

**HOSPITAL LEASE**  
**BETWEEN**  
**TETON COUNTY AS LESSOR**  
**AND**  
**TETON VALLEY HEALTH CARE, INC. AS LESSEE**

Lease Commencement Date: January 1, 2013

## HOSPITAL LEASE

Effective \_\_\_\_\_, 2013 (the “**Commencement Date**”), Teton County, Idaho (“**Lessor**”), and Teton Valley Health Care, Inc., an Idaho non-profit corporation (“**Lessee**”) agree as follows:

### ARTICLE 1 PURPOSE

To promote the health and well-being of the residents of Teton County, Teton County has previously founded and operated a county hospital. The rapid and continuous progress in medical care, the enhancement of medical expertise and knowledge available in Teton County for the benefit of its citizens, the increasing expertise, skill and experience required to effectively administer and manage the multifaceted aspects of hospital health care, and the increasing role of the federal government in the financing of health care, has caused and will continue to cause a significant expansion of the services offered by, and the complexity of operating, the county hospital. The medical, financial, administrative, management, and other functions of the county hospital are different than the standard governmental functions performed by Teton County. To facilitate the proper fit and focus on providing medical care, managing health services, and growing medical services and facilities for the benefit of the citizens of Teton County, Teton County has invoked its rights under Idaho Code Section 31-3515A to lease the county hospital facility to a nonprofit corporation that has as its sole purpose and objective the continued enhancement of medical care for the benefit of the citizens of Teton County.

### ARTICLE 2 BASIC PROVISIONS

The following basic provisions are a part of this Lease:

**2.1 Lessor.** Teton County is the “**Lessor.**” Lessor’s mailing address is 150 Courthouse Drive, Driggs, Idaho 83422 (telephone (208) 354-2905).

**2.2 Lessee.** Teton Valley Health Care, Inc. is the Lessee. Lessee’s mailing address is 120 East Howard Avenue, Driggs, Idaho 83422 (telephone (208) 354-2383). The objective of Teton Health, Inc. is to operate Teton Valley Hospital to fulfill the purpose of the Lease as set forth in Article 1.

**2.3 Hospital.** The subject of this Lease is the assets, liabilities and operations of the Teton Valley Hospital and Surgicenter, a county hospital organized and operating under Title 31, Chapter 35 of the Idaho Code (“**TVH**”). The Hospital consists of the following assets, liabilities and operations: (i) the Facility as further defined in Section 3.4; (ii) the Operations as further defined in Section 3.5; (iii) the Operating Assets as further defined in Section 3.6; (iv) the Acquired Assets as further defined in Section 3.7; (v) the Charitable Assets as further defined in Section 3.8; (vi) Liabilities as further defined in Section 3.9, and (vii) the Operating Obligations as defined in Section 3.10 (“**Hospital**”).

**2.4 Permitted Use.** The Hospital may be used under this Lease for medical care and services ancillary to medical care (the “**Permitted Use**”).

**2.5 Term and Commencement Date.** The Term of this Lease shall commence on the Commencement Date and shall continue for a period of ninety nine (99) years and shall end at midnight of \_\_\_\_\_, 2112 (“**Initial Term**”), unless terminated earlier as provided herein, or extended as provided herein. The Initial Term and any Renewal Terms, which are exercised by the Lessee, are collectively defined as the “**Term**” of this Lease.

**2.6 Base Rent.** Lessee shall pay to Lessor an annual Base Rent of \$1.00 (“**Base Rent**”).

### **ARTICLE 3 POSSESSION AND CONDITION OF HOSPITAL**

**3.1 Grant of Hospital.** Lessor leases to Lessee and Lessee leases from Lessor the Hospital subject to the terms and conditions of this Lease.

**3.2 Condition of Hospital.** Lessor delivers possession of the Hospital to Lessee without making any representations or warranties as to the condition or suitability of the Hospital for the Permitted Use. The Hospital is being leased in AS IS, WHERE IS condition. Lessee shall take possession of the Hospital upon or after the Commencement Date.

**3.3 Quiet Enjoyment and Possession.** Lessor covenants on behalf of itself and its respective successors, assigns and persons rightfully claiming by or through Lessor, to not disturb the quiet enjoyment, possession or Permitted Use of the Hospital by Lessee, except as permitted by this Lease.

**3.4 Facility.** The Hospital facility consists of the certain real property and improvements located at 120 East Howard Avenue and certain other properties in the area, Driggs, Idaho consisting of the real property and improvements now existing or later constructed, together with all easements, rights and appurtenances to the real property, all as more fully illustrated and legally described on the attached Schedule 3.4 (“**Facility**”).

**3.5 Operations.** The operations of the Hospital (“**Operations**”) consist of all the medical and health care services performed by the Hospital.

**3.6 Operating Assets.** The equipment, assets, and all rights necessary and advisable to operate the Hospital (“**Operating Assets**”) are as follows:

**3.6.1 Equipment, Furniture and Fixtures.** All tangible personal property owned by or leased to Lessee located in or used in connection with the Hospital including (without limitation) furniture, furnishings, fixtures, trade fixtures, medical instruments, medical equipment, equipment, office equipment, computer equipment, computer systems, furnishings, machinery, tenant improvements, blinds, curtains, drapes, floor coverings, security equipment, communications equipment, equipment operation manuals, and manufacturer’s warranties and guarantees, if any (“**Equipment**”). The Equipment includes, but is not limited to, all capitalized equipment listed in Financial System, which is defined as the automated and manual systems used to maintain the accounting, general ledgers, and sub ledgers of the Lessee.

**3.6.2 Real Property Leases.** The leases of the real property ("**Real Property Leases**") identified on Schedule 3.6.2.

**3.6.3 Personal Property Leases.** All equipment and other personal property leases for tangible personal property identified in and attached to Schedule 3.6.3 ("**Personal Property Leases**").

**3.6.4 Contracts.** All of Lessor's rights related to all contracts, agreements, options, and commitments, including (without limitation) any purchasing or supply agreements, employment agreements, and service contracts, and third party payor agreements, including but not limited to Medicare, Medicaid, Blue Cross of Idaho, and Blue Shield of Idaho.

**3.6.5 Cash and Receivables.** All rights in Lessor's bank accounts, cash and other liquid assets, securities, and accounts receivable related to the operation of the Hospital and as reflected on the Lessor's business records and financial statements relating to the Hospital (the "Cash and Liquid Assets"), will be transferred to Lessee pursuant to the Liquid Assets Transfer Agreement between Lessor and Lessee dated as of the Commencement Date (the "Liquid Assets Transfer Agreement").

**3.6.6 Prepaid Expenses.** Deposits with Lessor's vendors, prepaid items, prepaid expenses, and similar amounts paid by Lessors to other vendors of services or goods for which Lessors have not received services or goods in return. The Prepaid Expenses include, but are not limited to, the Prepaid Expenses identified in the Financial System. Notwithstanding the foregoing, no items of prepaid insurance policies paid by the Lessor to ICRMP relating to the Hospital are transferable.

