



Agenda Commentary

Item Title/ Subject: Consider new lease agreement with HMA

Staff Source: City Manager, Steve Hewitt

Date: Feb. 21, 2012

History/Background Information:

HMA would like a new agreement with the City. HMA is hoping to have this wrapped up and take over hospital March 1st. City of Clinton owns hospital and leases to Hospital Authority.

Item/Subject Summary:

City Attorney and I have worked closely to make the agreement good for both the City/Hospital and HMA. Previous lease with Authority, HMA requesting agreement with the City and Authority.

Price/Cost: N/A

Recommendation:

Staff recommends approval.

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made and entered into this ____ day of _____, 2012, by and between the CITY OF CLINTON, a municipal corporation (hereinafter called "Landlord"), and CLINTON HMA, LLC d/b/a Integris Clinton Regional Hospital, an Oklahoma limited liability company (hereinafter called "Tenant").

WITNESSETH

Landlord is the owner of the Premises (as defined below), which has historically been used for a hospital and related medical services. Landlord has determined that it is in the best interest of the hospital and the greater Clinton community for Landlord to enter into this Lease, pursuant to which Tenant will lease the Premises from Landlord and operate the Premises to provide a hospital and related medical services by a health care provider that will contribute tax revenue to Custer County, Oklahoma. Maintenance of the hospital is critical to the interests of the City and its citizens by ensuring the availability of local health care and encouraging future economic growth.

Landlord, for and in consideration of the rents, covenants and agreements, and stipulations hereinafter mentioned, hereby leases to Tenant, and Tenant hereby leases from Landlord, upon the terms and conditions set forth herein, the property known as INTEGRIS Clinton Regional Hospital located at 100 N. 30 Street, Clinton, OK 73601, and being more particularly described on Exhibit A attached hereto and made a part hereof, together with all easement rights and appurtenances thereto, and all buildings, improvements and fixtures now or hereafter located thereon (collectively, the "Premises"). .

1. TERM AND RENTAL

(a) The term of this Lease shall commence on March, 1, 2012 (the "Commencement Date"), and shall expire on December 31, 2017, subject to renewal or termination as provided in this Lease (the "Term").

(b) Tenant shall have the option to extend the Term of this Lease for three (3) consecutive five year (5) terms (the "Renewal Terms") on the same terms and conditions as are applicable to the initial term. Tenant shall exercise its options to renew by providing Landlord with written notice of Tenant's intention to exercise its option to renew at least ninety (90) days before the expiration of the original term hereof or the then current Renewal Term, as the case may be.

(c) Tenant shall pay to Landlord the sum of One Hundred Twenty-Five Thousand and 04/100ths Dollars (\$125,000.04) per annum (the "Base Rent"), payable in equal monthly installments of Ten Thousand Four Hundred Sixteen and 67/100ths Dollars (\$10,416.67).

(d) Tenant shall also pay to Landlord any sales and use tax imposed on any rents payable hereunder from time to time by state law or any other governmental entity, which sums shall be due monthly at the same time as monthly rent payments are due

under this Section 1. Such tax as well as any other payments required to be paid by Tenant pursuant to this Lease, except Base Rent, shall be considered as additional rent hereunder. Base Rent and all additional rent are hereinafter referred to as "Rent".

(e) All monthly installments of Base Rent shall be due and payable in advance on or before the first day of each month. Base Rent for any partial month in which this Lease is in effect shall be appropriately prorated.

(f) Tenant shall be given credit, toward any option to purchase in section 23 below, for monthly installments actually paid. Provided that no credit for installments actually paid shall exceed five percent (5%) of the appraised value as set out in section 23.

2. OPERATING COVENANTS. Subject to the terms of this Lease, Tenant's use of the Premises shall be subject to the following restrictions and covenants, all of which Tenant shall observe and perform:

(a) Continuation of Operations. Following the Commencement Date, Tenant will continue to operate the Premises as a hospital that will provide medical, surgical, and emergency services, in each case subject to the availability of qualified physicians and practitioners, offering no less than 56 inpatient beds.

(b) Governance. On the Commencement Date or within a reasonable period thereafter, Tenant will establish a local community advisory board (the "Community Advisory Board") for the hospital. The Community Advisory Board will:

(i) consist of between nine (9) and thirteen (13) members in total and shall include the Chief Executive Officer of the hospital, local community leaders and physician representatives, with approximately sixty percent (60%) of such members other than the hospital Chief Executive Officer being non-physicians and approximately forty percent (40%) of such members other than the hospital Chief Executive Officer being physicians;

(ii) collaborate with respect to strategic direction;

(iii) provide input with respect to regulatory compliance;

(iv) ensure quality of care and medical staff credentialing;

(v) collaborate on operational objectives;

(vi) serve as community liaisons and communications champions; and

(vii) interact with and have access to corporate leadership of Tenant and its parent entities.

