paid and the nature and calculation of each such payment.

*19.1.2. Prohibited Liens.* If a party fails to comply with any obligation regarding Prohibited Liens and does not remedy such failure within 15 days after Notice from the non-obligated party.

*19.1.3. Bankruptcy or Insolvency.* If Tenant ceases to do business as a going concern, ceases to pay its debts as they become due or admits in writing that it is unable to pay its debts as they become due, or becomes subject to any bankruptcy proceeding (except an involuntary bankruptcy proceeding dismissed within 180 days after commencement), or a custodian or trustee is appointed to take possession of, or an attachment, execution or other judicial seizure is made with respect to, substantially all of Tenant's assets or Tenant's interest in this Lease (unless such appointment, attachment, execution or other seizure was involuntary and is contested with diligence and continuity and is vacated and discharged within 180 days).

*19.1.4. Nonmonetary Default.* If any other Nonmonetary Default occurs and the defaulting party does not cure it within 45 days after Notice from the non-defaulting party describing it in reasonable detail, or, in the case of a Nonmonetary Default that cannot with due diligence be cured within 45 days from such Notice, if defaulting party does not (x) within 45 days from Landlord's Notice advise the non-defaulting party of the defaulting party's intention to take all reasonable steps to cure such Nonmonetary Default; (y) duly commence such cure within such period, and then diligently prosecute such cure to completion; and (z) complete such cure within a reasonable time under the circumstances (not necessarily limited to 45 days).

19.2 *Remedies.* If an Event of Default occurs and so long as such Event of Default is continuing without cure or waiver, then the non-defaulting party shall, at its option, have any or all of the following remedies, all cumulative (so exercise of one remedy shall not preclude exercise of another remedy), in addition to such other remedies as may be available at law or in equity or under any other terms of this Lease. The non-defaulting party's remedies include:

*19.2.1. No Waiver.* No failure by the non-defaulting party to insist upon strict performance of any covenant, agreement, term, or condition of this Lease or to exercise any

right or remedy upon a Default. Landlord's acceptance of full or partial Rent during continuance of any such Default, shall waive any such Default or such covenant, agreement, term, or condition. No covenant, agreement, term, or condition of this Lease to be performed or complied with, and no Default, shall be Modified except by a written instrument executed by the non-defaulting party. No waiver of any Default shall affect or alter this Lease. Each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent Default of such covenant, agreement, term or condition of this Lease.

*19.2.2. Tenant Specific Remedies.* Tenant will have the following specific remedies for Landlord Defaults in addition to all other remedies available to Tenant as set forth in this Lease:

*19.2.2.1. Restricted Capital Fund.* In the event Landlord fails to fund the Restricted Capital Fund in the amounts required and at the times set forth in **Exhibit D**, upon delivery by Tenant of Notice to Landlord regarding such failure, Landlord shall have one (1) year from the delivery of such Notice to cure Landlord's failure to fund the Restricted Capital Fund while continuing to remain current on any and all subsequent fundings of the Restricted Capital Fund required pursuant to **Exhibit D**. If Landlord fails to so cure its failure to fund within such one (1) year period while otherwise remaining current on its Restricted Capital Fund obligations, Tenant may exercise either of the following remedies under this Section **Error! Reference source not found.**: (a) Tenant may elect to take control of the Restricted Capital Fund, without any change or modification in Landlord's obligation to make the subsequent deposits to the Restricted Capital Fund required pursuant to **Exhibit D** (and any subsequent Landlord failure to fund the Restricted Capital Fund in the amounts required and at the times set forth in **Exhibit D** shall give rise to Tenant again having the right to elect remedies pursuant to this Section **Error! Reference source not found.**); or (b) Tenant shall have the right to terminate this Lease upon two hundred seventy (270) days' Notice to Landlord and Landlord shall pay Ten Million Dollars (\$10,000,000) to Tenant in liquidated damages within three (3) months of receipt of such Notice from Tenant. The parties agree that Landlord's failure to fulfill its Restricted Capital Fund obligations deprives Tenant of a material term of this Lease. The Restricted Capital Fund provides for the future development of the Premises and as a result of Landlord's breach, Tenant is deprived of the economic opportunities that flow from that development. The parties further agree that these liquidated damages are not intended as a penalty, but as a reasonable estimate of damages to Tenant resulting from Landlord's default related to the Restricted Capital Fund, which damages are difficult for the parties to determine as of the Execution Date. In the event of the termination of this Lease pursuant to clause (b) of this Section **Error! Reference source not found.**, Landlord's payment of the liquidated damages shall be Landlord's sole liability with respect to Landlord's breach of its Restricted Capital Fund obligations set forth in Section 7.2, and if Tenant shall have previously taken control of the Restricted Capital Fund pursuant to clause (a) of this Section **Error! Reference source not found.**, Tenant shall return control of the Restricted Capital Fund to Landlord. Nothing in this Section 19.2.2.1 shall be deemed to limit Tenant's remedies at law or equity that may be pursued or availed of by Tenant for any other breach by Landlord of this Lease.