**3.6.7 Accounts Receivables.** All accounts receivable, amounts owed by third-party payors such as Medicaid, Medicare, insurance companies and responsible individuals, work-in-progress (unbilled services rendered prior to the Commencement Date), promissory notes, and other amounts owed to Lessors and arising in the ordinary course of business ("**Receivables**"). The Receivables include, but are not limited to those listed in the Financial System.

**3.6.8 Motor Vehicles.** All of Lessee's motor vehicles as listed on Schedule 3.6.8.

**3.6.9 Patient and Medical Records.** All paper, electronic, and other copies of all patient records, medical records, patient lists, customer lists, correspondence, files, manuals, practice protocols, and policies used in the operation of the Hospital ("**Patient Records**").

**3.6.10 Business Records.** All accounting records, financial records, operations records, vendor lists, price lists, operations manuals, and all other records, files, memoranda, sketches, bids, contracts, and other documents relating to the operations of the Hospital ("**Business Records**").

**3.6.11 Inventory.** All items included as inventory on the Business Records, all prescription and other drugs, all medical, janitorial and office supplies, and all other operating supplies.

**3.6.12 Pharmaceuticals and Controlled Substances.** All pharmaceuticals, controlled substances, medicines, drugs, and related items.

**3.6.13 Licenses and Permits.** To the extent they are transferable, all licenses and permits used in operation of the Hospital, including but not limited to the licenses and permits identified on Schedule 3.6.13.

**3.6.14 Intellectual Property.** All the Lessor's rights, title and interest in (i) all trademarks, trade names, service marks, assume business names, copyrights and any applications therefore relating to the Hospital; (ii) all rights in the names "Teton Valley Hospital", "Teton Valley Hospital and Surgicenter", and "Teton Valley Health Care" and (iii) all logos, symbols, business manuals, policies, and tangible or intangible advertising materials that have been created by or for Lessor or that are or have been used by Lessor in operating the Hospital ("**Intellectual Property**").

**3.6.15 Communication Addresses.** All telephone numbers, facsimile numbers, internet addresses, internet domain names, internet domain name registrations, log-in identifications, user identifications, screen names and on-line service identifications relating to the operation of the Hospital.

**3.6.16 Computer Software and Databases.** To the extent they are transferable, all computer software, applications and databases owned, licensed, leased, internally developed or otherwise used by Lessor in the operation of the Hospital.

**3.6.17 Proprietary Information.** All rights in Lessor's Proprietary Information. "**Proprietary Information**" means all information, data, software and materials (whether contained in documents, electronic media or other forms) relating to or used by Lessor in connection with the Hospital, including, without limitation, information about Lessor's materials, procedures, inventions, expertise, patient lists, medical records, financial data, vendors, marketing plans, and trade secrets.

**3.6.18 Tangible and Intangible Personal Property.** All other tangible and intangible personal property owned by Lessor and used in operation of the Hospital.

**3.6.19 Goodwill.** All rights of Lessor in (i) the favorable consideration which Hospital has in the minds of the citizens of Teton County, the physicians and other members of the medical community and the public, (ii) the reasonable expectation that Hospital will be preferred by existing and potential patients and physicians, and (iii) the advantage and benefit that existing and potential patients and physicians will patronize Hospital ("**Goodwill**").

**3.7 Acquired Assets.** The Hospital includes all real or personal property of any kind acquired by Lessee after the Commencement Date and prior to the termination of this Lease ("**Acquired Assets**").

**3.8 Charitable Assets.** The Hospital includes all trusts, bequests, charitable donations, and related real and personal property that (i) has been given, conveyed or otherwise transferred to the Hospital for charitable purposes prior to the Commencement Date and (ii) will be given, conveyed or otherwise transferred to the Hospital for charitable purposes after the Commencement Date and prior to the termination of this Lease.

**3.9 Operating Liabilities.** The Lessee shall assume all Known and Contingent Liabilities, as described below (collectively "**Assumed Liabilities**"):

(a) **Known Liabilities.** Known liabilities are those liabilities that were incurred by the Hospital in the ordinary course of business that have not been paid as of the commencement date. Known Liabilities in excess of Ten Thousand 00/100ths Dollars (\$10,000.00) are described on Schedule 3.9 (a), attached hereto and incorporated herein.

(b) **Contingent Liabilities.** Contingent liabilities means an existing condition, situation, or set of circumstances involving uncertainty as to a possible liability to the Hospital that will ultimately be resolved when one or more events occur or fail to occur ("Contingent Liabilities"). Nothing herein shall be deemed to waive or compromise any rights under any insurance coverage maintained or to be maintained by the Hospital, Teton County, or any third party that may have responsibility. Nothing herein shall be deemed to waive or compromise any defense or counterclaim that could be made or asserted by or on behalf of the Hospital or any other third parties with respect to any claim, act, action or obligation, whether or not covered by insurance. Nothing herein shall be deemed to waive or compromise any rights, defense or counterclaim that could be made or asserted by or on behalf of the Hospital or any third parties with respect to any claim, suit or action under or otherwise covered by or subject to the Idaho Torts Claims Act. The Parties agree that the Lessee may obtain new provider numbers from governmental or private payers and not use the current provider numbers. Contingent Liabilities in excess of Ten Thousand 00/100ths Dollars (\$10,000.00) are described on Schedule 3.9 (b), attached hereto and incorporated herein.

(c) **Excluded Liabilities.** The Lessee shall not assume liabilities that are not Known Liabilities or Contingent Liabilities ("Excluded Liabilities"). Liability for all Excluded Liabilities shall remain with the Lessor. Excluded Liabilities shall include, but not be limited to, all employment matters relating to those employees whose jobs relate to the Ambulance Service District Contract. It is known that there exists a possibility that Lessee may lose the Ambulance Service District contract and that would create a significant liability as it relates to unemployment and other matters involving the employees (as listed in Schedule 3.9c) whose jobs relate to this contract.

**3.10 Operating Obligations.** Lessee shall assume all past, present and future obligations of Lessor related to the Hospital, including, but not limited to, it's Facility, Operating Assets, Operations, Acquired Assets and Charitable Assets, and the operations of the Hospital as set forth below.

**3.10.1 Trade Payables.** All liabilities related to amounts owed to vendors of supplies and inventory by Lessor that relate to, arise from, or are in connection with the Hospital.

**3.10.2 Purchase Orders.** All liabilities related to purchase orders and commitments that relate to, arise from, or are in connection with the Hospital.

**3.10.3 Personal Property Leases and Contracts.** All liabilities related to Personal Property Leases identified in Schedule 3.6.3 and all Contracts.

