

**PEACEHEALTH RIVERBEND, LLC
CERTIFICATE OF NEED APPLICATION
NEW INPATIENT REHABILITATION FACILITY
June 2023**

(OAR 333-580-0080)

FOR HEALTH DIVISION USE ONLY	
APPN. NO.	
DATE RECEIVED	
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**STATE OF OREGON
CERTIFICATE OF NEED APPLICATION FORM**

Facility Name: PeaceHealth Riverbend, LLC dba PeaceHealth Inpatient Rehabilitation

Street Address: 123 International Way City/Zip: Springfield, 97477

Applicant/ Licensee: PeaceHealth Riverbend, LLC

Licensee Address
(if different): _____

Facility
Administrator: TBD Phone: TBD

Medicare
Provider No.: TBD Medicaid
Provider No.: TBD

**PERSON AUTHORIZED TO ANSWER QUESTIONS,
ACT AND RECEIVE SERVICE ON BEHALF OF THE APPLICANT
(if other than the facility administrator)**

Name: Alicia Beymer Phone: 458-205-6956

Title: Chief Administrative Officer

PeaceHealth Sacred Heart University District
Firm: _____

Address: 1255 Hilyard Street City/Zip: Eugene OR. 97401

Have you previously submitted an application for this or a similar project? YES NO

If yes, date submitted: _____ Application ID No. _____

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content of information contained in this application. I therefore declare under penalty of perjury, that the project described and each statement, amount and supporting documents included are true and correct to the best of my knowledge and belief.

Name: Alicia Beymer Title: CAO

Signature:  Date: 5/31/2023

Section A: Introduction

PeaceHealth has proudly served Eugene, Springfield, and the surrounding areas' medical needs since 1936. As the only integrated health system in this project's defined four-county service area, PeaceHealth is widely regarded for its provision of services across the continuum of care. Today, those services include primary care, specialty and tertiary care, emergency care, imaging, a Heart and Vascular Institute, a Comprehensive Stroke Center, acute inpatient care, psychiatric inpatient care, and post-acute care, including inpatient rehabilitation provided at PeaceHealth Sacred Heart Medical Center University District's (UD) Oregon Rehabilitation Center (ORC).

While the ORC provides high-quality inpatient rehabilitation, the facility in which these services are provided is dated and unable to be modernized in a cost-effective manner; the current UD campus infrastructure cannot support today's state-of-the-art equipment, the rooms are too small for rehabilitation patients to move unencumbered, the ancillary spaces are not conducive to modern therapy modalities, and the units cannot be configured to support specialty care. Further, the facility itself has accessibility challenges for patients and family members.

There are also infrastructure concerns at UD caused by aging generators and HVAC systems that would need to be upgraded and expanded, as well as seismic upgrade requirements. All of these issues associated with the aging building mean that the existing ORC cannot architecturally or economically be expanded safely. To enable ORC to continue to meet community health needs now and into the future, PeaceHealth partnered with Lifepoint Rehabilitation (LR), a business unit of Lifepoint Health (Lifepoint), to form PeaceHealth Riverbend, LLC (LLC), which will, in turn, establish a new state-of-the-art, 50-bed, inpatient rehabilitation facility (IRF) to be known as PeaceHealth IRF. This facility will both replace and expand the rehabilitation services of the ORC.

PeaceHealth IRF will be a modern, cutting edge, full-service rehabilitation hospital designed with a patient-centered focus to ensure the safest, most advanced, most therapeutic environment for care. The new IRF, which is expected to open in 2026, will serve patients who qualify for treatment in the acute rehabilitation setting. Common conditions at admission will include stroke, brain injury, spinal cord injury, complex neurological and orthopedic injuries, multiple traumas, amputation, and other serious injuries or illnesses. Twelve of the new beds will be designated to provide care to patients with brain and spinal cord injuries. The IRF will feature:

- 50 all-private rooms and full bathrooms, including specialty care patient rooms and isolation rooms;

- A designated wing for both acquired brain injury and spinal cord patients;
- A main therapy suite comprised of a therapy gym, infrastructure for state-of-the-art patient care technology and therapy equipment, rooms for multiple therapy protocols, private therapy rooms, a cooking therapy room, an activities of daily living (ADL) therapy suite/apartment; and
- State-of-the-art rehabilitation equipment such as the Bionik InMotion Arm for Neurological Rehabilitation for robotic-assisted shoulder and elbow therapy, a Smart car, and Ekso Bionics EksoGT, the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation.

The LLC is comprised of PeaceHealth (majority owner) and Lifepoint, through its subsidiary LPNT IRF Development 70, LLC. The LLC proposes to develop, construct, and then operate the IRF. The address for the proposed IRF is 123 International Way, in Springfield, Lane County. The land, currently undeveloped, is owned by PeaceHealth and will be leased to the LLC. The LLC will license, certify, and secure accreditation for the IRF, and will enter into a management agreement with a subsidiary of Lifepoint for day-to-day management of the IRF's operations.

Upon opening of the new IRF, PeaceHealth will discontinue operation of the 27-bed acute ORC, such that the net gain in beds for the service area will be 23. The ORC, located at UD, has operated under a management agreement with Lifepoint since January 2020. A description of the LLC members is below:

PeaceHealth

PeaceHealth, based in Vancouver, Washington, is a not-for-profit Catholic health system offering comprehensive healthcare to communities in Washington, Oregon, and Alaska. PeaceHealth has approximately 16,000 caregivers, a group practice with more than 1,200 providers, and 10 medical centers serving both urban and rural communities throughout the Northwest. PeaceHealth was founded by the Sisters of St. Joseph of Peace and is driven by its belief that preventive healthcare and community well-being are fundamental rights. PeaceHealth operates four acute care hospitals in Lane County, including PeaceHealth Sacred Heart Medical Center at Riverbend, UD, PeaceHealth Peace Harbor Medical Center, and PeaceHealth Cottage Grove Medical Center.

Lifepoint Rehabilitation

Lifepoint Rehabilitation (LR), a business unit of Lifepoint Health, Inc. (Lifepoint), is one of the largest providers of rehabilitation therapy in the country, with a proven history in partnering with local hospitals to grow or add inpatient rehabilitation services. LR delivers high-quality patient outcomes in hospital-based acute rehabilitation, medical/surgical and outpatient therapy settings, and joint-venture inpatient rehabilitation hospitals. Lifepoint, a

privately held company, has a diversified healthcare network spanning 29 states. This network includes community hospital campuses and rehabilitation and behavioral health hospitals. Lifepoint partners with local hospitals by providing contract management services for existing acute rehabilitation units within these independent third-party facilities, including UD.

Section B: Narrative
OAR 333-580-0040
NEED

(1) Criterion: Does the Service Area population need the project?

- (a) Applicant must identify the Service Area’s need for the proposal in the past, present and future.**
- (b) In establishing the magnitude of present and future need for each service element, the applicant will:**
 - (A) Use appropriate indicators of a population’s need (i.e., population-based use rates, population-based “medical necessity” rates, or established productivity standards).**
 - (B) Use the standards and methodologies specified in division 585 through 645 of OAR chapter 333 application to proposed services or facilities.**
 - (C) Consider industry standards and historical experience as appropriate comparisons where plans are silent.**

Defining the Service Area

Based on current ORC patient origin (see Table 1), the defined Service Area is the contiguous geography of Lane, Linn, Coos, and Douglas counties. These four counties have historically represented 88-95% of patient discharges (2019-2021) in the acute rehabilitation unit at UD.

OAR 333-590 requires that a new hospital’s Service Area be defined as those zip codes from which either ten percent or more of the hospital’s discharges are reasonably expected to originate, or in which the hospital would be expected to have at least a twenty percent market share. The actual experience of ORC was used to define the Service Area. This was accomplished by rolling up individual zip codes to county-level data. Table 1 uses 2019-2021 data from the Oregon Association of Hospitals and Health System’s (OAHHS) Apprise Health Insights (Apprise) to document that two counties, Lane and Douglas, account for more than 85% of the current ORC discharges; and with the inclusion of Coos and Linn counties, ORC’s market share of acute rehabilitation discharges exceeds 83% and is as high as 95%. For these reasons, PeaceHealth IRF defined the Service Area as the four-county region. Note that the Apprise data does not allow accounting of all Service Area residents using acute rehabilitation, so this application conservatively uses DRGs 945 and 946, which pre-ICD10 accounted for the vast majority of acute rehabilitation discharges.

Today, MS-DRG 945 and 946 (rehabilitation with CC/MCC and without CC/MCC, respectively) is only assigned if the patient has a principal diagnosis on the MDC 23 (Factors Influencing Health Status and Other Contacts with Health Services) list and a rehabilitation procedure code. If the patient has a rehabilitation procedure code but does not have a principal diagnosis code from MDC 23, the principal diagnosis would determine the MS-DRG used. In Lifepoint's experience, less than 20% of actual acute rehabilitation discharges today are coded with a DRG 945 or 946 code.

Using this very conservative definition, Table 1 provides summary detail on the Service Area's current DRGs 945 and 946 volumes. It also defines the percentage of the Service Area DRG 945 and 946 patients age 65+.

Table 1
PeaceHealth Sacred Heart Medical Center at University District's
Oregon Rehabilitation Center (ORC)
Key Patient Origin and Market Share Statistics, 2019-2021

County	Service Area Resident Discharges from DRGs 945 and 946	Percentage of ORC DRG 945-946 Patients	ORC Market Share of DRGs 945 and 946	Percentage of Service Area DRG 945-946 Discharges Age 65+
Lane	160	69.6%	94.7%	72.7%
Douglas	36	15.7%	87.8%	41.7%
Linn	10	4.4%	83.3%	53.7%
Coos	10	4.4%	90.9%	55.6%
Sub-Total	216	93.9%	92.7%	55.4%
Other	14	6.1%		35.7%
Total	230	100.0%		

Source: Oregon Inpatient Data (Apprise); Rehab defined as DRGs 945 and 946.

According to the latest population data published by Portland State University, the total population of the Service Area is approximately 690,000. It is projected to be 737,000 by 2031, the target planning horizon. As shown in Table 2, between 2010 and 2020, the fastest growing cohort in the Service Area was residents aged 65+, having grown by 45%, while the under 65 population growth was virtually flat. Over the period of 2020-2031, the Service Area's 65+ population is projected to grow another 20%. The growth in the 65+ population is relevant because, as noted in Table 1, this cohort accounts for more than 50% of all IRF patients.

Table 2
Service Area Population: 2010, 2020, and 2031

Column1	2010	% of 2010 Population	2020	% of 2020 Population	% Change 2010-2020	2031	% of 2031 Population	% Change 2020-2031
Tot. Pop.	639,097	100%	686,483	100%	7%	737,769	100%	7%
Pop. By Age								
0-14	108,270	17%	105,049	15%	-3%	103,864	14%	-1%
15-44	240,903	38%	252,679	37%	5%	276,037	37%	9%
45-64	183,096	29%	173,646	25%	-5%	172,490	23%	-1%
65-74	58,055	9%	90,195	13%	55%	89,210	12%	-1%
75-84	33,787	5%	46,930	7%	39%	71,827	10%	53%
85+	14,986	2%	17,984	3%	20%	24,340	3%	35%
Tot. 0-64	532,269	83%	531,374	77%	0%	552,399	75%	4%
Tot. 65 +	106,828	17%	155,109	23%	45%	185,551	25%	20%
Source: Portland State University								

Source: Portland State University, Population Research Center; Coos and Douglas County estimates were prepared in 2018, and Lane and Linn County estimates were prepared in 2021.

The Service Area's Need for the Project

Within the Service Area, the only acute rehabilitation beds are the 27 acute rehabilitation beds located at ORC. Table 3 details the patient days, occupancy, and growth of ORC's inpatient acute rehabilitation unit for the period of 2018-2022.

Table 3
PeaceHealth Sacred Heart Medical Center at University District’s
Oregon Rehabilitation Center (ORC)
Patient Days and Occupancy, 2018-2022

Year	Patient Days	Percentage Change in Patient Days	Occupancy
2018	3,882		59.1%
2019	4,121	6.1%	62.7%
2020 ¹	5,337	29.5%	67.7%
2021	8,514	59.5%	86.4%
2022	6,921	-18.7%	70.2%

Source: Applicant

As Table 3 shows, ORC was on a rapid trajectory to achieve and sustain an occupancy of 85%+, with more than a doubling of patient days between 2018 and 2021. However, in 2022, staffing shortages and the high cost of temporary labor constrained growth.

An analysis conducted by PeaceHealth and Lifepoint in early 2020 identified that the unmet need for IRF beds in the Service Area was at least 35 beds over the then-current 18-bed capacity. This same analysis also identified the need for a dedicated program for people with brain and spinal cord injuries. There is currently no dedicated brain injury unit within the four-county Service Area or within counties contiguous to the Service Area. As an interim strategy, ORC was able to bring nine (9) additional beds online, but as the narrative throughout this CN application details, there is no additional capacity at ORC that can be converted without extensive capital and great disruption.

In response to the defined need for additional beds, PeaceHealth undertook a physical plant study that found that renovation and expansion of the UD campus to accommodate additional beds and the rehabilitation therapy and day-spaces needed would be both cost-prohibitive and extremely disruptive to current operations. The decision about how to address the need for growth was put on hold during COVID, yet COVID also shone a light on the shortage of IRF beds in the Service Area and on the role that acute rehabilitation services play in facilitating timely discharge and supporting access to, and efficient utilization of, the acute care delivery system.

¹ In 2018 and 2019, as well as the first six months of 2020, ORC was an 18-bed unit; on July 1, 2020, the unit increased to 27 beds.

OAHHS data for the period of 2017-2022 (Q3 annualized), shows a significant increase in the average length of stay (ALOS) for acute care patients with an ultimate disposition to a post-acute service.² The ALOS for residents of the Service Area consistently ranged between 4.18 days and 4.26 days for the period of 2016-2019. In the COVID timeframe of 2020 through 2022 (Q3 annualized), ALOS increased to approximately 4.3 in 2020, and further increased to 4.7 in 2021. This length of stay continued to increase throughout the first three quarters of 2022 and is now approaching 4.9: an increase of more than 16%.

A 2023 report produced by OAHHS entitled *Oregon Hospital Utilization & Financial Analysis 2022 Year-End & Current Trends* concluded that the inability for hospitals to discharge patients to post-acute settings (e.g., nursing homes, IRFs, acute rehabilitation units, skilled nursing) has played a significant role in the high and increasing ALOS statewide. Longer ALOS raises the cost of providing care, but typically comes with no additional revenue for DRG hospitals due to fixed reimbursements for many patients. This also makes it one of the underlying factors in the drop in the median operating margins of Oregon's hospitals to new all-time lows. Operating margins declined by nearly six percentage points overall and were -2.7% in 2022. The same report detailed that acute hospital occupancy in Oregon is at an all-time high.

While the impetus for this project is unmet need and addressing the negative impact of delays on patients and their families, not financial performance, the data from OAHHS demonstrates the key role that a full range of accessible post-acute services, including IRF-level care, have in the system of care delivery. The proposed new IRF will provide much needed post-acute options for qualifying patients.

Consistent with rule, PeaceHealth Riverbend, LLC used OAR 333-590 and OAR 333-645 to demonstrate need for the project.

Demonstration of Need for Acute Inpatient Beds and Facilities (OAR 333-590)

Since at least 1994, OHA's Chapter 333, Division 590 has prescribed a bed-need methodology for new hospitals (OAR 333-590-0050), as well as guidance for demonstration of need for a new acute inpatient facility (333-590-0060). In addition to Division 590, Division 645 provides guidance for projecting rehabilitation bed need. On May 17, 2023, the OHA filed a temporary rule change with the Secretary of State related to OAR 333-590. PeaceHealth IRF has reviewed these temporary rule changes and made several modifications to their bed-need estimates to account for changes from the prior rules.

² Apprise Inpatient Utilization Data, excluding newborns, rehab, and psych discharges and days.

Specifically, the OHA temporarily amended OAR 333-590-0010 through 0060, provisions which relate to demonstrating the need for a new hospital. Per the OHA,

These amendments are necessary to be able to adequately evaluate a Certificate of Need application using relevant data, methods, and timelines. There are currently outdated data references in the rules that direct an applicant to review data outside the window of time relevant to current applicants. Additionally, there are assumptions built into the current rules that direct an applicant to assume a declining use rate for hospitals, and prescribes methodology built on this now inaccurate trend for Oregon's hospital use rates. Current rules reference studies that are no longer published or relevant to the grant of a Certificate of Need. The Certificate of Need program has received a letter of intent to apply for a Certificate of Need, and prior to the submission of the application, the updated rules need to be in place so current, relevant data, timelines, and methodology can be analyzed and used for purposes of reviewing the application.

The written justification for the temporary filing states that:

The Oregon Health Authority (OHA) finds that failure to act promptly will not serve the public interest, OHA, and Certificate of Need (CN) applicants. These rules need to be adopted promptly so that the rules reflect relevant methodology, data, trends, and timeframes which will allow OHA to adequately review and assess an application consistent with their rules as written. Without these amendments, the CN program would be required to use current rules, which cannot be applied as written, and any decision will not accurately reflect the extent to which the proposal is needed and will be legally vulnerable to challenge. This creates the potential for delayed and inefficient consideration of whether the specific proposal is needed in Oregon.

The 333-590 methodology projects numeric need for medical/surgical or acute care beds, and, historically, only if numeric need existed at 590 could an applicant put forth data to substantiate compliance with Division 645's rehabilitation rules. The temporary rule change made several modifications to the demonstration of the need for proposed new hospitals.

First, it placed the responsibility on applicants to define a statistical model that assures that, within the proposed Service Area's existing licensed bed supply, there is a bed available, as needed, on all but one day out of each 500 days in each hospital. To be consistent with past practice, PeaceHealth IRF ran the need for acute care beds under Division 590. Under the temporary rules, the result is that in the case of our four-county Service Area, our selected statistical method reduced, but did not eliminate, a relatively small surplus of acute care beds in the Service Area in 2023; especially if the CAH hospitals are excluded. By 2031-2032, there is also projected to be a need for a small number of additional beds.

Secondly, and most importantly, the temporary rules added a path for CN-approval of specialty IRF beds even absent numeric need. Under the temporary rules, while a small surplus of beds exists in 2023, the temporary rule explicitly states that ***if number of beds proposed at the applicant facility cannot be justified under these general acute inpatient rules, a certificate of need for new specialty beds may be issued where an adjustment is indicated because conversion of other beds to sufficient specialty beds to meet calculated specialty bed need is not architecturally and economically feasible.***

This application fully and comprehensively details that there are circumstances and unmet needs in the region, and that existing Service Area hospitals have architectural, census, and economic circumstances that have made them choose not to own and/or operate acute rehabilitation beds.

The temporary methodology steps are detailed in Table 4. PeaceHealth IRF greatly appreciates the intent of the temporary rule change, and we are confident that its changes support approval of our project.

Table 4
Application of OAR 333-590-0050

Step	Summary of OAR Temporary Provisions	PeaceHealth IRF Application/Interpretation
1	Requires that applicants define the service area as those zip codes from which either ten percent or more of the hospital's discharges are reasonably expected to originate, or in which the hospital would have at least a twenty percent market share.	None. The patient origin and market share of the existing PeaceHealth UD acute rehabilitation unit data were used.
2	Determine the estimated population of the service area for the prior 20 years, using 10-year increments, and forecast in 5- and 10-year increments. Applicants are directed to use data from Portland State University's population estimates.	Historical populations for 2000, 2010, 2020, and 2021 were used. Forecasts were made through 2031. None. Portland State University data was used.
3	Calculate historical and current year proposed service area HSA use rates. Estimate future use rates and patient days for a range of ages/sexes for the state as a whole, the HSA, and the nearest comparable facilities.	At this step, PeaceHealth IRF was projecting Service Area and HSA acute bed need, and current acute care use rates were calculated and held flat. Statewide rates were not calculated. There are no comparable facilities, freestanding IRF, or other acute care hospital IRF units in the Service Area.
4	Develop a consistent and reasonable set of well-documented assumptions regarding the extent to which utilization at the proposed hospital will be new utilization and the extent to which it will replace utilization at existing hospitals.	For the proposed new IRF, the following assumptions were made: 1) 100% of the utilization currently occurring at PeaceHealth UD will transfer to the new IRF; and 2) The remainder will be new utilization based on service area growth and aging of the population, reduced ALOS, earlier transfer from acute settings, and new services (brain and spinal cord injury).
5	Analyze the advantages and disadvantages of the findings in Step 4 related to both new and replacement volume.	Discussed in narrative.
6	Compute the range of possible future patient days in five years and in ten years at the facility, allowing appropriate adjustments for out-of-area utilization and other special factors or considerations.	Future patient days for each year from 2023-2031 were calculated. 2031 was selected because it is ten years from the last full year of Apprise data used in the CN application (At the time of CN development, 2022 data was available only through Q3).
7	Convert forecasted patient days to average daily census (ADC).	None.

Step	Summary of OAR Temporary Provisions	PeaceHealth IRF Application/Interpretation
8	Estimate the statistical variability, or standard deviation, of the daily census.	After extensive analysis and technical assistance from a PhD statistician, PeaceHealth IRF:
9	Estimate the statistically expected peak daily census at the proposed facility by applying appropriate statistical modeling and pricing sufficient information to validate the use of the statistical model. If the proposed facility is more than 10 miles, by road, from the nearest alternative, use an appropriate multiplier to assure an available bed on all but one day out of each 500 days (99.8% probability).	<ol style="list-style-type: none"> 1) Using Apprise data, calculated the actual census each day for each hospital in the Service Area for the period of January 1, 2018-December 30, 2022. 2) Calculated a standard deviation for each hospital from its peak census, and 3) Estimated peak census at the 99% level to identify bed need at each hospital in 2022. 4) Projected population growth forward and calculated bed need each year through 2031.
10	Use a ten-year projection from the calendar year of submission of the application to determine most likely average daily census.	None. Patient days were projected ten years into the future (2031).
11	Determine the peak daily census associated with the result of Step 10. If this number of beds exceeds the present number of acute inpatient beds within 50 miles, by road, of the population to be served, the applicant must evaluate the extent to which admissions scheduling by the applicant or by existing institutions could alleviate the need for new beds.	Altering the scheduling of admissions at UD would not alter the need for new beds, as the issue is simply an undersupply of needed beds and an inability to expand the ORC.
12	If the result of section (11) of this rule indicates that added beds may be needed in the proposed hospital service area, an applicant for a new facility shall weigh it against the availability of beds at other facilities within 50 miles, by road, of the proposed facility and against the feasibility of alternative healthcare services.	The number of beds needed did not exceed the actual 2021 licensed bed capacity, and a 50-mile radius (not by road) was evaluated to determine if other providers could alleviate the need for new IRF beds.
13	If numeric need is found (i.e., a shortage of beds is calculated), a Certificate of Need will be issued if the proposal is otherwise supported by provisions of OAR 333-590-0060.	This CN application demonstrates that there is a small surplus of licensed beds, but the project is fully supported by the provisions of OAR 333-590-0060 and OAR 333-695.
14	The new temporary rule language states: If the number of beds proposed at the applicant facility cannot be justified under these general acute inpatient rules, a Certificate of Need for new specialty beds may be issued where an adjustment is indicated because conversion of other beds to sufficient specialty beds to meet calculated specialty bed need is not architecturally and economically feasible.	The application narrative describes that other Service Area facilities or 50-mile, by road, hospitals have not converted beds to IRF use. Based on recent census and licensed beds, it is likely not architecturally or economically feasible for any one hospital to be able to address the need for an IRF.

Source: Applicant

OAR 333-590-0060: There Are No Alternatives in the Service Area, Due in Part to High Occupancy of Existing Licensed Beds

There are a total of twelve hospitals within the four-county Service Area. Six of the twelve hospitals are Critical Access Hospitals (CAHs) that are limited, under federal law, to a maximum of a 10-bed distinct-part unit. Even if the physical space exists to staff these units, 10 beds does not meet the unmet need, and the cost to recruit and retain staff would be high in small units in more remote, rural communities. PeaceHealth can confirm that neither of its two CAHs could add a 10-bed unit.

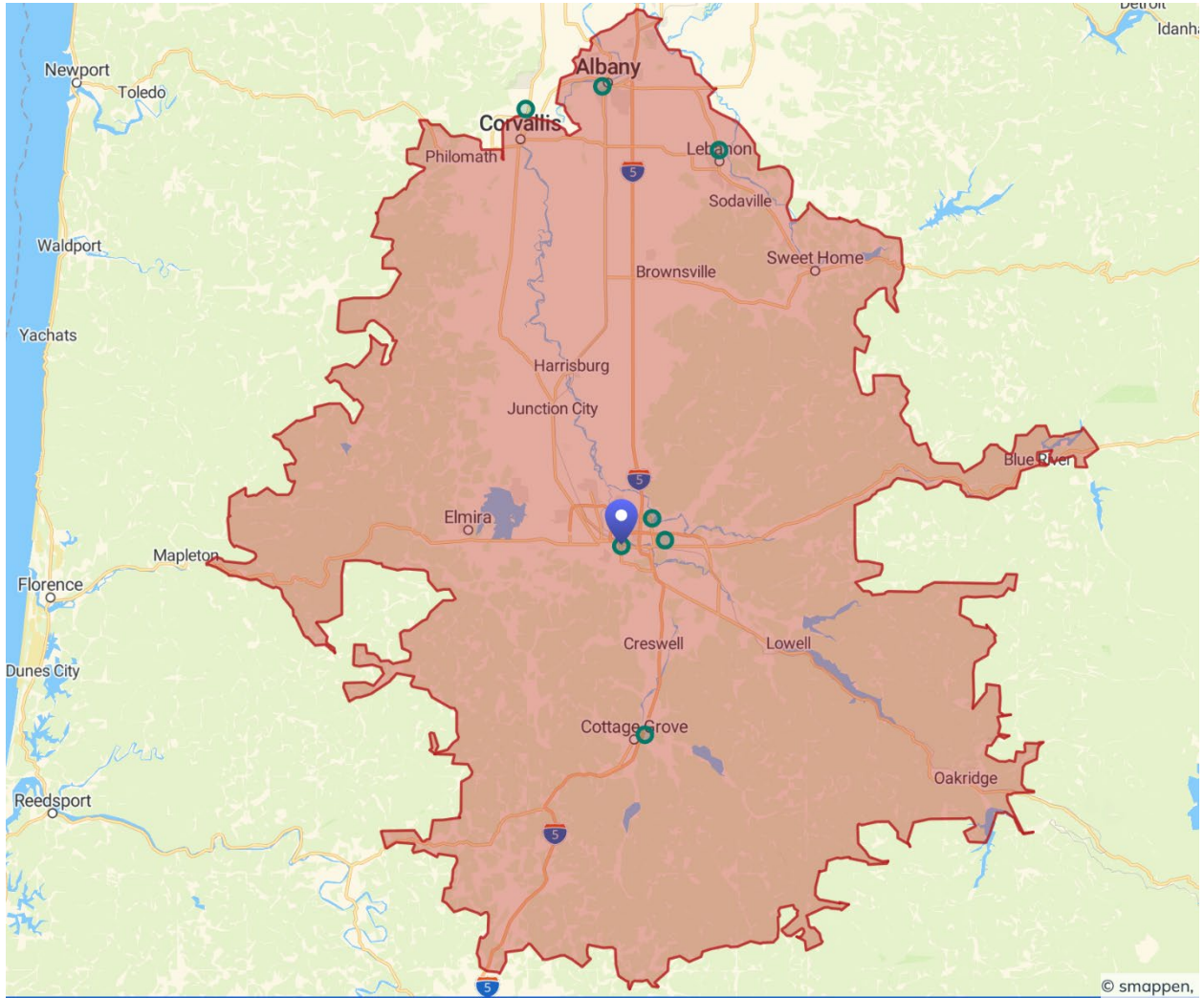
Operating multiple small IRFs would also lead to unnecessary duplication and likely increased expense. It would also likely limit the ability for any single unit to have the technology, equipment and skilled staff proposed by PeaceHealth IRF.

Most relevant to this CN application is the fact that there is a shortage of acute rehabilitation beds, and it appears that no other provider has the capacity, facilities, or resources to meet the need. According to the Kaiser Family Foundation, Oregon and neighboring Washington State have the lowest number of hospital beds per capita in the country. Both states have only 1.7 hospital beds per 1,000 residents, and the recent COVID experience and the data from OAHHS shared earlier in the application details and describes the impact that the limited supply of beds has had on care delivery and hospital occupancy throughout the state, including within the Service Area.

Because the 590 analysis suggests that the Service Area is still “over bedded,” OAR 333-590-0060 requires that, if a surplus exists, an applicant identify as other significant providers, those hospitals located within 50 miles, by road, of the proposed new hospital and determine if those hospitals have idle licensed bed capacity or shelved space that could be committed to addressing the unmet need.