(c) Charity Care and Indigent Care. Tenant shall adopt the existing charity and indigent care policies in place at the hospital as of the Commencement Date. During the Term, Tenant shall adopt from time to time and adhere to charity and indigent care policies at the hospital. Following the Commencement Date, Tenant shall cause the hospital to treat any sick or injured person who presents to the emergency room and needs care and treatment. No such person will be turned away because of age, race, gender or inability to pay. Following the Commencement Date, Tenant shall cause the hospital to continue to provide services to patients covered by the Medicare and Medicaid programs and those unable to pay for emergent and medically necessary care.

(d) Physician Recruitment. Tenant will commit to a physician recruitment plan based upon community need and the input from the Community Advisory Board. Tenant shall expend such funds as are practicable to recruit physicians to the hospital and/or the Clinton, Oklahoma area in accordance with such plan and in a manner consistent with all applicable laws.

(e) Nurse Recruitment. Tenant will commit to a nurse recruitment plan based upon community need and the input of the Community Advisory Board. Tenant shall expend such funds as are practicable to recruit nurses to the hospital and/or the Clinton, Oklahoma area in accordance with such plan and in a manner consistent with all applicable laws.

(f) Medical Staff. Tenant will grant medical staff membership to all members of the hospital's medical staff in good standing as of the Commencement Date. The foregoing will not limit the ability of Tenant to grant, withhold or suspend medical staff appointment or clinical privileges in accordance with the terms and provisions of the hospital's medical staff bylaws after the Commencement Date.

(g) Quality of Care. During the Term, Tenant shall continue to support and engage in quality assurance and improvement initiatives designed to continuously improve the quality of care provided to patients of the hospital.

(h) Reporting. During the Term, Tenant's Chief Executive Officer shall annually provide a report to Landlord regarding the hospital's operations during the previous year and shall also be available on reasonable notice to provide such other reports as Landlord may reasonably request from time to time.

3. TAXES AND ASSESSMENTS

(a) Tenant agrees and covenants to pay, prior to delinquency, all real estate taxes and assessments which are or may be levied or assessed during the Term of this Lease upon the Premises, or upon any of the Tenant's Property (as hereinafter defined), and all taxes and assessments of every kind and nature whatsoever arising in any way from the use, occupancy or possession of the Premises. To that end, Landlord shall not be required to pay any taxes or assessments whatsoever which relate to or may be assessed against this Lease, the Rent and other amounts due hereunder, the Premises and

Tenant's Property. Notwithstanding the foregoing, Tenant shall not be responsible for any transfer or income taxes incurred by Landlord.

(b) If requested by Landlord, within thirty (30) days after Tenant receives the paid receipted tax bills, Tenant shall furnish Landlord with copies thereof.

4. USE

Tenant has the right to use any and all buildings and other improvements now or hereafter located on the Premises, and thus, made a part of the Premises (the "Improvements") for the operation of a hospital and related medical services, and all incidental and related purposes thereto. Tenant may place signs, emblems and logos on and about the Premises as Tenant deems appropriate provided such signs, emblems and logos are permitted by applicable law. Tenant shall at all times use the Premises in material compliance with all laws and ordinances applicable to the Premises.

5. ALTERATIONS AND IMPROVEMENTS.

(a) Tenant's Property. Tenant shall be permitted to install, use on and about, and remove from the Premises at any time and from time to time all trade fixtures and other personal property installed or brought onto the Premises by Tenant, except to the extent such fixtures or other property shall be replacements to existing fixtures and property that were provided to Tenant by Landlord on the Commencement Date (hereinafter referred to as the "Tenant's Property"), all of which at all times shall remain the property of Tenant with the right of removal at the expiration of this Lease.

(b) Subsequent Improvements. Tenant shall have the right to make any additions, alterations, changes and improvements, structural and nonstructural, to the Improvements as Tenant shall desire; provided, however, that all additions, alterations, changes and improvements to the Improvements shall be done in material compliance with all applicable laws and at Tenant's sole expense.

(c) Ownership of Improvements. Except as provided Subsection 5(a) above, title to any part of the Improvements, whether or not constructed by Landlord, shall be vested in and remain the property of Landlord.

(d) Mechanic's and Other Liens. Tenant shall not do or suffer anything to be done whereby the Premises, or any part thereof, may be encumbered by a mechanic's, materialman's, or other lien for work or labor done, services performed, materials, appliances, or power contributed, used, or furnished in or to the Premises or in connection with any operations of Tenant, or similar lien, and, if, whenever and as often as any such lien is filed against the Premises, or any part thereof, purporting to be for or on account of any labor done, materials or services furnished in connection with any work in or about the Premises, done by, for or under the authority of Tenant, or anyone claiming by, through or under Tenant, Tenant shall discharge the same of record within thirty (30) days after service upon Tenant of notice of the filing thereof; provided,

however, Tenant shall have the right to remove such lien by bonding same in accordance with applicable law.