**3.10.4 Employment Liabilities.** Any liability for employment compensation, including (i) federal, state and local income, withholding, trust fund or other employment related taxes, (ii) wages and salaries, (iii) commissions, (iv) incentives, overtime or bonuses, (v) compensatory time, (vi) pension plan, investment plan, profit sharing plan or other plan contributions, (vii) medical insurance premiums, (viii) medical benefits, (ix) vacation time, (x) sick leave, (xi) holiday pay, (xii) penalties, fines or payments related to any cash or non-cash employment benefits or compensation, (xiii) workers compensation,

(xiv) unemployment, and (xv) any other obligations related to cash or non-cash employment benefits or compensation. In the event that the Lessee is no longer a party to the Ambulance Service District contract when that contract is rebid in 2013, Lessee shall no longer have any liability for the employment related liabilities of those employees whose jobs related to the Ambulance Service District contract.

**3.10.5 Employment Matter.** Upon the commencement Date, Lessee shall offer employment to all the Hospital employees at the same pay and seniority, and comparable benefits as those provided by Lessor. All performance records of employees including any past or present disciplinary action shall carry forward. Notwithstanding anything else herein to the contrary, no provision of this lease is intended to or shall create any beneficial or other rights in any person or entity other than the parties hereto.

**3.10.6 Medical Staff.** Upon the commencement Date, Lessee shall offer medical staff appointment and clinical privileges to all current members of the Hospital's medical staff. Notwithstanding anything else herein to the contrary, no provision of this lease is intended to or shall create any beneficial or other rights in any person or entity other than the parties hereto.

**3.10.7 Employee Benefit Plans.** Any Employee Benefit Plan, and any liability or obligation of Lessor for or under any Employee Benefit Plan, to the extent it is legally possible to transition such employee benefits given Lessee's status as an Idaho nonprofit corporation.

**3.10.8 Workers' Compensation.** Any liability or obligation of Lessor relating to workers' compensation (including, without limitation, weekly benefits, medical rehabilitation expenses and any other expenses or obligations) regarding injuries or illnesses suffered by employees of Lessor resulting from occurrences on or prior to the Lease Commencement Date, whether known or unknown as of the Lease Commencement Date.

**3.10.9 Severance.** Any liability or obligation of Lessor for any severance, termination or similar obligations, including, without limitation, obligations under the Workers' Adjustment and Retraining Notification Act of 1988, as amended ("**WARN Act**"), resulting from events occurring on or prior to the Lease Commencement Date, or resulting from the transactions contemplated by this Agreement.

**3.10.10 Litigation and Judgments.** Any litigation, arbitration or mediation, and any amounts payable to resolve disputes, if any, including but not limited to judgments, settlements, arbitration, or mediation.

**3.10.11 Patient Records Compliance.** Any liability arising from or related to the failure to properly comply with (i) all federal, state, local and other statutes and regulations, (ii) all rules and regulations of the regulatory agency governing Lessor, and (iii) the duty to exercise the requisite care, skill and knowledge in performing Lessor's professional duties relating to the preparation, retention, storage, duplication, preservation and other obligations relating to Patient Records.

**3.10.12 Errors and Omissions.** Any liability or amounts payable arising from or related to any claims of errors and omissions.

**ARTICLE 4  
OPERATION AND USE OF HOSPITAL**

**4.1 Reports to Lessor.** Lessee shall provide a quarterly standard financial report that includes income statement, balance sheet and cash flow statement. Lessee shall also annually provide a fixed capital asset list and an audited financial report.

**4.2 Lessee's Use of Hospital.** The Facility shall be occupied and the Facility and Hospital shall be used by Lessee only for the Permitted Use and for no other purpose.

**4.3 Lessee's Maintenance Obligations on Facility.** Lessee shall, at Lessee's sole expense keep and maintain the Facility in good condition. Lessee's maintenance and repair obligation includes, but is not limited to, all plumbing, heating, air conditioning, ventilating, electrical, lighting, telecommunications, fire suppression, interior walls, ceilings, floors, windows, doors, plate glass, cabinets, landscaping, parking area, pavement, and sidewalks.

**4.4 Utilities.** Lessee shall be solely responsible for and shall promptly pay all charges, when due, for water, sewer, natural gas, electricity, telephone, cable, computer, security and any other utility or other service used upon or furnished to the Facility at the request of the Lessee.

**4.5 Trash.** Lessee shall provide, maintain and pay for trash receptacles on the Facility in which to place trash and shall cause the trash to be removed from the area as often as is reasonably necessary.

**4.6 Signs.** All interior and exterior signs on the Facility (including building directories, wall and door signs, and exterior building signs) shall be designed, installed, maintained, repaired, replaced or improved by Lessee at Lessee's expense without the necessity of Lessor's consent or review. The signs shall be installed to avoid structural overloading of the improvements to the Facility.

**4.7 Structural Alterations.** Lessee may make structural alterations or improvements (including creating any openings in the roof or exterior walls, and adding additional space) to the Facility without the prior written consent of Lessor. However, any alterations that would require a building permit under any applicable laws or regulations must be stamped and approved by a professional engineer licensed in the state of Idaho.

**4.8 General Alterations and Remodeling.** In addition to the structural alterations identified herein, Lessee has the right at all times to make alterations to, or perform remodeling of, the Facility without Lessor's consent or review. Lessee's authorized alterations and remodeling include, but are not limited to, erecting, installing or rearranging cabinets, shelves, bins, electrical, plumbing, computer service and outlets, machinery, rooms, non-load bearing walls, air conditioning or heating equipment, and trade fixtures.

**4.9 Lessee's Hazardous Material Representations and Warranties.** Lessee represents and warrants to Lessor as follows:

**4.9.1 Hazardous Material Use.** Lessee has no knowledge, nor has it permitted any Hazardous Material to be generated upon, transported to, stored, disposed, released or used in or about the Facility except as incidental to the Facility' Permitted Use and only in quantities that are less than the quantities that are required to be reported to governmental or other authorities under applicable

law or regulations. Lessee has complied with all laws regulating the use, reporting, storage, and disposal of Hazardous Material.

**4.9.2 Notice of Liability.** Lessee has not received from any governmental entity or third party any request for information, notice of claim, demand letter or other notification, notice or information that Lessee may be (i) potentially subject to or responsible for any investigation or clean-up or other remediation of Hazardous Material; (ii) potentially liable for damage to persons, property, or natural resources in connection with any Hazardous Material; or (iii) in violation of any laws relating to Hazardous Material.

**4.9.3 Investigations.** There have been no environmental investigations, studies, audits, samples, tests, reviews or other analyses, the purpose of which was to discover, identify or otherwise characterize the condition of the soil, groundwater, air, or presence of asbestos or PCBs at the Facility.

**4.9.4 Asbestos.** There is no known asbestos present in the Facility, and no asbestos has been removed from the Facility, except according to the requirements of the Clean Air Act and the Occupational Safety and Health Act.

**4.9.5 USTs.** There is one known six thousand gallon underground storage tank (“UST”) used for the storage of propane. Otherwise there are no USTs on, in, or under the Facility. No USTs have been closed or removed from the Facility.