*19.2.2.2. Tenant's Termination Right.* Tenant shall have the right, at Tenant's sole election, to terminate this Lease upon two hundred seventy (270) days'

Notice to Landlord if (x) Landlord fails to prepare, to the reasonable satisfaction of Tenant, a committed plan to achieve Seismic Compliance for the Improvements and to secure committed funds on or before January 1, 2025, or five (5) years prior to the date required by Law to achieve Seismic Compliance, whichever occurs later, in an amount sufficient to complete the work described in such plan, (y) Landlord fails to achieve Seismic Compliance for the Improvements on or before January 1, 2030, or on the date required by Law, whichever occurs later, or (z) Landlord fails to perform a material obligation under the Lease, which includes, but is not limited to making the Improvements Fund available to Tenant.

*19.2.3. Landlord Specific Remedies.* Landlord will have the following specific remedies for Tenant Defaults in addition to all other remedies set forth in this Lease.

*19.2.3.1. Continuation of Lease.* Landlord may continue this Lease in full force and effect and the Lease will continue in effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. During the period Tenant is in Default, Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Tenant shall pay to Landlord the Rent due under this Lease on the dates the Rent is due, less the rent Landlord receives from any reletting. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord Notifies Tenant that Landlord elects to terminate this Lease.

If Landlord elects to relet the Premises as provided in this paragraph, rent that Landlord receives from reletting shall be applied to the payment of:

First, any indebtedness from Tenant to Landlord other than Base Rent due from Tenant;

Second, all costs, including for maintenance, incurred by Landlord in reletting;

Third, Base Rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. If, on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including for maintenance, Landlord incurred in reletting that remain after applying the rent received from the reletting as provided in this paragraph.

*19.2.3.2. Termination of Lease.* Landlord can terminate Tenant's right to possession of the Premises and the Existing FF&E. No act by Landlord other than giving Notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest

under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to recover from Tenant:

(i) The worth, at the time of the award, of the unpaid Rent that had been earned at the time of termination of this Lease;

(ii) The worth, at the time of the award, of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided;

(iii) The worth, at the time of the award, of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and

(iv) Any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's Default.

"The worth, at the time of the award," as used in "a" and "b" of this paragraph, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge on a loan. "The worth, at the time of the award," as referred to in "c" of this paragraph, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%. The "balance of the term", as referred to in "c" of this paragraph, shall be the period beginning on the date of the time of the award and ending on the first date thereafter on which Tenant could have effected the termination of this Lease pursuant to Section 19.9 or Section 19.10.

19.3 *Cure Rights.* If a party at any time fails to make any payment or take any action this Lease requires and such failure has ripened into an Event of Default, then the non-defaulting party, after ten (10) Business Days' Notice to the defaulting party, or in an emergency with such Notice (if any) as is reasonably practicable under the circumstances, and without waiving or releasing the defaulting party from any obligation or Default and without waiving the non-defaulting party's right to take such action as this Lease may permit as a result of such Default, may (but need not) make such payment or take such action. The defaulting party shall reimburse the defaulting in an amount equal to (a) all reasonable sums paid, and reasonable costs and expenses (including Legal Costs) incurred, by the non-defaulting party in exercising its cure rights under this paragraph; and (b) Default Interest on "a."

19.4 *Holding Over.* If for any reason or no reason Tenant remains in the Premises after the Expiration Date without the consent of Landlord, then Landlord will suffer injury that is substantial, difficult, or impossible to measure accurately. Therefore, if Tenant remains in the Premises after the Expiration Date without the consent of Landlord, for any reason or no reason, then in addition to any other rights or remedies of Landlord, Tenant shall pay to Landlord, as liquidated damages and not as a penalty, for each month (prorated daily for partial months) during which Tenant holds over after the Expiration Date, a sum equal to: 120% (for the first month or partial month of holding over), 133% (for the second month or partial month of holding over), and 150% (for each subsequent month or partial month of holding over) times the

monthly Rent, including Additional Rent, payable under this Lease during the year preceding the Expiration Date.

19.5 *Waivers.* TENANT WAIVES ANY RIGHT OF REDEMPTION PROVIDED FOR BY LAW. TENANT WAIVES ANY RIGHT TO INTERPOSE ANY COUNTERCLAIM IN ANY ACTION BY LANDLORD TO ENFORCE THIS LEASE OR LANDLORD'S RIGHTS AND REMEDIES UNDER THIS LEASE.

19.6 *Accord and Satisfaction; Partial Payments.* No payment by either party of a lesser amount than the amount owed under this Lease shall be deemed to be other than a part payment on account. No endorsement or statement on any check or letter accompanying any check or payment of Rent shall be deemed an accord or satisfaction. Landlord may accept any such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy.

19.7 *Regulatory Approvals.* Tenant shall have the right to terminate this Lease upon sixty (60) days' Notice to Landlord if Tenant's licensing and regulatory applications are denied or rejected and Tenant is unable to cure with reasonable effort. Tenant's termination rights will include all requisite state regulatory approvals, including the California Department of Public Health approval of Tenant's general acute care hospital license change of ownership application, the California Board of Pharmacy approval of Tenant's change of ownership application, and an effective Medi-Cal enrollment; and Tenant's receipt of all requisite federal regulatory approvals, including approval by CMS of Tenant's Medicare CMS-855A change of ownership application. Tenant shall also have the right to terminate this Lease upon sixty (60) days' Notice to Landlord if CDPH on behalf of CMS does not restore the Hospital's Medicare certification to good standing and confirms Hospital is in compliance with all relevant conditions of participation upon completion of a recertification survey after the Commencement Date, notwithstanding Tenant's reasonable efforts to comply.