Map 1 identifies that there are a total of seven hospitals located within “50 miles, by road,” largely paralleling the four-county Service Area’ meaning that the 50 miles by road includes fewer hospitals, as a number of the four County Service Area hospitals are outside of 50 miles.

**Map 1
Hospitals Located Within 50 Miles, by Road, of Proposed IRF**



The list of hospitals within the four counties and within 50 miles by road are included in Tables 5 and 6, respectively. As shown, there currently exists a small surplus, but largely The LLC has not defined any less costly means than the proposed project to meet the identified need. During the public comment period on this application, we expect that families, patients, and providers will confirm the magnitude and extent of the need for the additional beds.

**Table 5
Service Area Hospitals**

Licensed Bed, Highest Census Day, Remaining Beds, and Other Limits on Expansion

Hospital	City	Licensed Beds	Census on Highest Occupancy Day, 2018-2022	Remaining Licensed Beds Available on Highest Census Day	Other
Bay Area Hospital	North Bend	172	96	76	
McKenzie-Willamette Medical Center	Springfield	113	109	4	
Mercy Medical Center	Roseburg	174	115	59	
Sacred Heart Medical Center UD	Eugene	117	82	35	
Sacred Heart Medical Center Riverbend	Riverbend	353	385	-32	
Samaritan Albany General Hospital	Albany	79	46	33	
PPS Hospital Service Area Sub-Total		1,008	833	175	
Coquille Valley Hospital	Coquille	17	14	3	CAH
Cottage Grove Community Hospital	Cottage Grove	14	8	6	CAH
Lower Umpqua Hospital	Reedsport	20	10	10	CAH
Peace Harbor Hospital	Florence	21	18	3	CAH
Samaritan Lebanon Community Hospital	Lebanon	25	29	-4	CAH
Southern Coos Hospital and Health Center	Bandon	19	12	7	CAH
CAH Hospital Service Area Sub-Total		102	83	25	
Service Area Total		1,124	924	200	

Source: Apprise Inpatient Data, 2018-2022, and OAHHS Databank (for licensed beds).

Table 6
50 Mile, by Road, Hospitals
Licensed Bed, Highest Census Day, Remaining Beds, and Other Limits on Expansion

Hospital	City	Licensed Beds	Census on Highest Occupancy Day, 2018-2022	Remaining Licensed Beds Available on Highest Census Day	Other
McKenzie-Willamette Medical Center	Springfield	113	109	4	
Sacred Heart Medical Center UD	Eugene	117	82	35	
Sacred Heart Medical Center Riverbend	Riverbend	353	385	-32	
Samaritan Albany General Hospital	Albany	79	46	33	
Good Samaritan Regional Medical Center	Corvallis	188	149	39	
PPS Hospital 50 Miles, by Road, Sub-Total		850	771	79	
Cottage Grove Community Hospital	Cottage Grove	14	8	6	CAH
Samaritan Lebanon Community Hospital	Lebanon	25	29	-4	CAH
CAH Hospital 50 Mile, by Road, Sub-Total		39	37	2	
50-mile Total		889	808	81	

Source: *Apprise Inpatient Data, 2018-2022, and OAHHS Databank (for licensed beds).*

Division 645: Rehabilitation Bed Need

PeaceHealth IRF has demonstrated that the 23 new beds they are requesting are needed and can be supported under OAR 333-590-0060. This section demonstrates compliance with the provision of OAR 333-645-0030, Elements in Calculating Need for Rehabilitation Services, as follows:

- (1) Total need for inpatient rehabilitation services is such that inpatient facilities ***shall not exceed seven beds*** in 100,000 general population.

The planning horizon is 2031. The projected 2031 population of the Service Area is 737,689; using the ratio above, and conservatively assuming no in-migration, the Service Area can support 52 beds.

OAR 333-645-0030 also requires that an applicant demonstrate consistency with historical use patterns for rehabilitation services. It does allow adjustments if the applicant submits information that demonstrates, among other factors, *the availability, accessibility, quality, and levels of utilization of existing inpatient services addressing the needs of those groups.*

The critical issue is that ORC's current unit does not have enough beds and cannot be expanded without great cost and disruption. For example, as part of the proposed 50-bed increase, the LLC proposes to include a dedicated 12-bed Brain and Spinal Cord Injury wing. There has been considerable comment and concern expressed statewide as to the deficit in bed capacity for this population, and to the extent that the residents in need of these services have been historically underserved or diverted to other care settings such as nursing homes, they are underrepresented in historical use patterns for acute rehabilitation.

The LLC used data from Apprise to estimate the demand from four specific populations: brain injury, traumatic; brain injury, non-traumatic; spinal cord injury, traumatic; and spinal cord injury, non-traumatic. For definition, a non-traumatic brain injury is typically the result of an illness, oxygen deprivation, metabolic disorder, aneurysm, cardiac arrest, near-drowning experience, etc. In short, it includes injuries to the brain that are not caused by an external physical force to the head. A non-traumatic spinal cord injury is often the result of a range of medical events, including bacterial and viral infections. It also includes degenerative spine diseases wherein spinal cord compression results from degenerative changes in the spinal column components.

After determining the number of discharges associated with these conditions in the Service Area, the LLC narrowed the analysis to include only those patients with a CMS Rehabilitation Impairment Category of 2-5, and then estimated, based on actual LR experience, that 35% of these individuals would be candidates for IRF-level care. With a 15-day length of stay in 2022, an ADC of 7.5-8.0 was estimated. At 85% occupancy, this equates to a bed need of nine. By 2031, based on anticipated population growth, the bed need just for this patient population is projected to be 11.5, rounded to 12.

The Brain Injury Program Will Be the First of Its Kind in the State

In the dedicated Brain and Spinal Cord Injury wing, clinicians will provide an interdisciplinary approach to the evaluation, treatment planning, and problem-solving issues associated with brain-injured patients. Physical therapy, occupational therapy, speech, and language pathology, along with rehabilitation nursing, social services, and neuropsychology disciplines, will be combined into one comprehensive and pragmatic approach to patient care. In doing so, this model brings consistency to the management of brain injury patients within a discipline and across all post-acute settings. In addition, information on the types of brain injury severity assessments, current trends, and placement options are incorporated into LR's brain injury treatment protocols.

As manager, LR's Clinical Rehab Services Philosophy will be incorporated into PeaceHealth IRF. This philosophy builds a foundation for clinical excellence by establishing a partnership with the individual therapist and management through enthusiasm, educational support, empowerment, mentoring, and recognition. LR further strengthens this foundation of excellence by enhancing the skills and knowledge of its clinicians, driving patient care to new levels of expertise and functional outcomes for the patients served. It is through evidence-based practice and clinical programs that LR differentiates its services and its teamwork, empowering growth, mentoring, and optimal patient experience.

To this end, the building blocks of LR's brain injury treatment protocols are:

- Systematic identification of appropriate patients,
- Severity assessment systems,
- Ethical treatment protocols, and
- Specific standards of practice.

All of this is with consideration and acknowledgment of the importance of cultural diversity and its effect on the LLC's key goal: for each and every patient to reach their highest level of functional independence.

LR has invested extensive resources and has an experienced team of clinical Directors of Quality that ensure that appropriate brain injury programs are established and maintain clinical excellence. The focus includes:

- **Evaluation and Treatment** – evaluation components and treatment strategies, organized by clinical discipline:
 - Medical Rehabilitation
 - Physical Therapy
 - Occupational Therapy
 - Speech and Language Pathology
 - Rehabilitation Nursing
 - Clinical Psychology
 - Social Services

- **Clinical Program Integration**

- **Application of Clinical Practice Guidelines**

- **Achievement of Clinical Quality and Outcomes**

- **Integration of Behavioral Health Resources**

- **Comprehensive Case Management**

All of these layers are established and maintained through a comprehensive structure of clinical education, training competency testing, and ongoing educational support across all disciplines.

The measurable result of this is the achievement of the rehabilitation industry's quality "Gold Standard," CARF Brain Injury Specialty Accreditation in multiple Lifepoint rehabilitation hospitals across the US. This same accreditation will be secured for the new hospital.

(2) Expansion of existing rehabilitation units shall be given priority over creation of new rehabilitation units for comparable services, unless it can be demonstrated that the applicant is offering the least costly service.

This application is technically the expansion of an existing rehabilitation unit, but at a new location in response to the fact that the existing location of ORC, within UD, cannot be expanded without significant capital expenditure and disruption to current operations.

(3) Rehabilitation units must have an annualized occupancy rate of at least 85 percent prior to expansion of any bed capacity, and expansion should be such that the unit can maintain a minimal occupancy rate of 75 percent within 18 months of Certificate of Need approval.

UD is currently the only acute rehabilitation unit in the Service Area. As shown in Table 3, ORC's inpatient rehabilitation unit has been below 85% since 2021 due to COVID and staffing.

(4) A new rehabilitation unit must demonstrate that it will be able to achieve and maintain a minimal annual occupancy rate of 75 percent of unit capacity within three years of Certificate of Need approval.

The new 50-bed IRF is projected to attain 75% occupancy by year 3. The underlying assumptions to support the volume projections are included in Exhibit 1.

OAR 333-580-0050

Availability of Resources and Alternative Uses of Those Resources

(1) Criterion: Does the proposed project represent the most effective and least costly alternative, considering all appropriate and adequate ways of meeting the identified needs?

(a) The applicant must demonstrate that the best price for the proposal has been sought and selected.

Section B of this application includes data demonstrating the need for more acute rehabilitation beds and specialty programming in the Service Area. The high occupancy of existing hospitals in the Service Area and the high cost to renovate and expand UD to accommodate more beds are not feasible. There is no less costly or more appropriate alternative to constructing a new IRF.

Lifepoint has prior experience with the proposed developer. In selecting a final developer, best value for the proposal will be assured through a rigorous evaluation process that includes a review of capabilities, experience, and success with all aspects of development, including assembling the design and construction team, managing the construction, supplying the equity capital, arranging debt financing, and applying a collaborative development experience to meet the project's specific needs. Furthermore, the LLC and the selected developer will qualify every contractor, review individual bids, and help negotiate the best pricing to keep our project on budget and on time.

As of the submission of this application, Capital Growth Medvest has been deemed a qualified potential developer. The Capital Growth Medvest team has decades of construction management experience and has successfully delivered over \$1 billion in projects. Lifepoint has prior experience with Capital Growth Medvest and knows them to be focused on providing tailored resources and creating value for healthcare providers across the United States. LR has worked extensively with this organization in multiple IRF locations, and Capital Growth Medvest has agreed to support the LLC's CN by agreeing to certain conditions outlined in the Lease Agreement in Exhibit 2.

(b) The applicant must demonstrate that the proposed solutions to identified needs represent the best solution from among reasonable alternatives.

Prior to evaluating options, the LLC developed evaluation criteria to guide the process. The criteria included:

- 1) Ability to address unmet need for beds and specialty programming in a timely fashion.
- 2) Ability to incorporate design features that facilitate best practice clinical protocols and functional goals.
- 3) Adequate spaces to support the emotional needs of patients and families, including patient spaces and amenities that are motivating, welcoming, safe, accessible, and prepare the patient for ideally returning home.
- 4) A mix of private and community spaces.
- 5) Can be efficiently operated (e.g., low-cost heating/cooling, easy distribution of supplies, appropriate distance from nursing station and therapy areas to patient rooms, etc.).
- 6) Ability to incorporate advanced technology.
- 7) Geographically accessible to patients, families, and staff.

Each of these criteria has been met in the proposal contained in this application.

(A) Internal alternatives:

- (i) The applicant must list the major internal operational adjustments considered which could lower the cost and improve the efficiencies of offering the beds, equipment, or service.**
- (ii) The applicant must demonstrate that the alternative considered represents the best solution for the patients, and discuss why other alternatives were rejected;**
- (iii) If the proposal is for an inpatient service, whether new or expanded, applicant must demonstrate this method of delivery is less costly than if done on an outpatient basis;**
- (iv) The applicant must demonstrate that the selected architectural solution represents the most cost effective and efficient alternative to solving the identified needs.**

Of the twelve hospitals located within the Service Area, four are owned and operated by PeaceHealth. For the PeaceHealth hospitals, the first option evaluated was expansion at UD. This option, as well as the option of relocating to the PeaceHealth Sacred Heart Riverbend campus, scored highly on geographic access, as Eugene and Springfield are the geographic center of the four-county region. As the most urban communities in the Service Area, they enjoy good public transportation and more availability of staff. However, UD scored poorly on the ability to expand the space to create the amenities and design features that will support the full 50-bed complement and the specialty programming needed in the region.

More details on the concerns and costs of renovating a building the age of UD are detailed in Section B of the application. Sacred Heart Riverbend offers a pleasant physical environment, but a 50-bed acute rehabilitation unit cannot be accommodated without displacing other programs and services. The cost for expanding the Riverbend campus to provide 50 beds is higher than the cost of a new greenfield hospital because of the phasing and extra steps required to diminish the impact on existing operations. Finally, per CMS requirements, neither of PeaceHealth's two CAHs can operate more than 10 acute rehabilitation beds, and operating multiple rehabilitation units is inefficient and costly due to duplication of spaces, staff, and equipment. The two CAHs were ruled out for these reasons.

(B) External alternatives:

(i) If the proposed beds, equipment or services are currently being offered in the service area, applicant must demonstrate:

(I) Why approval of the application will not constitute unnecessary duplication of services;

(II) Why the proposal is an efficient solution to identified needs;

(III) Why the proposal represents the most effective method of providing the proposal; and

(IV) That the applicant can provide this proposal at the same or lower cost to the patient than is currently available.

PeaceHealth is the only provider of these services in the Service Area; there will be no unnecessary duplication. The PeaceHealth IRF is an efficient size, and its bed size, coupled with its freestanding nature, means that it can achieve efficiencies and economies not available to the existing 27-bed unit that carries acute hospital overhead. Table 5 demonstrates that, within the Service Area, there are no real opportunities for an existing hospital to create and operate a 50-bed IRF.

(ii) If paragraphs (A)(i) to (A)(iv) of this subsection cannot be demonstrated, the applicant must show that without the proposal, the health of the service area population will be seriously compromised.

This question is not applicable.

(C) Less costly alternatives of adequate quality:

(i) If a less costly and adequately effective alternative for the proposal is currently available in the area, the applicant must demonstrate why its proposal is:

(I) Not an unnecessary duplication; or

(II) A more efficient solution to the identified needs.

(ii) Applicants must demonstrate that the identified needs of the population to be served cannot be reasonably served under current conditions, or by alternative types of service or equipment or equal quality to the proposal. "Alternatives of adequate quality" does not imply that they need be exactly like those being proposed, but only that they meet identified needs at state approved levels.

This question is not applicable.

(D) If there are competing applications for the proposal, each applicant must demonstrate why theirs is the best solution, and why a certificate of need should have granted them.

To the LLC's knowledge, there are no competing applications.

(2) Criterion: Will sufficient qualified personnel, adequate land, and adequate financing be available to develop and support the proposed project? The applicant must demonstrate that there are, or will be, sufficient physicians in the area to support the proposal; sufficient nurses available to support the proposal; sufficient technicians available to support the proposal; adequate land available to develop the proposal and accommodate for future expansion; and the source(s) and availability of funds for the project.

All current UD acute rehabilitation personnel will be offered the opportunity to transfer to PeaceHealth IRF.

The LLC members acknowledge the present-day workforce environment poses certain challenges and note that the challenges they face are generally the same as those that all healthcare organizations face today. The demand for nurses, physicians, and allied health workers currently exceeds supply, but both members have been successful with targeted marketing efforts, flexible work schedules, consistent messaging of their respective employment brand, and resourceful and creative sourcing. Both have continued to succeed in keeping their facilities staffed appropriately and safely, despite the challenges. Lifepoint also has shown that its new hospitals serve as magnets for recruitment. Candidates report that this is due to the range of programming and the opportunity to work in a dedicated, state-of-the-art, acute rehabilitation space operating a full range of comprehensive inpatient medical rehabilitation services designed to facilitate neurological recovery, minimize disability, and to achieve or regain maximum functional potential of an individual for mobility, self-care, and independent living.

The vision of PeaceHealth IRF, to deliver innovative solutions through collaboration and expertise, is also attractive to potential staff. The LLC's focus on clinical excellence and maximizing outcomes for each patient, soliciting stakeholder involvement at every level of the performance measurement process, and creating and supporting a culture that uses measured results to facilitate learning and continuous improvement, helps attract and retain highly qualified, exceptional staff.

PeaceHealth IRF will incorporate elements known to be vital to a successful employment recruitment program, including: 1) strategic workforce planning, 2) employer branding and culture, 3) thorough sourcing and screening of candidates, 4) a rigorous interview process that narrows the talent pool to the very best, and 4) a fine-tuned onboarding process that improves employee retention. To enhance retention, PeaceHealth IRF will offer comprehensive benefits and flexible hours and scheduling,

Within the Northwest, and particularly in the Service Area, PeaceHealth is one of the largest employers. As a system, it hires more than 2,500 positions annually, and its talent acquisition includes over 65 professionals to support all recruitment needs. PeaceHealth's recruitment teams have established relationships with and engage in regular outreach to universities, colleges, medical schools, and community colleges across the region and nation. They also have consistent and constant marketing on all major internet job aggregators, including, but not limited to, Indeed, LinkedIn, Handshake, and Glassdoor.

PeaceHealth maintains its own corporate job board at [Careers.peacehealth.org](https://careers.peacehealth.org). In direct response to recent staffing challenges, PeaceHealth has developed targeted internships/practicums designed to give nursing students hands-on experience and training. During training, students are paid a stipend in return for making a commitment to continue employment once their training/education is complete. PeaceHealth has also employed other recruitment strategies (hiring bonuses, referral bonuses, tuition reimbursement, and relocation assistance), but has found the mentor/training program to be the most successful.

Both PeaceHealth and Lifepoint have made considerable investments in growing the workforce, and partner with educational institutions to serve as a training site for students from various disciplines who wish to prepare themselves for a future in a healthcare-related field. These training programs provide a large pool of new healthcare professionals to the community and serve as an ongoing source for recruitment. Specific to Oregon and other Northwest states, PeaceHealth and Lifepoint have established clinical education agreements with several universities and schools to provide clinical rotations for medical education, physical therapy, occupational therapy, speech therapy, and nursing students. These include, but are not limited to:

School	State	Program
Oregon State University – Cascades	OR	DPT (pending status)
Pacific Northwest Univ of Health Sciences	OR	PT (pending status)
Western University – Oregon	OR	OT (pending status)
Bates Technical College	WA	All
Bushnell University	OR	Nursing
California State University – Chico	CA	All
Emory University	Nationwide	Accelerated BSN - On-line
Gurnick Academy of Medical Arts	CA	PTA
Idaho State University	ID	PT, PTA, OT, SLP
Institute of Technology	CA	PT
Lane Community College	OR	All Healthcare Disciplines
Loma Linda University	CA	All Healthcare Disciplines
Ohlone College	CA	All Healthcare Disciplines
Pacific Lutheran University	WA	All Healthcare Disciplines
Pacific Northwest University of Health Sciences	WA	All Healthcare Disciplines
Pierce College	WA	Health Sciences
Pima Medical Institute	Nationwide	All Healthcare Disciplines
San Diego State University	CA	Health Sciences
San Jose State University	CA	All Healthcare Disciplines
Stanbridge University	CA	Health Sciences
Tacoma Community College	WA	Health Sciences
University of California, San Francisco	CA	School of Medicine
University of Puget Sound	WA	OT, PT
University of Southern California	CA	OT, PT
University of St. Augustine for Health Sciences	CA	All Healthcare Disciplines
University of the Pacific	CA	All Healthcare Disciplines
University of Washington	WA	OT, PT
Western Governors University	Nationwide	College of Health Professions

In addition, PeaceHealth IRF, through Lifepoint, will participate in registered apprenticeship programs. These programs are recognized by the Department of Labor and have been developed to support advancing employees with education and mentorship in a number of occupations, including Nurse Assistant Specialty – Rehabilitation; Cook/Culinary Aide; Rehabilitation RN Residency; Environmental Services Technician; and LPN/LVN.

(3) Criterion: Will the proposed project have an appropriate relationship to its service area, including limiting unnecessary duplication of services and any negative financial impact on other providers?

- (a) The applicant must identify the extent to which the proposal and its alternatives are currently being offered to the identified service area population, or, in the case of acute inpatient beds, could be offered on the basis of an analysis under division 590 of this chapter.**
- (b) The applicant will discuss to the best of his or her knowledge, any negative impact the proposal will have on those presently offering or reimbursing for similar or alternative services. Areas to be discussed are utilization, quality of care, and cost of care.**
- (c) The applicant must demonstrate that jointly operated or shared services between the applicant and other providers have been considered and the extent to which they are feasible or not.**
- (d) The applicant must demonstrate that all necessary support services and ancillary services for the proposal are available at acceptable levels to insure that patients will have the necessary continuity in their health care.**

PeaceHealth is the licensee and has certified and accredited the current UD 27-bed unit; LR manages it. The current 27-bed acute rehabilitation unit will close upon the opening of PeaceHealth IRF.

(4) Criterion: Does the proposed project conform to relevant state physical plant standards, and will it represent any improvement in regard to conformity to such standards, compared to other similar services in the area?

- (a) The proposed project must comply with state licensing, architectural and fire code standards;**
- (b) If the proposal is already being offered in the defined service area, the applicant must describe, to the best of his or her knowledge, to what degree the existing service complies with state licensing, architectural and fire code standards.**

The new 50-bed IRF conforms to all relevant state construction standards and provides a superior environment over the current 27-bed program, which will close at the time of opening of PeaceHealth IRF.

Advances and best practices in inpatient rehabilitation treatment technology and therapy programs mandate extensive equipment and dedicated space to provide the highest possible outcomes. Because the existing ORC building infrastructure was not originally designed to accommodate today's advanced technology, its physical footprint is too small to make room for this modern equipment. For instance, and aside from not being able to expand bed capacity, many rehabilitation programs use a ceiling-mounted patient lift system to maximize patient outcomes while reducing the risk of falls; ORC cannot. While ORC's patient population has a need for such a system, one cannot be installed because the ceilings in the current facility are not tall enough and the infrastructure does not meet the installation requirements.

The new PeaceHealth IRF, by contrast, will be built to accommodate this type of technology and other modern rehabilitation equipment. In addition, many of the current ORC rooms are too small to provide sufficient clearance for assistive devices like wheelchairs and walkers. Twenty of the bathrooms do not have a sink in the patient's room, and very few of them contain a private shower, of which none are truly accessible. Currently, all patients must use one of two showers located at one at end of the unit, or a smaller one near the center of the unit. Neither the current patient toilet rooms nor the bathrooms meet current ADA requirements but have been grandfathered given the age of the facility. Because these bathrooms are so small, they cannot accommodate a wheelchair, walker, or other assistive equipment used by rehabilitation patients, nor can they accommodate nurses and therapists who are assisting with bowel, bladder, and toilet training.

Further, ORC's main therapy gym is too small for a 27-bed IRF. With 27 beds and patients requiring at least three hours of therapy five days per week, it is very difficult to efficiently schedule and perform the requisite services using only the therapy gym. As such, ORC has converted unused rooms into smaller gyms to provide therapy, when possible, but using these rooms is challenging as they require relocating equipment so that it is available when needed. In addition, for those patients who are re-learning or practicing walking, therapists have resorted to using the building's hallways. These hallways are often crowded, which is not ideal for stroke or brain injury patients who require low stimulus environments. In comparison, ORC's new facility will be a state-of-the-art, modern, full-service rehabilitation hospital designed with a patient-centered focus to ensure the safest, most therapeutic environment for care. The new facility will include:

- a. 50 all-private rooms and full bathrooms, including specialty care patient rooms and isolation rooms;
- b. A designated wing on the second floor for both acquired brain injury and spinal cord patients;
- c. A main therapy suite, which will include a therapy gym, infrastructure for modern patient-care technology and therapy equipment, rooms for multiple therapy protocols, private therapy rooms, a cooking therapy room, an ADL therapy suite/apartment; and
- d. State-of-the-art rehabilitation equipment such as the Bioink InMotion Arm for Neurological Rehabilitation for robotic-assisted shoulder and elbow therapy, a Smart car, and Ekso Bionics EksoGT, the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation.

Included in the therapy gym will be a full spectrum of equipment for physical, occupational, and speech therapy. An outdoor courtyard adjacent to the therapy suite will allow for therapy to take place outdoors, which is highly beneficial for practicing activities such as maneuvering sidewalks and uneven terrain, gardening, transferring into vehicles, and several other therapeutic activities. In addition, the greenspace promotes healing, adjustment to disability, and transition to community.

Integrated into the therapy area will be an independent living apartment to allow patients to practice activities of daily living skills such as cooking, bathing, laundry, and transferring in and out of a standard bed. It will feature common household items and appliances patients can practice using in order to build strength, skills, and confidence to return to daily activities and enhance independence upon discharge and return home.

This state-of-the-art facility will also specifically be designed for patients with neurological conditions, including stroke, acquired brain injury, traumatic and non-traumatic spinal cord injuries, multiple sclerosis, and Parkinson's disease, as well as other rehabilitation conditions. The Brain Injury and Spinal Cord wing will be secured for patient safety and will have a dedicated therapy gym customized to meet the varied needs of this patient population, which is often sensitive to light, color, noise, and other environmental stimuli.

Additionally, this unit will be designed to provide an optimal healing environment that also enables clinical staff to care for the unique, medically complex needs of rehabilitation patients more effectively. The gym will also incorporate advanced rehabilitation technology to maximize patient outcomes. This high-tech equipment includes an Ekso Bionics EksoGT, the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation. This device helps patients relearn how to walk and build the strength required to walk independently. This modern technology has delivered proven results in speeding patient recovery. In addition, the facility will feature a Bionik InMotion Arm interactive therapy system, a robotic-assisted shoulder and elbow therapy device. It will also include an automobile to allow patients to practice entering and exiting a vehicle, which is an important part of regaining physical independence.

OAR 333-580-0060
Economic Evaluation

(1) Criterion: Is the financial status of the applicant adequate to support the proposed project, and will it continue to be adequate following implementation of the project?

As shown in the financing commitment letters from the LLC members contained in Exhibit 3, both are financially capable of undertaking the project individually (including initial capital costs and the start-up and ongoing operating costs). Collectively, as the pro formas included in CN Form 5 demonstrate, the IRF produces a positive bottom line by Year 2 and is sustainable operations from that point forward.

(a) Any financial forecasts which deviate significantly from the financial statements of the five-year historical period presented in the application must be fully explained and justified;

While the project includes the relocation of an existing 27-bed hospital-based IRF, the proposed, new, freestanding 50-bed IRF has no historical period to present.

(b) An applicant must describe how it will cover expenses incurred by the proposal in the event the proposal fails to meet budgeted revenues in any forecasted year.

PeaceHealth IRF fully expects the project to meet the revenue and expense projections provided in this application. In the unlikely event of revenue shortfalls or increased operating expenses, both members have committed to providing funding. Please refer to the letters included in Exhibit 3.

- (c) Applicants must discuss the results of ratio analysis required by Form CN-9 and OAR 333-580-0100(4), explaining strengths and weaknesses. The discussion should refer to each ratio as detailed in Table 1 of OAR 333-580-0100(4). Specifically;**
- (A) Applicants must describe their debt capability in terms of the required ratio analysis;**
 - (B) The discussion of liquidity should include comments on the adequacy of cash, the collection period for patient accounts receivable, and the payment period for accounts payable;**
 - (C) The profitability ratios required by OAR 333-580-0100(4) and Form CN-9 must be discussed.**

Per OAR 333-580-0100(4), financial performance will be evaluated by common healthcare industry ratios. The ratios are included in Form 9 and our responses are below. We do note that the requested ratios do not contemplate a structure such as that proposed in this application. Specifically, and as discussed below, the LLC structure, coupled with the lease (versus debt service), impacts a number of the ratios. The lease remains the preferred method of funding this project, as it does not burden PeaceHealth IRF nor either member with increased debt. That said, these ratios unequivocally demonstrate financial soundness, the creditability of the project's economic assumptions used, and overall effect on patient charges and the efficiency of the larger healthcare delivery system.

Note: PeaceHealth IRF did reach out to OHA to ask for clarification as to the benchmarks that the application will be reviewed against. As of filing, these ratios have not yet been made available. With benchmarks, and in screening, PeaceHealth IRF will refine the statements below, as needed.

Operating Margin:

The operating margin is negative for the first year of operation but turns positive in Year 2.

Operating Ratio:

The ratio meets industry expectations for Years 2-5, including rent.