**4.10 Lessee’s Hazardous Material Use.** Lessee shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about the Facility by Lessee, its agents, employees, contractors, customers, clients, patients, guests or invitees except as incidental to Lessee’s Permitted Use of the Facility or only in quantities that are less than the quantities that are required to be reported to governmental or other authorities under applicable law or regulations. Lessee shall comply with all applicable laws and regulations regulating the use, reporting, storage, and disposal of Hazardous Material.

**4.11 Hazardous Material Definition.** As used in the Lease, the term “Hazardous Material” means any hazardous or toxic substance, material or waste, which is or becomes regulated by any federal, state or local governmental authority or political subdivision. The term Hazardous Material includes, without limitation, any material or substance that is (i) defined as a “hazardous substance” under applicable law, (ii) petroleum, (iii) asbestos, (iv) polychlorinated biphenyl (“PCB”), (v) designated as a “hazardous substance” pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1321), (vi) defined as a “hazardous waste” pursuant to Section 1004 of the Solid Waste Disposal Act (42 U.S.C. § 6903), (vii) defined as a “hazardous substance” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601), (viii) defined as a “regulated substance” pursuant to Section 9001 of the Solid Waste Disposal Act (Regulation of Underground Storage Tanks), 42 U.S.C. § 6991, (ix) considered a “hazardous chemical substance and mixture” pursuant to Section 6 of the Toxic Substance Control Act (15 U.S.C. § 2605), or (x) defined as a “pesticide” pursuant to Section 2 of the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. § 136).

#### **4.12 Real and Personal Property Taxes.**

**4.12.1 Lessee's Payment of Taxes.** Lessee agrees to pay before they become delinquent any and all taxes (both general and special), assessments, or governmental charges lawfully levied or assessed against the Facility, Hospital or Acquired Assets (separately "Tax" or collectively, the "Taxes").

**4.12.2 Tax Notices.** Promptly upon Lessor's receipt, Lessor shall furnish to Lessee all notices of assessments or changes in valuation so that Lessee may exercise Lessee's rights to challenge the assessments or valuations. Lessor shall furnish to Lessee the Tax statement for the Facility or Hospital immediately upon receipt from the taxing authority in the event the Tax statement is sent to Lessor. If allowed by the applicable taxing authority, Lessee may request that all Tax bills and notices be sent directly to Lessee.

**4.12.3 Lessee's Challenge of Taxes.** If Lessee desires to challenge any Tax, then Lessee shall provide Lessor with prior written notice of the challenge, and Lessee may, at its sole cost and expense (in its own name or in the name of Lessor, or in the name of both, as Lessee may deem appropriate) contest any Tax. If Lessee challenges any Tax, Lessee need not pay the disputed Tax until the Tax is adjudged to be valid. In no event shall Lessee allow a Tax foreclosure or sale to proceed against the Facility, and in the event of any Tax foreclosure or sale Lessee shall either promptly pay or bond against the Tax. Lessor agrees not to take any action, which would extinguish or restrict Lessee's rights to make or prosecute any Tax challenge and to reasonably cooperate with Lessee in any Tax challenge. At the conclusion of the challenge, Lessee shall pay the Tax to the extent that the Tax is held valid, plus all court costs, interest and penalties and other charges relating to the Tax.

**4.13 Covenant Against Liens.** Lessee will not directly or indirectly create or cause to be created or to remain, and will promptly discharge, at Lessee's sole expense, any mechanics' lien or similar lien against the Hospital which Lessee created or caused to be created by Lessee's work on the Facility. Any lien against the Lessee shall attach only to Lessee's leasehold interest in the Hospital. Lessor will not directly or indirectly create or cause to be created or to remain, and will promptly discharge, at Lessor's sole expense, any mechanics' lien or similar lien against the Facility or Hospital which Lessor created or caused to be created by Lessor's work on the Facility. A party may, at the party's sole expense, contest any lien, and the lien may remain pending resolution of the challenge. The party challenging the lien shall indemnify and hold the other party harmless from any and all loss, damage or expense occasioned by the lien challenge. If the lien is adjudged to be valid, the challenging party shall promptly pay and discharge the lien.

**4.14 Lessee's Maintenance of Hospital Assets.** Lessee shall: (i) maintain the Hospital Assets in good operating condition, repair and appearance; (ii) maintain the Hospital Assets in accordance with the service and maintenance guidelines of the manufacturer of the Hospital Assets; (iii) promptly make and prosecute any warranty claims regarding the Hospital Assets; (iv) use the Hospital Assets in the regular course of business only, within its normal capacity and without abuse; and (v) maintain the Hospital Assets at Lessee's address indicated in Article 2. Lessor shall be entitled to conduct periodic inspections, evaluations, and inventories to determine the condition of Hospital Assets. Lessee shall cooperate with Lessor's request to conduct such inspections, evaluations, and inventories. Lessor shall provide Lessee with written notice at least ten (10) business days prior to any inspection, evaluation, or

inventory and Lessor shall not unreasonably interrupt the normal operations of the Hospital in conducting its inspections, evaluations, and inventories.

**4.15 Lessee's Capital Improvements Plan.** Lessee's investment in the Facility and Operating Assets must be greater than or equal to the depreciation of the same. Performance of this covenant shall be measured based on a three year running average, however the first 18 months must show at least an investment equal to or greater than 75% of such depreciation.

**4.16 Lessor's Right of Entry.** After obtaining Lessee's consent, which shall not be unreasonably withheld or delayed, Lessor and Lessor's agents may enter the Facility during Lessee's normal business hours to inspect the general condition and state of repair of the Hospital. Lessor's entry shall be supervised by Lessee, and Lessor shall not interfere with, or create a hazard to, Lessee's business operations. In the event of an emergency arising within the Facility that endangers property or persons, the consent requirement is waived by Lessee.

**1. Lessor's Title.** Lessor shall have and retain paramount title to the Hospital free and clear of any act or inaction of Lessee that may restrict or encumber the Facility.