19.8 *Termination for Failure to Close OTA.* Either party may terminate this Lease upon sixty (60) days' Notice to the other party if the OTA fails to close for any reason.

19.9 *Termination by Either Party.* Either party may terminate this Lease at any time in the event an unforeseeable circumstance beyond the party's control materially affects the party's ability to perform its obligations under this Lease. The event must have been reasonably unforeseeable at the time the parties entered this Lease and unavoidable from the perspective of the terminating party. In order to terminate under this provision, the terminating party must give at least twelve (12) months' prior written notice setting forth in sufficient detail, to the non-terminating party's satisfaction, the facts and circumstances justifying termination under this Section.

19.10 *Early Termination for Economic Reasons.* Effective as of any of the third anniversary, fifth anniversary, tenth anniversary, fifteenth anniversary, twentieth anniversary or twenty-fifth anniversary of the Commencement Date, Tenant may terminate this Lease if Tenant determines that the EBITDA from the Medical Business is less than five percent (5%) of the net revenue for the immediately preceding twelve- (12-) month period prior to the date of determination, which termination shall be effected by Tenant giving Landlord written Notice of

Tenant's election to terminate pursuant to this Section **Error! Reference source not found.** not less than two hundred seventy (270) days prior to such anniversary.

19.11 *Restructure Notice.* Without limiting Tenant's termination rights, any time that Tenant has a right to terminate this Lease, if Tenant determines that the Medical Business is no longer economically feasible, Tenant shall have the right to deliver a Notice to Landlord proposing a restructuring of the terms of this Lease, setting forth the terms of such restructuring (the "Restructure Notice"). Upon receipt of the Restructure Notice, Landlord and Tenant shall meet and confer in good faith to negotiate a new structure based on Tenant's Restructure Notice. If the parties do not come to an agreement within sixty (60) days following Landlord's receipt of the Restructure Notice, Landlord shall be deemed to have rejected Tenant's Restructure Notice terms and Tenant thereafter shall have the right to terminate this Lease upon two hundred seventy (270) days' Notice of termination to Landlord.

20. *End of Term.*

Upon any Expiration Date other than an Expiration Date resulting from Tenant's purchase of the Fee Estate: (a) Tenant shall deliver to Landlord possession of the Premises and the Existing FF&E and the New FF&E in Tenant's possession as of such Expiration Date, in the condition this Lease requires, subject to any Loss that this Lease does not require Tenant to Restore; (b) Tenant shall surrender any right, title, or interest in and to the Premises and such Existing FF&E and New FF&E and deliver such evidence and confirmation thereof as Landlord reasonably requires; (c) Tenant shall deliver the Premises and such Existing FF&E and New FF&E free and clear of all liens except (1) Permitted Real Property Encumbrances and (2) liens that Landlord or any of its agents caused; (d) the parties shall adjust for Real Estate Taxes and all other expenses and income of the Premises and any prepaid Rent and shall make such payments as shall be appropriate on account of such adjustment in the same manner as for a sale of the Premises (but any sums otherwise payable to Tenant shall first be applied to cure any Default); (e) the parties shall terminate the Memorandum of Lease; and (f) Tenant shall assign to Landlord, and Landlord shall reimburse Tenant for, all utility and other service provider deposits for the Premises. Additionally, if Landlord Notifies Tenant in writing not less than one hundred eighty (180) days prior to such Expiration Date of Landlord's election to resume operation of the Premises, either directly or through the engagement of a third-party operator, then Landlord and Tenant shall proceed with the transferring back of the Hospital operations to Landlord in accordance with Article [13] of that certain Transfer of Business Operations Agreement dated as of [ ● ].

21. *Notices.*

All Notices shall be in writing and shall be addressed to Landlord and/or Tenant (and their designated copy recipients), as applicable, as set forth in **Exhibit B**. Notices (including any required copies as set forth in **Exhibit B**) shall be delivered by Federal Express or other overnight (one-night) courier service, or by personal delivery, to the addresses set forth in **Exhibit B**, in which case they shall be deemed delivered on the date of delivery (or when delivery has been attempted twice, as evidenced by the written report of the courier service) to such address(es). Either party may change its address by giving Notice in compliance with this Lease. Notice of such a change shall be effective only upon receipt. Any party giving a Notice may request the recipient to acknowledge receipt of such Notice. The recipient shall promptly comply with any

such request, but failure to do so shall not limit the effectiveness of any Notice. Any attorney may give any Notice on behalf of its client. No Notice shall be effective unless and until a copy of such Notice has been delivered to the intended recipient's mortgagee(s) of which the sender shall have received Notice.

22. No Broker.

Each party: (a) represents and warrants that it did not engage or deal with any broker or finder in connection with this Lease and no Person is entitled to any commission or finder's fee on account of any agreements or arrangements made by such party; and (b) shall Indemnify the other party against any breach of such representation.

23. Nonrecourse.

No shareholder, officer, member, manager, director, agent, or employee of Landlord or Tenant shall have any liability under this Lease. (This Lease sometimes refers to this paragraph as the "Nonrecourse Clause.")

24. Additional Deliveries; Third Parties.

24.1 Estoppel Certificates. Up to twice a year, each party to this Lease (a "Requesting Party") may require the other party (a "Certifying Party") to execute, acknowledge, and deliver to the Requesting Party (or directly to a designated third party) up to four original counterparts of an Estoppel Certificate. The Certifying Party shall sign, acknowledge, and return such Estoppel Certificate within fifteen (15) days after request, even if the Requesting Party is in Default. Any Estoppel Certificate shall bind the Certifying Party.