Deductibles Ratio:

The deductible ratio is 48% or the estimated contractual allowance. This amount was based upon LR experience in other markets.

Bottom Line Ratio:

This ratio is the same as the operating margin ratio, so it follows the same pattern.

Return on Assets A:

This ratio measures net operating income to total assets; and, while negative in Year 1, is positive beginning in Year 2. It continues to improve annually thereafter.

Return on Assets B:

This ratio measures net income to total assets. It turns positive in Year 1 and stays positive thereafter.

Return on Equity A:

This ratio measures net operating income as a percentage of the funds balance. It is positive beginning in Year 2.

Return on Equity B:

This ratio is the same as Return on Equity A, as net income and net operating income are the same.

Equity Financing – A and B:

These ratios are the same, as they show the portion of long-term debt and total debt to the funds balance. This ratio is positive for the 5-year projection period and is 94-95% in Years 4 and 5.

Debt Service as a Percentage of Gross Patient Revenue:

This ratio is low due to the structure of the transaction. It is 6% in Year 2, and declines to 0% by Year 4.

Cash Flow to Total Debt:

The ratio is negative during Year 1 but turns positive in Year 2 when the facility becomes profitable from operations.

Total Debt to Total Assets:

The ratio is strong for the entire forecast period and falls to 0% by Year 4. This is due to the lack of long-term debt for the project.

Peak Debt Service Coverage by Historical Net Revenue:

This is negative in Year 1, but results in zero by Year 4 as there is no long-term debt for the project.

Debt Service Safety Margin:

This ratio turns positive in Year 2 and increases from 1.1% in Year 2 to 16.5% in Year 5.

Debt to Plant:

This ratio remains at zero throughout the forecast period because PeaceHealth IRF has no long-term debt.

Liquidity-Ratios**Current Ratio:**

This ratio measures current assets as a percentage of current liabilities. The ratio is positive in Year 1 and improves each year thereafter.

Days Revenue in Accounts Receivable:

Days in AR for hospitals range between 30-70 days. Estimated days in AR will be within this range beginning in Year 2.

Average Payment Period:

The average payment period is better than industry guidelines for the entire forecast period.

Days Cash on Hand:

Days cash on hand is assumed to be about 82 days once the facility reaches 80% occupancy.

Quick Ratio:

This ratio measures about the same metrics as the current ratio and is strong.

Adjusted Patient Days and Adjusted Admissions:

This ratio is not applicable, as PeaceHealth IRF will not offer outpatient services.

(d) Board-Designated Assets:

There are no board-designated assets. Board-designated assets are typically assets without donor restrictions that are set aside by a long-standing board for future projects. These assets are typically subject to self-imposed limits by the action of the governing board. Board-designated net assets may be earmarked for future programs, investments, contingencies, purchase or construction of fixed assets, or other uses.

(e) The Applicant must discuss other sources of funding including donor restricted assets, assets of the parent or subsidiary corporations, etc.

This project proposes a lease. The LLC members have the funding in place. Please see Exhibits 2 and 3.

(f) Money Market conditions must be discussed in terms of their impact on project funding, including interim interest.

(A) The estimated rate of interest must be justified by the applicant. If debt financing is secured before or during the review process, the actual rate of interest obtained should be reported within 30 days of securing financing.

(B) When a bond rating report is issued before or during the review period in conjunction with a proposed bond issue to fund a certificate of need proposal, the applicant must submit a copy of the report to the division within 30 days of its issuance.

(C) The financing term selected must be supported with evidence showing the benefits of its selection;

This project is being funded through member contributions and the lease; this method preserves cash for the LLC members. There is no "long-term debt" associated with this project. There is a short-term line of credit that results in the small amount of interest included in the income statement.

There is no debt assumed for this project.

(g) Patient days, admissions and other units of service used in forecasting expenses and revenues must be consistent with projection used to determine need.

The LLC members generally, and LP specifically, have considerable experience and expertise in developing projects of this type, and they have high confidence in the project meeting its projections. Further, the current ADC of ORC, along with the high interest expressed by other Service Area hospitals to refer patients to the IRF, lends further confidence to the patient day estimates.

A key component of the planning is developing detailed capital, revenue, and expense models that consider local conditions. PeaceHealth has operated in the Service Area for decades and LR has managed the ORC for more than two years. As such, this actual experience was used to project utilization, patient mix, length of stay, etc.

(h) The applicant must identify all inflation assumptions.

Specifically:

- (A) Projected changes in wages and salaries should be based on historical increases or known contractual obligations and planned future personnel increases. Considerations should include expected full-time equivalent staffing levels, including increases resulting from the proposal;**
- (B) Projected deductions from revenues should be explained and justified;**
- (C) Expected changes in the intensity and/or complexity of services provided must be considered in addition to the rate of inflation in arriving at an overall rate of increase in revenues or expenses;**
- (D) Projected gross revenue must reflect:
 - (i) Patient day increases/decreases;**
 - (ii) Outpatient activity increase/decrease;**
 - (iii) All debt service coverage requirements; and**
 - (iv) Other significant impacts the proposal will make on revenue projections.****

The financial models assumed a 2% annual inflation rate for gross revenue per discharge, and 2% generally for other operating expenses. The underlying assumptions included in Table 7 below provide the requested detail.

**Table 7
Revenue and Expense Assumptions**

Budget Line Item	Assumption
REVENUE	
Inpatient Revenue (Gross)	Based on ORC's Average Gross Revenue PPD for FY 2022, escalated to Year 1 of the project. Average gross revenue is \$4,523.29 in Year 1; \$4,777.00 in Year 2; and then increases 2% each year thereafter. Year 1 includes a 45-day period waiting for the billing number.
DEDUCTIONS	
Contractual Adjustments	Based on ORC's Rehab Unit Average contractual adjustments for FY 2022 to determine net revenue. This is 45.0% in Year 1 and 44.8% in Years 2-5. Year 1 payer mix is slightly different due to the waiting period for the billing number.
Free Care/Charity Care	Based on ORC's Rehab Unit historical rate of providing charity care on the unit during the period of 2019-2021 (1.2% of gross revenue).
Other Deductions (Doubtful Accounts)	Based on LifePoint's experience and projected at 3.5% of non-Medicare revenue.
OTHER OPERATING REVENUE	
Other Operating Revenue	Revenue from cafeteria and vending machines, etc. Based on LifePoint's experience (0.3% of gross revenue).
EXPENSES	
Salaries, Wages, and Benefits	Nursing and Therapy salaries based on average hourly wages for these positions on the existing PeaceHealth Unit, escalated to Year 1 of the joint venture. Increases in Years 2-5 include patient days increases (Years 2 and 3), as well as a 2% annual escalator (Years 2-5).
Outside Services and Professional Fees	Includes medical direction, renal dialysis, legal fees, audit and accounting fees, and landscaping. Based on LifePoint's experience
Supplies	Includes pharmaceuticals, patient care supplies, postage and freight, dues and subscriptions, minor equipment, travel, and entertainment. Includes annual escalator of 2%.
Purchased Services	Includes radiology, lab, procedural services, EKG, after-hours pharmacy, laundry and linen, employee health, and security. Assumed to be \$60/PPD in Year 1; escalated annually by 1.8% each year thereafter.
Insurance	Includes malpractice and liability insurance. Based on LifePoint's experience.
Facility Lease Rent	Facility rent based on projected cost, 7.95% cap rate, 2% annual escalator.
Land Lease Rent	Land rent based on fair market value of land, a 5.25% cap rate and 2.0% annual escalator
Taxes, Except Insurance	Includes property taxes, provider taxes, and sales taxes.
Depreciation and Amortization	Depreciation of equipment based on a 7-year life span.
Interest	Interest associated with the projected use of a working capital line of credit (assumed to be 6%).
Management Fee	5% of net revenue that the JV pays to the manager.
Other Operating Expenses	Includes EMR, continuing education, recruiting, repairs and maintenance, patient transport, collection agency, printing, bank fees, misc. service charges, utilities, and other minor misc. expenses.

Source: Applicant

2. Criterion: Will the impact of the proposal on the cost of health care be acceptable?

- (a) The applicant must discuss the impact of the proposal on overall patient charges at the institution and on charges for services affected by the project.**
 - (A) An applicant must show what the proposal's impact will be on the gross revenues and expenses per inpatient day and per adjusted patient day;**
 - (B) When a health service is affected by the proposal, an applicant must demonstrate what impact the proposal will have on related patient charges and operating expenses. Expenses and patient charges for individual health services will be compared to historical and forecasted rates of increase for the facility as a whole.**
- (b) The applicant must discuss both the proposed or actual charges for the proposed service and the profitability of the proposed service, compared to other similar services in the state (if any);**
- (c) The applicant must discuss the projected expenses for the proposed service, and demonstrate the reasonableness of these expense forecasts.**

As noted in an earlier section of the application, less depreciation, PeaceHealth IRF's expenses will be lower than that of the current ORC. This is simply a reflection of economies of care and non-hospital overhead.

Importantly, the PeaceHealth IRF will make a positive contribution to lowering the length of stay of referring hospitals. The rising ALOS, as shown in the Need Section of the application, is due to several factors, including lack of post-acute discharge options. The increasing ALOS has impacted all PPS, leading to higher costs of care and lower margins. The availability of new IRF capacity will facilitate earlier discharge, improving patient outcomes while also improving the financial position of referring hospitals.

- (d) If the proposed service is currently not being provided in the area, the applicant should identify potential travel cost savings by:**
- (A) Establishing what the existing travel costs are to patients;**
 - (B) Establishing what the travel costs will be to patients after implementation of the proposal; and**
 - (C) Showing what the difference is between the figures in paragraphs (A) and (B) of this subsection.**

The proposed facility is located approximately six miles and ten minutes from the current ORC, and less than three-quarters of one mile and a three-minute drive time from Sacred Heart Medical Center Riverbend. The new location will have better parking and is on a regular bus line. This same bus also services the Riverbend campus. There will be no incremental increase in travel costs.

- (e) The applicant must discuss the architectural costs of the proposal by:**
- (A) An applicant must demonstrate that the existing structure will last long enough to derive full benefits from any new construction or remodeling;**
 - (B) General construction costs must be within reasonable limits (within high/low range as described in the most current issue of the Dodge Research Report adjusted for location).**

The proposed costs for this project are consistent with current market conditions in the Pacific Northwest. Excluding contingency and escalation, the total cost of construction is estimated to be approximately \$48 million, or, measured differently, in the range of \$800-\$900 per square foot. This cost is in line with trends as reported by the Dodge Report. Additionally, reports published by nationally recognized GCs and CMs, and when adjusted for this location, further confirm that the cost reflects current market conditions.

As the OHA is aware, the cost of construction has escalated significantly in the last four to five years, leading to unprecedented cost increases and potential for further material and labor cost increases. In an effort to bridge this potential gap, the PeaceHealth IRF project is carrying a contingency to account for the potential future risk of cost increases. Given the expected schedule, we believe that the proposed contingency of \$14.7 million is appropriate given the best of our knowledge today.

The new IRF is proposed with the intent that the systems and spaces will serve the proposed use for many years to come, and the design will be completed to maximize the long-term value of the structure. Life-cycle costs are used to determine the best value, and systems are being proposed in an effort to provide for better-than-average long-term operating costs, to allow for the most sustainable operations possible within a reasonable budget.

Section C: Forms

FORM CN-2

ARCHITECTURAL SECTION

PROJECT SUMMARY

(1.) PROJECT DESCRIPTION

(a) Project Type(s): New Structure: Addition: Remodel:

(b) Number of Floors: Basement: N/A No. of floors above grade: 2

(c) Shelled-in areas (identify location of any unfinished spaces with description of future intended use):
Shelled in space shall be an extension of the patient wing. As shown on the attached floor plans, the shelled in space will be located at one end of each Patient Wing on both the first and second floors of this 2-story building. The shell space shall be designed for future buildout of 5 additional patient beds per floor for a total of 10 additional inpatient beds. The central part of the shelled in space shall extend the central support (possible additional satellite nurse station, clean supply, soiled linen, storage, etc.)

(d) Renovation Considerations (for projects involving remodel): N/A

Will the renovations involved be done to conform to the new construction/major alteration standards of the Senior and Disables Services or Health Division (as applicable) and NFPA 101 codes?

YES NO

If no, explain in detail which of these standards will not be complied with and explain why:

N/A

(e) Building Structural System (in accord with Uniform Building Code):

Type I - Noncombustible Type II - Noncombustible

Type III - HR or N Type IV - 1 hr. Type V - 1 hr.

(3.) PROJECT DEPARTMENT BREAKDOWN

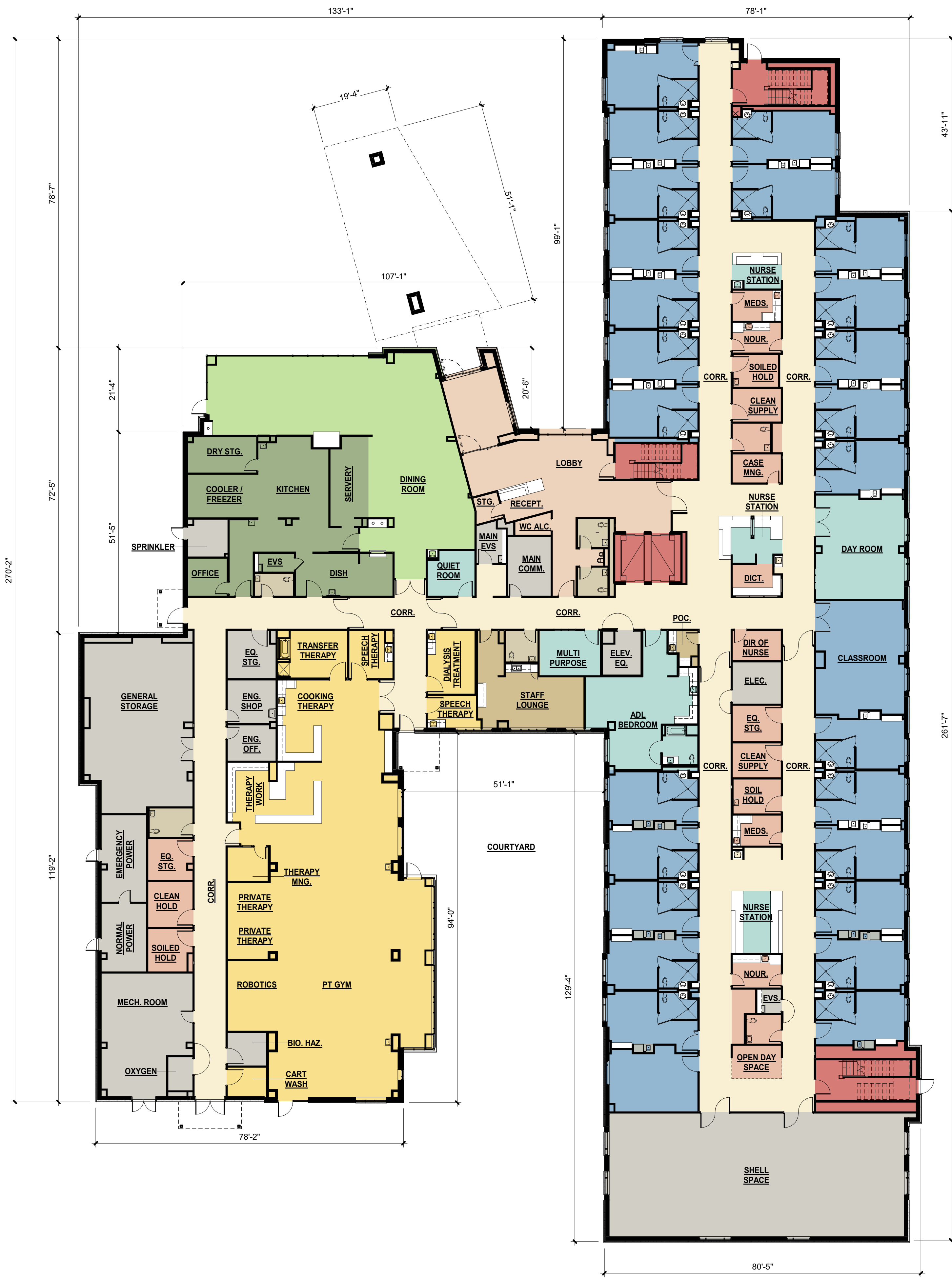
(Complete department breakdown required for hospital applications only; nursing home applications require completion of totals column only)

DEPARTMENT AREA SCHEDULE					DEPARTMENT COST SCHEDULE			
Ancillary Dept. or Patient Care Unit	Departmental Areas in Gross Square Feet ¹				Departmental Remodel Cost	Departmental New Constr. Cost	Remodel Cost Per Sq. Ft.	New Constr. Cost Per Sq. Ft.
	Existing	Remodel Area	New	Total at Completion				
Diagnostic & Therapeutic Services	N/A	N/A	16,219	16,219	N/A	\$11,946,915	N/A	736.60
Patient Care Services			33,233	33,233		\$24,479,428		736.60
In-Hospital Support Services			9,982	9,982		\$7,352,741		736.60
Shell Space			5,130	5,130		\$1,745,768		340.30
Remaining unassignable spaces:	N/A	N/A	2,870	2,870	N/A	\$2,114,042	N/A	736.60
TOTALS	N/A	N/A	67,434	67,434	N/A	\$47,638,894	N/A	706.45

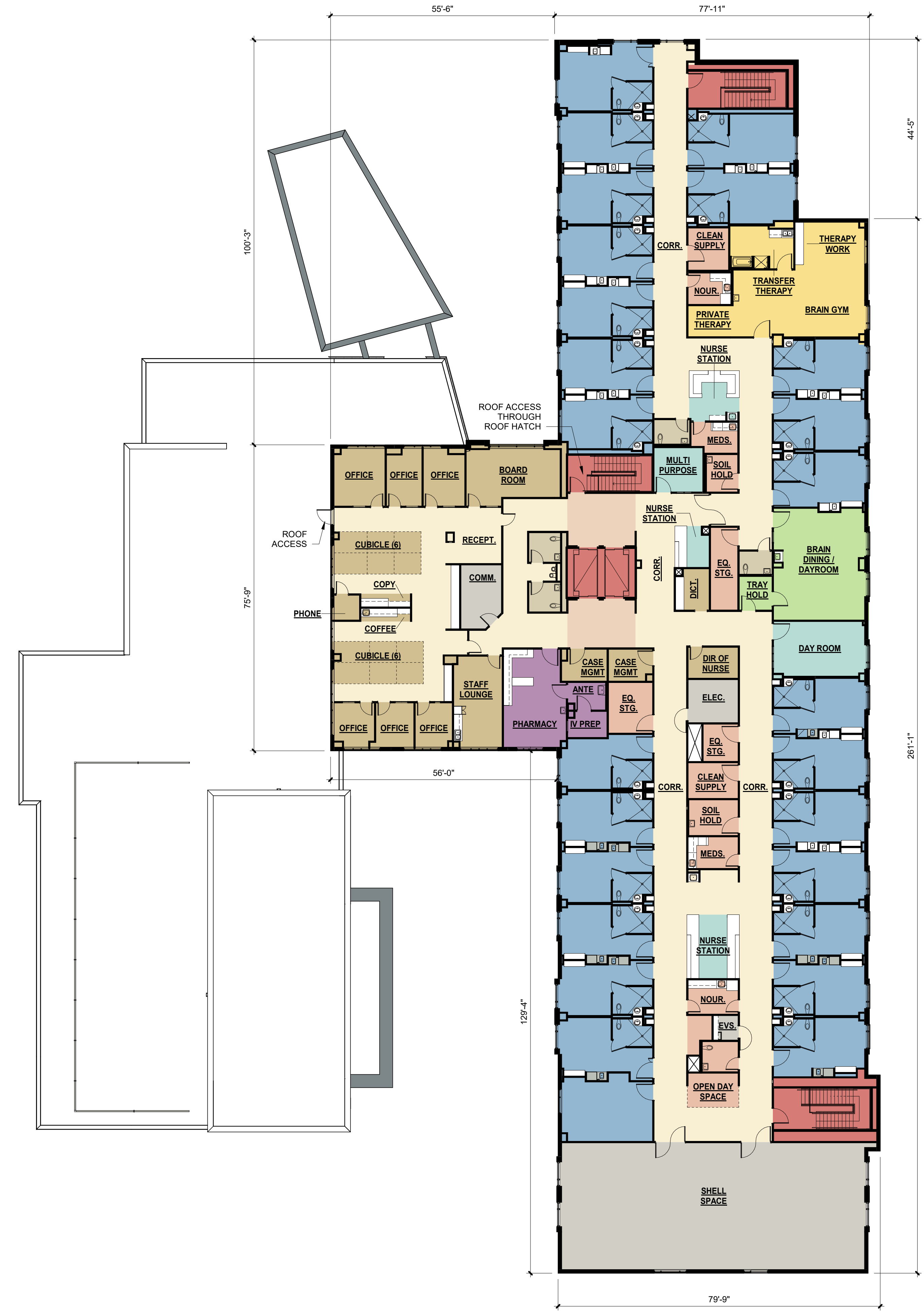
REMARKS: _____

¹ Gross square feet is calculated including interior partitions and related outside walls. Do not include stairwells, corridors or mechanical areas serving more than a single department.

FORM CN-2 ATTACHMENT



FIRST FLOOR



SECOND FLOOR

T.O.S. ROOF
29' - 4"

SECOND FLOOR
14' - 8"

FIRST FLOOR
0"

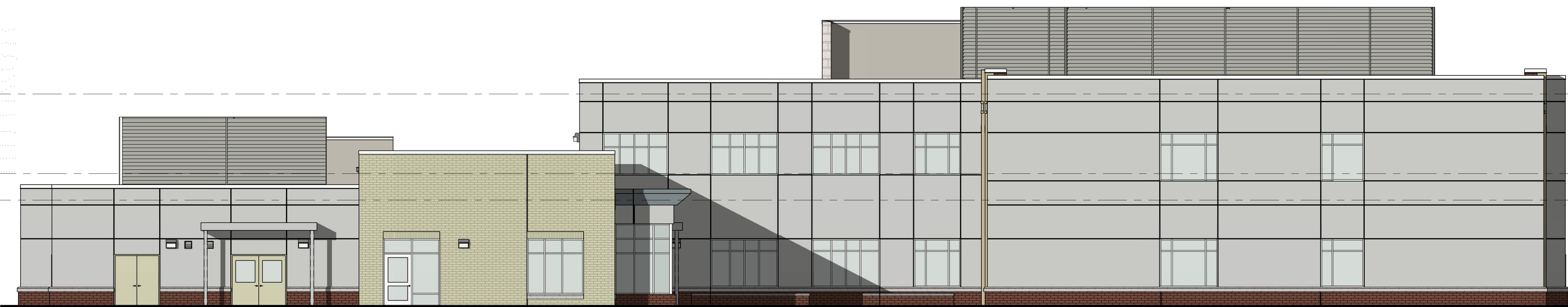


T.O.S. ROOF
29' - 4"

T.O.S. PT GYM
18' - 4"

SECOND FLOOR
14' - 8"

FIRST FLOOR
0"



ELEVATION MATERIAL LEGEND

- EIFS #1 - DRYVIT - SMOKE SIGNAL
- GLAZING - SOLARBAN 70XL - SOLARGRAY TP
- BRICK #1 - BELDEN BRICK 830 DART-TEX
- CSMJ ARRISCRRAFT RENAISSANCE - OAKRIDGE SMOOTH - OAKRIDGE ROUGH
- BRICK #2 - BELDEN BRICK SEA GRAY VELOUR
- COMPOSITE METAL PANEL - ALPOLIC - CHAMPAGNE METALLIC
- ROOFTOP LOUVERED SCREEN WALL





FORM CN-3

CAPITAL EXPENDITURE ESTIMATE

a. <u>Planning:</u>		
(A) Consultant Fees	75,000	
(B) Surveys and Studies ...		
(C) Other		
(D) TOTAL PLANNING		75,000
b. <u>Administrative:</u>		
(A) Legal.....	180,000	
(B) Other.....	2,766,400	
(C) TOTAL ADMINISTRATIVE.....		2,946,400
c. <u>Site:</u>		
(A) Purchase Price of Property (if within previous year or yet to be purchased)	0	
(B) Appraisals.....	14,000	
(C) Site Surveys.....	29,000	
(D) Soil Investigations.....	28,000	
(E) Site Preparation (not paid for under construction contract).....	0	
(F) Other.....	0	
(G) TOTAL SITE.....		71,000
d. <u>Equipment:</u>		
(A) Diagnostic or Therapeutic Purchase.....		
(B) Diagnostic or Therapeutic Equipment Lease Value ¹		
(C) Other Equipment Purchase.....		
(D) Other Equipment Value or Lease ¹		
(E) Contingency Fund for Equipment.....		
(F) TOTAL EQUIPMENT.....		4,002,132
e. <u>Architectural/Engineering Services and Related Costs:</u>		
(A) Architectural Master Planning Prior to Project.....	0	
(B) Project Architectural/Engineering Fees	1,055,000	
(C) Plan Check Fees (not paid for under construction).....	1,025,000	
(D) Project Inspection Fees (owner's Clerk of the Works and inspections not included in (B)).....	26,000	
Other		
(E) Costs...Permitting.....	695,500	
(F) TOTAL ARCHITECTURAL/ENGINEERING SERVICES.....		2,801,500

¹ Use this space to describe the basis for estimate of value of leased equipment and space. Explain other items as may be necessary. Use additional sheets if more space is needed.

f. Construction:	
(A) General Construction - New.....	<u>47,638,894</u>
(B) General Construction - Remodel	<u>0</u>
(C) Demolition (not included under f(A) and f(B) or c(E).....)	<u>0</u>
(D) Escalation, Contingency	<u>14,768,058</u>
(E) TOTAL CONSTRUCTION.....	<u>62,406,952</u>
g. Landscaping:	
(A) Owner's Costs (not paid for under construction contract)	<u>0</u>
(B) TOTAL LANDSCAPING.....	<u>0</u>
h. Miscellaneous:	
(A) Owner's Fire and Liability Insurance During Construction.....	<u>60,000</u>
(B) Performance Bonds or Other Bonds (not paid for under construction contract).....	<u>0</u>
(C) Other (list)...Financing costs.....	<u>3,542,199</u>
Property taxes during construction	<u>60,000</u>
Construction Materials Testing	<u>85,000</u>
Commissioning	<u>100,000</u>
(D) TOTAL MISCELLANEOUS.....	<u>3,847,199</u>
i. TOTAL PROJECT COST (items a through h)	
<u>76,150,183</u>	
j. CONSTRUCTION COST PER BED (if applicable)	
<u>f(E)</u> # beds added	<u>1,248,139</u>
k. PROJECT COST PER BED (if applicable)	
<u>total project cost</u> # beds added	<u>1,523,004</u>
l. CONSTRUCTION INFLATION ASSUMPTION	
<u>10 % per year</u>	

**VERIFICATION BY LICENSED ARCHITECT OR ENGINEER
OF PROBABLE CONSTRUCTION COSTS**

Name: Kevin Harney Phone: 615-934-0874
Title: Vice President / Principal License: ARI-11813
Firm Name: ESa Architects
Address: 1033 Demonbreun Street, Suite 800, Nashville, TN 37203

Signature:

A handwritten signature in black ink, appearing to be 'R. J.', written over a horizontal line.

Date: April 10, 2023

I hereby submit and declare that the amounts listed Sections e., f., g., and h., above, are true and correct to the best of my knowledge and belief.

PROJECT DEVELOPMENT SCHEDULE

- a. Estimated completion date of final drawing and specifications: 12.2024
- b. Estimated construction start date: 3.2025
- c. Estimated project completion date: 6.2026

SUPPORTING INFORMATION

Provide the following as attachments, referenced by subsection and number.

- a. Architectural master plan indicating long-range concept and expansion potential. **Not Applicable**
- b. A short statement regarding accessibility of the proposed facility to each of the following:
 - (A) Patients;
 - (B) Medical staff;
 - (C) Facility personnel;
 - (D) Supplies delivery;
 - (E) Visitors;
 - (F) Public transportation;
 - (G) Highway systems; and
 - (H) Emergency vehicles (including air)
- c. Schematic architectural plans, prepared by a licensed architect or engineer as follows:¹
 - (A) Scale site plan, indicating property dimensions, location of existing and new structures, parking, access roads, and location of planned additions. **See Attached**
 - (B) Floor plans for all proposed construction and remodel areas, indicating the intended use of each room, location and number of beds, plumbing fixtures and major built-in equipment. Plans must be drawn at 1/16" = 1'0" minimum scale. A single line drawing is acceptable. **See Attached**
 - (C) Small scale floor plan of existing building if the project involves remodel, addition to an existing building, or replacement of existing departmental areas. **Not Applicable**

¹ Only one copy of larger scale plans is required with submission to the Health Division. All other application copies may include small reductions only.