**4.18 Incurrence of Indebtedness.** The Lessee covenants that it will not incur or assume after the commencement date hereof any Indebtedness without compliance with the following requirements; however, the Lessor may waive any of the requirements contained in this Section upon consideration of a written request from Lessee setting forth the reasons for requesting such a waiver. The Lessee may incur Indebtedness in compliance with one or more of the following:

(a) Long-Term Indebtedness if there is delivered to the Lessor:

- i. An Accountant's Certificate stating, as of the time immediately after the incurrence of such Indebtedness, that the Debt Service Coverage Ratio for the Fiscal Year immediately preceding the date of incurrence of such Indebtedness for which audited financial statements are available, computed as if such proposed Indebtedness had been incurred at the beginning of such period, was not less than 90%; or
- ii. A Lessee Consultant's Certificate stating, that the Debt Service Coverage Ratio is forecasted to be an amount not less than 100%. Provided that the Lessee Consultant's Certificate required by this paragraph shall not be required if the Lessee furnishes the County a certificate of an Authorized Representative of the Lessee demonstrating that the Debt Service Coverage Ratio for each of two Fiscal Years immediately preceding the date of incurrence of such Indebtedness for which audited financial statements are available, computed as if beginning of such period, has been not less than 125%. The foregoing requirements of subparagraph (a)(ii) of this subsection (1) are subject to the qualification that, if in the opinion of a Health Care Consultant (which, if requested by Lessor, is accompanied by a legal opinion supporting the conclusions of the Health Care Consultant) applicable laws or regulations have prevented or will prevent the Lessee from generating the amount of Net Income Available for Debt Service required to be generated by such requirements as a prerequisite to the incurrence of Indebtedness, the Lessee shall be deemed to have satisfied such requirement if the Lessee will generate the

maximum amount of Net Income Available for Debt Service which in the opinion of such Health Care Consultant can reasonably be generated given such laws and regulations, provided that in no event shall the Lessee be deemed to have satisfied such requirement if the Debt Service Coverage Ratio which can be generated is less than 80%;

(b) Short-Term Indebtedness provided that immediately after the incurrence of such Indebtedness the aggregate principal amount of all Short-Term Indebtedness outstanding and not incurred pursuant to another paragraph of this Section shall not exceed 10% of Net Revenues for the most recent fiscal year for which audited financial statements are available;

(c) Completion Indebtedness in a principal amount not exceeding 10% of the aggregate original face amount of the series of Indebtedness issued to finance the project financed thereby (other than any refunding portions of the Indebtedness) for which Completion Indebtedness is proposed to be issued, without regard to the limitations of paragraph (a) of this Section, provided there is filed with the Lessor (i) a Consulting Architect's Certificate setting forth the amount reasonably expected to be required to complete the project for which the Indebtedness was incurred and stating that the proceeds of the Completion Indebtedness and other moneys available therefore, including estimated investment earnings, will be sufficient to complete the project and (ii) a certificate of an Authorized Representative of the Lessee stating that such Completion Indebtedness is necessary to provide a completed and equipped project of the type and scope contemplated at the time that such series of Indebtedness was originally incurred;

(d) Indebtedness incurred to refund any outstanding Indebtedness if prior to incurrence thereof, either (i) the Lessee receives a certificate of an Authorized Representative of the Lessor stating that, taking the proposed Indebtedness and the refunding of the existing Indebtedness into account, the Maximum Annual Debt Service immediately after the issuance of the proposed Indebtedness does not exceed by 5% or more the Maximum Annual Debt Service immediately prior to the issuance of the proposed indebtedness, or (ii) the conditions described in paragraph (a)(i) above are met for the proposed indebtedness;

(e) Capital leases, installment purchase obligations and obligations granting purchase money security interests without regard to any of the above paragraphs, but only to the extent that the total aggregate payments due under all such leases, installment purchase obligations and purchase money security interest obligations entered into under this paragraph, taken together, do not exceed 20% of Net Revenues in the fiscal year immediately preceding the date of incurrence for which financial statements are available, calculated as if such lease, installment purchase obligation or purchase money security interest obligation had been outstanding during such fiscal year;

(f) Indebtedness incurred to persons providing bond reserve credit enhancement and to persons providing credit enhancement for Indebtedness otherwise legally incurred, including without limitation, issuers of letters of credit, surety bonds, guarantees and bond insurance; and

(g) Indebtedness incurred, assumed or guaranteed in connection with the receipt of a contribution of real property to be used in connection with the Lessee if (i) the Lessee provides a

certificate to the Lessor that incurring, assuming or guaranteeing the payment of such Indebtedness is necessary as a condition precedent to obtaining a contribution of real property to be used in connection with the Lessee, and (ii) the Lessee provides a certificate to the Lessor signed by an independent appraiser selected by the Lessor, with the consent of the Lessee, certifying that the fair market value of such real property, at the time of conveyance to the Lessee is equal to at least 100% of the principal amount of the total Indebtedness incurred, assumed or guaranteed by the Lessee as a condition precedent to such conveyance.

(h) Promptly after the incurrence of any additional Indebtedness, the Lessee shall furnish the Lessor with copies of the documentation evidencing such Indebtedness and a certificate of an Authorized Representative of the Lessee to the effect that no event of default then exists under this Lease.

(i) Definitions to be used in this Section are as follows:

"Accountant" means any independent certified public accountant licensed to practice in the State of Idaho (who may be the accountant or a member of the firm of accountants who regularly audit the books and accounts of the Lessee) from time to time selected by the Lessee.

"Authorized Representative" means any officer, employee or other person authorized to perform such act, discharge such duty or execute such certificate or other document.

"Completion Indebtedness" means any Indebtedness incurred by the Lessee for the purpose of financing the completion of any project for which any Indebtedness has theretofore been issued or incurred.

"Consulting Architect" means an individual holding a degree in architecture and who is licensed as an architect in the State of Idaho or a professional engineering or architectural firm licensed in the State of Idaho (which may be an engineering or architectural firm retained by the Lessee or Lessor for other purposes) selected by the Lessee.

"Consulting Architect's Certificate" means an opinion or report signed by the Consulting Architect.

"Debt Service Coverage Ratio" means the ratio for the period in question of Net Income Available for Debt Service to Maximum Annual Debt Service.

"Guaranty" means all loan commitments of the Lessee payable from Net Revenues and all obligations of the Lessee payable from Net Revenues guaranteeing in any manner, whether directly or indirectly, any obligation of any person that would, if such person were the Lessee, constitute Indebtedness.

"Health Care Consultant" means an individual or an independent consulting or management firm selected by the Lessee, after consultation with the Lessor, which has a national reputation in the field of hospital management.

"Lessee Consultant's Certificate" or "Certificate of Lessee Consultant" means a report of a Lessee Consultant.

"Indebtedness" means all Guaranties by the Lessee and all obligations of the Lessee payable from Net Revenues for borrowed money or which has been incurred or assumed in connection with the acquisition of real property including obligations under any leases required to be capitalized in accordance with generally accepted accounting principles and any installment purchase obligations and shall also include, without limitation, the obligations of the Lessee with respect to the Bonds and loans. For all purposes of determining the amount of Indebtedness pursuant to this Lease, Indebtedness shall not include any requirement to pay principal of, premium, if any, or interest on any obligation to the extent that Irrevocable Deposits sufficient to pay such principal, premium, if any, or interest have been made. In addition, there shall be excluded from Indebtedness for purposes of the computations and covenants in this Lease, the applicable percentage of the debt relating to a Guaranty to the extent the debt service coverage ratio of such person whose debt is guaranteed for the last fiscal year of such person is not less than as set forth below:

Debt service coverage ratio of the person whose debt is <u>subject to a Guaranty</u>	Percentage of the guaranteed debt of such person to be <u>excluded as Indebtedness</u>
2.01 or greater	75%
1.51 to 2.00	50%
1.26 to 1.50	25%
1.25 or less	0

The calculation of debt service coverage ratio for such person shall use a methodology consistent with that used in this Lease in calculating the Debt Service Coverage Ratio. If the Lessee has paid any amount pursuant to a Guaranty, the full amount of such Guaranty will be included for purposes of this calculation for three calendar years from the date of such payment forward, or for any lesser time period as such Guaranty is outstanding, notwithstanding the provisions of the third sentence of this definition.