24.2 Further Assurances. Each party shall execute and deliver such further documents, and perform such further acts, as may be reasonably necessary to achieve the parties' intent in entering into this Lease. Upon request from Tenant, Landlord shall promptly, under documentation reasonably satisfactory to the requesting party: (a) acknowledge any Subtenant's nondisturbance and recognition rights (provided such Subtenant joins in such agreement); and (b) certify (subject to any then exception reasonably specified) that this Lease is in full force and effect, that no Lease impairment has occurred, that to Landlord's knowledge no Default exists, the date through which Rent has been paid, and other similar matters as reasonably requested.

24.3 [Reserved].

24.4 Modification. Any Modification of this Lease must be in writing signed by the party to be bound.

24.5 Successors and Assigns. This Lease shall bind and benefit Landlord and Tenant and their successors and assigns, but this shall not limit or supersede any Transfer restrictions. Nothing in this Lease confers on any Person (except Landlord and Tenant) any right to insist upon, or to enforce against Landlord or Tenant, the performance or observance by either party of its obligations under this Lease.

24.6 *Memorandum of Lease.* Concurrently with the execution of this Lease, the parties shall promptly execute, acknowledge, and deliver duplicate originals of a Memorandum of Lease. Either party may record such Memorandum of Lease. Any taxes imposed upon such recording shall be paid by the party that caused such recordation to occur. If the parties amend this Lease, then the parties shall have the same rights and obligations regarding a memorandum of such amendment as they do for the Memorandum of Lease. Tenant may at any time by Notice to Landlord elect to require the Memorandum of Lease to be terminated, in which case: (a) the parties shall terminate the Memorandum of Lease; and (b) the parties acknowledge that Tenant shall rely on notice by possession rather than constructive notice by recordation of the Memorandum of Lease.

25. *Miscellaneous.*

25.1 *Costs and Expenses; Legal Costs.* In the event of any litigation or dispute between the parties, or claim made by either party against the other, arising from this Lease or the landlord-tenant relationship under this Lease, or Landlord's enforcement of this Lease upon a Default, or to enforce or interpret this Lease or seek declaratory or injunctive relief in connection with this Lease, or to exercise any right or remedy under or arising from this Lease, or to regain or attempt to regain possession of the Premises or terminate this Lease, or in any subsequent bankruptcy proceeding affecting the other party to this Lease, the prevailing party shall be entitled to reimbursement of its Legal Costs with Default Interest and all other reasonable costs and expenses incurred in enforcing this Lease or curing the other party's default.

25.2 *No Consequential Damages.* Whenever either party may seek or claim damages against the other party (whether by reason of a breach of this Lease by such party, in enforcement of any indemnity obligation, for misrepresentation or breach of warranty, or otherwise), neither Landlord nor Tenant shall seek, nor shall there be awarded or granted by any court, arbitrator, or other adjudicator, any speculative, consequential, collateral, special, punitive, or indirect damages, whether such breach shall be willful, knowing, intentional, deliberate, or otherwise. The parties intend that any damages awarded to either party shall be limited to actual, direct damages sustained by the aggrieved party. Neither party shall be liable for any loss of profits suffered or claimed to have been suffered by the other.

25.3 *No Merger.* If the Leasehold Estate and the Fee Estate are ever commonly held, they shall remain separate and distinct estates (and not merge).

25.4 *No Waiver by Silence.* Failure of either party to complain of any act or omission on the part of the other party shall not be deemed a waiver by the noncomplaining party of any of its rights under this Lease. No waiver by either party at any time, express or implied, of any breach of this Lease shall waive such breach or any other breach.

25.5 *Performance Under Protest.* If a dispute arises regarding performance of any obligation under this Lease, the party against which such obligation is asserted shall have the right to perform it under protest, which shall not be regarded as voluntary performance. A party that has performed under protest may institute appropriate proceedings to recover any amount paid or the reasonable cost of otherwise complying with any such obligation, with interest at the Prime Rate.

25.6 *Survival.* The rights and obligations of the parties set forth in Section 9.2 and Section 10, and all rights and obligations of the parties in this Lease that by their nature are to be performed after any termination of this Lease shall survive any such termination or expiration of the Lease.

25.7 *Unavoidable Delay.* Each party's obligation to perform or observe any nonmonetary obligation under this Lease shall be suspended during such time as such performance or observance is prevented or delayed by Unavoidable Delay.