6. MAINTENANCE AND REPAIR

Tenant shall be responsible for all maintenance and repair of the Premises during the Term of this Lease. Tenant agrees that Landlord shall have no obligation under this Lease to make any repairs or replacements to the Premises except as may otherwise be explicitly provided in this Lease.

7. CASUALTY; WAIVER OF SUBROGATION

(a) If the Premises or a material portion thereof should be damaged or destroyed by fire or other casualty to the extent that the same cannot be reasonably repaired or restored within three hundred sixty (360) days after the occurrence of such casualty, then Tenant may terminate this Lease upon giving notice to Landlord within thirty (30) days after the casualty occurs. In the event of any such termination, Landlord shall be entitled to receive all insurance proceeds related to the Improvements (but not Tenant's Property) that are payable in connection with such casualty.

(b) If the Premises are damaged by fire or other casualty and Tenant does not elect to terminate this Lease pursuant to Subsection 7(a) above, then this Lease shall continue in effect and the Premises shall be promptly restored by Tenant to substantially the same condition in which it existed at the time the casualty occurred. All insurance proceeds related to the Premises shall be made available to Tenant for the purpose of such restoration. During the period of any such repair or restoration, Rent shall be abated in a fair and equitable amount, giving due consideration to the extent to which Tenant is unable to use the Premises during such period.

8. INSURANCE; WAIVER OF SUBROGATION

(a) During the Term of this Lease, Tenant, at its sole expense, shall keep the Premises, Improvements and Tenant Property located on the Premises insured against fire and other casualty, including, but not limited to, coverage for glass breakage, vandalism and malicious mischief.

(b) During the Term of this Lease, Tenant shall also maintain, at its sole expense, commercial general liability insurance covering the Premises against all claims for personal injury, death, or property damage insuring Tenant and naming Landlord as an additional insured in amounts customarily held by Tenant's Affiliates for hospital properties similar to the Premises as reasonably determined by Tenant.

(c) Within twenty (20) days of a written request by Landlord, Tenant shall provide Landlord with certificates of such insurance policies. As long as acceptable to Tenant's then-current insurance carriers, all commercial general liability and property insurance policies shall contain a written obligation on the part of the insurance carrier to notify Landlord in writing not less than thirty (30) days prior to the effective date of any cancellation or modification of any such insurance coverage.

9. UTILITIES

From and after the Commencement Date and continuing throughout the Term of this Lease, Tenant shall pay all charges for heat, water, gas, sewage, electricity and other utilities used or consumed on the Premises and shall contract for the same in its own name.

10. DEFAULT

(a) Tenant's Default. Each of the following shall comprise a default by Tenant hereunder ("Tenant Default"):

(i) If default shall be made in the payment of Rent or any other sum required to be paid under this Lease when and as the same shall become due and payable, and such default shall continue for a period of ten (10) days following written notice of such default by Landlord to Tenant; or

(ii) If default shall be made by Tenant in the performance of or compliance with any of the covenants, agreements, terms, or conditions contained in this Lease other than that referred to in the foregoing subsection (a)(i), and such default shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant, provided that, in the case of a default which is capable of being cured but cannot be cured with due diligence within such period of thirty (30) days, such thirty (30) day cure period shall be extended for such additional time as is reasonably necessary to cure such default as long as Tenant commences to cure such default within such initial thirty (30) day cure period and thereafter pursues such cure with reasonable diligence; or

(iii) If Tenant shall file a voluntary petition in bankruptcy or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Tenant or of all or any substantial part of its properties or of the Premises; or

(iv) If within sixty (60) days after the commencement of any proceeding against Tenant seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under the present or any future federal bankruptcy act or any other present or future applicable federal, state, or other statute or law, such proceeding shall not have been dismissed, or if within sixty (60) days after the appointment, without the consent or acquiescence of Tenant, of any trustee, receiver, or liquidator of Tenant or of all or any substantial part of its properties or of the Premises, such appointment shall not have been vacated or stayed on appeal or otherwise, or if within sixty (60) days

after the expiration of any such stay, such appointment shall not have been vacated.