"Irrevocable Deposit" means the irrevocable deposit in trust of cash in an amount (or government obligations, the principal of and interest on which will be in an amount) and under terms sufficient to pay all or a specified portion of the principal of, premium, if any, and/or the interest on, as the same shall become due, any Indebtedness which would otherwise be considered outstanding. The trustee of such deposit shall have possession of any cash and securities (other than book-entry securities) and may be the Trustee or any other bank or trust company authorized to act in such capacity.

"Long-Term" means, with respect to Indebtedness, having an original term greater than one year or renewable at the option of the Lessee for a period greater than one year from the date of original issuance thereof.

"Maximum Annual Debt Service" means an amount equal to the maximum amounts required to be paid in any single current or future fiscal year as the principal of (including any sinking fund requirements) and interest on Indebtedness then outstanding which constitutes Long-Term Indebtedness.

"Net Income Available for Debt Service" means, as to any period of time, Net Revenues less all expenses but excluding from such expenses depreciation, amortization, interest on Indebtedness, impairments related to write-downs of fixed assets, equity investments and goodwill and expenses relating to gifts, donations, pledges, grants, legacies, bequests, devises and contributions heretofore or hereafter made to the extent designated or specified by the donor or maker thereof as being for a specific purpose, all as determined in accordance with generally accepted accounting principles.

"Net Revenues" means the Revenues less (i) any profits or losses on the sale or disposition, not in the ordinary course of operations, of investments in fixed or capital assets or resulting from the extinguishment of any Indebtedness, (ii) gifts, donations, pledges, grants, legacies, bequests, devises and contributions heretofore or hereafter made and designated or specified by the donor or maker thereof as being for a specific purpose (other than for the purpose of paying interest on Indebtedness or operation and maintenance expenses, determined in accordance with generally accepted accounting principles), and the income derived there from to the extent restricted by such designation or specification, (iii) income from Irrevocable Deposits, and (iv) unrealized gains or losses on investments of the Lessee's funds.

"Revenues" means all revenues and moneys from whatever sources in the custody or possession of the Lessee, including patient fees (whether paid by the patient or by any other party) and other charges payable by or on behalf of the patients of the Lessee and other real property and all revenue, gifts, donations, pledges, grants, legacies, bequests, devises and contributions heretofore or hereafter made and the income derived there from, and the proceeds of business interruption insurance with respect to the Lessee and other real property.

"Short-Term" when used in connection with Indebtedness, means having an original maturity less than or equal to one year and not renewable at the option of the Lessee for a term greater than one year beyond the date of original issuance.

## **ARTICLE 5 CHANGES IN THE PARTIES**

**5.1 Relationship of Parties.** Nothing contained in this Lease shall be construed as creating the relationship of principal and agent, debtor and creditor, partnership or joint venture.

**5.2 Successors and Assigns.** This Lease shall benefit and bind the successors and permitted assigns of Lessor and Lessee.

**5.3 Lessee's Assignment and Subletting Without Lessor's Consent.** Without Lessor's prior written consent, Lessee may not assign or sublet any part of this Lease, which consent shall not be unreasonably withheld by Lessor, except no such consent shall be required if Lessee's assignment or subletting is (i) to a subsidiary of Lessee, (ii) to the entity with which or into which Lessee may merge, whether or not Lessee is the survivor of the merger, (iii) to any affiliate of Lessee, or (iv) to a lender or other party as security for any financing or other obligation of Lessee, or (v) to an entity that is controlled by, controls, or is under common control with Lessee (or a valid assignee of Lessee), or (vi) for a Permitted Use. The term "**control**" means the power to direct or cause the direction of the management or policies, or majority ownership, of the entity.

**5.4 Estoppel Certificate.** From time to time upon not less than five business days prior written request by a party, the other party will deliver to the requesting party a certificate in writing, directed to a prospective purchaser, lender, or other third party, stating (i) that this Lease is unmodified and in full force and effect (or that the Lease as modified is in full force and effect, describing the modifications), and (ii) that the requesting party is not in default under any provision under this Lease (or, if in default, the nature of the default). If the party shall fail to respond within ten (10) business days of receipt the written request for the estoppel certificate, the party shall be deemed to have given the certificate without modification if (i) the written request for the certificate included a notice, in bold type, to the effect that failure to respond within the ten (10) day period would be deemed to be agreement to the certificate (and citing this Section) and (ii) the matter to which the certificate pertains is not the subject of a recorded document at the time that the party seeking or relying on the certificate purchases the Facility or accepts a deed of trust or other financial instrument against the Facility as collateral in connection with a loan or financing. A request for an estoppel certificate made to either party shall not be effective as notice of a change in identity of Lessor or Lessee, the parties recognizing that proposals to sell or mortgage real property may not be consummated.

**5.5 Lessee's Equipment.** From time to time upon not less than ten (10) business days' prior written request by Lessee, Lessor will deliver to Lessee a certificate in writing, directed to a lender or other third party, stating that Lessor (i) waives any right to equipment, trade fixtures or other property that may be affixed to, attached to or otherwise located on the Facility, (ii) consents to any lien, security interest or other right of the lender or other third party to or in the equipment, trade fixtures or other property, and (iii) consents to the lender or other third party entering the Facility during reasonable business hours and without damage to the Facility to exercise any privilege of sale, repossession or other foreclosure rights.

## **ARTICLE 6 LOSS AND DAMAGE TO FACILITY**

**6.1 Liability Insurance.** Lessee shall purchase, obtain and maintain during the Term of this Lease a policy of commercial general liability insurance utilizing an Insurance Services Office standard form with broad form general liability endorsement, or equivalent, in an amount of not less than \$500,000.00 per occurrence and \$1,000,000 in the aggregate for bodily injury and property damage combined. The policy shall insure Lessee with Lessor as an additional insured and shall also insure against liability arising out of the use, occupancy or maintenance of the Hospital.

**6.2 Property Insurance.** Lessee shall purchase and obtain a policy of fire and extended coverage insurance in an amount equal to but not less than \$500,000 or the full insurable value (whichever is greater) of the improvements and an amount equal to the full insurable value (from time to time) of the Hospital, protecting Lessee against loss on account of damage to or destruction of the Facility or Hospital by fire or other casualty covered by a so-called “extended coverage” endorsement or a “special forms” policy, including, without limitation, vandalism and malicious mischief endorsements.