25.8 *Restrictive Covenant.*

25.8.1. *Non-Competition.* The parties acknowledge that Landlord intends to rebrand itself as a community-based health district for the purpose of providing services designed to improve overall health of the community by supplementing but not replacing hospital services for the medically underserved. As such, Tenant and Landlord shall collaborate to develop and agree proactively on a community needs assessment and plan with the intent to establish coordinated investments to advance the health of the low income and disadvantaged population of District. As a community-based health district, Landlord intends to initiate, develop and provide certain community benefit services to meet unmet community needs (such as senior living, child advocacy, and behavioral health) for the low income and disadvantaged (poor, Medi-Cal, uninsured, and underinsured) and develop partnerships to facilitate such services in District. Without limitation on the rights of participation and first refusal set forth in Sections 25.8.2 and 25.8.3 below, Landlord agrees that, during the Term, neither Landlord nor any Affiliate of Landlord shall, directly or indirectly, participate or engage in any healthcare or healthcare related service in District that competes with Tenant, unless the prior written approval of Tenant is obtained, which approval Tenant may withhold for any healthcare or healthcare related service that would reduce or impair Tenant's financial condition in Tenant's sole discretion (provided that the basis for such judgment to withhold consent shall be provided to the Landlord and shall be based on Tenant's good faith analysis of the matter). In the event that Landlord during the Term plans or decides to initiate a healthcare or healthcare related service, Landlord shall Notify Tenant of Landlord's interest in and thereby its request to provide such service(s) and Tenant shall notify Landlord in writing of its approval or disapproval within ninety (90) days following Tenant's receipt of Notice from Landlord identifying the purpose and scope of the proposed healthcare or healthcare related service. As used herein, it shall be deemed that a Landlord-requested health care or healthcare related service competes with Tenant if it: (i) reduces or impairs the financial condition of the Tenant, (ii) is reasonably likely to reduce or impair the Tenant's future financial condition, or (iii) provides a healthcare or healthcare related service that is unrelated to the Landlord's intent to initiate, develop and provide certain community benefit and community health related services to meet unmet community needs for the low income and disadvantaged population (poor, Medi-Cal, uninsured or underinsured).*Landlord Establishment/Operation of Approved Healthcare or Healthcare Related Services.* In the event Landlord, at any time, during the Term, desires to establish and operate a healthcare or healthcare related service, then Landlord shall initiate the Notice process described in Section 25.8.1, above, which Notice shall include the general terms on which Landlord proposes to establish and offer such service(s). Provided that Tenant approves of the proposed healthcare or healthcare related service, then concurrently with Tenant's delivery of its approval of the proposed healthcare or healthcare related service, Tenant

shall Notify Landlord of whether or not Tenant has elected to provide such service(s) itself, either independently or in a joint venture or in affiliation with Landlord (the “Service Election Notice”). If Tenant elects to provide such service(s) independently, Tenant shall have one (1) year from the date of delivery of its Service Election Notice to Landlord to establish and operate such service(s), subject to Unavoidable Delay. If Tenant elects to provide such service(s) in a joint venture or in affiliation with Landlord, the parties shall meet and confer in good faith to form the joint venture or agree on the terms of an affiliation and establish and operate such services(s). If despite the parties’ good faith efforts, the parties are unable to agree on the joint venture or terms of affiliation for such service(s) by the date that is one (1) year after the date of Tenant’s delivery of its Service Election Notice to Landlord’s about same, or if Tenant fails to establish and operate such service(s) independently within such one (1) year period (subject to Unavoidable Delay), Landlord thereafter may establish and operate same without any participation by Tenant provided that Landlord makes such service(s) available to Tenant’s patients on a commercially reasonable basis.

25.8.3. *Health Care Service Agreement – Right of First Refusal.* If Landlord, at any time during the Term, receives a bona fide offer from an independent third party provider (“Third Party Provider”) to provide Landlord with a healthcare or healthcare-related service that Tenant has approved in accordance with Section 25.8.1 (a “Health Care Service Agreement”), which offer Landlord is willing to accept (a “Third Party Offer”), then Landlord shall provide Tenant with a right of first refusal with respect to such Third Party Offer by delivering a Notice to Tenant identifying the Third Party Provider and setting forth the terms of such Third Party Offer, including, without limitation, identification of the proposed Health Care Service Agreement and the material terms thereof (the “ROFR Offer Notice”). Tenant then shall have an option to be the provider to Landlord under a Health Care Service Agreement with Landlord on the same terms as set forth in such ROFR Offer Notice, which terms must be commercially reasonable. If Tenant does not deliver an election notice to exercise such option within ninety (90) days after receiving the ROFR Offer Notice from Landlord, then before such failure to deliver an election notice is deemed an election not to exercise the option, Landlord shall re-send the ROFR Offer Notice to Tenant granting Tenant an additional ten (10) days from such second Notice to respond, which Notice shall specifically reference this paragraph and state that Tenant’s failure to respond within ten (10) days from Tenant’s receipt of such second Notice shall be deemed Tenant’s election not to exercise its option to enter into the applicable Health Care Service Agreement on the terms set forth in the ROFR Offer Notice. Upon Tenant’s timely exercise of such option, Landlord and Tenant shall negotiate in good faith the remaining terms and conditions of a Health Care Service Agreement for such service. If Tenant fails to timely exercise its option to enter into the applicable Health Care Service Agreement or provides Landlord Notice that Tenant is not interested in pursuing a transaction on the terms presented in the ROFR Offer Notice, Landlord may thereafter effect the transaction with the Third Party Provider identified in the ROFR Offer Notice on the same terms and conditions specified in the applicable ROFR Offer Notice, as long as such terms also meet a commercial reasonableness standard. However, if such transaction is not consummated with the named Third Party Provider, and on the same terms and conditions set forth in the applicable ROFR Offer Notice, within one hundred and eighty (180) days after the expiration of the Tenant’s election period (if Tenant did not deliver a ROFR Election Notice), then Tenant’s right of first refusal under this paragraph shall be reinstated and Landlord then shall continue to be obligated to give Notice from time to time of any intent to enter into a Health Care Service Agreement for the applicable service, it being the intention of the parties that this shall be