(b) Landlord's Remedies. Upon the occurrence of any Tenant Default, Landlord shall have the option to pursue any one or more of the following remedies:

(i) Terminate this Lease, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, and repossess and enjoy the Premises;

(ii) Enter upon and take possession of the Premises (with or without terminating this Lease) and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, and relet the Premises on reasonable terms and using commercially reasonable efforts to mitigate such damages and receive the rent therefore; and

(iii) In case of re-entry, repossession and/or termination of this Lease, Tenant shall remain liable for Rent and any other charges provided for in this Lease outstanding as the date of re-entry, repossession and/or termination, and any and all expenses that Landlord may have incurred in re-entering and re-letting the Premises including, but not limited to, allocable overhead, alterations to the building, leasing, construction, architectural, legal and accounting fees and broker commissions. Regardless of whether this Lease has been terminated as provided above, Landlord shall use commercially reasonable efforts to relet the whole or part of the Premises upon terms which Landlord, in its reasonable discretion, deems appropriate and Tenant shall be responsible for all expenses incurred by Landlord in re-letting or attempting to re-let, and all rent collected for reletting shall be credited against all of Tenant's obligations hereunder.

No action or inaction by Landlord shall constitute a waiver of any Tenant Default, and no waiver of any Tenant Default shall be effective unless it is in writing, signed by Landlord.

11. CONDEMNATION

(a) It is understood and agreed that if the whole of the Premises shall be taken for any public or quasi-public use under any statute, or by right of eminent domain, or by private purchase by any public authority in lieu of the exercise of the right of eminent domain or if any part of the Premises is so taken and the part not so taken is insufficient for the reasonable operation of Tenant's business, in Tenant's reasonable judgment, then in either of such events, Tenant shall have the option of terminating this Lease as of the date of such taking.

(b) In the event of any taking which does not give rise to an option to terminate or in the event of a taking which does give rise to an option to terminate and Tenant does not elect to terminate, then and in such event, this Lease shall terminate as of the date of such taking with respect only to the portion of the Premises so taken, but shall remain in full force and effect with respect to the remainder of the Premises, and Tenant

shall, to the extent of the award from such taking, promptly restore or repair the Premises and all improvements thereon (except for Tenant's Property) to the same condition as existed immediately prior to such taking insofar as is reasonably possible. In such event, from and after the date of such taking, the monthly installments of Rent due under Section 1 above shall be reduced in proportion to the reduction in the then rental value of the Premises after the taking in comparison with the rental value prior to the taking. If the award shall exceed the amount spent or to be spent promptly to effect such restoration, repair or replacement, such excess shall unconditionally belong to Landlord and shall be paid to Landlord.

(c) In the event of any partial taking where this Lease is not terminated, Tenant shall not be entitled to any part of the compensation or award given Landlord for the taking, but Tenant shall have the right to recover from the condemning authority such compensation as is specifically awarded to Tenant (i) to reimburse Tenant for any cost which Tenant may incur in removing Tenant's Property from the Premises, (ii) for loss of Tenant's business, and (iii) for the loss of Tenant's Property, if any.

(d) If this Lease is terminated by reason of a taking, then Landlord shall be entitled to the entire award with respect to the Premises, except that Tenant shall be entitled to make its own claim for the taking of Tenant's Property or for moving expenses or business losses.

12. QUIET ENJOYMENT

Landlord covenants that Tenant, upon performance of Tenant's obligations under this Lease, shall peacefully and quietly have, hold and enjoy the Premises without disturbance or molestation herein from Landlord or any claiming by or through Landlord and with all the rights, privileges and for the uses therein provided. Tenant may terminate this Lease in the event that enjoyment or use of the Premises is prohibited or prevented contrary to the provisions of this material covenant and if such enjoyment or use continues to be so prohibited or prevented for a period of ten (10) days after written notice thereof from Tenant to Landlord (provided, that such ten (10) day cure period shall be extended for such additional period as is reasonably necessary to effectuate a cure of such condition if Landlord commences to cure the same within the initial ten (10) day cure period and thereafter pursues the same with reasonable diligence). These remedies are in addition to all other remedies Tenant may have in law or equity.

13. RECORDING AND TITLE INSURANCE

Tenant and Landlord shall execute and record a Memorandum of Lease setting forth the effective date of the Lease, the Term and Renewal Terms, the names of the parties herein, and the legal description of the Premises in the form attached hereto as Exhibit B. Landlord further agrees to cooperate with Tenant by executing such affidavits and providing such documents as may be reasonably required by a title company to issue a standard leasehold title insurance policy to Tenant if Tenant elects to obtain such a policy.

14. NOTICES

Any notice, request or other communication which may be required or desired to be given hereunder by any party to any other party shall be in writing and shall be personally delivered or sent by United States registered or certified mail, with postage prepaid, or sent by other widely used overnight courier service and addressed as follows:

If intended for Landlord, such notice shall be addressed to:

Clinton of Clinton
PO Box 1177
Clinton, OK 73601
Attention: City Clerk

If intended for Tenant, such notice shall be addressed to:

Clinton HMA, LLC
d/b/a Integris Clinton Regional Hospital

Attention: _____

with a copy to:

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201
Attn: Leigh Walton

Any party may change its address for notices by written notice in like manner as provided in this section and such change of address shall be effective seven (7) days after the date notice of such change of address is given. Notice for purposes of this Lease shall be deemed given when it shall have been received or rejected by the intended recipient.