**FORM CN-3 ATTACHMENT 1
ACCESSIBILITY STATEMENT**

Accessibility Statement

Inpatient rehabilitation services are currently provided at PeaceHealth Sacred Heart Medical Center University District's (UD) Oregon Rehabilitation Center (ORC). The proposed facility, PeaceHealth IRF, will be a modern, high-technology, full-service rehabilitation hospital designed with a patient-centered focus to ensure the safest, most therapeutic environment for care.

The proposed facility is located approximately 6 miles and 10 minutes from the current ORC; and less than three quarters of one mile and three-minute drive time from Sacred Heart Medical Center Riverbend. The new location will have better parking and is on a bus line. This same bus also goes to the Riverbend campus.

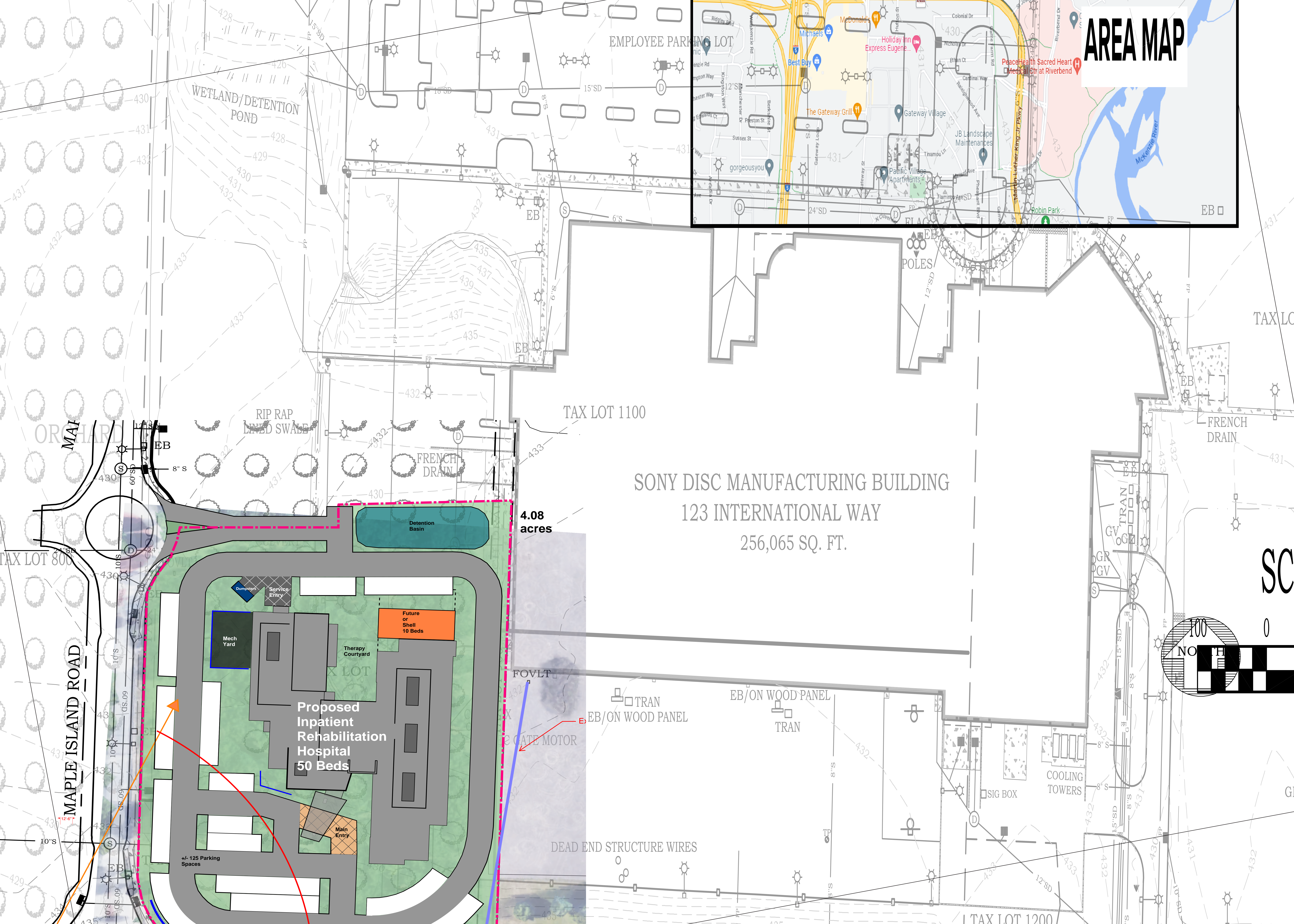
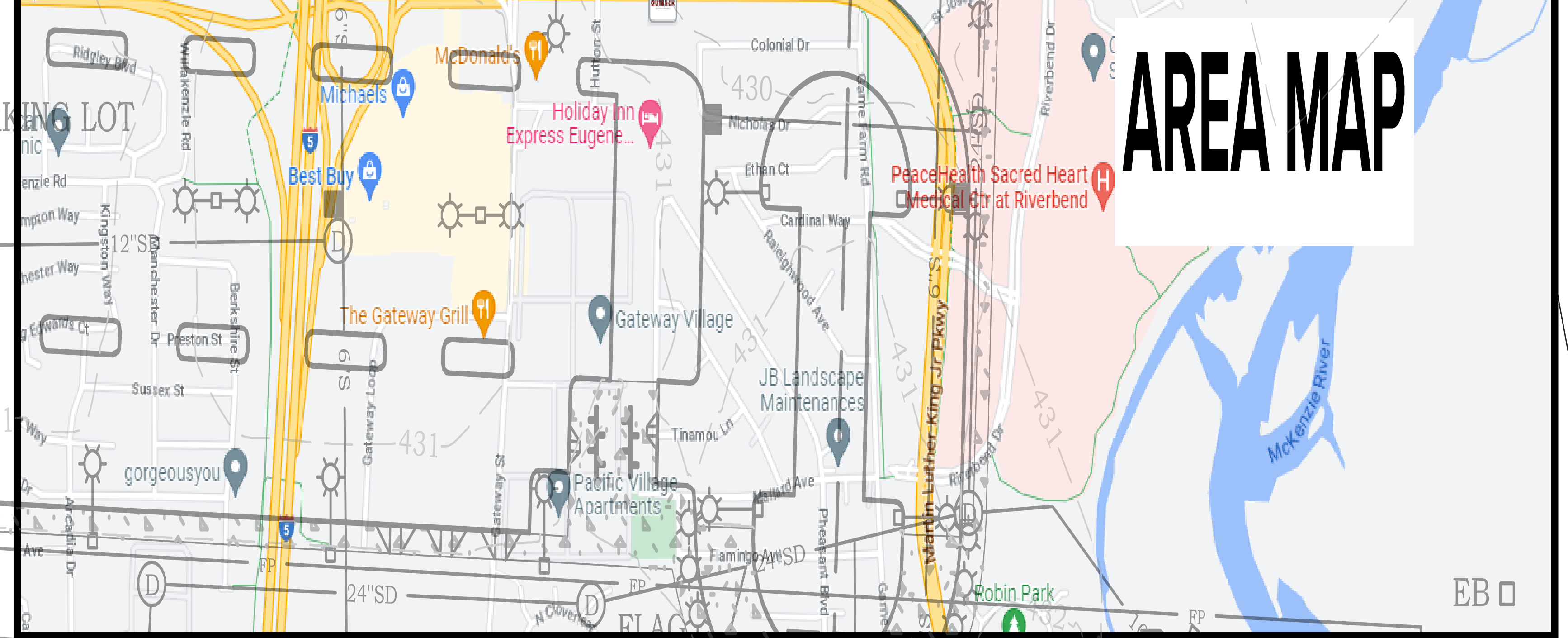
Due to this close proximity to the existing ORC, there will be minimum impact to the physical accessibility of the proposed facility to patients, medical staff, facility personnel, supplies delivery, visitors, public transportation, highway systems, and emergency vehicles. And any impact will be positive including better parking and closer proximity to the Riverbend campus where the majority of specialists that will support the new facility and its patients and personnel are located.

In terms of accessibility to state-of-the-art, modern, full-service inpatient rehabilitation services, the new facility will enhance this access, as it will be designed with a patient-centered focus to ensure the safest, most therapeutic environment for care. The new facility will include:

- a. 50 all-private rooms and full bathrooms, including specialty care patient rooms and isolation rooms;
- b. Designated wing on the second floor for both acquired brain injury and spinal cord patients;
- c. A main therapy suite, which will include a therapy gym, infrastructure for modern patient care technology and therapy equipment, rooms for multiple therapy protocols, private therapy rooms, a cooking therapy room, an ADL therapy suite/apartment; and
- d. State-of-the-art rehabilitation equipment such as the Bioink InMotion Arm for Neurological Rehabilitation for robotic-assisted shoulder and elbow therapy, a Smart car, and Ekso Bionics EksoGT, the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation.

FORM CN-3
ATTACHMENT 2 DRAWINGS

AREA MAP



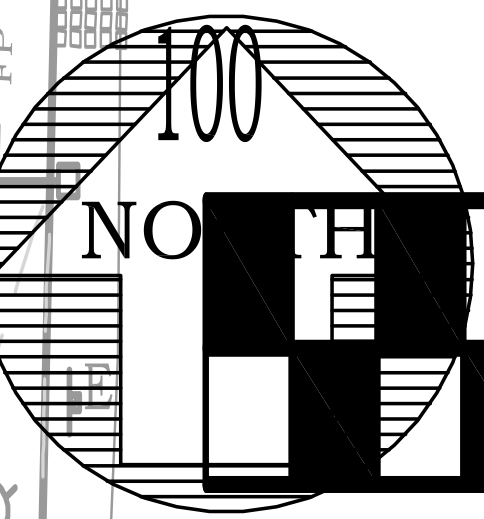
SONY DISC MANUFACTURING BUILDING
123 INTERNATIONAL WAY
256,065 SQ. FT.

Proposed Inpatient Rehabilitation Hospital
50 Beds

4.08 acres

MAPLE ISLAND ROAD

+/- 125 Parking Spaces





MAPLE ISLAND ROAD

ROAD EAST

DEADMOND FERRY ROAD

Proposed Inpatient Rehabilitation Hospital 50 Beds

Future or Shell 10 Beds

Mech Yard

Therapy Courtyard

Main Entry

+/- 125 Parking Spaces

FOVLT

Existing FO Line

PUMP STATION CONTROL PANEL

PUMP STATION MH

WETLAND/DETENTION POND

6" PVC CULVERT PIPE

LINED SWALE

Proposed Site

AREA M

FORM CN-3 ATTACHMENT 3
EQUIPMENT LIST

Peace Health Equipment Cost Categories

Major Categories of Fixed and Moveable Equipment

Moveable Equipment

Patient room equipment	750,153
Nursing Unit/Nursing Support Areas equipment	473,540
Rehabilitation Treatment Areas (PT/OT/SLP/ ADL) equipment	526,434
Other Clinical support areas equipment	78,653
IT Equipment , including EMR	958,332
Furniture - All areas (Patient, Support & Public)	509,017
Other minor equipment includes the equipment planning company	305,330
Artwork	80,641
Sub total Moveable Equipment	<u>3,682,100</u>

Fixed Equipment

Fixed Equipment (Ceiling mounted patient Lifts, patient scales & Vector Gait and Safety System	<u>320,032</u>
Total Equipment	4,002,132

(All Includes; equipment planning, taxes, freight and installation)

FORM CN-4

**FINANCIAL SECTION
PROJECT COST ESTIMATE**

1. TOTAL PROJECT COST (from Form CN-3, item i.): <u>76,150,183</u>	
2. AMOUNTS TO BE FINANCED:	
a. <u>Tax-Exempt Bonds:</u>	
(A) Principle Amount	_____
(B) Interest Amount	_____
(C) Rate _____% Term _____ Years	
(D) Will a hospital authority be sponsoring project related bonds? <input type="checkbox"/> YES <input type="checkbox"/> NO	
b. <u>Conventional Loan:</u>	
(A) Principle Amount	_____
(B) Interest Amount	_____
(C) Rate _____% Term _____ Years	
c. <u>Federal Loan:</u>	
(A) Principle Amount	_____
(B) Interest Amount	_____
(C) Rate _____% Term _____ Years	
d. <u>Interim Financing:</u>	
(A) Principle Amount	_____
(B) Interest Amount	_____
(C) Rate _____% Term _____ Years	
e. <u>Other: Developer Lease</u>	
(A) Principle Amount	<u>72,148,051</u>
(B) Interest Amount	_____
(C) Rate <u>7.95%</u> Term <u>15</u> Years	
f. TOTAL PRINCIPLE	<u>72,148,051</u>
g. TOTAL INTEREST	_____
h. TOTAL PRINCIPLE & INTEREST	<u>72,148,051</u>
i. ANNUAL DEBT SERVICE REQUIREMENT	<u>5,735,770</u>
3. <u>INTERIM FINANCING:</u>	
a. Principle Amount	_____
b. Interest Amount	_____
c. Rate _____% Term _____ Years	
d. TOTAL INTERIM FINANCING	_____
e. Interest earned during the period principal is invested	_____
f. NET GAIN OR LOSS DURING INTERIM FINANCING	<u>0</u>
4. <u>AMOUNT OF PROJECT COSTS TO BE PAID FROM NON-INTEREST BEARING SOURCES</u>	
a. Cash on Hand	<u>4,002,132</u>
b. Community Contributions	_____
c. District or County Tax Levy:	
(A) Amount	_____
(B) Rate per \$1,000 Assessed Value	_____
(C) Pay-Back Period _____ Years	
d. Federal Grant (identify source)	_____
e. Other	_____
f. TOTAL NON-INTEREST BEARING SOURCES	<u>4,002,132</u>
5. TOTAL PROJECT COST INCLUDING INTEREST: <u>76,150,183</u>	

FORM CN-5

YEAR	PROJECTED				
	Year 1 ¹	Year 2	Year 3	Year 4	Year 5
OPERATING REVENUE:					
Inpatient Revenue	41,033,031	61,193,379	71,139,095	72,561,877	74,013,114
Outpatient Revenue	-	-	-	-	-
Patient Service Revenue	-	-	-	-	-
DEDUCTIONS FROM OPERATING REVENUE:					
Provision for Medicare, Welfare & Other Contractual Adjustments	(18,465,126)	(27,392,416)	(31,844,486)	(32,481,375)	(33,131,003)
Free / Charity Care	(698,847)	(1,101,481)	(1,280,504)	(1,306,114)	(1,332,236)
Other Deductions (Doubtful Accounts)	(493,405)	(762,500)	(886,428)	(904,157)	(922,240)
Total Deductions	(19,657,378)	(29,256,397)	(34,011,418)	(34,691,646)	(35,385,479)
Net Operating Revenue	21,375,653	31,936,983	37,127,677	37,870,231	38,627,636
Other Operating Revenue	106,878	159,685	185,638	189,351	193,138
TOTAL OPERATING REVENUE	21,482,532	32,096,668	37,313,316	38,059,582	38,820,774
OPERATING EXPENSES:					
Salaries, Wages & Benefits	11,882,938	14,111,167	16,089,536	16,427,909	16,773,414
Outside Services and Professional Fees	382,930	337,498	367,688	374,306	381,044
Supplies	984,898	984,564	1,142,340	1,162,902	1,183,834
Purchased Services	544,290	782,435	907,820	924,161	940,795
Insurance	143,858	192,117	217,835	221,756	225,748
Facility Lease Rent	5,735,770	5,850,486	5,967,495	6,086,845	6,208,582
Land Lease Rent	203,763	207,838	211,995	216,235	220,559
Taxes, Except Income	2,514,582	3,105,461	3,408,837	3,474,178	3,540,774
Depreciation & Amortization	571,733	573,668	581,108	591,822	602,537
Interest	240,324	201,580	22,173	-	-
Management Fees	1,074,127	1,604,833	1,865,666	1,902,979	1,941,039
Other Operating Expenses ²	913,538	867,267	948,914	966,182	983,764
TOTAL OPERATING EXPENSE	25,192,750	28,818,913	31,731,408	32,349,275	33,002,090
OPERATING INCOME	(3,710,219)	3,277,755	5,581,908	5,710,307	5,818,683
NET NON-OPERATING REVENUE:					
Interest Income, Rental Income, etc.	-	-	-	-	-
EXCESS REVENUE OVER EXPENSES	(3,710,219)	3,277,755	5,581,908	5,710,307	5,818,683

FORM CN-6

YEAR	PROJECTED				
	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT ASSETS:					
Cash	\$ 1,053,174	\$ 1,102,854	\$ 1,242,359	\$ 1,266,927	\$ 1,291,193
Gross Accounts Receivable:					
- Direct Patient Care	4,574,823	4,889,525	5,699,789	5,813,785	5,930,060
- Other	-	-	-	-	-
Net Accounts Receivable:					
- Direct Patient Care	4,574,823	4,889,525	5,699,789	5,813,785	5,930,060
- Other	-	-	-	-	-
Inventories	38,505	40,351	46,945	47,790	48,651
Other Current Assets	-	-	-	-	-
TOTAL CURRENT ASSETS	5,666,502	6,032,730	6,989,093	7,128,502	7,269,904
INVESTMENTS	-	-	-	-	-
DONOR RESTRICTED ASSETS - Identify	-	-	-	-	-
ASSETS HELD BY TRUSTEES - Identify	-	-	-	-	-
FIXED ASSETS:					
Property, Plant & Equipment	4,002,132	4,027,132	4,102,132	4,177,132	4,252,132
Construction in Progress	-	-	-	-	-
TOTAL FIXED ASSETS	4,002,132	4,027,132	4,102,132	4,177,132	4,252,132
Less: Accumulated Depreciation	(571,733)	(1,145,401)	(1,726,509)	(2,318,331)	(2,920,868)
NET FIXED ASSETS	3,430,399	2,881,731	2,375,623	1,858,801	1,331,264
OTHER ASSETS	13,997,000	13,997,000	13,997,000	13,997,000	13,997,000
TOTAL ASSETS[1]	23,093,900	22,911,461	23,361,716	22,984,303	22,598,168
CURRENT LIABILITIES:					
Trade Accounts Payable	\$ 1,014,511	\$ 1,060,463	\$ 1,199,205	\$ 1,222,996	\$ 1,247,263
Accrued Compensation & Professional Fees	-	-	-	-	-
Liabilities to be Paid from Donor Restricted Assets	-	-	-	-	-

BALANCE SHEET

Form CN-6
(OAR 333-580-0100(2))

Liabilities to be Paid from Assets Held by Trustees	-	-	-	-	-
Current Portion of Long-Term Debt	4,815,476	1,309,330	-	-	-
Other Current Liabilities	-	-	-	-	-
TOTAL CURRENT LIABILITIES	\$ 5,829,987	\$ 2,369,793	\$ 1,199,205	\$ 1,222,996	\$ 1,247,263
DEFERRED REVENUE	-	-	-	-	-
<u>LONG-TERM DEBT</u> (less current portion):					
Secured	-	-	-	-	-
Unsecured	-	-	-	-	-
TOTAL LONG-TERM DEBT	-	-	-	-	-
FUND BALANCE	17,263,913	20,541,668	22,162,511	21,761,306	21,350,906
LIABILITIES PLUS FUND BALANCE	23,093,900	22,911,461	23,361,716	22,984,303	22,598,168

FORM CN-7

YEAR	PROJECTED				
	Year 1	Year 2	Year 3	Year 4	Year 5
SOURCES OF WORKING CAPITAL:					
Net Income	(\$3,710,219)	\$3,277,755	\$5,581,908	\$5,710,307	\$5,818,683
Depreciation and Amortization	\$571,733	\$573,668	\$581,108	\$591,822	\$602,537
Working Capital Provided by Operations	(4,651,991)	(320,276)	(817,622)	(115,618)	(117,136)
Proceeds from Long-Term Borrowings	\$ 4,815,476	\$ (3,506,147)	\$ (1,309,330)	\$ -	\$ -
Other Sources of Working Capital					
TOTAL SOURCES OF WORKING CAPITAL	(\$2,975,000)	\$25,000	\$4,036,065	\$ 6,186,512	\$ 6,304,084
USES OF WORKING CAPITAL:					
Dividends	\$ (20,974,132)	\$ (0)	\$ 3,961,065	\$ 6,111,512	\$ 6,229,084
Repayment of Long-Term Debt					
Additions to Plant & Equipment	\$ 4,002,132	\$ 25,000	\$ 75,000	\$ 75,000	\$ 75,000
Increases in Other Non-Current Assets	\$ 13,997,000	\$ -	\$ -	\$ -	\$ -
Increase (Decrease) in Working Capital					
TOTAL USES OF WORKING CAPITAL	\$ (2,975,000)	\$ 25,000	\$ 4,036,065	\$ 6,186,512	\$ 6,304,084

YEAR	PROJECTED				
	1	2	3	4	5
<u>CHANGES IN COMPONENTS OF WORKING CAPITAL:</u>					
Increase (Decrease) in Current Assets					
Cash	\$ 1,053,174	\$ 49,680	\$ 139,505	\$ 24,568	\$ 24,266
Accounts Receivable	4,574,823	314,702	810,264	113,996	116,276
Inventory	38,505	1,846	6,595	845	860
Other Current Assets					
Total Increase (Decrease) in Current Assets	\$ 5,666,502	\$ 366,228	\$ 956,363	\$ 139,409	\$ 141,402
Increase (Decrease) in Current Liabilities					
Notes Payable					
Accounts Payable and Accrued Expenses	\$ 1,014,511	\$ 45,952	\$ 138,742	\$ 23,791	\$ 24,266
Current Portion of Long-Term Debt	4,815,476	(3,506,147)	(1,309,330)	-	-
Other Current Liabilities	-	-	-	-	-
NET INCREASE (DECREASE) IN WORKING CAPITAL	\$ (163,486)	\$ 3,826,423	\$ 2,126,951	\$ 115,618	\$ 117,136

FORM CN-8

DEBT SERVICE COVERAGE

YEAR	PROJECTED				
	1	2	3	4	5
<u>INCOME FOR DEBT SERVICE COVERAGE:[4]</u>	\$ (3,710,219)	\$ 3,277,755	\$5,581,908	\$5,710,307	\$5,818,683
Excess of Revenue Over Expense, or Net Income					
Depreciation and Amortization	\$ 571,733	\$ 573,668	\$ 581,108	\$ 591,822	\$ 602,537
Interest Expense	\$ 240,324	\$ 201,580	\$ 22,173	\$ -	\$ -
TOTAL DEBT SERVICE COVERAGE	\$ (4,522,275)	\$ 2,502,507	\$4,978,627	\$5,118,485	\$5,216,147
<u>DEBT SERVICE REQUIREMENTS:</u>					
Interest Expense	\$ 240,324	\$ 201,580	\$ 22,173	\$ -	\$ -
Principle Payments	\$ 1,851,778	\$ 3,506,147	\$1,309,330	\$ -	\$ -
TOTAL DEBT SERVICE REQUIREMENTS	\$ 2,092,101	\$ 3,707,727	\$1,331,503	\$ -	\$ -
<u>RATIO:[5]</u>					
Income for Debt Service Coverage to Debt Service Requirements	(1.39)	1.09	4.65		

[4] Forecast debt service coverage on accrual basis.

[5] Ratio calculation = (net income + depreciation + interest) ÷ (principle + interest).

FORM CN-9

RATIO ANALYSES

YEAR	PROJECTED				
PROFITABILITY RATIOS:					
Operating Margin	-17%	10%	15%	15%	15%
Operating Ratio	115%	88%	83%	83%	83%
Deductibles Ratio	48%	48%	48%	48%	48%
Bottom Line Ratio	-17%	10%	15%	15%	15%
Return on Total Assets					
- A	-16%	14%	24%	25%	26%
- B	-16%	14%	24%	25%	26%
Return on Equity					
- A	-21%	16%	25%	26%	27%
- B	-21%	16%	25%	26%	27%
DEBTS RATIOS:					
Equity Financing	75%	90%	95%	95%	94%
- A					
- B	75%	90%	95%	95%	94%
Debt Service as a Percentage of Gross Patient Revenue	5%	6%	2%	0%	0%
Cash Flow to Total Debt	-54%	163%	514%	515%	515%
Total Debt to Total Assets	9%	16%	6%	0%	0%
Peak Debt Service Coverage by Historical Net Revenue	-139%	109%	465%		

YEAR	PROJECTED				
Debt Service Safety Margin	-23.2%	1.1%	13.0%	16.6%	16.5%
Debt to Plant	0.0%	0.0%	0.0%	0.0%	0.0%
LIQUIDITY RATIOS:					
Current Ratio	97%	255%	583%	583%	583%
Days Revenue in Accounts Receivable	77.7	55.6	55.8	55.8	55.8
Average Payment Period	33.0	30.4	30.5	30.5	30.5
Days Cash on Hand	84.00	77.96	81.89	81.93	81.90
Quick Ratio	97%	253%	579%	579%	579%
OTHER RATIOS:					
Adjusted Patient Days	9,072	12,810	14,600	14,600	14,600
Adjusted Admissions	754	1,016	1,157	1,157	1,157

FORM CN-10

VOLUME-ADJUSTED EXPENSES AND REVENUES

YEAR	PROJECTED				
	Year 1	Year 2	Year 3	Year 4	Year 5
Number of Patient Days	9,072	12,810	14,600	14,600	14,600
Gross Expense per Patient Day	\$2,777	\$2,250	\$2,173	\$2,216	\$2,260
Amount Attributable to Proposal					
Gross Revenue per Patient Day	\$4,523	\$4,777	\$4,873	\$4,970	\$5,069
Amount Attributable to Proposal					
Number of Adjusted Patient Days					
Gross Expense per Adjusted Patient Day					
Amount Attributable to Proposal					
Gross Revenue per Adjusted Patient Day					
Amount Attributable to Proposal					
Number of Admissions	754	1,016	1,157	1,157	1,157
Gross Expense per Admission	\$33,417	\$28,377	\$27,414	\$27,948	\$28,512
Amount Attributable to Proposal					
Gross Revenue per Admission	\$54,428	\$60,255	\$61,460	\$62,689	\$63,943
Amount Attributable to Proposal					
Number of Adjusted Admissions					
Gross Expense per Adjusted Admission					
Amount Attributable to Proposal					
Gross Revenue per Adjusted Admission					
Amount Attributable to Proposal					

FORM CN-12

SOURCES AND USES OF FUNDS FOR THE PROPOSED PROJECT

Sources of Funds:

Bond Issue		
Applicant Contribution		4,002,132
Interest Earned on Assets Held by Trustee During Construction		
Other Sources (Lease)	72,148,051	
Total Sources of Funds		<u>76,150,183</u>

Uses of Funds:

Construction Costs	62,406,952	
Interest During Construction		
Debt Service Reserve Fund		
Bond Discount to Underwriters		
Legal, Accounting and Printing Costs	2,946,400	
Other Sources	10,796,831	
Total Uses of Funds		<u>76,150,183</u>

Section D: Appendices

EXHIBIT 1
ASSUMPTIONS

Patient Days Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
Service Area Resident Patient Days: using the 2021 ORC census as the baseline, and assuming 92% of patient days come from the service area. Years 2 and 3 assume annual 3% increase, plus an increase in ADC of 2.0 (Year 2 and 3.0 (Year 3) to reflect increasing awareness, outreach and referral. To be conservative, no growth assumed after Year 3.	7,800	8,768	9,735	9,735	9,735
Resident Patient Days Associated with new Brain Injury and Spinal Cord Program Assumes ALOS of 15 days in all years. Admissions: Year 1- 40 Year 2- 171 Year 3- 209	600	2,565	3,135	3,150	3,150
Sub-total Residents from Service Area	8,400	11,333	12,870	12,870	12,870
In-migration, estimated based on Lifepoint experience Year 1- 8% Year 2—13% Year 3-5- 13.5%	672	1,474	1,730	1,730	1,730
Total Patient Days	9,072	12,810	14,600	14,600	14,600
ADC	24.9	35.1	40.0	40.0	40.0
Occupancy	49.7%	70.2%	80.0%	80.0%	80.0%

Source: Applicant, Any differences due to rounding

EXHIBIT 2
LEASE

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is entered into as of the ___ day of _____, 2023 ("**Effective Date**") by and between **CAPITAL GROWTH MEDVEST, LLC**, an Alabama limited liability company ("**Landlord**"), and **PEACEHEALTH RIVERBEND, LLC**, an Oregon limited liability company ("**Tenant**").