an ongoing right of first refusal with each potential Health Care Service Agreement for such service throughout the Term, in compliance with the terms of this Section 25.8.3. Furthermore, Tenant shall have the right to receive a new ROFR Offer Notice and effect the noticed transaction if any of the terms set forth in the previously delivered ROFR Offer Notice are changed in any way that, in Tenant's reasonable opinion, favors the Third Party Provider, including, but not limited to, any increase in the consideration payable to the Third Party Provider, or any other financial incentives or concessions to such Third Party Provider not included in the prior ROFR Offer Notice delivered to Tenant. If Landlord is obliged to re-Notice Tenant with respect to the proposed Health Care Service Agreement with such Third-party Provider under the preceding sentence with respect to a previously received ROFR Offer Notice, Tenant shall have thirty (30) days in which to provide Landlord with a ROFR Election Notice in response to the new ROFR Offer Notice. Nothing in this Section 25.8.3 shall allow Landlord to provide, directly or indirectly through any Health Care Services Agreement, any healthcare or healthcare related service prohibited by this Lease, including, without limitation, the non-compete and other restrictions and requirements specified in Section 25.8.1.

26. *Interpretation, Execution, and Application of Lease.*

26.1 *Captions.* The captions of this Lease are for convenience and reference only. They in no way affect this Lease.

26.2 *Counterparts.* This Lease may be executed in counterparts.

26.3 *Delivery of Drafts.* Neither party shall be bound by this Lease unless and until such party shall have executed and delivered at least one counterpart of this Lease. The submission of draft(s) or comment(s) on drafts shall bind neither party in any way. Such draft(s) and comment(s) shall not be considered in interpreting this Lease.

26.4 *Entire Agreement.* This Lease contains all terms, covenants, and conditions about the Premises. The parties have no other understandings or agreements, oral or written, about the Premises or Tenant's use or occupancy of, or any interest of Tenant in, the Premises.

26.5 *Governing Law.* This Lease, its interpretation and performance, the relationship between the parties, and any disputes arising from or relating to any of the foregoing, shall be governed, construed, interpreted, and regulated under the Laws of the State, without regard to principles of conflict of laws.

26.6 *Partial Invalidity.* If any term or provision of this Lease or its application to any party or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Lease, or the application of such term or provision to Persons or circumstances except those as to which it is invalid or unenforceable, shall not be affected by such invalidity. All remaining provisions of this Lease shall be valid and be enforced to the fullest extent Law allows.

26.7 *Principles of Interpretation.* No inference in favor of or against any party shall be drawn from the fact that such party has drafted any part of this Lease. The parties have both participated substantially in its negotiation, drafting, and revision, with advice from counsel and other advisers. A term defined in the singular may be used in the plural, and vice versa, all in

accordance with ordinary principles of English grammar, which also govern all other language in this Lease. The words “include” and “including” shall be construed to be followed by the words: “without limitation.” Each of these terms shall be interpreted as if followed by the words “(or any part of it)” except where the context clearly requires otherwise: Building Equipment; FF&E; Fee Estate; Land; Leasehold Estate; Premises; Structure; and any other similar collective noun. Every reference to any document, including this Lease, refers to such document as Modified from time to time (except, at Landlord’s option, any Modification that violates this Lease), and includes all exhibits, schedules, and riders to such document. The word “or” includes the word “and.”

26.8 *Reasonableness.* Wherever this Lease states that a party shall not unreasonably withhold approval: (a) such approval shall not be unreasonably delayed or conditioned; (b) no withholding of approval shall be deemed reasonable unless withheld by Notice specifying reasonable grounds, in reasonable detail, for such withholding, and indicating specific reasonable changes in the proposal under consideration that would make it acceptable; (c) if a party grants its consent (or fails to object) to any matter, this shall not waive its rights to require such consent for any further or similar matter; and (d) any dispute on the withholding or delay of consent shall be determined by arbitration. Any consent or approval which is not stated to be able to be withheld or granted in a party’s sole and absolute discretion shall be subject to the reasonableness standard described above.

26.9 *Books and Records.* To the extent that the services provided under this Agreement are deemed by the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General, or the Secretary’s or Comptroller’s delegate, to be subject to the provisions of Section 952 of Public Law 96-499, the parties, until the expiration of four (4) years subsequent to the furnishing of services under this Agreement, shall make available, upon written request of the Secretary, the Comptroller, or any of their duly authorized representatives this Lease, and the books, documents, and records of the parties that are necessary to certify the nature and extent of the charges to Tenant’s patients.

If any party carries out any of its duties under this Lease through a subcontract, with a value of \$10,000 or more over a twelve (12)-month period, with a related organization (as that term is defined with regard to a provider in 42 C.F.R. 413.17(1)), such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization upon written request shall make available, to the Secretary, the Comptroller, or any of their duly authorized representatives the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

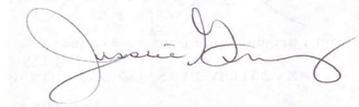
If any party is requested to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation related directly to the provision of services under this Agreement (e.g. a governmental investigation of billing practices or services provided to hospital patients), such party shall Notify the other party of the nature and scope of such request and shall make available to the other party, upon written request, all such books, documents, or records.