15. CHANGE OF OWNERSHIP

Landlord may sell, convey, transfer or assign its interest in the Premises or its interest in this Lease, without the consent of Tenant. No change in ownership or right to receive rent, or assignment of this Lease or rent hereunder shall be binding upon Tenant unless and until Tenant has been furnished with a certified, executed or photographic copy of the instrument evidencing such change or assignment, or other proof thereof reasonably satisfactory to Tenant.

16. SURRENDER AND HOLDING OVER

Tenant shall peacefully surrender possession of the Premises to Landlord at the expiration, or earlier termination, of the Term of this Lease. In the event Tenant remains in possession of the Premises after the expiration of this Lease without executing a new written lease acceptable to Landlord and Tenant, Tenant shall occupy the Premises as a tenant from month to month subject to all the terms hereof.

17. LIABILITY

Tenant does hereby indemnify and exonerate Landlord against and from all liabilities, losses, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable architects' fees, attorneys' fees, paralegal fees, and legal costs and expenses, incurred by Landlord, whether or not judicial proceedings are filed, and including (but without limitation) on appeal and in any bankruptcy proceedings, which may be imposed upon or asserted against or incurred by Landlord by reason of Tenant's gross negligence or willful misconduct.

18. HEADINGS

The headings of the sections and subsections of this Lease are for convenience only and do not in any way limit, amplify or otherwise affect the covenants and agreements contained in this instrument.

19. BINDING EFFECT

The provisions of this instrument shall be binding upon and inure to the benefit of the parties hereto and their respective permitted heirs, legal representatives, successors and assigns.

20. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not assign this Lease nor sublease all or any portion of the Premises, without the prior written consent of Landlord in each such instance, which shall not be unreasonably withheld. Notwithstanding the foregoing, Tenant shall have the right to assign this Lease or sublet all or portion of the Premises to any Affiliate of Tenant or to any person or entity that purchase all or substantially all of the assets of Tenant without the prior consent of Landlord. Tenant shall also have the right to sublet a portion of the Premises to any physician or other medical professional providing services to the Hospital without the prior consent of Landlord provided Tenant remains fully liable on the Lease. "Affiliates" shall mean any entity that controls, is controlled by or is under common control with Tenant.

(b) Prior to any assignment or subletting allowed hereunder requiring Landlord's consent, Tenant shall deliver to Landlord the name and address of such assignee or subtenant and such other reasonable information as Landlord may request.

21. WAIVER

No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party of the same or any other provision.

22. SUBORDINATION, NON-DISTURBANCE, ATTORMENT AND ESTOPPEL CERTIFICATE.

(a) Within twenty (20) days of Tenant's receipt of written request of the holder of any mortgage (which term "mortgage" shall also include deeds of trust) now or hereafter relating to the Premises, Tenant will subordinate its rights under this Lease to the lien thereof and to all advances made or hereafter to be made upon the security thereof, and Tenant shall execute, acknowledge and deliver an instrument in the form customarily used by such encumbrance holder to effect such subordination; provided, however, as a condition of all such subordinations, the holder of such mortgage shall be first required to agree with Tenant that, notwithstanding the foreclosure or other exercise of rights under any such first or other mortgage, Tenant's possession and occupancy of the Premises and the improvements and its leasehold estate shall not be disturbed or interfered with nor shall Tenant's rights and obligations under this Lease be altered or adversely affected thereby so long as Tenant is not in default hereunder.

(b) Notwithstanding anything set out in subsection (a) above to the contrary, in the event the holder of any such mortgage elects to have this Lease be superior to its mortgage, then upon Tenant's being notified to that effect by such encumbrance holder, this Lease shall be deemed prior to the lien of said mortgage, whether this Lease is dated prior or subsequent to the date of said mortgage, and Tenant shall execute, acknowledge and deliver an instrument, in the form customarily used by such encumbrance holder, effecting such priority.

(c) In the event proceedings are brought for the foreclosure of, or in the event of the exercise of the power of sale under any mortgage made by Landlord encumbering the Premises, or in the event of delivery of a deed in lieu of foreclosure under such a mortgage, Tenant will attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as "Landlord" under this Lease, and upon the request of the purchaser, Tenant shall execute, acknowledge and deliver an instrument, in form and substance satisfactory to such purchaser.

(d) Each party agrees, within twenty (20) days after written request by the other, to execute, acknowledge and deliver to and in favor of any proposed mortgagee or purchaser of the Premises, an estoppel certificate, in the form customarily used by such proposed mortgagee or purchaser, stating, among other things (i) whether this Lease is in full force and effect, (ii) whether this Lease has been modified or amended and, if so, identifying and describing any such modification or amendment, (iii) the date to which Rent and other charges have been paid, and (iv) whether the party furnishing such certificate knows of any default on the part of the other party or has any claim against such party and, if so, specifying the nature of such default or claim.