RECITALS:

A. Landlord, as "Developer," and Tenant, as "Company," have entered into that certain Development Agreement dated as of the date hereof ("**Development Agreement**"), that contemplates a transaction where (i) Landlord will ground lease the certain real property located in Springfield, Lane County, Oregon, as more particularly described on **Exhibit A** ("**Land**"), from PeaceHealth, a Washington nonprofit corporation; PeaceHealth, as Trustee of the Pooled Income Fund No. 1 of PeaceHealth; and PeaceHealth, as Trustee of the Sacred Heart Medical Center Charitable Life Income Fund (collectively "**Ground Lessor**"), pursuant to that Ground Lease Agreement dated as of the date hereof ("**Ground Lease**") and (ii) construct the Building (as defined below).

B. Once Landlord has fulfilled its obligations to construct the Building (as hereinafter defined) and related improvements pursuant to the terms of the Development Agreement, Tenant desires to (i) lease the Land, (ii) lease the Building, (iii) lease all other improvements now or hereafter located on the Land (the Building and such other improvements shall hereinafter be referred to as the "**Improvements**"), and (iv) lease all other rights and easements appurtenant to the Land and the Improvements (collectively, the "**Premises**"), subject to and in accordance with the terms hereof.

NOW, THEREFORE, FOR \$10.00 paid Landlord by Tenant, the covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Definitions and Construction.

(a) Definitions. In addition to the terms defined in the other provisions of this Lease, the following terms have the meanings ascribed to them in this Section 1(a):

(i) "**Adjusted Project Costs**" has the meaning ascribed to said term in the Development Agreement.

(ii) "**Affiliate**" means, with respect to any party, all Persons that, directly or indirectly, control, are controlled by, or are under common control with such party. As used in the preceding sentence, the terms "control", "controlled by" and "under common control with" mean the possession of the power to direct or cause the direction of the management and policies of an entity, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, none of the following persons shall be considered an "Affiliate" of Tenant or any of its Affiliates: (a) individuals serving as officers, directors or managers of Tenant or any of its Affiliates; or (b) any Person that directly or indirectly owns equity securities of Lifepoint, or any portfolio company, portfolio investment or Affiliate of any such Person (including affiliated investment funds and their portfolio companies and portfolio investments) other than Lifepoint and its Subsidiaries.

(iii) "**AHLA**" means the American Health Law Association.

(iv) "**Alterations**" means any alterations, additions, changes or improvements to the Premises, including any expansion of the Premises.

(v) “**Alterations Threshold Amount**” initially means an amount equal to Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00); provided, on each January 1 during the Term, the then Alterations Threshold Amount shall increase by three percent (3%).

(vi) “**Applicable Laws**” means all applicable governmental laws, statutes, orders, ordinances, codes, rulings, regulations and decrees, now in force or hereafter enacted.

(vii) “**Appraiser**” means is an appraiser certified as an MAI Appraiser with a nationally recognized firm or a firm recognized in the Eugene, Oregon metropolitan area, familiar with valuing hospital buildings, and with at least ten (10) years’ experience as a commercial real estate appraiser.

(viii) “**Building**” shall mean the two-story building containing approximately 67,434 square feet of rentable area to be located on the Land, as the same is modified, from time to time.

(ix) “**Business Days**” means Monday through Friday, excluding holidays on which national banking associations are authorized to be closed in the State of Oregon.

(x) “**Capital Item**” has the meaning ascribed to said term in Section 7(a)(ii).

(xi) “**Capital Item Contribution**” has the meaning ascribed to said term in Section 7(a)(ii).

(xii) “**Capital Item Threshold Amount**” initially means an amount equal to Fifty Thousand and No/100 Dollars (\$50,000.00); provided, on each January 1 during the Term, the then Capital Item Threshold Amount shall increase by three percent (3%).

(xiii) “**Closing**” means closing and consummation of the purchase and sale of the Landlord’s interest in the Premises pursuant to the Purchase Option as provided herein.

(xiv) “**Commencement Date**” means the date which is exactly thirty (30) days following the date Substantial Completion occurs; provided, in no event shall the Commencement Date be deemed to have occurred prior to the Projected Substantial Completion Date (as defined in the Development Agreement).

(xv) “**Commencement Date Agreement**” has the meaning ascribed to said term in Section 4(a).

(xvi) “**Competitor Facility**” means any acute care general hospital, medical/surgical hospital, specialty hospital or other hospital facility, behavioral health hospital or facility, inpatient rehabilitation hospital or facility, extended care facility, rehabilitation center or facility, emergency center, inpatient surgery center or facility, respiratory therapy center or facility or inhalation therapy center or facility, or physician practice or physician group practice.

(xvii) “**Construction Defect**” has the meaning ascribed to said term in Section 15.

(xviii) “**Default Notice**” has the meaning ascribed to said term in Section 13(b).

(xix) “**Development Agreement**” has the meaning ascribed to said term in the recitals above.

(xx) “**Dispute Notice**” has the meaning ascribed to said term in Section 7(a)(ii).

(xxi) “**Disqualified Person**” means: (i) any Person engaged in the ownership, operation, lease, or management of a Competitor Facility; (ii) any Excluded Person; (iii) any Person that otherwise engages in activities that are directly competitive with Tenant, Lifepoint or any of its Affiliates, or JV Partner or any of its Affiliates, for so long as each has an equity interest in Tenant; or (iv) any Person which is an Affiliate of any Person described in the foregoing clauses (i) through (iii); provided, however, Disqualified Person shall not mean Tenant, Lifepoint, JV Partner or any of their respective Affiliate(s), for so long as each has an equity interest in Tenant. Notwithstanding the foregoing, a Disqualified Person shall not include (x) a Transferee if such Transferee is only a passive owner of a Competitor Facility, so long as neither such Transferee nor any Affiliate thereof is the operator of any such facility meaning that it merely leases any such facilities owned by it to unaffiliated operators, doctors and/or healthcare systems without the right to receive profits or revenues from the operation or management of healthcare services at such facilities; or (y) a Transferee, notwithstanding the fact that it has an Affiliate that is a Disqualified Person, if neither the business of such Transferee nor its Affiliate involves the operation or management of a Competitor Facility and is otherwise a passive owner as described in clause (x) above; provided, the provision of property management services for a property that is owned or leased by a Competitor Facility will not be deemed to be “management” of a Competitor Facility for purposes hereof; or (z) a Transferee that is a REIT or any Affiliate of a REIT that owns both the building and participates in the health care operations of a Competitor Facility under an arrangement permitted by the REIT Investment Diversification and Empowerment Act (RIDEA) of 2007 (e.g., an arrangement where an Affiliate of a REIT owns a Competitor Facility under a RIDEA structure, such that it owns the building improvements and participates in the health care operations at the Competitor Facility through an executed arm’s length management contract with an eligible independent contractor as defined within IRS §856(d)(8)(B) and/or the Affiliate of a REIT owns no more than a 35% interest in an eligible independent contractor or skilled nursing management company).

(xxii) “**Excluded Person**” shall mean a health care provider who has been identified on the List of Parties Excluded from Federal Procurement and Nonprocurement Programs (“EPLS”, located at <https://www.sam.gov/content/exclusions>) by designation of the U.S. Department of Health and Human Services (or its successor agency) or other federal agency declaring that the Person is excluded from receiving federal contracts or certain types of federal financial and nonfinancial assistance and benefits in any federal health care program including Medicare, Medicaid, CHAMPUS, and any other plan or program that provides health benefits, either directly or through insurance, or otherwise is funded directly in whole or in part by the United States government or a state health care program.

(xxiii) “**Expansion Premises**” has the meaning ascribed to said term in Section 8(c).

(xxiv) “**Extension Option**” has the meaning ascribed to said term in Section 3(c)(i).

(xxv) “**Fair Market Rental Rate**” has the meaning ascribed to said term in Section 3(c)(ii).

(xxvi) “**Fair Market Value**” has the meaning ascribed to said term in Section 24(b).

(xxvii) “**Final Completion**” has the meaning ascribed to said term in the Development Agreement.

(xxviii) “**Final Plans and Specifications**” has the meaning ascribed to said term in the Development Agreement.

(xxix) “**Force Majeure Event**” means any strike, lockout, labor dispute, embargo, flood, earthquake, storm, lightning, fire, casualty, epidemic, pandemic, act of God, war, national emergency, civil disturbance or disobedience, riot, sabotage, terrorism, restraint by court order, closure by government order, or other occurrence beyond the reasonable control of the party in question; provided, however, Landlord’s or Tenant’s lack of funds shall not constitute a Force Majeure Event.

(xxx) “**Foreclosure Purchaser**” has the meaning ascribed to said term in Section 19(b).

(xxxi) “**Future Plans and Specifications**” has the meaning ascribed to said term in Section 7(b).

(xxxii) “**Ground Lease**” has the meaning ascribed to said term in the recitals above.

(xxxiii) “**Ground Lease Assignment**” has the meaning ascribed to said term in Section 24(e).

(xxxiv) “**Ground Lease Rent**” means any and all payments under Section 4 of the Ground Lease.

(xxxv) “**Ground Lessor**” has the meaning ascribed to said term in the recitals above.

(xxxvi) “**Hazardous Substances**” means all hazardous or toxic substances, materials, wastes, pollutants and contaminants that are listed, defined or regulated under Applicable Laws pertaining to the environment, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C.A. §§ 9601 to 9675, the Hazardous Materials Transportation Authorization Act of 1994, 49 U.S.C.A. § 5101 et seq., the Resource Conservation and Recovery Act, 42 U.S.C.A. §§ 6921 to 6939e, the Federal Water Pollution Control Act, 33 U.S.C.A. §§ 1251 to 1387, the Clean Air Act, 42 U.S.C.A. §§ 7401 to 7671q, the Emergency Planning and Community Right To Know Act, 42 U.S.C.A. §§ 11001 to 11050, the Toxic Substances Control Act, 15 U.S.C.A. §§ 2601 to 2692, the Solid Waste Disposal Act, 42 U.S.C.A. §§ 6901 to 6992k, the Oil Pollution Act, 33 U.S.C.A. §§ 2701 to 2761, and the environmental laws of the State of Oregon, as the same may be amended. For purposes hereof, “Hazardous Substances” shall include (A) pathological waste, (B) blood, (C) sharps, and (D) wastes from medical procedures contaminated with blood, excretions, secretions or tissue.

(xxxvii) “**Improvements**” has the meaning ascribed to said term in the recitals above.

(xxxviii) “**Incremental Expansion Premises Value**” has the meaning ascribed to said term in Section 22(a).

(xxxix) “**Initial Term**” has the meaning ascribed to said term in Section 3(a).

(xl) “**Invalid Sale**” has the meaning ascribed to said term in Section 23(d).

(xli) “**JV Partner**” means PeaceHealth, a Washington nonprofit corporation.

(xlii) “**Land**” has the meaning ascribed to said term in the recitals above.

(xliii) “**Landlord Default**” has the meaning ascribed to said term in Section

15.

(xliv) “**Landlord’s Alternative Maintenance**” has the meaning ascribed to said term in Section 7(a)(ii).

(xlv) “**Lease Termination Memorandum**” has the meaning ascribed to said term in Section 24(e).

(xlvi) “**Leasehold Estate**” has the meaning ascribed to said term in Section 13(a).

(xlvii) “**Leasehold Mortgage Notice**” has the meaning ascribed to said term in Section 13(a).

(xlviii) “**Leasehold Mortgagee**” has the meaning ascribed to said term in Section 13(a).

(xlix) “**Leasehold Mortgages**” has the meaning ascribed to said term in Section 13(a).

(l) “**Lifepoint**” means LifePoint Health, Inc., a Delaware corporation.

(li) “**Lifepoint Guarantor**” means by _____, a Delaware limited liability company.

(lii) “**MAI Appraiser**” means an individual who holds the Member Appraisal Institute (MAI) designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization or, if there is no successor organization, the organization and designation most similar).

(liii) “**Maximum Project Value**” means the value of the Improvements as determined by the Adjusted Project Cost amount, together with the actual cost of any Alterations, and to the extent applicable, the cost of completing the Expansion Premises.

(liv) “**Mechanical Systems**” means the mechanical, electrical, plumbing, heating, air conditioning, sprinkler, fire protection and other building systems serving the Premises.

(lv) “**Mechanical Systems Alterations Threshold Amount**” initially means an amount equal to Fifty Thousand and No/100 Dollars (\$50,000.00); provided, on each January 1 during the Term, the then Mechanical Systems Alterations Threshold Amount shall increase by three percent (3%).

(lvi) “**Monetary Liens**” means monetary judgments, mortgages, deeds of trust, deeds to secure debt, security interests and other similar encumbrances affecting the Landlord’s interest in the Premises; provided, however, Monetary Liens shall not include those judgments, mortgages, deeds of trust, deeds to secure debt, security interests, and other similar encumbrances arising or resulting from Tenant’s affirmative acts or those only affecting Ground Lessor’s interest in the Land that is expressly permitted under the Ground Lease.

(lvii) “**Monthly Rent**” has the meaning ascribed to said term in Section 4(a).

(lviii) “**Mortgage**” has the meaning ascribed to said term in Section 19(a).

(lix) “**Mortgagee**” has the meaning ascribed to said term in Section 19(a).

(lx) “**New Lease**” has the meaning ascribed to said term in Section 13(c).

- (lxi) “**Offer**” has the meaning ascribed to said term in Section 23(a).
- (lxii) “**REIT**” means a Real Estate Investment Trust.
- (lxiii) “**Right of First Opportunity**” has the meaning ascribed to said term in Section 22(a).
- (lxiv) “**Right of First Refusal**” has the meaning ascribed to said term in Section 23(a).
- (lxv) “**Parent Entity**” means an entity which controls, or owns an ownership interest in Landlord.
- (lxvi) “**Permitted Exceptions**” means (i) the Ground Lease and the Permitted Encumbrances (as defined in the Ground Lease) described therein, (ii) title encumbrances caused by Tenant, (iii) reasonable utility easements required as a part of Landlord’s development of the Premises pursuant to the terms of the Development Agreement, (iv) any encumbrances approved by Tenant, in writing, or caused by Tenant’s affirmative acts, and (v) liens for property taxes that are not yet delinquent.
- (lxvii) “**Permitted Uses**” means any or all of the following purposes and uses incidental thereto, except to the extent prohibited under the Ground Lease: (i) the construction, maintenance, repair, replacement, and operation of a rehabilitation or behavioral health hospital and/or medical office; (ii) the provision of inpatient rehabilitation services, behavioral health services, and long-term acute care hospital services, in such combination as Tenant shall reasonably determine, (iii) the provision of medical services and activities related thereto to patients admitted at the Premises primarily for behavioral health services, inpatient rehabilitation hospital services, or long-term acute care hospital services, including, without limitation, (A) diagnostic and treatment services, tests and procedures by physicians and other health care professionals, (B) medical imaging, including, without limitation, the operation of CT scanners, MRIs, X-Rays and other imaging equipment, (C) the operation of a medical clinic, (D) laboratory, (E) the provision of occupational therapy, physical therapy, speech therapy, respiratory therapy and wellness services, (F) food service, (G) retail sales, including, without limitation, the sale of durable medical products and other health care related products, (H) pharmacy; and (iv) general office uses.
- (lxviii) “**Person**” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution or entity, including, without limitation, any governmental body, agency or department.
- (lxix) “**Premises**” has the meaning ascribed to said term in the recitals above.
- (lxx) “**Premises Property Insurance**” has the meaning ascribed to said term in Section 9(a)(i).
- (lxxi) “**Project Costs**” has the meaning ascribed to said term in the Development Agreement.
- (lxxii) “**Property Taxes**” means any form of real estate tax or assessment or service payments in lieu thereof, any license fee, commercial rental tax, or other similar charge or tax (other than inheritance, personal income, estate, franchise, transfer, excise, gift or capital gains taxes) imposed upon the Premises by any governmental authority having the power to so charge or tax.

(lxxiii) “**Publicly Traded Parent**” has the meaning ascribed to said term in Section 25(b)(ii).

(lxxiv) “**Purchase Contract**” has the meaning ascribed to said term in Section 22(a).

(lxxv) “**Purchase Option**” has the meaning ascribed to said term in Section 24(a).

(lxxvi) “**Purchase Option Date**” shall mean (i) the seventh (7th) anniversary of the Commencement Date, (ii) the last day of the Initial Term, and (iii) the last day of any Renewal Period.

(lxxvii) “**Purchase Price**” has the meaning ascribed to said term in Section 24(a).

(lxxviii) “**Renewal Notice**” has the meaning ascribed to said term in Section 3(c).

(lxxix) “**Renewal Period**” has the meaning ascribed to said term in Section 3(c).

(lxxx) “**Rent**” means the Monthly Rent, additional rent, and other sums that Tenant is required to pay Landlord under this Lease.

(lxxxii) “**Rent Adjustment Date**” means the first day of the month following the anniversary of the Commencement Date, and each anniversary of such date thereafter during the Term; provided, if the Commencement Date is the first day of the month, then the Rent Adjustment Date shall be on each anniversary thereof.

(lxxxii) “**Rental Offsets**” has the meaning ascribed to said term in Section 27(g).

(lxxxiii) “**Rental Rate Escalator**” has the meaning ascribed to said term in Section 4(a).

(lxxxiv) “**Restoration Period**” has the meaning ascribed to said term in Section 10(a).

(lxxxv) “**Restoration Work**” has the meaning ascribed to said term in Section 10(a).

(lxxxvi) “**Right of First Opportunity**” has the meaning ascribed to said term in Section 22(a).

(lxxxvii) “**Sale Transaction**” has the meaning ascribed to said term in Section 23(a).

(lxxxviii) “**Structural Support**” means the structural elements of the Building, including, without limitation, exterior walls, roof, elevator shafts, footings, foundations, structural portions of load-bearing walls, structural floors and subfloors, and structural columns and beams.

(lxxxix) “**Subsidiary**” of any Persons means, with respect to any Person, any partnership, corporation, trust, limited liability company, or other entity, the majority of whose equity interest is owned, directly or indirectly, by such Person.

(xc) “**Substantial Completion**” has the meaning ascribed to said term in the Development Agreement.

(xci) “**Tenant Default**” has the meaning ascribed to said term in Section 14(a).

(xcii) “**Tenant Liens**” has the meaning ascribed to said term in Section 8(b).

(xciii) “**Tenant’s Signs**” has the meaning ascribed to said term in Section 5(d).

(xciv) “**Term**” means the Initial Term and any Renewal Period.

(i) “**Third Appraiser**” has the meaning ascribed to said term in Section 3(c)(iv).

(ii) “**Title Policy**” has the meaning ascribed to said term in Section 24(d).

(iii) “**Transaction Statement**” has the meaning ascribed to said term in Section 22(a).

(iv) “**Transferee**” means an assignee of Landlord’s interest in this Lease or purchaser of Landlord’s interest in the Premises.

(b) Construction. Whenever the context may require, any pronoun used in this Lease shall include the masculine, feminine and neuter forms. All references to articles, sections and paragraphs shall be deemed references to the articles, sections and paragraphs of this Lease, unless the context shall indicate otherwise. The terms “hereof,” “hereunder,” “herein” and similar expressions refer to this Lease as a whole and not to any particular article, section or paragraph. The titles of the articles, sections and paragraphs of this Lease are for convenience only and shall not affect the meaning of any provision hereof. Landlord and Tenant have agreed to the particular language of this Lease, and any question regarding the meaning of this Lease shall not be resolved by a rule providing for interpretation against the party who caused the uncertainty to exist or against the draftsman. FOR PURPOSES OF THIS LEASE, TIME SHALL BE CONSIDERED OF THE ESSENCE.

2. Demise. Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, upon the terms and conditions set forth in this Lease.

3. Term.

(a) Subject to the other provisions hereof, the term of this Lease shall commence on the Commencement Date and expire at 11:59 pm Pacific time on the last day of the one hundred eightieth (180th) full calendar month after the Commencement Date (“**Initial Term**”), unless renewed or extended in accordance herewith. When the Commencement Date of this Lease has been determined, Tenant shall execute, acknowledge and deliver to Landlord the Commencement Date Agreement.

(b) Early Occupancy. Landlord agrees to deliver exclusive possession of the Premises on the date Substantial Completion occurs. If Tenant uses or occupies the Premises prior to the Commencement Date, Tenant shall comply with and be bound by all of the terms of this Lease, except Tenant shall not be required to pay any Rent prior to the Commencement Date.

(c) Extension Options.

(i) Landlord hereby grants Tenant three (3) extension options (such options being individually referred to as an “**Extension Option**” and collectively referred to as the “**Extension Options**”), each of which, if exercised, shall extend the Initial Term of this Lease for an additional ten (10) years (each a “**Renewal Period**”). Tenant may exercise an Extension Option by giving written notice to Landlord at any time during the then-current Term so long as Tenant is not currently in default beyond any applicable notice and cure period hereunder; provided if Tenant does not exercise an Extension Option by the date that is one hundred eighty (180) days prior to the date the then-current Term is then set to expire, then (i) Landlord shall send a written notice (a “**Renewal Notice**”) to Tenant reminding Tenant of its rights under this Section 3(c), and (ii) Tenant must exercise an Extension Option within sixty (60) days after Tenant’s receipt of said Renewal Notice. If Tenant does not timely exercise the Extension Option, Tenant will cease to have any right to extend the Term pursuant to this Section 3(c). Any exercise by Tenant of an Extension Option that would extend the Term of this Lease beyond the expiration of the initial term of the Ground Lease or any renewal term thereunder shall only be effective for the period of time that exists under the initial term of the Ground Lease or any renewal term thereunder until such time as Landlord exercises its extension option under the Ground Lease; provided, further, to the extent the Ground Lease or any renewal term thereunder shall be required to extend to the term of this Lease, Tenant shall be permitted to cause Landlord to exercise any extension option under the Ground Lease to the extent that any extension option must be exercised under the Ground Lease in order for Tenant to benefit from the entirety of an Extension Option under this Lease.

(ii) Each Renewal Period shall be on the same terms, covenants and conditions set forth in this Lease except that Monthly Rent during each Renewal Period shall be a rate equal to the fair market base rental rate then in effect for facilities similar in design and size and located in similar communities within the northwestern portion of the United States based upon the current and bona fide market rates being offered in “arm’s length” transactions at the time that each Renewal Period is to commence (“**Fair Market Rental Rate**”); provided, however, consistent with Section 8(c) below, Landlord will not be entitled to charge Monthly Rent on the Expansion Premises during any Renewal Period. Determination of the Fair Market Rental Rate shall take into account all concessions, allowances and other inducements common in the Market at the commencement of each Renewal Period for comparable tenants extending or renewing the term of their lease for space in comparable facilities. Further, determination of the Fair Market Rental Rate shall also involve an evaluation and adjustment, if necessary, of the Rental Rate Escalator (as defined below), to ensure that it remains commercially reasonable.

(iii) For purposes of determining the Fair Market Rental Rate for the Premises, Landlord and Tenant agree to use the following process. Within thirty (30) days after receipt of Tenant’s notice exercising each Extension Option, Landlord shall notify Tenant of its determination of the Fair Market Rental Rate. Tenant shall have the right to object to Landlord’s determination of the Fair Market Rental Rate by notice given to Landlord within thirty (30) days after receipt of Landlord’s determination. If Tenant objects to Landlord’s determination of the Fair Market Rental Rate, and if the parties are unable to resolve the dispute within thirty (30) days after Landlord’s receipt of Tenant’s objection notice, then the Fair Market Rental Rate shall be determined pursuant to the provisions of the following paragraph (d).

(iv) Within ten (10) Business Days after the expiration of the thirty (30) day dispute resolution period, Landlord and Tenant shall endeavor in good faith to agree upon a mutually acceptable Appraiser. If Tenant and Landlord reach agreement on one (1) Appraiser, then they shall jointly engage the Appraiser, and each shall pay one-half of the appraisal fee. If Tenant and Landlord fail to reach agreement on one (1) Appraiser during such ten (10) Business Day period, then no later than ten (10) Business Days after the lapse of such ten (10) Business Day period, each shall select and engage one (1) Appraiser and notify the other of the Appraiser selected. Each party shall pay the appraisal fee of its Appraiser.

The single Appraiser or the two (2) Appraisers, as the case may be, shall determine the Fair Market Rental Rate as required herein, and shall furnish each party a written determination of such Fair Market Rental Rate within ten (10) Business Days after the Appraiser's appointment. If the parties have agreed upon a single Appraiser, the single Appraiser's appraisal shall be binding on the parties. If each party has selected an Appraiser, and if the determinations of the two (2) Appraisers are within ten percent (10%) of each other (based on ten percent (10%) of the average of the determinations), the Fair Market Rental Rate binding on the parties shall be the average of the two (2) determinations. If only one (1) party selects an Appraiser and timely notifies the other party of its selection, and such party's Appraiser gives such notice within the ten (10) Business Day period, the determination of Fair Market Rental Rate made by that Appraiser shall be deemed to be the Fair Market Rental Rate and likewise shall be binding on the parties.

If the two (2) Appraisers do not agree within ten percent (10%) on the Fair Market Rental Rate within ten (10) days after both Appraisers notify the parties of their respective determination of Fair Market Rental Rate, each party will cause the Appraiser selected by it to select by mutual agreement the name of one (1) Appraiser having the qualifications set forth above ("**Third Appraiser**"). If the Appraiser selected by only one (1) party supplies the name of an Appraiser during such ten (10) day period, the Appraiser named by such Appraiser shall be the "Third Appraiser." In either case, each party shall pay one-half of the appraisal fee of the Third Appraiser.

Within ten (10) Business Days from the date of this appointment, the Third Appraiser shall make a determination of Fair Market Rental Rate. If the Third Appraiser's appraisal is equal to one (1) of the appraisals of the first two (2) appraisals, the Third Appraiser's appraisal shall be deemed to be the Fair Market Rental Rate and shall be binding on the parties. If the Third Appraiser's appraisal is not equal to one (1) of the appraisals of the first two (2) Appraisers, then the average of the two (2) closest appraisals shall be deemed to be the Fair Market Rental Rate and shall be binding on the parties.

To the extent any Appraiser provides the Fair Market Rental Rate in a range, the midpoint of said range shall be used for purposes of calculating the Fair Market Rental Rate pursuant to this Section 3(c).

The rental rate escalator that will be applied to the Fair Market Rental Rate shall be evaluated simultaneously at the time when the parties attempt to establish the Fair Market Rental Rate using the process described in this Section 3(c).

4. Rent.

(a) Monthly Rent. Throughout the Term, Tenant shall pay Landlord monthly rent ("**Monthly Rent**") for the Premises in accordance with the terms of this Section. Initially, the Monthly Rent shall be one-twelfth ($1/12^{\text{th}}$) of the product obtained by multiplying the Adjusted Project Costs by seven and ninety-five hundredths percent (7.95%). By way of illustration only, if the Adjusted Project Costs are \$72,148,051, it would result in the initial Monthly Rent being \$477,980.83. At least thirty (30) days prior to the Commencement Date, Landlord shall notify Tenant, in writing, of Landlord's best estimate of the Adjusted Project Costs and the Monthly Rent shall be initially calculated based on such estimate. Pursuant to the Development Agreement, Landlord furnish Tenant with a final, written statement of Adjusted Project Costs and the Monthly Rent shall be recalculated based thereon; provided Tenant shall have the right to dispute any Project Costs or Adjusted Project Costs in accordance with the Development Agreement and the Monthly Rent shall be recalculated again once such dispute is resolved pursuant thereto. Within thirty (30) days after any recalculation of the Adjusted Project Costs, Landlord or Tenant, as applicable, shall make any payments necessary to cause Tenant to have paid the correct Monthly Rent with respect to prior periods. As soon as the Adjusted Project Costs are finally known, Landlord and Tenant shall complete and

exchange executed copies of an updated Commencement Date Agreement in the form attached hereto as **Exhibit B** ("**Commencement Date Agreement**") that memorializes the Commencement Date, the Adjusted Project Costs amount, the Monthly Rent amount, and the Rent Adjustment Date. Notwithstanding anything to the contrary, for purposes of calculating the Monthly Rent, in no event will the actual Project Costs exceed the Maximum Project Costs (as defined in the Development Agreement).

On each Rent Adjustment Date, the Monthly Rent shall increase by two percent (2%) ("**Rental Rate Escalator**"). The Monthly Rent shall be paid by Tenant, in advance, on the first (1st) day of each month during the Term. The Monthly Rent shall be prorated for any partial month during the Term. If the Commencement Date is not on the first (1st) day of a calendar month, the prorated amount of the first installment of Monthly Rent shall be due on the first (1st) day of the first (1st) full calendar month of the Initial Term (together with the payment for the second installment of Monthly Rent).

(b) Property Taxes.