*[Signatures on Next Page.]*

**IN WITNESS WHEREOF**, Landlord and Tenant have executed this Lease on the Commencement Date.

**LANDLORD**

MENDOCINO COAST HEALTH CARE DISTRICT,  
a local health care district of the State of California



By: \_\_\_\_\_  
Its Board of Directors President \_\_\_\_\_

**TENANT**

ADVENTIST HEALTH MENDOCINO COAST, a  
California nonprofit public benefit corporation

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

***Attachments:***

- Exhibit A** = Land Description
- Exhibit B** = Notice Addresses (Including Required Copy Recipients)
- Exhibit C** = Service Area
- Exhibit D** = Restricted Capital Fund Funding Schedule
- Exhibit E** = Purchase Option Parcels

- Schedule 5.1 = List of Continued Services
- Schedule 14.2.2 = List of Environmental Permits
- Schedule 14.3 = Material Litigation/Proceedings
- Schedule 14.10 = Permitted Real Property Encumbrances

**IN WITNESS WHEREOF**, Landlord and Tenant have executed this Lease on the Commencement Date.

**LANDLORD**

MENDOCINO COAST HEALTH CARE DISTRICT,  
a local health care district of the State of California

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

**TENANT**

ADVENTIST HEALTH MENDOCINO COAST, a California nonprofit public benefit corporation



By: \_\_\_\_\_  
Its Chair of the Board

***Attachments:***

- Exhibit A** = Land Description
- Exhibit B** = Notice Addresses (Including Required Copy Recipients)
- Exhibit C** = Service Area
- Exhibit D** = Restricted Capital Fund Funding Schedule
- Exhibit E** = Purchase Option Parcels

- Schedule 5.1 = List of Continued Services
- Schedule 14.2.2 = List of Environmental Permits
- Schedule 14.3 = Material Litigation/Proceedings
- Schedule 14.10 = Permitted Real Property Encumbrances

## EXHIBIT A<sup>1</sup>

### LAND DESCRIPTION

	Bldg.	Address	APN/ Parcel Description	Bldg. Square Feet	Own/Lease
1.	Acute Space (Includes ED& Lab Addition	700 River Drive	018--090-15-00 9.70 acres	52,472 sf -	Own
2.	Materials Handling Bldg.	700 River Drive	018--090-15-00 Same parcel as above	4,500 sf	Own
3.	Patient Services Bldg.	775 River Drive	018--090-15-00 Same parcel as above	13,420 sf	Own
4.	AJ Gray Bldg.	775 River Drive	018--090-15-00 Same parcel as above	4,219 sf	Own
5.	Founders Bldg.	516 Cypress Street	018-320-08-00 .484 acres	5,216 sf	Own
6.	North Coast Clinic	721 River Drive			Lease
7.	Hospice Thrift Store	155 Boatyard			Lease

Notwithstanding the foregoing, the Premises shall not include those portions of 775 River Drive used by the Mendocino Coast Healthcare Foundation, a California nonprofit public benefit corporation, immediately prior to the Commencement Date. Landlord and Tenant agree that all maintenance, tax and utility costs associated with the operation of 775 River Drive shall be divided equally between Landlord and Tenant. [more detailed description of the space to be included/attached]

The leases described in rows six and seven of the table above will be assumed by Tenant as of the Commencement Date in connection with that certain Business Operations Transfer Agreement by and between Landlord and Tenant.

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<sup>1</sup> For further discussion

**EXHIBIT B**

**NOTICE ADDRESSEES (INCLUDING REQUIRED COPY RECIPIENTS)**

<b>party:</b>	<b>Notice Address:</b>	<b>With a Copy to:</b>
Landlord	Mendocino Coast District Hospital	
Tenant	Adventist Health Mendocino Coast  Attention: President	Stone Point Health ONE Adventist Health Way Roseville, California 95661 Attention: Office of General Counsel  And to:  Latham & Watkins LLP 355 South Grand Avenue, Suite 100 Los Angeles, California 90071-1560 Attention: Daniel K. Settlemayer, Esq.

**EXHIBIT C**  
**SERVICE AREA**



Exh. C

**EXHIBIT D**  
**RESTRICTED CAPITAL FUND FUNDING SCHEDULE**

Mendocino Coast District Hospital  
Statement of Annual Projected Cash Flow  
Prepared: April 16, 2020