23. PURCHASE OPTION. Landlord hereby grants to Tenant the option (the "Option"), after the 4th year of the initial Term of this Lease, to purchase from Landlord all of the Premises for a purchase price (the "Option Purchase Price") to be determined as provided below:

(a) In the event Tenant should desire to exercise the Option and purchase the Premises, Tenant shall notify Landlord of such desire, in writing. The Option Purchase Price shall be equal to the fair market value of the Premises as determined by an appraiser

reasonably selected by Tenant, and utilizing the Uniform Standards of Professional Evaluation Practice as set forth by the Internal Revenue Service. In the event Landlord should object to the fair market value determination of Tenant's appraiser, Landlord may select its own appraiser. Landlord's appraiser and Tenant's appraiser shall then select a third appraiser. The appraisal that is closest to the appraisal of the third appraisal shall be the determinative appraisal. Any appraisal used shall include, in the final calculation, an additional ten percent (10%) premium. Tenant shall obtain a commitment for title insurance (the "Commitment") covering the Premises, in the amount of the Option Purchase Price, which sets forth the status of Landlord's title thereto. The closing of the Option (the "Closing") shall take place at a mutually agreed upon location within thirty (30) days after Tenant's receipt of the Commitment. Upon receipt of the Commitment, Tenant shall have ten (10) days to provide Landlord its written objections to the Commitment (the "Objections"). Landlord agrees to satisfy, at Closing, any monetary encumbrances against the Premises. Landlord shall then have until Closing to either satisfy the Objections, or provide Tenant written notice of its decision not to remedy some or all the Objections. If any Objections are not remedied at or prior to the Closing, Tenant may waive such Objections and proceed to the Closing, or elect not to purchase the Premises under the Option and continue its possession of the Premises under the terms and conditions of the Lease. Landlord shall convey title to its interest in the Premises by warranty deed or assignment of leasehold interest, as applicable. Landlord further agrees to cooperate with Tenant by executing such affidavits and providing such documents as may be reasonably required by a title company to issue a standard owner's title insurance policy to Tenant if Tenant elects to obtain such a policy. Notwithstanding Tenant's exercise of the Option, Landlord and Tenant hereby acknowledge and agree that Landlord and Tenant shall continue to be obligated under the terms and conditions of this Lease through the Closing of the transaction pursuant to the Option.

(b) In the event applicable law shall prevent Landlord from selling the Premises to Tenant pursuant to the Option set forth above without first submitting the sale of the Premises to a public bidding or similar process, Tenant shall have the option, exercisable by notifying Landlord in writing, to cause Landlord to initiate and thereafter act in good faith to pursue such processes as are required by applicable law until such time as Tenant or a third party shall have successfully consummated the purchase of the Premises or Tenant shall have notified Landlord in writing that Tenant has withdrawn the election of such option. In the event that public bidding is required, the final appraisal provided for in subparagraph (a) above shall be the floor for the initiation of bids.

(c) Any deed of transfer under this section shall contain a reversionary clause. If purchaser ceases to operate the hospital as a full services hospital, with at least 56 inpatient beds, the hospital shall revert to City ownership.

24. HAZARDOUS MATERIALS. Landlord hereby represents and warrants to Tenant that (i) the Premises is free and clear of all Hazardous Materials, and (ii) there are no pending or threatened governmental actions or proceedings relating to the Premises involving Environmental Laws. The term "Environmental Laws" means applicable federal, state and local laws and regulations, judgments, orders and permits governing safety and health and the protection of the environment, including without limitation the Comprehensive Environmental

Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq., as amended, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. 7901 et seq., the Clean Water Act, 33 U.S.C. 1251 et seq., the Clean Air Act, 42 U.S.C. 7401 et seq., the Toxic Substance Control Act, 15 U.S.C. 2601 et seq., and the Safe Drinking Water Act, 42 U.S.C. 300f through 300j.

Hazardous Substances includes any materials or substances that are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to applicable state, federal or local governmental law. Hazardous Substances also includes mold, asbestos, polychlorinated biphenyl and petroleum products.

25. TERMINATION BEFORE END OF TERM HEREOF. While it is contemplated by the parties hereto that Lessee will operate the hospital for the full Term hereof, and all Renewals Terms, there may be circumstances beyond the control of Lessee or Lessor which would necessitate the termination of this Lease prior to the expiration of the Term. This Lease may be terminated prior to the expiration of the Term hereof, or the expiration of any Renewal Terms hereof, at the option of the Lessee for any one or more of the following reasons:

(a) The future enactment of any law, ordinance, rule, regulation or statute, or amendment or addition to any existing law, ordinance, rule, regulation or statute by any local, State or Federal legislative authority or administrative agency which, in the sole discretion of Lessee, renders continued operation of the hospital in violation of applicable law. Provided that Landlord may bring an action to determine the legality of such determination for purposes of establishing any potential breach of contract.