(i) Subject to the other terms hereof, (1) Tenant shall pay all Property Taxes that are allocable to periods falling within the Term directly to the applicable taxing authority and (2) Landlord shall pay all Property Taxes that are allocable to periods outside the Term. Landlord shall promptly forward to Tenant all assessments, notices and tax bills related to Property Taxes. Provided Landlord timely delivers any applicable tax bills for Property Taxes, Tenant shall pay such Property Taxes owed at least ten (10) days prior to any delinquency date for such Property Taxes owed hereunder, subject to the terms hereof. In no event shall Tenant be responsible for any increase in Property Taxes or assessments attributable to a change of ownership involving the Premises during the initial five (5) year period during the Term.

(ii) Landlord hereby represents and warrants that the Premises constitute a single, separate tax parcel and are not considered part of a larger tract for Property Tax purposes.¹ If for any reason, the Premises is not, at any time during the Term, a single, separate tax parcel, then Tenant shall be responsible for the Property Taxes (a) relating to the Improvements based on the assessed value of the Improvements and (b) relating to the Land, based on the number of square feet of land comprising the Premises relative to the total number of square feet of land (including the Land) comprising the tax parcel that includes the Land.

(iii) Tenant shall have the right in its own name, or in Landlord's name where appropriate, to contest the amount or legality of any Property Taxes. Landlord agrees to execute any instruments reasonably required to allow any such contest, and Landlord agrees to cooperate and assist with any such contest; provided Landlord shall not be required to incur any out-of-pocket costs in connection therewith. If Tenant contests the amount or legality of any Property Taxes, then, so long as the payment of such Property Taxes may legally be held in abeyance, the time within which Tenant must pay the same shall be extended until such contest is completed, provided Tenant shall be responsible for any penalty imposed by the taxing authority as a result thereof.

(c) Operating Expenses. Except as otherwise expressly provided herein, Tenant shall be responsible for all costs and expenses, maintenance, repair, replacement (other than replacement costs that are Landlord's responsibility under this Lease) and operation of the Premises, (which includes all corridors, restrooms, lobbies and any other accessible areas in the Premises, all landscaped areas, all parking areas and all other exterior areas) during the Term of this Lease. Except as otherwise expressly provided for herein, Tenant shall contract directly with any vendor or suppliers providing services to Tenant or the Premises, and shall be responsible for paying such vendors or suppliers. If requested by Landlord, Tenant

agrees to use commercially reasonable efforts to cause any such service contracts that are required to operate the Building to be assigned to Landlord or terminated upon expiration or earlier termination of the Term.

(d) Payment. Except as otherwise expressly provided herein, all Rent shall be paid by Tenant without deduction, demand, notice or offset. Tenant shall deliver all Rent to Landlord at the address specified in Section 20 or such other place as Landlord may designate to Tenant by written notice.

(e) Late Charges. If Tenant fails to pay any installment of Rent due under this Lease within ten (10) days after receiving written notice from Landlord, then Tenant shall pay Landlord a late charge equal to One Hundred Dollars (\$100.00) for each day between the date such payment was due and the date it is actually paid. The parties agree that the provisions of this Section are reasonable and shall not be deemed (i) a consent by Landlord to late payments, (ii) a penalty, (iii) a waiver of Landlord's right to insist on the timely payment of Rent, or (iv) a waiver or limitation of the rights and remedies available to Landlord on account of the late payment of any Rent.

(f) Rental Taxes. If (i) a tax (but not a general income or excise tax) is levied directly on any of the Rent, or (ii) a sales or use tax (but not a general income or excise tax) is imposed on Landlord that is measured or based, in whole or part, on any of the Rent, then Tenant shall reimburse Landlord for such tax within thirty (30) days after Landlord's written demand therefor.

5. Use and Operation.

(a) Use. Tenant shall, subject to the terms of the Ground Lease, have the right to use (and allow others to use) the Premises for any or all of the Permitted Uses. Tenant may not use the Premises for any purpose other than the Permitted Uses, unless Tenant obtains Landlord's prior written consent, which consent shall not be unreasonably withheld, qualified or delayed. Tenant shall conduct its operations and activities on the Premises, and maintain and repair the Premises, at all times in material compliance with all Applicable Laws. Tenant shall have the right to contest the enforcement or attempted enforcement of any Applicable Law, in which case Tenant shall not be deemed to have defaulted under or breached this Lease as a result of its failure to comply with any Applicable Law until a final and unappealable court order against Tenant has been entered enforcing the same and the period of time reasonably necessary to effect compliance therewith has passed; provided, Tenant shall indemnify, defend and hold harmless Landlord from and against any claims or associated liabilities (including court costs, litigation expenses and reasonable attorney's fees) resulting from the same. So long as Tenant complies with the provisions of Section 8(a) and continues to timely pay Rent and is otherwise not in default beyond any applicable notice and cure period hereunder, Tenant shall have the right to expand, modify, reconfigure, relocate, reduce or discontinue its operations in the Premises, from time to time, as Tenant determines appropriate, in its sole and absolute discretion. Landlord shall cooperate and assist, at no cost to Tenant, with Tenant's efforts to obtain all permits, licenses and other governmental approvals required for Tenant's operations in the Premises, which shall be at Tenant's expense. Tenant, at its sole expense, shall use and occupy the Premises for Tenant's specific use in compliance in all material respects with all Applicable Laws.

(b) No Waste. Tenant shall not commit or allow any waste to be committed on any portion of the Premises by Tenant or any of its Affiliates, employees, agents, contractors or representatives.

(c) Hazardous Substances.

(i) Except as otherwise permitted under Section 5(c)(ii) below, Tenant shall not use, nor permit the use of any Hazardous Substance in the construction, operation or renovation of the Improvements, including any storage, handling, release, emission, discharge, generation, abatement, disposition or transportation of any Hazardous Substance, in violation of any Applicable Law.

(ii) Tenant may only store, use, handle and generate Hazardous Substances at the Premises in connection with the Permitted Uses and in compliance with all Applicable Laws. If any Hazardous Substance is released, discharged, disposed of or left to remain on or about the Premises by Tenant, or any of Tenant's Affiliates, employees, agents, contractors or representatives, Tenant shall promptly, properly and in compliance with Applicable Laws, cleanup, remove or remediate the Hazardous Substances that were released, discharged, disposed of or left to remain on or about the Premises, at Tenant's expense and sole risk. Tenant shall indemnify, defend and hold harmless Landlord and its directors, officers, employees, agents, and Affiliates from and against all third-party claims, demands, liabilities, losses, damages, costs, or expenses for any loss, including bodily injury (including death), personal injury, property damage, attorney's fees and costs, and associated lawsuits, governmental actions, liabilities and expenses (including, without limitation, legal fees; the costs of notice to any other Person; the costs of environmental or technical risk assessment; any cleanup or remedial costs; the costs of any monitoring, sampling or analysis) to the extent arising as a result of Tenant's and/or Tenant's Affiliates', employees', agents', contractors' or representatives' release or claimed release of any Hazardous Substances on or about the Premises during the Term in violation of Applicable Laws, or Tenant's failure to comply with any Environmental Laws with respect to the Premises, except to the extent any such release is caused by the acts or omissions of Landlord or any of Landlord's Affiliates, employees, agents, contractors or representatives. Tenant's indemnification obligations under this Section 5(c)(ii) shall survive the expiration or earlier termination of this Lease for a period of two (2) years. Upon the expiration or earlier termination of this Lease, Tenant shall remove all Hazardous Substances being kept on the Premises by Tenant in accordance with Applicable Laws, with the exception of fuels and equipment integral to the operation of the Building.

(iii) Landlord shall indemnify, defend and hold harmless Tenant (and its directors, officers, employees, agents, and Affiliates) from and against all third-party claims, demands, liabilities, losses, damages, costs, or expenses for any loss, including bodily injury (including death), personal injury, property damage, attorney's fees and costs, and associated lawsuits, governmental actions, liabilities and expenses (including, without limitation, legal fees; the costs of notice to any other Person; the costs of environmental or technical risk assessment; any cleanup or remedial costs; the costs of any monitoring, sampling or analysis) to the extent arising as a result of Landlord's and/or Landlord's Affiliates' employees', agents', contractors' or representatives' release or claimed release of any Hazardous Substances on or about the Premises in violation of Applicable Laws. Landlord's indemnification obligations under this Section 5(c)(iii) shall survive the expiration or earlier termination of this Lease for a period of two (2) years.

(d) Signage. Tenant may install any and all signs, banners and other advertising materials (collectively, "Tenant's Signs") on the Premises (interior and exterior) that are permitted under Applicable Laws and the Ground Lease; provided Tenant shall repair any damage to the Premises caused by the installation or removal of the Tenant's Signs.

6. Utilities. During the Term, all utilities shall be placed in Tenant's name and Tenant shall pay for all utility services provided to the Premises, including, without limitation, electricity, gas, water, sewer and telephone service, directly to the provider of the utility service. Unless due to Landlord's negligence, misconduct, or breach of this Lease, Landlord shall not be liable to Tenant as a result of a disruption of any utility service to the Premises and any such disruption shall not relieve Tenant from its obligations and liabilities under this Lease; provided if any utility service to the Premises is disrupted due solely to Landlord's failure to fulfill a responsibility under this Lease or the Development Agreement (including, without limitation, the correction of defects that are Landlord's responsibility under the Development Agreement), to such an extent that Tenant cannot, in its reasonable judgment, operate its business in the Premises for a period of more than forty-eight (48) hours, then the Rent shall abate during the entire period of such disruption.

7. Maintenance and Repair.

(a) Tenant Repairs.

(i) Tenant, at Tenant's sole cost and expense, shall perform all repairs, maintenance and replacements required to keep the Premises in good working order and condition, except Landlord shall be responsible for performing any maintenance, repairs or replacements that are Landlord's responsibility under this Lease. Without limiting the generality of the foregoing, Tenant acknowledges that Tenant's obligations under this Section include the maintenance, repair and replacement of Structural Support, Mechanical Systems, landscaping, driveways and parking areas and such additional maintenance as may be necessary because of damages by Persons other than Tenant, its agents, employees, invitees or visitors (except damages by Landlord and its directors, officers, employees, agents, and Affiliates). All such repairs and replacements required to be made by Tenant pursuant to the terms of this Section shall be made in a good and workmanlike manner utilizing materials and workmanship that equal or exceed those utilized in connection with the initial construction of the Improvements and in compliance with all Applicable Laws. All such work which may affect the Structural Support must be approved by the Building's engineer, at Tenant's expense; provided, Landlord's Building engineer will not unreasonably withhold, condition or delay any such approval, and if Landlord's Building engineer fails to give Tenant written notice of its objection to any such repair within ten (10) Business Days, then Landlord and the Building's engineer shall be deemed to have approved the same. All work affecting the roof of the Building must be performed by Landlord's roofing contractor or such other roofing contractor that is approved by the roof manufacturer, and no such work will be permitted if it would void or reduce the warranty on the roof. Landlord shall use reasonable efforts to enforce all warranties issued by third parties that are related to portions of the Premises to be maintained by Tenant under the terms of this Section 7(a), including, without limitation, warranties issued by manufacturers, suppliers, contractors and subcontractors. In addition, Landlord shall ensure that any warranties that are related to portions of the Premises to be maintained by Tenant under the terms of this Section 7(a), run to the benefit of (and are enforceable by) both Landlord and Tenant, to the extent required under the terms of the Development Agreement. Notwithstanding anything to the contrary contained herein, Tenant shall not be required to repair or replace portions of the Premises that remain functional but are subject only to ordinary wear and tear.

(ii) With respect to those repairs, replacements or renewals reasonably made by Tenant in accordance with this Section 7(a) during the last five (5) years of the Term and classified as capital expenditures, in accordance with generally accepted accounting principles in the United States, generally applied to the ownership and management of health care facilities (each a "Capital Item"), if this Lease expires or terminates (for any reason other than a default by Tenant) prior to the agreed-upon expected useful life of any Capital Item, then Landlord shall reimburse Tenant for a percentage of the approved cost expended by Tenant for such Capital Item, or the actual cost expended by Tenant in the event Tenant's engineer or consultant determines such Capital Item is reasonably necessary or desirable, such percentage being equal to the percentage of the agreed-upon expected useful life that extends beyond the termination/expiration date of this Lease, measured from the date of Tenant's full completion of and payment for the Capital Item ("Capital Item Contribution"). Landlord shall pay any such reimbursement to Tenant within thirty (30) days after the expiration/termination of this Lease and payment by Tenant of all Rent due, and Landlord's receipt from Tenant of a request for payment that details each applicable Capital Item, as well as the actual cost and then-remaining portion of the agreed expected useful life of each such Capital Item. Prior to incurring the cost of any Capital Item during the last five (5) years of the Term that is estimated to exceed the Capital Item Threshold Amount, Tenant shall give written notice to Landlord of such Capital Item (a "Capital Item Notice"). If Landlord reasonably believes that any such Capital Item estimated to exceed the Capital Item Threshold Amount is not necessary, Landlord shall have a period of fifteen (15) Business Days after its receipt of the Capital Item Notice for such Capital Items to notify Tenant, in writing, that Landlord objects to such Capital Item; provided if Landlord fails to give Tenant written

notice of its objection to any Capital Item within such fifteen (15) Business Day period, then Landlord shall be deemed to have consented to the same. If Landlord timely objects to any Capital Item that Tenant desires to undertake during the last five (5) years of the Term that is estimated to exceed the Capital Item Threshold Amount, (i) Tenant may retain a qualified engineer or consultant, who is reasonably acceptable to Landlord, to determine whether such Capital Item is reasonably necessary or advisable, and (ii) such engineer's or consultant's determination shall be final and binding on Landlord and Tenant. If Landlord objects to a Capital Item that is estimated to exceed the Capital Item Threshold Amount and such engineer or consultant determines the same is reasonably necessary or desirable, then Landlord shall pay the fees charged by such engineer or consultant. Otherwise, Tenant shall be responsible for paying the fees of any engineer or consultant retained to review the need for any Capital Item pursuant hereto. If Landlord timely objects to a Capital Item in the last two (2) years of the Term, Landlord shall propose an alternative repair or replacement in lieu of Tenant's proposed Capital Item with such objection, which shall be an adequate alternative to the Capital Item proposed by Tenant to allow Tenant's use and occupancy of the Premises at the levels required by Tenant's use ("**Landlord's Alternative Maintenance**"). If Landlord and Tenant are not able to agree upon the appropriate repair within three (3) Business Days thereafter, Tenant shall have the option of either (i) performing Landlord's Alternative Maintenance with the costs thereof being allocated in accordance with the terms hereof, or (ii) performing the repairs and replacements set forth in the Capital Item Notice, in which event Tenant shall pay the difference in the costs between the Landlord's Alternative Maintenance and the repairs or replacements described in the Capital Item Notice, subject to the other terms hereof. If Tenant chooses to perform the repairs and replacements set forth in the Capital Item Notice and pay the additional amounts set forth above, then Tenant shall have the right to seek reimbursement for such amounts through arbitration conducted in accordance with the terms of this Section 7(a)(ii). If it is determined through arbitration that the repairs or replacements set forth in the Capital Item Notice were appropriate and necessary for the continued occupancy and use of the Premises at the levels required by Tenant's use, then Landlord shall reimburse Tenant for the additional costs paid hereunder. Any dispute arising or related to this Section 7(a)(ii) shall be resolved by binding arbitration conducted in accordance with the expedited procedures of the Commercial Rules of the American Arbitration Association ("**AAA**") and the rules set forth in this Section. If Tenant decides to dispute the costs it has paid under subsection (ii) above, it shall send written notice to Landlord and to the AAA specifying, in detail, the nature of the dispute and its position regarding the same (a "**Dispute Notice**"). The following special rules shall apply to any arbitration proceeding commenced pursuant to this Section: (i) the arbitration shall be conducted in the Eugene, Oregon area; (ii) the AAA shall select a single arbitrator who is an engineer knowledgeable in building maintenance to decide the dispute, and (iii) the parties shall use their best efforts to ensure any arbitration hearing shall commence within thirty (30) days after the delivery of the Dispute Notice. The costs of the arbitration shall be paid by the non-prevailing party.

(b) Landlord Repairs. Landlord shall, at Landlord's sole cost and expense, promptly after notice from Tenant, (i) correct any failures or patent or latent defects in the construction of the Improvements constructed or installed by Landlord pursuant to and consistent with Landlord's obligations (warranty and otherwise) set forth in Development Agreement; (ii) repair and/or replace any damage suffered to any other portions of the Premises to the extent resulting from any patent or latent defects, or failures, described in clause (i), (iii) make any alterations, additions or improvements to the Premises to comply with all Applicable Laws in effect on the date(s) the Improvements that were constructed or installed by Landlord were completed as described in the Final Plans and Specifications for the initial Improvements, and in the applicable plans and specifications for any future Improvements constructed or to be constructed by Landlord ("**Future Plans and Specifications**"), and (iv) repair any damage to the Premises to the extent caused by or on behalf of Landlord, Landlord's Affiliates, employees, agents, contractors or representatives. In addition, to the extent any warranty that is required under the Final Plans and Specifications, the Development Agreement, or any Future Plans and Specifications is not assignable to Tenant, Landlord shall remain responsible for enforcing the same during the duration of such warranty. All such repairs, replacements, alterations, additions and improvements required to be made by or on behalf

of Landlord shall be made in a good and workmanlike manner utilizing materials and workmanship that equal or exceed those utilized in connection with the initial construction of the Improvements, in compliance with all Applicable Laws, and consistent with the quality contemplated by the initial construction of the applicable Improvements. Landlord shall also use commercially reasonable efforts to perform all maintenance, repairs and replacements that are Landlord's responsibility under this Section 7(b) in a manner that does not materially interfere with Tenant's use and enjoyment of the Premises.

(c) Delivery of Warranties/Operating Manuals. On or before the Commencement Date, and from time-to-time as applicable for future Improvements, Landlord shall deliver to Tenant clean, readable copies of all guarantees and warranties issued in connection with the development of the Premises and all manufacturer's, contractor's, subcontractor's and supplier's instructions, maintenance manuals, replacements lists, detailed drawings and any technical requirements necessary to operate and maintain the Premises. Notwithstanding anything to the contrary contained in this Lease, Tenant shall not be required to make any repairs to the extent covered by applicable policies of insurance or warranties.

8. Alterations and Improvements.

(a) Tenant Alterations.

(i) In compliance with Applicable Laws, Tenant may: (i) install all medical equipment that Tenant deems necessary or desirable in connection with the Permitted Uses provided such equipment does not exceed load bearing capacities of the Building's floor and ceiling, whether now existing or hereafter developed, including, without limitation, position emission tomography (PET) scanners, computed tomography (CT) scanners, MRIs, linear accelerators, and surgical robotic equipment; and (ii) make any Alterations required to allow the use and operation of such medical equipment in the Premises; provided Tenant shall not alter the Structural Support without obtaining Landlord's approval; provided, however, in all instances Tenant shall provide Landlord with a copy of plans and specifications and schedule related to such Alterations (collectively, the "**Alteration Construction Documents**") prior to commencing any Alterations. In addition, subject to the other terms hereof, without obtaining Landlord's approval, Tenant may make (i) changes to floor coverings, wall coverings, paint and other cosmetic changes to the Premises, (ii) interior, non-structural Alterations costing less than the Alterations Threshold Amount in any calendar year, and (iii) non-material exterior Alterations to the Building and the other Improvements.

(ii) Except as otherwise expressly provided in Section 8(a)(i), Tenant shall not make any Alterations unless Landlord has approved such Alterations, in writing, which approval will not be unreasonably withheld, conditioned or delayed, and, as to Alterations that do not affect the Structural Support or the Mechanical Systems, if Landlord fails to give Tenant written notice of its objection to any such Alteration request within ten (10) Business Days, then Landlord shall be deemed to have approved the same. All Alterations must be timely completed by Tenant in a good and workmanlike manner and in compliance with the Alteration Construction Documents and Applicable Laws, and Landlord may cure any defective performance by Tenant (at Tenant's expense) at any time thirty (30) days after Landlord provides notice thereof.

(iii) If (i) an Alteration affects the Structural Support or (ii) an Alteration to the Mechanical Systems exceeds the Mechanical Systems Alterations Threshold Amount, then such Alteration must be approved by Landlord's Building engineer, at Tenant's expense; provided, Landlord's Building engineer will not unreasonably withhold, condition or delay any such approval, and if Landlord's Building engineer fails to give Tenant written notice of its objection to any such repair within ten (10) Business Days, then Landlord's Building engineer shall be deemed to have approved the same.

(iv) If Landlord consents, in writing, to Tenant installing any facilities on or making any Alterations to the roof of the Building, Tenant shall: (i) not void or violate any roof warranty;

(ii) follow the roof manufacturer's recommendations and requirements; and (iii) ensure the installation or alteration does not damage the roof or exceed the load bearing capacity of the roof. All Alterations affecting the roof of the Building must be performed by Landlord's roofing contractor or such other roofing contractor that is approved by the roof manufacturer.

(b) Liens. Notice is hereby given that Landlord will not be liable for any work, services, materials or labor furnished to Tenant during the Term, and no mechanic's, materialmen's or other lien arising or resulting from Tenant's failure to pay any amounts owed by Tenant (collectively, "**Tenant Liens**") shall attach to Landlord's interest in the Premises; provided, Tenant's Liens shall not include, and Tenant shall have no liability or responsibility for, liens arising out of work, services, material or labor performed by or on behalf of Landlord or that is Landlord's responsibility under the terms of this Lease, including, without limitation, the maintenance, repair and replacement obligations set forth in Section 7(b) above. Tenant shall keep the Premises free and clear of all Tenant Liens. If Tenant fails to discharge any Tenant Liens encumbering the Premises (by posting a bond or other method) within thirty (30) days after receiving notice of a Tenant Lien, Landlord may (but shall not be obligated to) cause such Tenant Liens to be released and discharged, in which event Tenant shall reimburse Landlord for all reasonable costs that Landlord incurs in connection therewith, including, without limitation, reasonable attorneys' fees.

(c) Expansion Option. If Tenant desires to expand the Building after the Commencement Date, Landlord agrees to work with Tenant in good faith to accommodate any Building expansion plans after Tenant provides written notice of its desire to expand the Building (such area of expansion being the "**Expansion Premises**"). Thereafter, Landlord and Tenant shall negotiate an amendment to this Lease setting forth mutually acceptable terms under which Landlord will build the Expansion Premises, including, without limitation, the Monthly Rent amount for the Expansion Premises. If Landlord and Tenant are unable to agree upon the terms of an amendment to address the conditions under which Landlord will build the Expansion Premises within thirty (30) days after Tenant notifies Landlord of its desire to build the Expansion Premises, then (i) subject to Tenant's compliance with the terms of Section 8(a), Tenant shall be entitled to construct the Expansion Premises itself, and if Tenant elects to construct the Expansion Premises itself, (a) Landlord will not be entitled to charge Monthly Rent on the Expansion Premises during the Term, (b) the Expansion Premises will be considered a permitted Alteration, and (c) the cost of completing the Expansion Premises will be considered a Capital Item that benefits Landlord and obligates Landlord to pay Tenant for any Capital Item Contribution in accordance with Section 7(a)(ii) upon the expiration or earlier termination of this Lease, or (ii) Tenant shall be entitled to exercise its Purchase Option pursuant to Section 24 of this Lease; provided, however, in no event shall Tenant be entitled to exercise such Purchase Option prior to the second anniversary of the Commencement Date. The Expansion Premises shall become a part of the Premises when the same are completed.

9. Insurance and Indemnity.

(a) Tenant's Insurance.

(i) During the Term, Tenant shall, at Tenant's expense maintain property insurance on the Premises (including, without limitation, all appurtenant structures, if applicable) in the amount of 100% of the replacement costs of the Premises (including, without limitation, all buildings, structures, fixtures and improvements forming a part thereof), written on an "all risk" basis ("**Premises Property Insurance**"), which policy shall include coverage for catastrophe such as windstorm up to the full replacement cost of the Premises and earthquake and flood, up to the Maximum Project Value. For purposes of this Lease, the "replacement cost" of the Premises shall mean the full replacement cost of the Premises at the time of casualty, but in no event less than the Maximum Project Value. The Premises Property Insurance shall name Ground Lessor, Landlord, and Mortgagee (as defined in Section 19(a)) as loss payees as their interests may appear. In addition to the Premises Property Insurance, Tenant shall, at

Tenant's expense, obtain and keep in force at all times during the Term, a policy or policies of property insurance covering loss or damage to any and all of the personal property, trade fixtures, furnishings, and Tenant's business contents at the Premises in the amount equal to their actual cash value, which shall cover risk of loss or damage normally covered in an "all risk" policy as such term is used in the insurance industry. The proceeds of the Premises Property Insurance shall be used for repair or replacement of the Premises and shall be paid solely to Landlord or any mortgagee or beneficiary under a deed of trust holding a lien encumbering the Premises to be held and applied to the costs of restoring the Premises and made available to Tenant as it incurs such costs; provided, if requested by Tenant, Landlord agrees that the proceeds of the Premises Property Insurance will be escrowed with a third party reasonably acceptable to Landlord. The terms and conditions governing the release of the escrowed insurance proceeds shall allow Tenant to draw on the escrowed funds monthly, as and when the costs of restoring the Premises are incurred by Tenant, and otherwise be reasonably acceptable to Landlord. Tenant shall be responsible for the amount of all deductibles. Additionally, Tenant shall maintain coverages as follows:

(1) Liability Coverage. Tenant shall, at Tenant's expense maintain a policy of commercial general liability insurance, insuring Tenant, and as additional insureds, Landlord and any Mortgagee (as defined in Section 19(a)), against liability arising out of the ownership, use, occupancy, or maintenance of the Premises or from any other cause covered by a commercial general liability insurance policy applicable to Tenant's operations at the Premises, known or unknown. Such insurance shall be primary and non-contributory and shall provide coverage on an occurrence basis with a per occurrence limit of not less than \$3,000,000 for each policy year and \$6,000,000 in the aggregate, which limit may be satisfied by any combination of primary and excess or umbrella per occurrence policies. Tenant shall have the right to self-insure for the insurance required in this Section 9(a)(i), by which Lifepoint or any of its Affiliates, through a captive, licensed insurance company, maintains such insurance.

(2) Workers Compensation. Throughout the performance of any work, alterations or improvements that Tenant shall perform or cause to be performed in the Premises, Tenant, shall cause to be carried, worker's compensation insurance in statutory limits.

(3) Business Interruption. Business interruption insurance with a commercially reasonable deductible (if commercially available and reasonable) that is sufficient to pay continuing expenses (including rent) for a period of at least twelve (12) months (if commercially available and reasonable).

(4) Automobile Insurance. Commercial automobile liability insurance insuring bodily injury and property damage arising from all owned, non-owned and hired vehicles, if any, with minimum limits of liability of \$1,000,000 combined single limit, per accident.

(ii) All insurance required to be carried by Tenant hereunder shall be issued by one or more insurance companies reasonably acceptable to Landlord, having an AM Best's minimum rating of A- and financial size of XIII or better. In addition, Tenant shall name Landlord, Landlord's managing agent, and any mortgagee requested by Landlord, as additional insureds under its commercial general liability, excess and umbrella policies (but only to the extent of the limits required hereunder). On or before the Commencement Date (or the date of any earlier entry or occupancy by Tenant), and thereafter, within thirty (30) days prior to the expiration of each such policy, Tenant shall endeavor to furnish Landlord with certificates of insurance in the form of ACORD 25 (or other evidence of insurance reasonably acceptable to Landlord), evidencing all required coverages, and that with the exception of workers compensation insurance, such insurance is primary and non-contributory. Upon Tenant's receipt of a request from Landlord, Tenant shall provide Landlord with copies of its applicable declarations page for the policies required hereunder. If Tenant fails to carry such insurance and furnish Landlord with such certificates of insurance, Landlord may obtain such insurance on Tenant's behalf and Tenant shall

reimburse Landlord upon demand for the cost thereof as Additional Rent. Landlord reserves the right from time to time to require Tenant to obtain higher minimum amounts or different types of insurance if it becomes customary for other landlords of similar buildings in the area to require similar sized tenants in similar industries to carry insurance of such higher minimum amounts or of such different types; provided, Tenant shall not be required to increase the minimum amounts set forth herein by more than ten percent (10%), and shall not be required to make such adjustment more than once every five (5) years during the Term.

(b) Indemnities.

(i) Tenant agrees, as part of the material consideration for this Lease, to indemnify, and hold harmless Landlord from all third-party claims and associated actions, lawsuits, demands, costs, expenses and liabilities whatsoever (including reasonable attorneys' fees, on account of any such real or claimed damage or liability, and for all liens) arising from personal injury or property damage occurring in, or at any portion of Premises, during the Term or arising out of Tenant's use, occupancy or enjoyment of any portion of the Premises, or any repairs or alterations which Tenant may make upon the Premises, except to the extent caused by the negligence or willful misconduct of Landlord or any of Landlord's Affiliates, employees, agents, contractors or representatives.