	FYE 06-30-21	FYE 06-30-22	FYE 06-30-23	FYE 06-30-24	FYE 06-30-25	FYE 06-30-26	FYE 06-30-27	FYE 06-30-28	FYE 06-30-29	FYE 06-30-30
<b>Sources of Cash:</b>										
Measure C- expires June 30, 2030 (1)	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000
District Tax Receipts	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000	\$825,000
AH Lease Payment	\$1,750,000	\$1,750,000	\$1,750,000	\$2,950,000	\$2,950,000	\$2,950,000	\$3,009,000	\$3,069,180	\$3,130,564	\$3,193,175
<b>Total Sources</b>	<b>\$4,125,000</b>	<b>\$4,125,000</b>	<b>\$4,125,000</b>	<b>\$5,325,000</b>	<b>\$5,325,000</b>	<b>\$5,325,000</b>	<b>\$5,384,000</b>	<b>\$5,444,180</b>	<b>\$5,505,564</b>	<b>\$5,568,175</b>
<b>Uses of Cash:</b>										
CapEx/Deferred Maintenance Expenditures (+2% annual CPI)	\$2,000,000	\$2,040,000	\$2,080,800	\$2,122,416	\$2,164,864	\$2,208,162	\$2,252,325	\$2,297,371	\$2,343,319	\$2,390,185
Revenue Bonds- Refinanced 2016 (2)	\$567,500	\$565,500	\$563,200	\$565,600	\$562,550	\$564,750	\$561,500	\$562,250	\$561,750	\$0
Cal Mortgage Line of Credit (3)	\$214,653	\$157,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
HELP II Loan (4)	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$165,624	\$12,250	\$0
UHC of California (5)	\$237,300	\$230,475	\$223,650	\$216,825	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Uses</b>	<b>\$3,185,077</b>	<b>\$3,159,169</b>	<b>\$3,033,274</b>	<b>\$3,070,465</b>	<b>\$2,893,038</b>	<b>\$2,938,536</b>	<b>\$2,979,449</b>	<b>\$3,025,245</b>	<b>\$2,917,319</b>	<b>\$2,390,185</b>
<b>Cash Available for Distribution</b>	<b>\$939,923</b>	<b>\$965,831</b>	<b>\$1,091,726</b>	<b>\$2,254,535</b>	<b>\$2,431,962</b>	<b>\$2,386,464</b>	<b>\$2,404,551</b>	<b>\$2,418,935</b>	<b>\$2,588,245</b>	<b>\$3,177,990</b>
<b>Less Distributions:</b>										
Restricted Capital Fund	\$689,923	\$715,831	\$841,726	\$2,004,535	\$2,181,962	\$2,136,464	\$2,154,551	\$2,168,935	\$2,338,245	\$2,927,990
District Operating Cash	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
<b>Total Distributions</b>	<b>\$939,923</b>	<b>\$965,831</b>	<b>\$1,091,726</b>	<b>\$2,254,535</b>	<b>\$2,431,962</b>	<b>\$2,386,464</b>	<b>\$2,404,551</b>	<b>\$2,418,935</b>	<b>\$2,588,245</b>	<b>\$3,177,990</b>
<b>Restricted Capital Fund- Cumulative Cash</b>	<b>\$689,923</b>	<b>\$1,405,754</b>	<b>\$2,247,480</b>	<b>\$4,252,015</b>	<b>\$6,433,977</b>	<b>\$8,570,441</b>	<b>\$10,724,992</b>	<b>\$12,893,927</b>	<b>\$15,232,172</b>	<b>\$18,160,161</b>

(1) Sunset provision of 12 years and must be used for voter mandated purposes. Expires year ending June 30, 2030.

(2) Pay Off - June 2029

(3) Pay Off - March 2022

(4) Pay Off - August 2028

(5) Pay Off - April 2024

## EXHIBIT E

### PURCHASE OPTION PARCELS

Bldg.	Address	APN/ Parcel Description
Acute Space (Includes ED& Lab Addition	700 River Drive	018--090-15-00 9.70 acres
Materials Handling Bldg.	700 River Drive	018--090-15-00 Same parcel as above
Patient Services Bldg.	775 River Drive	018--090-15-00 Same parcel as above
AJ Gray Bldg.	775 River Drive	018--090-15-00 Same parcel as above
Founders Bldg.	516 Cypress Street	018-320-08-00 .484 acres
Land*	NCFHC address- 721 River Drive	018--090-16-00 2.79 acres
Land*	N/A- undeveloped property	018--090-02-00 2.41 acres

\*Subject to Landlord's compliance with the requirements of Law with respect to its disposition of Surplus Real Property.

**SCHEDULE 5.1**

**LIST OF CONTINUED SERVICES**

<b>Facility/Service</b>	<b>Location</b>
<p>Mendocino Coast District Hospital</p> <ul style="list-style-type: none"> <li>• Intensive/Coronary Care Unit</li> <li>• Medical/Surgical Unit</li> <li>• Swing Bed Unit</li> <li>• Emergency Room</li> <li>• Ambulances</li> <li>• Surgery Rooms</li> <li>• Recovery Rooms</li> <li>• Laboratory-Clinical</li> <li>• Laboratory-Pathology</li> <li>• Blood Bank</li> <li>• EK</li> <li>• Radiology</li> <li>• Nuclear Medicine</li> <li>• MRI</li> <li>• CAT Scan</li> <li>• Mammograph</li> <li>• Ultrasound</li> <li>• Pharmacy</li> <li>• Respiratory Therapy</li> <li>• Physical Therapy</li> <li>• Speech Therapy</li> <li>• Occupational Therapy</li> <li>• Hematology/Oncology Clinic</li> <li>• Infusion Services</li> </ul>	<p>700 River Drive Fort Bragg, CA 95437</p>
<p>Mendocino Coast Home Health Service</p>	<p>700 River Drive Fort Bragg, CA 95437</p>
<p>Mendocino Coast Ambulance Service</p>	<p>700 River Drive Fort Bragg, CA 95437</p>
<p>North Coast Family Health Center</p>	<p>721 River Drive Fort Bragg, CA 95437</p>
<p>Mendocino Coast Hospice Thrift Store</p>	<p>155 Boatyard Drive Fort Bragg, CA 95437</p>

**SCHEDULE 14.2.2**  
**ENVIRONMENTAL PERMITS**

Sch. 14.2.2-1

**SCHEDULE 14.3**  
**MATERIAL LITIGATION/PROCEEDINGS**

**SCHEDULE 14.10**

**PERMITTED REAL PROPERTY ENCUMBRANCES**