(c) In the event of an uncured breach by Lessor of any covenant, promise or condition contained herein.

(d) In the event that Lessee is unable to obtain or hereafter is denied all necessary permits, authority, licenses and permission from any and all regulatory and licensing organizations which are required for Lessee to operate the hospital, provided, such termination will become effective only upon the entry of the final order of any such regulatory and licensing organizations, after all appeals to agencies or courts having judicial review thereof have been exhausted.

Lessee shall complete any buildings or capital improvements under construction at the time of termination.

26. MISCELLANEOUS

(a) No Change. The Lease and all exhibits attached hereto and forming a part hereof, and any amendments hereto, set forth the entire agreement between Landlord and Tenant concerning the Premises, and no subsequent alteration, amendment, change or addition to this Lease shall be binding upon either Landlord or Tenant unless the same be reduced to writing and signed by the party to be bound thereby.

(b) Counterparts. This Lease shall be executed in counterparts, each of which shall be deemed to be an original.

(c) Separable. In the event any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Lease shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

(d) Governing Law. This Lease and each and every provision herein contained, as the same may from time to time be amended, or any disputes or misunderstandings involving same, shall at all times during the Term of this Lease be governed and controlled by the applicable laws of the State of Oklahoma.

(e) Time is of the Essence. Time is of the essence with respect to all terms and conditions of this Lease.

(f) Effective Date. The Effective Date of this Lease and other similar references are deemed to refer to the last date the Lease has been fully executed, initialed, if applicable, and dated by both Landlord and Tenant.

(g) Waiver of Security Interests. Landlord hereby waives any and all security interests, liens, and other rights and interests, whether granted by statute or otherwise, in and to any and all fixtures, furniture, equipment and other personal property of Tenant.

(h) Patient Privacy. Notwithstanding any of Landlord's rights to enter the Premises pursuant to the terms of this Lease, Landlord shall not cause Tenant to in any way violate any laws, regulations or ordinances intended to protect the rights and privacy of Tenant's patients, including those relating to any and all patient records, which at any time, Tenant shall be able to secure in locked storage units or remove from the Premises.

(i) Compliance with Laws. It is the intention of the parties that the provisions of this Lease shall comply with all applicable federal and state statutes and regulations, including, but not limited to, the Federal Anti-kickback Law and the Federal Physician Self-Referral Law. In the event that (1) changes in state or federal government statutes or regulations or third-party reimbursement policies or the interpretation thereof (collectively, the "Laws") cause any provision of this Lease to be in violation of any of the Laws (or cause the method of operation or consideration to be adversely affected), or, (2) any federal or state governmental agency or court determines that any provision of this Lease violates any of the Laws, the parties agree to renegotiate the applicable provision or provisions in order to comply with the Laws and to preserve the economic viability of this Lease. A party shall provide notice of its request for renegotiation pursuant to the preceding Subsection to the other party at any time during the Term. If the parties fail to agree to appropriate revisions to the Lease within thirty (30) days following such notice, then either party may terminate this Lease effective immediately upon the expiration of the thirty (30) days. Each party agrees to promptly notify the other of any regulatory or other investigation that may lead to a determination that any provision of this Lease violates any of the Laws.

(j) Americans with Disabilities Act. Landlord acknowledges that the Premises may constitute a place of public accommodation or a commercial facility under Title III of the Americans with Disabilities Act ("ADA") and that the ADA is applicable to both an owner and tenant of a place of public accommodation or commercial facility. Landlord represents that the Premises is currently ADA compliant.

(k) Access to Records. Subject to the legality and applicability of Section 952 of the Omnibus Reconciliation Act of 1980 and implementing regulations, the parties agree to, until the expiration of four years after the furnishing of the services provided under this Lease, make available to the Secretary, U.S. Department of Health and Human Services, the U.S. Comptroller General, and their representatives, this Lease and all books, documents and records necessary to certify the nature and extent of the costs of the services rendered under this Lease. If the duties of this Agreement are carried out through a subcontract worth \$10,000 or more over a 12-month period with a related organization, the subcontract will also contain an access provision to permit access by the Secretary, Comptroller General and their representatives to the related organization's books and records. This provision applies regardless of whether the party is designated elsewhere in this Lease as a contractor, subcontractor, vendor, and seller, landlord, tenant or otherwise.

(l) Attorney's Fees. In the event it becomes necessary for either party to employ an attorney to enforce compliance with any of the covenants or agreements herein contained, the losing party shall be liable to the prevailing party for reasonable attorney's fees, costs and expenses.