(ii) Landlord agrees, as part of the material consideration for this Lease, to indemnify and hold harmless Tenant from all third-party claims and associated actions, lawsuits, demands, costs, expenses and liabilities whatsoever (including reasonable attorneys' fees, on account of any such real or claimed damage or liability, and for all liens) arising from personal injury or property damage occurring in or at any portion of the Premises from any negligent acts, breach of contract, or willful misconduct of Landlord or Landlord's Affiliates, except to the extent caused by the negligence or willful misconduct of Tenant or any of Tenant's Affiliates, employees, agents, contractors or representatives.

(c) Waiver of Claims/Subrogation Rights. Notwithstanding anything to the contrary contained herein, Landlord and Tenant each hereby waives all claims that it may have against the other party (and such other party's owners, directors, officers, employees, agents, contractors and representatives) for losses and damages that are actually covered by its property insurance or that would have been covered had it maintained the insurance required under this Lease; provided the foregoing waiver shall not apply if it would have the effect of invalidating, but only to the extent of such effect, any insurance coverage of Landlord or Tenant. Landlord and Tenant shall cause the insurers issuing their property insurance to waive all of their subrogation rights against the other party (and such other party's owners, directors, officers, employees, agents, contractors and representatives), and each party shall supply the other with appropriate evidence confirming that such waiver is in effect. For the purposes of this Section, each party shall be deemed to be insured against losses and damages that are within the deductible of any of its insurance policies. The provisions of this Section shall apply to claims regardless of cause or origin, including, without limitation, claims arising due to negligence.

10. Fire & Casualty.

(a) Restoration. Unless this Lease is terminated pursuant to Section 10(b), if the Premises are damaged by fire or other casualty after the Commencement Date, Tenant shall be responsible for performing all repairs and replacements (collectively, "**Restoration Work**") required to fully restore the Premises to the condition existing immediately prior to such fire or casualty in accordance with the terms hereof; provided, (i) Tenant may make any Alterations to the Premises permitted under Section 8(a), and (ii) Tenant may make any Alterations to the Premises that are required by Applicable Laws. Upon receipt of the insurance proceeds from the Premises Property Insurance, Tenant shall commence and diligently prosecute completion of the Restoration Work, which shall be completed in a good and workmanlike manner, using new materials, and in a manner that complies with Applicable Laws. Within

forty-five (45) days after the Premises are damaged by fire or other casualty, Tenant shall furnish Landlord with a written statement from a reputable architect or general contractor setting forth such architect's or general contractor's best estimate of the period of time ("**Restoration Period**") required to fully restore the Premises. Notwithstanding anything to the contrary set forth herein, Tenant shall have no duty pursuant to this Section to expend for any repair or restoration amounts in excess of insurance proceeds made available for repair or restoration, or that would have been available if Tenant had carried the insurance required under this Lease in the event that Tenant has failed to provide such insurance coverage.

(b) **Termination.** If the Premises are damaged by fire or other casualty and less than thirty-six (36) months remain on the then-current Term and the Restoration Period for such damage is estimated to be more than three hundred sixty-five (365) days after the date of the fire or other casualty, then Tenant may terminate this Lease by giving written notice to Landlord within sixty (60) days after the occurrence of such damage. Tenant shall not have the right to terminate this Lease as a result of damages caused by fire or other casualty at any time on or prior to the date which is thirty-six (36) months prior to the expiration of the then-current Term. If the Premises are damaged by a fire or other casualty and this Lease is terminated as a result thereof, then (i) Landlord shall have the right to require that Tenant demolish the Building and remove any debris resulting therefrom, and (ii) Tenant shall pay Landlord an amount equal to the insurance proceeds received by Tenant as a result of such damage to the Premises (or which would have been available if Tenant had carried the insurance required under this Lease in the event that Tenant has failed to provide such insurance coverage), plus the amount of any deductible carried by Tenant under its insurance policy, less (i) any demolition costs incurred by Tenant, (ii) the unamortized cost of any Alterations paid for by Tenant (calculated by amortizing the cost of such Alterations over their useful life in accordance with Tenant's standard accounting procedures), (iii) any Capital Item Contribution, and (iv) all other expenses incurred by Tenant that are otherwise reimbursable by insurance proceeds.

(c) **Abatement.** Tenant shall not be entitled to any abatement of Rent during any period when the Premises are rendered untenantable or unusable, in whole or in part, as a result of any damage to the Premises caused by fire or other casualty, except the Rent shall abate in proportion to the area of the Premises that is not reasonably usable as a result of such fire or other casualty, to the extent the same was caused by the negligent acts, willful misconduct or breach of this Lease by Landlord, Affiliate of Landlord, or any of their agents, employees, contractor or representatives.

11. **Eminent Domain.**

(a) **Termination.** In the event of a taking of all or substantially all of the Premises by condemnation, this Lease shall automatically terminate, and all Rent shall cease effective as of the date possession of the same is actually taken. If any portion of the Premises is taken by condemnation such that the Premises shall become impractical for Tenant to use for the Permitted Use, then Tenant may terminate this Lease by giving written notice to Landlord within sixty (60) days after Tenant is notified of such taking, in writing.

(b) **Restoration.** If this Lease is not terminated after a taking of any portion of the Premises, Landlord shall diligently restore the same as close as possible to the condition and functionality prior to such taking and Landlord shall be entitled to use all condemnation awards paid on account of such taking to pay the cost of the restoration work, with any remaining funds being allocated to Landlord and Tenant on a pro rata basis in accordance with the terms of Section 11(c); provided in no event shall Landlord be required to spend more than the amount of such condemnation awards to restore the Premises. If this Lease is not terminated as a result of any condemnation, then the Rent shall be equitably abated for the remainder of the Term, and the Rent shall also be equitably abated while Landlord performs any restoration work required under this Section.

(c) Awards. Landlord shall be entitled to receive the entire award paid on account of a taking of all or any portion of the Premises by condemnation, except Tenant shall be entitled to make a separate claim for the taking of Tenant's trade fixtures, personal property, dislocation damages/moving expenses, the unamortized value of any Alterations paid for by Tenant, and the Capital Item Contribution.

12. Assignment and Subletting. Tenant may, without obtaining the prior consent of Landlord, (i) assign this Lease to any Person so long as Tenant provides Landlord with ten (10) days' prior written notice and/or (ii) sublet the Premises without any obligation to provide notice to Landlord; provided, in the event of any such sublease or assignment of Tenant's right, title and interest in and to this Lease, the Person named as Tenant in this Lease shall remain primarily liable hereunder. Any assignee shall execute and deliver an assignment and assumption agreement whereby such assignee assumes and agrees to perform and observe all of the covenants and agreements of Tenant under this Lease. This Lease shall inure to the benefit of and be binding upon any permitted successor or assign of either party.

13. Leasehold Mortgages.

(a) General. Tenant shall have the right to enter into mortgages, deeds of trust, deeds to secure debt, security deeds, financing statements and other security agreements (collectively, "Leasehold Mortgages") encumbering Tenant's interest in this Lease and the leasehold estate created hereby (collectively, the "Leasehold Estate"), without obtaining Landlord's consent. Tenant shall furnish Landlord with a written notice (a "Leasehold Mortgage Notice") containing the name, address, contact person, and telephone number of any Person to whom Tenant grants a Leasehold Mortgage (such a Person being referred to as a "Leasehold Mortgagee"). Within ten (10) days after Tenant's written request, Landlord shall acknowledge, in writing, its receipt of any Leasehold Mortgage Notice that has been delivered to Landlord. Whenever Landlord shall send Tenant any written notice of default related to this Lease, Landlord shall send a duplicate copy of such notice to each Leasehold Mortgagee; provided that Tenant has provided Landlord with the notice address for any such Leasehold Mortgagee.

(b) Cure Rights. Upon a Leasehold Mortgagee's receipt of written notice of a Tenant Default from Landlord (a "Default Notice"), the Leasehold Mortgagee shall have the right, but not the obligation, to cure such Tenant Default on behalf of Tenant. Landlord shall not have the right to terminate this Lease on account of any Tenant Default if a Leasehold Mortgagee cures such Tenant Default within sixty (60) days after the Leasehold Mortgagee receives a Default Notice describing such Tenant Default; provided, however, if a Tenant Default reasonably cannot be cured within such sixty (60) day period, then the Leasehold Mortgagee shall have such additional time to cure the Tenant Default as is reasonably necessary, but in no event longer than one hundred twenty (120) days after the Leasehold Mortgagee receives a Default Notice, provided Leasehold Mortgagee has commenced such cure within said sixty (60) day period and diligently pursues the same. Landlord agrees to accept a Leasehold Mortgagee's cure of any Tenant Default. If a Leasehold Mortgagee reasonably cannot cure any Tenant Default until it obtains possession of the Premises, then Landlord may not terminate this Lease due to such Tenant Default so long as (i) the Leasehold Mortgagee commences the foreclosure of its lien on the Leasehold Estate within sixty (60) days after the Leasehold Mortgagee receives a Default Notice describing such Tenant Default (provided such 60 day period shall be tolled during any period when an automatic stay is in effect under applicable bankruptcy laws), (ii) the Leasehold Mortgagee completes such foreclosure with reasonable diligence, (iii) the Leasehold Mortgagee pays, upon Landlord's written demand, all delinquent Rent due and owing under this Lease (excluding fines, penalties, late fees and default interest), and (iv) the Leasehold Mortgagee cures such Tenant Default following the completion of such foreclosure with reasonable diligence.

(c) Bankruptcy. If this Lease is terminated as a result of a Tenant Default or rejection of this Lease pursuant to Section 365(a) of the Bankruptcy Code, 11 U.S.C. §365(a) or any successor statute,

then, upon a Leasehold Mortgagee's request made within sixty (60) days after such termination, Landlord shall enter into a new lease (a "**New Lease**") with the Leasehold Mortgagee upon terms and conditions identical to those of this Lease for what would have been the full remaining Term of this Lease had the same not been so terminated, with all remaining extension or renewal rights, so long as the Leasehold Mortgagee pays all of the Rent then due and owing under this Lease. Any New Lease shall have the same priority as this Lease.

(d) **Foreclosure Sale.** Any sale of the Leasehold Estate in any foreclosure proceedings instituted by a Leasehold Mortgagee (or the assignment or transfer of this Lease and the Leasehold Estate by Tenant in lieu of any such foreclosure) shall be deemed to be a permitted assignment of the Leasehold Estate, and Landlord shall recognize the Person acquiring the Leasehold Estate pursuant to the foregoing as the "Tenant" under this Lease. In addition, any Leasehold Mortgagee who takes title to the Leasehold Estate or enters into a New Lease with Landlord shall have the right to assign the Leasehold Estate or such New Lease or sublet all or a portion of the Premises without obtaining Landlord's consent subject to and in accordance with Section 12 hereof.

(e) **Leasehold Mortgagee Liability.** No Leasehold Mortgagee, simply by virtue of its lien on the Leasehold Estate, shall be deemed to have assumed any of the obligations or liabilities of Tenant under this Lease. A Leasehold Mortgagee (or its assignee or Affiliate) who takes title to the Leasehold Estate or enters into a New Lease shall be responsible for the performance of the Tenant's obligations under this Lease or the New Lease, as applicable, to the extent the same first arise during the period of time, but only during the time period, that it is the tenant under this Lease or the New Lease, and such responsibility shall terminate upon its sale, transfer or assignment of this Lease or the New Lease, as applicable. Except as expressly provided above, the purchaser at any foreclosure sale of the Leasehold Estate shall be deemed to have agreed to perform all of the Tenant's obligations under this Lease first arising from and after the date of such foreclosure sale. Neither a Leasehold Mortgagee who takes title to the Leasehold Estate or enters into a New Lease nor a purchaser of the Leasehold Estate at a foreclosure sale shall be responsible for any losses or damages that Landlord suffers as a result of any default by Tenant under this Lease that exists at the time it takes title to the Leasehold Estate or enters into the New Lease; provided, however, if such Leasehold Mortgagee or purchaser does not pay any Rent that is then due and owing under this Lease (excluding fines, penalties, late fees and default interest) or does not remedy any then outstanding conditions that constitute a Tenant Default, then Landlord may terminate this Lease or the New Lease as provided in Section 14(b).

(f) **Protection Agreement.** If a Leasehold Mortgagee requests, in writing, that Landlord enter into any agreement designed to protect the Leasehold Mortgagee's interest in the Leasehold Estate or memorialize the terms of this Section 13, Landlord agrees to enter into such agreement upon terms and conditions reasonably acceptable to Landlord.

(g) **Limitations.** No Leasehold Mortgagee shall at any time include Landlord's right, title and interest in and to the Premises, nor shall any Leasehold Mortgagee subordinate or be deemed to subordinate the fee title to the Premises or Landlord's interest in the Lease to the security interest created by such Leasehold Mortgagee. It is the intention and agreement of the parties hereto that during the entire term of this Lease, Landlord's right, title and interest in and to the Premises shall not be subject to any liens or encumbrances of any kind or nature created by Tenant. Nothing contained in any Leasehold Mortgagee shall release or be deemed to release Tenant from the full performance of this Lease or be deemed to be a waiver of any rights of Landlord hereunder.

14. Defaults.

(a) **Tenant Default.** The following shall each be deemed to be a default by Tenant under this Lease (a "**Tenant Default**"):

(i) Tenant's failure to pay any Rent when due, unless such failure is cured by Tenant within ten (10) days after it receives written notice from Landlord; provided, however, Landlord shall not be required to provide written notice under this Section 14(a)(i) due to Tenant's failure to timely pay Monthly Rent on more than three (3) occasions in any twelve (12) month period; or

(ii) Tenant's failure to comply with any of the terms of this Lease other than those related to the payment of Rent, unless such failure is cured within thirty (30) days after Tenant receives written notice from Landlord; provided if such failure cannot reasonably be cured within the aforementioned thirty (30) day period, then no Tenant Default shall be deemed to have occurred so long as Tenant commences to cure such failure within thirty (30) days after receiving written notice from Landlord and diligently pursues completion of such cure within a reasonable time thereafter; or

(iii) (A) the filing by or against Tenant of a petition (voluntarily or involuntarily) seeking to have Tenant declared bankrupt or insolvent, unless the petition is dismissed within ninety (90) days after its filing, (B) the appointment of a receiver or trustee for all or substantially all of Tenant's assets, or (C) the assignment of all or substantially all of Tenant's assets for the benefit of its creditors.

(b) Remedies. Upon the occurrence of any Tenant Default, Landlord may, in addition to any other remedies expressly provided under this Lease but in lieu of any other remedies provided at law or in equity:

(i) Enter upon the Premises and do whatever Tenant is obligated to do under the terms of this Lease, and Tenant agrees to reimburse Landlord for all reasonable costs and expenses that Landlord incurs in effecting compliance with Tenant's obligations under this Lease; or

(ii) Without terminating this Lease, enter upon and take possession of the Premises, expel or remove Tenant, and relet the Premises and receive the rent therefor. If Landlord elects to exercise the remedy provided under this Section 14(b)(ii), Landlord shall be entitled to recover from Tenant (A) any reasonable costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease through the date the Premises are relet, (B) the reasonable costs Landlord incurs to recover possession of the Premises from Tenant, including, without limitation, reasonable attorneys' fees, (C) the reasonable brokerage commissions, advertising costs and other similar expenses Landlord incurs to relet the Premises, and (D) an amount equal to the difference between the Monthly Rent and other sums that Tenant is required to pay hereunder during the remainder of the then-current Term (calculated without taking into account any unexercised Extension Option) and the rent received by Landlord on account of such reletting during said period (or if Landlord takes possession of the Premises for its own benefit, the fair rental value thereof), which amount shall be paid monthly, in arrears. If Landlord is successful in reletting the Premises at a rental in excess of that agreed to be paid by Tenant pursuant to the terms of this Lease, the parties agree that Landlord shall be entitled to retain such excess, but the same shall be applied to reduce the amounts Tenant owes Landlord hereunder, including, without limitation, costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease, the costs Landlord incurs to recover possession of the Premises, the brokerage commissions, advertising costs and other similar expenses Landlord incurs to relet the Premises, and future rental deficiencies; or

(iii) Terminate this Lease upon thirty (30) days' notice to Tenant, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may enter upon and take possession of the Premises and expel or remove Tenant. If this Lease is terminated pursuant to this subparagraph, Landlord shall be entitled to collect from Tenant: (A) any unpaid Rent that was due and owing prior to such termination, (B) any reasonable costs and expenses that Landlord incurs to effect compliance with Tenant's obligations under this Lease through the date of such termination, (C) the reasonable costs Landlord incurs to recover possession of the Premises from Tenant, including, without

limitation, reasonable attorneys' fees, and (D) any other actual damages that Landlord reasonably incurs as a result of the termination of this Lease, provided such other damages shall not exceed an amount equal to the present value (calculated by discounting the amount to the present at a rate equal to the lesser of twelve percent (12%) per annum or the maximum rate permitted under Applicable Laws) of the difference between the Monthly Rent and other sums that Tenant would have been required to pay hereunder during the remainder of the then-current Term (calculated without taking into account any unexercised Extension Option) and fair rental value of the Premises during said period (after taking into account the amount of time reasonably necessary to relet the Premises and the reasonable costs of reletting the Premises, i.e. reasonable brokerage commissions, advertising costs and other similar expenses).

Forbearance by Landlord to enforce one or more of the remedies herein provided upon a Tenant Default shall not be deemed or construed to constitute a waiver of Landlord's right to enforce any such remedies with respect to any subsequent Tenant Default. Landlord shall use reasonable efforts to mitigate the damage arising from any Tenant Default; provided, if Tenant believes Landlord has not mitigated its damages, Tenant shall have the burden of proving the same.

15. Landlord's Default. If (i) Landlord defaults under or breaches any of its obligations under this Lease or the Development Agreement, including, without limitation, the obligation to remedy any defect, deficiency or violation of Applicable Law related to the Premises (a "**Construction Defect**") and (ii) Landlord does not cure such default or breach (or cause the same to be cured) within thirty (30) days after Landlord receives written notice thereof from Tenant, then the same shall constitute a "**Landlord Default**" and Tenant shall have the right (but not the obligation) to attempt to cure such Landlord Default; provided if any such default or breach cannot reasonably be cured within thirty (30) days and Landlord commences to cure the same within the thirty (30) days after receiving written notice from Tenant, then no Landlord Default shall be deemed to have occurred so long as Landlord diligently and continuously cures such default or breach within not more than one hundred twenty (120) days, unless such cure period is extended, in writing, by Tenant. Notwithstanding the foregoing, in cases of emergency or where Landlord's failure to perform its obligations under this Lease or where any Construction Defect or other default or breach threatens to result in damage to any portion of the Premises or Tenant's property therein or threatens to cause a material interference with Tenant's business operations in the Premises, then Tenant shall have the right (but not the obligation) to perform such obligations or cure such Construction Defect or other default or breach, without the necessity of giving Landlord advance notice or affording it an opportunity to cure the same. If Tenant endeavors to cure any default or breach by Landlord (including, without limitation, any Construction Defect) pursuant to this Section, Landlord shall reimburse Tenant for the reasonable costs Tenant incurs in connection therewith. Landlord shall pay any amounts that it owes Tenant under this Section 15 within thirty (30) days after Tenant's written demand for the same along with reasonable documentation supporting such expenses; provided if Landlord fails to pay any amounts that Landlord owes Tenant under this Section within such thirty (30) day period, then Tenant may deduct the same from the next installments of Monthly Rent due under this Lease. Tenant shall also have all other remedies available at law or in equity on account of any Landlord Default.

Except as otherwise provided in this Lease, if Landlord shall fail to perform any term, condition, covenant, or obligation required to be performed by it under this Lease and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that it shall look solely to Landlord's (i) right, title and interest in and to the Premises, including, without limitation, all rights under the Ground Lease, (ii) the rents and other revenues generated by the Premises, (iii) the proceeds from the sale of the Premises, (iv) insurance proceeds paid on account of any damage to the Premises, and (v) condemnation awards paid on account of any taking of the Premises, for the collection of such judgment. Tenant further agrees that no other assets of Landlord shall be subject to levy, execution, or other process for the satisfaction of Tenant's judgment. The foregoing limitations shall not apply to any claims based on

Landlord's failure to comply with the terms of the Development Agreement, regardless of whether such claims are made against Landlord, or any guarantor of the Development Agreement.

16. Quiet Enjoyment. Subject to the other terms of this Lease, Landlord covenants that so long as Tenant timely pays all Rent and performs its obligations hereunder, Tenant shall peacefully and quietly have, hold and enjoy the Premises throughout the Term, without any hindrance, molestation or ejection whatsoever.

17. Right of Entry. Landlord shall have the right to enter the Premises to: (i) conduct inspections; (ii) perform maintenance, repairs and replacements that are its responsibility under this Lease; (iii) show the Premises to prospective purchasers of the Building and lenders; and (iv) show the Premises to prospective tenants during the last six (6) months of the then-current Term; provided Landlord shall not materially interfere with Tenant's use and enjoyment of the Premises. Except in cases of emergency, Landlord shall (a) give Tenant at least twenty-four (24) hours advance notice before entering upon the Premises, (b) use reasonable efforts to schedule such entry at a time that is reasonably acceptable to Tenant, and (c) be escorted by Tenant to protect patient privacy and any confidential health information.

18. Surrender. Upon the expiration or earlier termination of this Lease: (i) Tenant shall quit and surrender possession of the Premises to Landlord, and (ii) provide Landlord with the keys or combinations for all locks in the Premises. Before surrendering possession of the Premises to Landlord, Tenant shall, at its expense, remove all of its furnishings, Tenant's Signs and other personal property from the Premises, and Tenant shall promptly repair all material damage to the Premises resulting from the removal of such items. Before surrendering possession of the Premises to Landlord, Tenant may, at its sole option and expense, remove any of its trade fixtures from the Premises, and Tenant shall promptly repair all material damage to the Premises resulting from the removal of such items. If Tenant fails to remove any of the foregoing items from the Premises by the expiration or termination of this Lease, then Landlord may deem such items abandoned and dispose of the same in any manner Landlord sees fit; provided such removal and disposal does not interfere with other activities or operations being conducted on adjoining properties. Tenant shall reimburse Landlord, upon demand, for all commercially reasonable costs incurred by Landlord to remove and dispose of such items which Tenant is required to remove or dispose of in accordance with this Section 18, including, without limitation, the cost of repairing any material damage to the Premises caused by the removal of such required items.

19. Subordination, Non-Disturbance and Attornment.

(a) Subordination. This Lease shall be subject and subordinate to any first in priority mortgage, deed of trust, deed to secure debt, security deed, financing statement or other security interests now or hereafter encumbering Landlord's interest in the Premises (individually, a "**Mortgage**" and collectively the "**Mortgages**"), including, without limitation, all renewals, modifications, consolidations, replacements, amendments, supplements and extensions thereof; provided, as a condition to such subordination, the holder of the Mortgage ("**Mortgagee**") must agree, in writing and pursuant to a form attached hereto as Exhibit E, not to disturb Tenant's possession of the Premises and the rights and privileges granted to Tenant under this Lease so long as there is no outstanding Tenant Default. Notwithstanding anything herein to the contrary, if any Mortgagee elects, in writing, to have Tenant's interest in this Lease superior to its Mortgage, then by notice to Tenant from such Mortgagee, this Lease shall be deemed superior to such Mortgage, whether this Lease was executed before or after the same. Within thirty (30) days after receipt of an invoice and reasonable supporting documentation therewith, the requesting party shall reimburse the responding party for the actual, out-of-pocket fees (including attorney fees) it incurs for its review and response to any statement requested pursuant to this Section 19(a).

(b) Attornment. If Landlord's interest in the Premises is transferred to a Mortgagee or any purchaser at a foreclosure sale (a "**Foreclosure Purchaser**"), Tenant shall be bound to such Mortgagee

or Foreclosure Purchaser under the terms of this Lease and Tenant shall attorn to such Mortgagee or Foreclosure Purchaser, as the landlord hereunder, unless this Lease is terminated by Tenant pursuant to the terms hereof. The foregoing provision shall be self-operative; provided, however, Tenant shall, upon written demand, execute documentation confirming the matters set forth in this Section so long as such documentation is in a form reasonably acceptable to Tenant. Any Mortgagee or Foreclosure Purchaser succeeding to the interest of Landlord in the Premises shall not be (i) bound by any payment of Rent made by Tenant more than one (1) month in advance (unless otherwise required hereunder), or (ii) liable due to any act or omission of a prior landlord (including, without limitation, Landlord) except that which remains continuing and uncured after the transfer to Foreclosure Purchaser.

20. Notices. All notices, consents, approvals and other communications that may be or are required to be given by either Landlord or Tenant under this Lease shall be in written form and shall be given by either: (a) mailing the notice by certified or registered United States mail, return receipt required, postage prepaid, addressed to Landlord or Tenant, as applicable, or (b) nationally recognized overnight delivery service (e.g. FedEx, United Parcel Service) with charges prepaid or charged to the sender's account, addressed to Landlord or Tenant, as applicable, at:

If to Tenant: PeaceHealth RiverBend, LLC
c/o LifePoint Health, Inc.
330 Seven Springs Way
Brentwood, TN 37027
Attn: _____

with a required copy to: LifePoint Health, Inc.
330 Seven Springs Way
Brentwood, TN 37027
Attn: VP, Real Estate

and to: _____

Attn: _____

If to Landlord: Capital Growth Medvest, LLC
361 Summit Boulevard, Suite 220
Birmingham, AL 3524
Attn: Joe Baugh

with a required copy to: Capital Growth Medvest, LLC
361 Summit Boulevard, Suite 110
Birmingham, AL 3524
Attn: Chad Post

with a required copy to: Maynard Cooper & Gale, P.C.
1901 Sixth Avenue North, Suite 1700
Birmingham, AL 35203
Attn: Mel McElroy

Either party may change its address for notices by giving written notice to the other party in accordance with this provision. Notices shall be deemed received on the date of actual delivery; provided

if either Landlord or Tenant refuses to accept the delivery of any notice, such notice shall be deemed to have been actually delivered on the date of such refusal.

21. Representations and Warranties.

(a) Landlord's Representations. Landlord hereby represents and warrants to Tenant, as of the Effective Date, that: (i) Landlord is a limited liability company existing under the laws of the State of Alabama; (ii) Landlord has all power and authority necessary for Landlord to execute and deliver this Lease and perform all of Landlord's obligations under this Lease; (iii) the execution, delivery and performance of this Lease by Landlord does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter or any contract, agreement or other instrument to which Landlord is a party; (iv) Landlord has not filed or threatened to file any voluntary petition in bankruptcy or sought to reorganize its affairs under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors, Landlord has not been adjudicated as bankrupt or insolvent, or Landlord has not had an involuntary petition filed against it under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors; (v) to Landlord's knowledge, there are no lawsuits, arbitration proceedings or other similar actions pending or threatened against or affecting the Premises; (vi) upon completion of the Improvements in accordance with the terms of the Development Agreement, Landlord will be the owner of the Improvements located thereon, subject to the terms of the Ground Lease, free and clear of all easements, liens, claims, encumbrances and other exceptions to title, except for the Permitted Exceptions and any Mortgage pursuant to the terms and conditions of Section 19; (vii) there are no pending or, to Landlord's knowledge, threatened governmental actions, investigations or proceedings that will adversely affect the Premises (including, without limitation, condemnation or eminent domain proceedings, plans to modify an adjacent road or proposed assessments); (viii) upon completion of the Improvements in accordance with the terms of the Development Agreement, water, sewer, electricity, gas, broadband and telephone service will be provided to the Premises in compliance with the Development Agreement; (ix) to Landlord's knowledge, no Hazardous Substances have been discharged, disbursed, released, stored, treated, generated, disposed of, incorporated into or allowed to escape on, under or about the Premises; (x) Landlord has not granted any other Person an option to purchase, right of first offer to purchase, right of first refusal to purchase or any other purchase option to purchase Landlord's interest in the Premises; and (xi) Landlord is not and will not become a Person with whom U.S. persons are prohibited from doing business with under Applicable Laws, including, without limitation, the regulations of the Office of Foreign Asset Control ("OFAC") of the Department of Treasury (e.g. OFAC's Specially Designated and Blocked Persons list), Executive Order 13224, and the USA Patriot Act.