**6.3 Insurance Provisions.** If Lessee does not maintain the required insurance, then Lessee is in default, is deemed to self-insure and bears all risk of loss or damage. If Lessee does not maintain the required insurance, then Lessor has the right, but not the obligation, to purchase the required insurance in the amount of a commercially reasonable premium and from any qualified insurer, and to charge the premium to the Lessee as additional rent. The policy shall be with an insurer with a Best’s rating of B+ or higher. Compliance with this Section shall not limit the liability of Lessee under this Lease. Lessee shall deliver to Lessor evidence of coverage for the required insurance policies within thirty (30) days after the Commencement Date. No policy shall be cancelled or modified in coverage or amount of coverage except after thirty (30) days prior written notice to Lessor. Lessee shall furnish Lessor with evidence of coverage for the renewal policies. Lessee may provide insurance in whole or in part by the use of a “blanket” policy or policies covering Lessee’s interests in other properties in addition to the Facility.

**6.4 Waiver of Subrogation.** To the extent permitted by their respective insurers, Lessor and Lessee (and each person claiming an interest in the Facility through Lessor or Lessee) release and waive their entire right of recovery against the other for direct, incidental or consequential or other loss or damage arising out of, or incident to, the perils covered by insurance carried by each party, whether or not due to the negligence of Lessor or Lessee.

#### **6.5 Damage or Destruction of Facility.**

**6.5.1 Lessee’s Duty to Rebuild.** In the event of damage to or destruction of the Facility, including any improvements made by Lessee, by fire or other casualty, Lessee shall give Lessor immediate notice and shall repair, restore or rebuild the improvements to the Facility using insurance proceeds. Lessee shall not be obligated to rebuild the Facility if a governmental entity prevents reconstruction of a similar building on the Facility. In this event, the Lease shall terminate as of the date of the fire or other casualty.

**6.5.2 Schedule to Rebuild.** Within one hundred eighty (180) days after the date of damage or destruction of the Facility, Lessee, at its cost, shall prepare final plans and specifications complying with applicable laws that will enable a contractor to repair, restore and rebuild the Facility. The plans and specifications shall be presented to Lessor, and Lessor shall be deemed to approve of the plans and specifications unless Lessor provides written notice to Lessee within twenty-one (21) days of Lessor’s receipt of the plans and specifications that Lessor reasonably disapproves the plans and specifications. Lessee shall have twenty one (21) days after Lessor’s actual or deemed approval to submit the plans and specifications to the appropriate government authorities. Lessee shall complete the work within a reasonable time after final plans and the appropriate governmental authorities have approved specifications and all required permits have been obtained. The period to complete the work shall be extended for delays resulting from causes beyond Lessee’s control.

**ARTICLE 7**  
**DEFAULT BY LESSEE OR LESSOR**

**7.1 Default by Lessee.** Lessee shall be in default under this Lease if any of the following occur: (i) Lessee fails to perform or observe any covenant, agreement or condition which Lessee is required to perform or observe under this Lease and the failure is not cured within ninety (90) days after delivery of written notice to Lessee of the failure (or, if the cure cannot be effected within the cure period, then within the additional period of time as may be required to cure the default provided Lessee is diligently and continuously pursuing the cure to completion); (ii) Lessee is named as a debtor in any voluntary or involuntary bankruptcy proceeding and the same is not stayed or dismissed within 90 days of such filing; (iii) substantially all of Lessee's assets are placed in receivership or are subjected to attachment or other judiciary seizure ; (iv) Lessee makes or suffers a general assignment for the benefit of creditors; (v) if Lessee's cash on hand drops below 30 days at the last day of any month and Lessee either fails to remedy this financial situation within five days of Lessee's receipt of written notice from the Lessor or Lessee and Lessor cannot come to an agreement regarding an extension of time to remedy this event within five days of Lessee's receipt of written notice from Lessor (vi) any third party, such as a federal or state agency, brings an action against the Lessee which action results in the loss of any license, permit, or other necessary approval which would make it impossible for the Lessee to carry on the Permitted Use; (vii) the Lessee goes into default under the terms of that certain note between Teton County and Wells Fargo dated June 1, 2002, and such default is not cured within any applicable cure period and results in commencement of an action against Teton County for collection; or (ix) Lessee vacates or abandons all or a substantial portion of the Facility.

**7.2 Remedies of Lessor.** In the event of Lessee's default as set forth in Section 7.1, Lessor shall have the remedies set forth in this Lease by the giving of seven (7) days prior written notice to Lessee at any time during the continuance of the event of default. Lessor's remedies are cumulative and not alternative remedies.

**7.2.1 Legal and Equitable Remedies.** Lessor shall have all remedies available at law or in equity.

**7.2.2 Termination of Lease.** In addition to all other rights and remedies available to Lessor in law and equity, Lessor may (i) change the locks and lock the doors to the Facility and exclude Lessee from the Facility, (ii) enter the Facility and remove all persons and property therefrom without being liable for prosecution or any claim for damages for the removal, (iii) declare the Lease terminated, and (vi) repossess the Hospital Assets.

**7.2.3 Advance.** In the event of Lessee's breach, Lessor may remedy the breach for the account and at the expense of Lessee. If Lessor at any time, by reason of the breach, is compelled to pay, or elect to pay, any money or do any act which will require the payment of any money, or are compelled to incur any expense, including reasonable attorneys' fees, in instituting or prosecuting any action or proceeding to enforce Lessor's rights under this Lease, the money paid by Lessor, with interest from the date of payment, shall be repaid by Lessee to Lessor.

**7.3 Default by Lessor.** Lessor shall be in default under this Lease only if Lessor fails to perform or observe any covenant, agreement or condition which Lessor is required to perform or observe, and the failure shall not be cured within ninety (90) days after delivery of written notice to Lessor by Lessee

of the failure (or, if the cure cannot be effected within the ninety day period, then within the additional period of time as may be required to cure the default provided Lessor is diligently and continuously pursuing the cure to completion). In the event of an emergency threatening imminent and serious harm to person or property, then Lessee is (i) excused from the duty owed to Lessor to provide notice and the opportunity to cure, and (ii) entitled take any reasonable corrective action necessitated by the emergency.

**7.4 Remedies of Lessee.** In the event of Lessor's default as set forth in Section 7.3, Lessee shall have all rights provided at law or in equity, including but not limited to declaring the Lease immediately terminated.

## **ARTICLE 8 TERMINATION OF LEASE**

**8.1 Events of Termination.** This Lease shall terminate upon the occurrence of one or more of the following events: (i) by mutual written agreement of Lessor and Lessee; (ii) by Lessor pursuant to this Lease; (iii) by Lessee pursuant to this Lease; (iv) upon lapse of the Term; (v) upon the failure of Lessee to maintain the Hospital Assets as provided by this Lease and as required to operate the Hospital in a manner set forth by this Lease; or (vi) upon failure of Lessee to comply with all requirements imposed by Idaho law regarding the use or disposition of the Hospital Assets, including but not limited to those requirements found in Idaho Code § 31-3515A.