[Signatures on the Following Page]

IN WITNESS WHEREOF, the parties hereto enter into this Lease as of the date first written above.

LANDLORD:

CITY OF CLINTON

By: _____
Name: _____
Title: _____

TENANT:

CLINTON HMA, LLC
d/b/a Integris Clinton Regional Hospital

By: _____
Name: _____
Title: _____

EXHIBIT A to
Lease Agreement

Legal Description of the Premises

A tract of land lying in the Southeast quarter (SE/4) of Section 16, Township 12 North, Range 17 West of the Indian Meridian, Custer County, Oklahoma, described by metes and bounds as follows: Beginning at a point 926.40 feet West of the Northeast corner of said SE/4, said point being on the North line of said SE/4; thence S 89°50'00" W and along said North line a distance of 548.60 feet; thence S 0°03'30" E a distance of 200.00 feet; thence S 89°50'0" W a distance of 175.00 feet to a point on the East line of 31st Street; thence S 0°03'30" E and along said East line a distance of 700.00 feet to a point on the North line of Hayes Avenue; thence N 89°50'00" E and along said North line a distance of 725.66 feet; thence N 0°11'23" W a distance of 900.00 feet to the point of beginning, containing 14.1682 acres more or less.

And

Lot 2, Block 3, Granada Estates Addition to the City of Clinton, Custer County, Oklahoma, according to the recorded plat thereof.

[Legal Description To Be Confirmed Upon Receipt of Title Commitments]

EXHIBIT B to
Lease Agreement

Memorandum of Lease

THIS MEMORANDUM OF LEASE dated as of the ____ day of _____, 2012 (hereinafter this "Memorandum"), by and between the CITY OF CLINTON, a municipal corporation ("Landlord"), having an address of _____ and CLINTON HMA, LLC d/b/a Integris Clinton Regional Hospital, an Oklahoma limited liability company ("Tenant"), having an address of 100 N. 30 Street, Clinton, OK 73601.

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a Lease Agreement of even date herewith (the "Lease"), whereby Tenant leased certain real property and improvements located at INTEGRIS Clinton Regional Hospital, 100 N. 30 Street, Clinton, OK 73601, as more particularly described on Exhibit A attached hereto (the "Premises"); and

WHEREAS, Landlord and Tenant desire to enter into this Memorandum, which is to be recorded in order that third parties may have notice of (i) the estate of Tenant in the Premises, and (ii) the Lease.

NOW, THEREFORE, Landlord, in consideration of the rents and covenants provided for in the Lease to be paid and performed by Tenant, does hereby demise and let unto Tenant all of the Premises on the terms and subject to the conditions set forth in the Lease, as follows:

1. Initial Term. The initial term shall commence on the date hereof (the "Commencement Date") and shall expire on December 31, 2017.
2. Extension Terms. Tenant shall have the opportunity to extend the term of the Lease for three (3) separate renewal terms of five (5) years each, each upon the satisfaction of certain terms and conditions set forth in the Lease. Each such renewal term shall be consecutive and commence upon expiration of the previous term.
3. Purchase Option. Tenant has the option to purchase the Premises on the terms and conditions set forth in this Lease.
4. No Modification. All the terms, conditions, provisions, and covenants of the Lease are incorporated in this Memorandum by reference as though written out at length herein. In the event of any inconsistency between the terms and provisions of this instrument and the terms and provisions of the Lease, the terms and provisions of the Lease shall control. Copies of the Lease are held by both Landlord and Tenant at their respective addresses first set forth above.

IN WITNESS WHEREOF, the parties hereto have set their hands or caused this Memorandum of Lease to be executed as of the day and date first above written.

LANDLORD:

CITY OF CLINTON

By: _____
Name: _____
Title: _____

TENANT:

CLINTON HMA, LLC
d/b/a Integris Clinton Regional Hospital

By: _____
Name: _____
Title: _____

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, the undersigned, a Notary Public having authority within the State and County aforesaid, _____, with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained, and who further acknowledged that he is the/a(n) _____ of the CITY OF CLINTON, a municipal corporation, and is authorized by the city to execute this instrument on behalf of the city.

WITNESS my hand, at office, this ____ day of _____, 2012.

Notary Public

My Commission Expires: _____

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, the undersigned, a Notary Public having authority within the State and County aforesaid, _____, with whom I am personally acquainted, and who acknowledged that he executed the within instrument for the purposes therein contained, and who further acknowledged that he is the/a(n) _____ of CLINTON HMA, LLC d/b/a Integris Clinton Regional Hospital, an Oklahoma limited liability company, and is authorized by the company to execute this instrument on behalf of the company.

WITNESS my hand, at office, this ____ day of _____, 2012.

Notary Public

My Commission Expires: _____