**8.2 Surrender of Possession.** Upon termination of this Lease, Lessee will immediately surrender the Hospital as defined in Paragraph 2.3 to Lessor. If possession is not immediately surrendered, Lessor may, in compliance with Idaho law, reenter and repossess the Facility and Hospital Assets and remove all persons or property.

**8.3 Holding Over.** If Lessee fails to deliver actual possession of the Facility to Lessor upon termination of this Lease, Lessor shall have all remedies available at law or in equity generally available to it under Idaho law. Sixty days subsequent to the termination of this Lease Rent shall increase to the then current fair market rent.

**8.4 Condition of Facility Upon Termination.** Lessee, upon termination or abandonment of this Lease or termination of Lessee's right of possession, agrees as follows:

**8.4.1 Removal of Property.** Except as permitted by this Lease, Lessee shall not remove any alterations, improvements or additions made to the Facility by Lessee or others without the prior written consent of Lessor, which consent may be withheld for any reason or for no reason. Lessee shall immediately remove, in a good and workmanlike manner, (i) all personal property of Lessee, and (ii) the alterations, improvements and additions made to the Facility by Lessee as Lessor requested in writing to be removed at the time the improvements or alternations were installed or constructed. Lessee shall promptly repair all damage occasioned by the removal in a good and workmanlike manner. If Lessee fails to remove any property, Lessor may (i) accept the title to the property without credit or compensation to Lessee, or (ii) remove and store the property, at Lessee's expense, in any reasonable manner that Lessor may choose.

**8.4.2 Restoration of Facility.** Lessee shall restore the Facility to a broom clean condition and in the condition existing on the Commencement Date, with the exception of (i) ordinary

wear and tear, and (ii) alterations, improvements and additions which Lessor has not directed to Lessee in writing to remove. If Lessee fails to properly restore the Facility, Lessor, at Lessee's expense, may restore the Facility in any reasonable manner that Lessor may choose.

## **ARTICLE 9 CLAIMS AND DISPUTES**

**9.1 Rights and Remedies Cumulative.** Except as expressly provided in this Lease, each party's rights and remedies described in this Lease are cumulative and not alternative rights or remedies.

**9.2 Nonwaiver of Remedies.** A waiver of any condition stated in this Lease shall not be implied by any neglect of a party to enforce any remedy available by reason of the failure to observe or perform the condition. A waiver by a party shall not affect any condition other than the one specified in the waiver and a waiver shall waive a specified condition only for the time and in the manner specifically stated in the waiver.

**9.3 Indemnification.** To the extent caused by an act or failure to act of Lessee or Lessee's partners, officers, directors, employees, invitees, guests, customers, clients or licensees, and regardless whether the act or failure to act is negligent, during and after the Term of this Lease, Lessee shall defend, indemnify and hold harmless Lessor, and Lessor's partners, officers, directors, agents and employees from any liabilities, damages and expenses (including attorney fees) arising out of or relating to (i) the Hospital, or (ii) Lessee's use or occupancy of the Facility. To the extent caused by an act or failure to act of Lessor or Lessor's partners, officers, directors, employees, and regardless whether the act or failure to act is negligent, during and after the Term of this Lease, Lessor shall defend, indemnify and hold harmless Lessee, and Lessee's partners, officers, directors, agents and employees from any liabilities, damages and expenses (including attorney fees) arising out of or relating to (i) the Hospital, or (ii) Lessor's ownership of the Facility.

**9.4 Lessee's Hazardous Material Indemnification.** During and after the Term of this Lease, Lessee shall indemnify, defend and hold Lessor harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Facility, damages for the loss or restriction on use of rentable or useable space or any amenity of the Facility, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees) which arise during or after the Term as a result of Lessee's use of Hazardous Material as that term is defined under applicable law. This indemnification of Lessor by Lessee includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, remedial, removal, or restoration work required by any federal, state, or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Facility. Without limiting the preceding, if the presence of any Hazardous Material on the Facility caused or permitted by Lessee results in any contamination of the Facility, Lessee shall promptly take all actions at Lessee's sole expense as are necessary to return the Facility to the condition existing prior to the introduction of any Hazardous Material to the Facility.

**9.5 Effect of Lessor's Insurance on Lessee's Obligation.** From time to time and without obligation to do so, Lessor may purchase insurance against damage or liability arising out of or related to the Facility. The purchase or failure to purchase insurance shall not release or waive the obligations of Lessee set forth in this Lease. Lessee waives all claims on insurance purchased by Lessor.

**9.6 Dispute Resolution.** If the parties disagree regarding the performance of this Lease, then the parties agree to engage in direct discussions to settle the dispute. If the disagreement cannot be settled by direct discussions, then the parties agree to first endeavor to settle the disagreement in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules. Thereafter, any unresolved disagreement arising from or relating to this Lease or a breach of this Lease shall be resolved as provided by law.

**9.7 Attorney Fees and Costs.** If a party is in default under this Lease, then the defaulting party shall pay to the other party reasonable attorney fees and costs (i) incurred by the other party after default and referral to an attorney and (ii) incurred by the prevailing party in any litigation related to the default.

**9.8 Interpretation.** Idaho law shall govern this Lease and Idaho courts shall have exclusive jurisdiction over matters arising under or related to this Lease. The invalidity of any portion of this Lease shall not affect the validity of any other portion of this Lease. This Lease constitutes the entire, completely integrated agreement among the parties and supersedes all prior memoranda, correspondence, conversations and negotiations. Whenever the consent of either party is required to an action under this Lease, consent shall not be unreasonably withheld or delayed.

## **ARTICLE 10 GENERAL PROVISIONS**

**10.1 Notices.** All notices under this Lease shall be in writing and shall be deemed to be delivered on the date of delivery if delivered in person, by fax or by e-mail, or on the date of receipt if delivered by U.S. Postal Service or express courier. Proof of delivery shall be by affidavit of personal delivery, machine generated confirmation of fax transmission, e-mail confirmation, or return receipt issued by U.S. Postal Service or express courier. Notices shall be addressed to Lessor and Lessee at the addresses set forth in Article 2 (or at the other addresses one party may give to another party by written notice). Any party delivering notice by fax or e-mail shall simultaneously provide notice by U.S. Postal Service, return receipt requested, with the effective date of the notice to be the date of the fax or e-mail transmission.

**10.2 Counterparts.** This Lease may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

**SIGNATURES**

LESSOR:

TETON COUNTY

Date: September \_\_\_\_, 2012

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

Print Name: \_\_\_\_\_

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

LESSEE:

TETON VALLEY HEALTH CARE, INC.

Date: September \_\_\_\_, 2012

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

Print Name: \_\_\_\_\_

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

DRAFT