(b) Tenant's Representations. Tenant hereby represents and warrants to Landlord, as of the Effective Date, that: (i) Tenant is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Oregon; (ii) Tenant has all power and authority necessary for Tenant to execute and deliver this Lease and perform all of Tenant's obligations under this Lease; (iii) the execution, delivery and performance of this Lease by Tenant does not conflict with or result in a violation of any judgment, order or decree of any court or arbiter or any contract, agreement or other instrument; (iv) Tenant has not filed or threatened to file any voluntary petition in bankruptcy or sought to reorganize its affairs under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors, Tenant has not been adjudicated as bankrupt or insolvent, or Tenant has not had an involuntary petition filed against it under the Bankruptcy Code of the United States or any other federal, state or local law related to bankruptcy, insolvency or relief for debtors; and (v) Tenant is not and will not become a Person with whom U.S. persons are prohibited from doing business with under Applicable Laws, including, without limitation, the regulations of the OFAC of the Department of Treasury (e.g. OFAC's Specially Designated and Blocked Persons list), Executive Order 13224, and the USA Patriot Act.

22. Right of First Opportunity.

(a) Right of First Opportunity. Throughout the Term, as the same is extended, Tenant shall have a continuing right of first opportunity (“**Right of First Opportunity**”) in the event Landlord desires to sell, transfer or convey its interest in the Premises, including without limitation, its interests as lessee under the Ground Lease, to an arm’s length third party (a “**Sale Transaction**”); provided, however the Right of First Opportunity shall not apply in any Sale Transaction arising from a Leasehold Mortgagee exercising its rights under any credit agreement relating to a Leasehold Mortgage. Prior to entering into any Sale Transaction, Landlord shall send a written statement (a “**Transaction Statement**”) to Tenant detailing the terms and conditions upon which Landlord is willing to enter into such Sale Transaction, which such terms and conditions shall include, without limitation, the Incremental Expansion Premises Value or the value attributable to any rental income received from such Expansion Premises. Tenant shall have thirty (30) days after its receipt of a Transaction Statement to notify Landlord, in writing, if it is interested in purchasing Landlord’s interest in the Premises on the terms and conditions set forth in the Transaction Statement. If Tenant timely notifies Landlord that it desires to exercise its Right of First Opportunity, Landlord and Tenant shall endeavor, in good faith and with reasonable diligence, to negotiate and enter into a binding agreement with respect to such Sale Transaction, containing the terms and conditions set forth in said Transaction Statement, as the same may be modified by mutual agreement of Landlord and Tenant (a “**Purchase Contract**”). The purchase price under any such Purchase Contract shall not include the incremental value, if any, of any Expansion Premises constructed by Tenant pursuant to Section 8(c) over and above the value of the Premises (not including the Expansion Premises) based on the rental income and value of the improvements on such Premises (not including the Expansion Premises) as reasonably demonstrated by Tenant (“**Incremental Expansion Premises Value**”). Landlord shall not market the Sale Transaction or engage in negotiations, discussions or other communications regarding any Sale Transaction with a Person other than Tenant for a period of thirty (30) days after Tenant’s exercise of the Right of First Opportunity in connection therewith. The rights granted to Tenant hereunder shall be ongoing and shall not be affected by Tenant’s failure to exercise the Right of First Opportunity on one or more occasions.

(b) Decline of Right. If (i) Tenant does not respond in a timely fashion to any Transaction Statement, (ii) Tenant notifies the Landlord that it is not interested in purchasing the Landlord’s interest in the Premises upon the terms set forth in any Transaction Statement, or (iii) the parties do not enter into a Purchase Contract within sixty (60) days after the exercise of the Right of First Opportunity, then, for a period of one (1) year thereafter, Landlord may sell its interest in the Premises to a third party so long as (a) the economic terms of the Sale Transaction are not substantially less favorable to Landlord than those set out in the Transaction Statements, and (b) Landlord has complied with the terms of Section 23 (Tenant’s Right of First Refusal); provided, if the amount Landlord will receive from any Sale Transaction is expected to exceed ninety-five percent (95%) of the amount the Landlord would have received under the terms set forth in the Transaction Statement, then the economic terms of the Sale Transaction shall be deemed to be as favorable to Landlord as those described in the Transaction Statement. Notwithstanding anything to the contrary in this Section 22, any proposed sale, transfer or conveyance of Landlord’s interest in the Premises will be subject to the terms of Section 23 (Tenant’s Right of First Refusal) and regardless of whether Tenant waived its right or failed to exercise its right to purchase Landlord’s interest in the Premises under this Section 22.

(c) Change of Terms. If there is a change in the terms and conditions of any Sale Transaction which is materially less favorable to Landlord, Landlord shall be required to submit a new Transaction Statement (and, as applicable a copy of the applicable contract or amendment to the contract with such changed terms and conditions) to Tenant in accordance with the terms of this Section 22 prior to entering into such Sale Transaction with a third party and Tenant may exercise the Right of First Opportunity, within the time period set forth above, in connection therewith. In addition, if Landlord does not enter into a contract for the Sale Transaction detailed in any Transaction Statement within one (1) year

after Tenant's receipt of such Transaction Statement, then Landlord must resubmit such Transaction Statement to Tenant in accordance with the terms of this Section 22 prior to entering into such Sale Transaction with a third party and Tenant may exercise the Right of First Opportunity in connection therewith.

(d) Limitations on Terms. No Transaction Statement shall (i) include any property interest other than Landlord's interest in the Premises, together with its interest as lessee under the Ground Lease, (ii) contain any provisions that are intended to frustrate or defeat the Right of First Opportunity; or (iii) restrict or prevent Tenant from using any portion of the Premises for the purposes permitted under this Lease.

(e) Inapplicability. Tenant's Right of First Opportunity shall not be applicable in the event of any of the following transactions: (i) transfers of ownership interests in Landlord resulting from the death of the holder thereof; (ii) the issuance or transfer of stock, units, shares or other securities by a Parent Entity, whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Landlord or an Affiliate of Landlord, so long as such Parent Entity owns material assets other than its ownership interests in Landlord; (iii) the transfer of an ownership interest in Landlord pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of Landlord to an Affiliate of Landlord; (iv) the transfer of an ownership interest in Landlord to an Affiliate of Landlord or (v) an assignment to an entity which is subleasing back to Landlord or its Affiliate or any entity in which Landlord has an ownership interest, the entire Premises pursuant to a "sale/leaseback" transaction; provided, however, in the event that any such transaction described in this Section 22(e) shall directly result in greater than 50% of the voting interests in Landlord being vested in a Disqualified Person (as that term is hereinafter defined), then Tenant's Right of First Opportunity shall be available to Tenant pursuant to Section 22(a).

(f) Portfolio Transfer. If Landlord desires to sell, transfer, or convey its interest in the Premises as part of a portfolio transfer of assets owned by Landlord, an Affiliate of Landlord, and/or by a Parent Entity, the Transaction Statement shall (i) expressly state that Landlord, an Affiliate of Landlord and/or its Parent Entity desire to include Landlord's interest in the Premises as part of such a portfolio transfer, (ii) be limited to Landlord's interest in the Premises, (iii) state the portion of the purchase price of said portfolio reasonably allocated to Landlord's interest in the Premises, and (iv) include reasonable supporting evidence and documentation showing the foregoing allocation.

23. Right of First Refusal.

(a) Right of First Refusal. Throughout the Term, Tenant shall have a continuing right of first refusal to acquire the Landlord's interest in the Premises, including without limitation, its interests as lessee under the Ground Lease. Accordingly, if Landlord desires to enter into any transaction whereby Landlord will transfer its interest in the Premises, (i) Landlord shall provide Tenant with a binding contract setting forth all of the terms and conditions of said transaction (an "**Offer**"), which contract shall contain a provision whereby the effectiveness of said contract is subject to Tenant's Right of First Refusal contained in this Section 23, and (ii) Tenant shall have the right ("**Right of First Refusal**") to acquire Landlord's interest in the Premises on the terms of the Offer; provided, however that the Right of First Refusal shall not apply in any Sale Transaction arising from a Leasehold Mortgagee exercising its rights under any credit agreement relating to a Leasehold Mortgage. Tenant shall have thirty (30) days from its receipt of any Offer within which to exercise the Right of First Refusal. If Tenant exercises its Right of First Refusal, the Offer shall be deemed to include a credit towards the purchase price that is payable to Tenant in an amount equal to the Incremental Expansion Premises Value or the value attributable to any rental income received from such Expansion Premises. In the event Tenant does not notify Landlord that Tenant is exercising the Right of First Refusal within thirty (30) days after Tenant's receipt of any Offer, Landlord may proceed with the

transfer of its interest in the Premises in strict accordance with the terms of such Offer; provided if there are any changes in such Offer, a new “Offer” will be deemed to have been made and Landlord will not be entitled to transfer its interest in the Premises until Landlord has complied with all of the terms of this Section 23 with respect to such new Offer. If Tenant exercises the Right of First Refusal, Landlord and Tenant shall enter into a purchase contract on substantially the same terms as those contained in the Offer. The rights granted to Tenant hereunder shall be ongoing and shall not be affected by Tenant’s failure to exercise the Right of First Refusal on one or more occasions.

(b) Offer Restrictions. No Offer shall (i) provide for any non-cash consideration to be received by Landlord as part of the purchase price for its interest in the Premises, (ii) include any property interest that is not a part of the Premises or Landlord’s interest in the Premises (e.g. a bulk sale), (iii) contain any provisions that are intended to frustrate or defeat the Right of First Refusal or that only the proposed transferee is reasonably capable of satisfying, (iv) restrict the use of or otherwise encumber the Premises (or any portion thereof), or (v) require any alterations, additions, changes or improvements to the Premises. Any provisions of an Offer that violate the terms of this Section 23(b) shall be of no force or effect as between Landlord and Tenant and Tenant need not match such provisions. In addition, Landlord shall not enter into transaction under which it will transfer a portion, but not all, of Landlord’s interest in the Premises.

(c) Effect of Non-Exercise. If Tenant does not exercise the Right of First Refusal in connection with any Offer, this Lease (including, without limitation, the rights granted Tenant under this Section 23) shall remain in full force and effect and Landlord and its successors and assigns (including, without limitation, any purchaser of the Premises) shall remain bound hereby. Landlord and Tenant agree that any transfer of Landlord’s interest in the Premises shall be made expressly subject to all of the terms, covenants and conditions of this Lease.

(d) Invalid Sale. Any transfer of Landlord’s interest in the Premises in violation of the terms of this Section 23 (an “**Invalid Sale**”) shall, at the option of Tenant, be null and void. Tenant shall have the right to purchase Landlord’s interest in the Premises upon the terms and conditions of any Invalid Sale. The payment of any Rent to a Person who acquires Landlord’s interest in the Premises or Tenant’s treatment of such Person as the “Landlord” under this Lease shall not be deemed to be a waiver of Tenant’s rights under this Section 23.

(e) Applicability. For purposes hereof, if Landlord is an entity (such as, by way of example and not limitation, a corporation, general partnership, limited partnership or limited liability company) the transfer of a majority of the ownership interests (e.g. stock, partnership interests or membership interest) or voting rights in Landlord or any other arrangement that has substantially the same effect as a sale of the Premises shall be deemed to be a transfer of Landlord’s interest in the Premises and shall be subject to the terms of this Section 23, excluding (i) transfers of ownership interests in Landlord resulting from the death of the holder thereof, (ii) the issuance or transfer of stock, units, shares or other securities by a Parent Entity, whether through public or private offerings, including without limitation, the issuance of or transfer of stock, units, shares, or other securities by Landlord or an Affiliate of Landlord, so long as such Parent Entity owns material assets other than its ownership interests in Landlord, (iii) the transfer of an ownership interest in Landlord pursuant to a merger, reorganization, consolidation, or other similar transaction involving substantially all of the assets of Landlord to an Affiliate of Landlord, or (iv) the transfer of an ownership interest in Landlord or an Affiliate of Landlord; provided, however, if any such transaction described in this Section 23(e) shall directly result in greater than 50% of the voting interests in Landlord being vested in a Disqualified Person, then Tenant’s Right of First Refusal shall be available to Tenant pursuant to this Section 23.

(f) Portfolio Transfer. If Landlord intends to sell, transfer or convey its interest in the Premises as part of a portfolio transfer of assets owned by Landlord, an Affiliate of Landlord and/or by a Parent Entity, the Offer shall (i) expressly state that Landlord, an Affiliate of Landlord, and/or its Parent Entity intend to include Landlord's interest in the Premises as part of such a portfolio transfer, (ii) be limited to Landlord's interest in the Premises, (iii) state the portion of the purchase price of said portfolio reasonably allocated to Landlord's interest in the Premises, and (iv) include reasonable supporting evidence and documentation showing the foregoing allocation.

24. Purchase Option.

(a) Grant of Option. On the Purchase Option Date, Tenant shall have the right and option to purchase the Landlord's interest in the Premises, including without limitation, its interest as lessee under the Ground Lease, from Landlord ("**Purchase Option**") upon and in accordance with the provisions of this Section 24. If Tenant desires to exercise the Purchase Option it may do so by giving written notice to Landlord at least one hundred eighty (180) days prior to the applicable Purchase Option Date. Except as provided herein, the Purchase Option, once exercised, shall be a binding contract for the purchase and sale of the Landlord's interest in the Premises, including without limitation, its interest as lessee under the Ground Lease, on and subject to the terms and conditions set forth herein.

(b) Purchase Price. Subject to the prorations and adjustments set forth herein, if Tenant elects to exercise the Purchase Option, the purchase price ("**Purchase Price**") for the Landlord's interest in the Premises shall be equal to the greater of (i) either (A) the total initial cost of the Improvements, not to exceed the Adjusted Project Costs, plus any Capital Item Contribution and the unamortized cost of Alterations to the Premises paid for by Landlord after Final Completion occurs pursuant to a subsequent written agreement between Landlord and Tenant or pursuant to Sections 7(a)(ii) or 8(c), plus the amounts actually paid by Landlord to acquire the Land in addition to any third-party closing costs associated therewith, or (B) if the Land, the Improvements and Landlord's interest in the Premises have been sold to a bona fide third-party purchaser between the Commencement Date and the date that the Purchase Option is exercised, the purchase price paid by the most recent third-party purchaser in addition to any third-party closing costs associated therewith plus any Capital Item Contribution and the unamortized cost of Alterations to the Premises paid for by Landlord after such sale and made pursuant a subsequent written agreement between Landlord and Tenant or pursuant to Sections 7(a) or 8(c); and (ii) ninety-eight and one-half percent (98.5%) of the fair market value of the Landlord's interest in the Premises determined in accordance with Section 24(c) ("**Fair Market Value**") which fair market value determination shall include any Capital Item Contribution and the unamortized cost of Alterations to the Premises paid for by Landlord after Final Completion occurs pursuant to a subsequent written agreement between Landlord and Tenant or pursuant to Sections 7(a)(ii) or 8(c). At the Closing, Tenant shall pay the Purchase Price to Landlord, in immediately available funds.

(c) Fair Market Value. If Tenant funds any Alteration or Expansion Premises, the Incremental Expansion Premises Value will not be considered when determining Fair Market Value. During the ten (10) Business Day period after the exercise of the Purchase Option, Tenant and Landlord shall endeavor in good faith to agree upon a mutually acceptable Appraiser. If Tenant and Landlord reach agreement on one (1) Appraiser, then they shall jointly engage the Appraiser, and each shall pay one-half of the appraisal fee.

(i) If Tenant and Landlord fail to reach agreement on one (1) Appraiser during such ten (10) Business Day period, then no later than ten (10) Business Days after the lapse of such ten (10) Business Day period, each shall select and engage one (1) Appraiser and notify the other of the Appraiser selected. Each party shall pay the appraisal fee of its Appraiser.

(ii) The single Appraiser or the two (2) Appraisers, as the case may be, shall determine the Fair Market Value as required herein, and shall furnish each party a written determination of such Fair Market Value within ten (10) Business Days after the Appraiser's appointment. If the parties have agreed upon a single Appraiser, the single Appraiser's appraisal shall be binding on the parties. If each party has selected an Appraiser, and if the determinations of the two (2) Appraisers are within ten percent (10%) of each other, the Fair Market Value binding on the parties shall be the average of the two (2) determinations. If only one (1) party selects an Appraiser and timely notifies the other party of its selection, and such party's Appraiser gives such notice within the ten (10) Business Day period, the determination of Fair Market Value made by that Appraiser shall be deemed to be the Fair Market Value and likewise shall be binding on the parties.

(iii) If the two (2) Appraisers do not agree within ten percent (10%) on the Fair Market Value within ten (10) days after both Appraisers notify the parties of their respective determination of Fair Market Value, each party will cause the Appraiser selected by it to select by mutual agreement a Third Appraiser. If the Appraiser selected by only one (1) party supplies the name of an Appraiser during such ten (10) day period, the Appraiser named by such Appraiser shall be the "Third Appraiser." In either case, each party shall pay one-half of the appraisal fee of the Third Appraiser.

(iv) Within ten (10) Business Days from the date of this appointment, the Third Appraiser shall make a determination of Fair Market Value. If the Third Appraiser's appraisal is equal to one (1) of the appraisals of the first two (2) appraisals, the Third Appraiser's appraisal shall be deemed to be the Fair Market Value and shall be binding on the parties. If the Third Appraiser's appraisal is not equal to one (1) of the appraisals of the first two (2) Appraisers, then the average of the two (2) closest appraisals shall be deemed to be the Fair Market Value and shall be binding on the parties.

Tenant shall have the right to terminate and cancel its exercise of the Purchase Option by providing written notice to Landlord within ten (10) days after its receipt of notice of the determination of the Fair Market Value, in which event this Lease shall remain in full force and effect until the expiration or earlier termination of the Term and Tenant shall reimburse Landlord for Landlord's portion of appraisal expenses related to determination of the Fair Market Value.

(d) Title Insurance. Tenant's obligations to purchase Landlord's interest in the Premises is conditioned on Tenant receiving a leasehold title policy in the amount of the Purchase Price ("Title Policy"). The Title Policy shall: (i) be based on a title commitment of the Land prepared by a title insurance company of Tenant's choosing, and (ii) insure Tenant's good and valid leasehold interest in the Premises, subject only to the Permitted Exceptions. If Tenant is unable to obtain the Title Policy or the same does not satisfy the requirements of this Section 24(d), Tenant may, as its sole and exclusive remedy, terminate and cancel its exercise of the Purchase Option within forty five (45) days after the determination of Fair Market Value, in which event this Lease shall remain in full force until the expiration or earlier termination of the Term, as if the Purchase Option had never been exercised, but the Purchase Option shall no longer be of any force or effect and Tenant shall reimburse Landlord for Landlord's portion of appraisal expenses related to determination of the Fair Market Value. If Tenant fails to terminate the exercise of the Purchase Option within such forty-five (45) day period, Tenant's right to terminate the exercise of the Purchase Option shall be deemed waived.

(e) Closing. The time and date of the Closing and the exact location thereof shall be determined by Tenant and reasonably acceptable to Landlord, provided Tenant shall give Landlord at least ten (10) Business Days advance written notice of the date, time and location of the Closing, and provided further that the Closing shall occur no later than forty-five (45) days after the applicable Purchase Option Date. At the Closing, Landlord shall deliver the following items to Tenant, properly executed and notarized: (i) an Assignment and Assumption of the Ground Lease, assigning all of Landlord's right, title, and interest

in the Ground Lease to Tenant, free of liens and subject only to the Permitted Exceptions (“**Ground Lease Assignment**”); (ii) an agreement, in form and substance reasonably acceptable to Landlord and Tenant, terminating this Lease; (iii) if a memorandum of this Lease has been recorded pursuant to Section 27(r) herein, an agreement, in recordable form, terminating any such memorandum (“**Lease Termination Memorandum**”), (iv) an owner’s affidavit, in form and content, sufficient to have the mechanics’ and materialmen’s exception, rights of parties in possession exception and any other standard exceptions removed from the Title Policy and the gap insured; and (v) all other documents, instruments, certificates and affidavits that are necessary to consummate the transaction contemplated by this Section 24, including, without limitation, a settlement sheet and an IRS §1445 certificate. At or prior to Closing, Landlord shall cause any and all Monetary Liens.

(f) Closing Costs and Prorations. At Closing, Tenant shall pay the cost of recording the Ground Lease Assignment and the Lease Termination Memorandum, the cost of Tenant’s Title Policy and Tenant’s legal fees, all state and local taxes assessed as a result of the conveyance of the Landlord’s interest in the Premises to Tenant, and all other costs customary for a buyer to pay; and Landlord shall pay the grantor’s transfer taxes assessed as a result of the conveyance of the Landlord’s interest in the Premises to Tenant, Landlord’s legal fees, any recording fees to release any Monetary Liens created by acts or omissions of Landlord, and all other costs customary for a seller to pay. Other costs and expenses of Closing shall be split by the parties. Landlord and Tenant acknowledge that Tenant is required to pay the Property Taxes levied or assessed against the Premises. Accordingly, real property taxes and governmental assessments (general and special) will not be prorated between the parties at Closing.

25. Transfer or Assignment of Landlord’s Interest.

(a) Transfers or Assignment by Landlord. Following the Commencement Date, Landlord shall have the right to assign or transfer, in whole or in part, every feature of its right and obligations hereunder and the Premises, provided it complies with the terms of this Section 25 and the other terms of this Lease. In the event of a sale or conveyance by Landlord of the Premises, the same shall operate to release Landlord from any and all liability under this Lease arising after the date of such sale, transfer, or assignment; provided the assignee assumes, in writing, the obligations and liabilities of Landlord under this Lease for the benefit of Tenant. Tenant’s right to quiet possession of the Premises shall not be disturbed so long as Tenant shall pay the Rent and observe and perform all of the provisions of this Lease to be observed and performed by Tenant, subject to any applicable notice and cure period, unless this Lease is terminated pursuant to specific provisions contained herein. Landlord shall not assign this Lease or sell the Premises to any Disqualified Person or otherwise violate the terms of this Lease.

(b) Disqualified Person.

(i) Except as otherwise provided in Section 25.(b)(ii) of this Lease, in no event shall: (i) Landlord’s interest in the Premises be owned by any Disqualified Person, directly or indirectly; or (ii) any of the ownership interests (such as, without limitation, stock membership interest, partnership interests or limited partnership interests), or voting rights in Landlord be held by any Disqualified Person, directly or indirectly. For purposes hereof, a direct or indirect ownership interest in Landlord, Landlord’s interest in the Premises or voting rights of Landlord shall mean that such Disqualified Person (A) holds an ownership or voting interest in Landlord, directly or indirectly, (B) holds an ownership or voting interest in any entity that, directly or indirectly, holds an ownership or voting interest in Landlord, (C) holds an ownership interest in the Premises, directly or indirectly, or (D) holds an ownership or voting interest in any entity that, directly or indirectly, holds an ownership interest in the Premises.

(ii) Tenant acknowledges that Landlord may be owned, and may in the future be owned, in whole or in part, directly or indirectly, by one or more publicly traded entities (each, whether one or more, now or in the future, and whether a direct or indirect owner of Landlord, a “**Publicly**

Traded Parent”). Notwithstanding anything to the contrary contained in this Lease, the ownership of the stock or other interests in a Publicly Traded Parent by a Disqualified Person shall not be deemed a violation of the provisions of this Lease.

26. **Guaranty.** The obligations of Tenant under this Lease shall be guaranteed by Lifepoint Guarantor, and JV Partner pursuant to the form of Guaranty Agreement set forth in **Exhibit C** attached hereto. JV Partner and Lifepoint Guarantor will each guarantee the obligations of Tenant on a several basis, and not on a joint basis, with JV Partner being responsible for sixty percent (60%) of Tenant’s obligations under this Lease, and Lifepoint Guarantor being responsible for forty percent (40%) of Tenant’s obligations under this Lease, all as more particularly described in the form of Guaranty Agreement attached hereto.

27. **Miscellaneous Provisions.**

(a) **Consents.** Unless otherwise expressly stated herein, whenever Landlord’s or Tenant’s consent is required under this Lease, such consent shall not be unreasonably withheld, qualified or delayed.

(b) **Cooperation.** Upon Tenant’s request, and at no cost or expense to Landlord, Landlord agrees to cooperate with, assist and join in Tenant’s efforts to obtain all governmental permits, licenses and approvals that Tenant deems necessary or desirable for Tenant’s use and enjoyment of the Premises for any of the Permitted Uses or any other uses approved by Landlord, including, without limitation, any Alterations undertaken by or on behalf of Tenant in accordance with **Section 8(a)**.

(c) **Financial Statements.** At any time after the Commencement Date, if requested by Landlord (which Landlord may request no more than once per 12-month period of the Term), Tenant shall furnish to Landlord (i) unaudited financial statements prepared for such fiscal year with respect to Tenant, including a balance sheet and operating statement as of the end of such fiscal year, and (ii) liquidity projections for the then-current fiscal year. At Tenant’s option, the financial statements may be prepared internally by accounting professionals employed by Lifepoint or JV Partner or a public accounting firm selected by Tenant.

(d) **Records.** Upon the written request of the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General of the Government Accounting Office, or their authorized representatives, Landlord shall make available this Lease and all books, documents, and records necessary to certify the nature and extent of Landlord’s costs with respect to this Lease and the Premises for a period of four (4) years after performing its duties hereunder. If Landlord carries out any of its duties under this Lease through a subcontract worth \$10,000 or more over a 12-month period, Landlord will exercise commercially reasonable efforts to ensure that the subcontract will also contain an access clause to permit access by the Secretary, Comptroller General, and their authorized representatives to such subcontractor’s books and records.

(e) **Regulatory Matters.**

(i) Landlord and Tenant enter into this Lease with the intent of conducting their relationship and implementing the agreements contained herein in full compliance with applicable federal, state and local law, including without limitation, the Medicare/Medicaid Anti-Kickback statute (“**Anti-Kickback Statute**”) and Section 1877 of the Social Security Act (“**Stark Law**”), as amended. Notwithstanding any unanticipated effect of any of the provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would constitute a violation of the Anti-Kickback Statute or the Stark Law. Without limiting the generality of the foregoing, Landlord and Tenant expressly agree that nothing contained in this Lease shall require either party to refer any patients to the other, or to any Affiliate or Subsidiary of the other.

(ii) If any legislation, regulation or government policy is passed or adopted, the effect of which would cause either party to be in violation of such laws due to the existence of any provision of this Lease, then Landlord and Tenant agree to negotiate in good faith for a period of ninety (90) days to modify the terms of this Lease to comply with Applicable Law.

(iii) The parties hereto acknowledge and agree that (a) the Premises leased hereunder do not exceed that which are reasonable and necessary for Tenant's legitimate business purpose and are used exclusively by Tenant during the Term; (b) the rental charges over the Term are set in advance, are consistent with fair market value, and are not determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties; and (c) this arrangement would be commercially reasonable even if no referrals were made between the parties. Nothing in this Lease, whether written or oral, nor any consideration in connection herewith requires the referral of any patient. This Lease is not intended to influence the judgment of Tenant in choosing the medical facility appropriate for the proper treatment of patients. Tenant shall not receive any compensation or remuneration in exchange for referrals. The parties hereto support a patient's right to select the medical facility of his or her choice. The parties specifically do not intend to violate the federal (or any state's versions of the) Stark Law and Anti-Kickback Statute and intend to meet the requirements of the Lease Exception set forth at 42 CFR 411.357(a), and to the extent possible, of the Lease Safe Harbor set forth at 42 CFR 1001.952(b).

(iv) Landlord certifies that, as of the Effective Date of this Lease, no member of his or her immediate family (or if Landlord is a corporate entity, then no principal of Landlord has a member of his or her immediate family that) has entered into a financial relationship, including an employment relationship, with Tenant or an Affiliate of Tenant related to the provision of designated health services as defined in Section 1877 of the Social Security Act or that, if such relationship exists, it has been disclosed to and approved by Tenant. Landlord agrees to give Tenant five (5) Business Days written notice if such a relationship is created during the Term of this Lease. For purposes of this paragraph, "immediate family" is defined to mean any of the following: spouse; natural or adoptive parent, child or sibling; stepparent, stepchild, stepbrother, stepsister; father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, sister-in-law; grandparent, grandchild and spouse of a grandparent or grandchild. Notwithstanding anything to the contrary contained in this Lease, the ownership of the stock or other interests in a Publicly Traded Parent shall not be deemed a principal of Landlord for purposes of this Section.

(v) Landlord hereby represents and warrants that Landlord is not, and at no time has been, an Excluded Person. Landlord hereby agrees to notify Tenant immediately of any threatened, proposed, or actual exclusion of Landlord from any federally funded health care program, including Medicare and Medicaid or to the extent that Landlord becomes an Excluded Person. If Landlord becomes an Excluded Person during the Term, or if at any time after the Effective Date of this Lease it is determined that Landlord is in breach of this Section, Tenant shall, as of the effective date of such exclusion or breach, have the rights and remedies set forth in Section 27(e)(vii) of this Lease.

(vi) Notwithstanding anything to the contrary contained in the Lease, if the performance by either party hereto of any term, covenant, condition, or provision of this Lease jeopardizes the licensure of Tenant or an Affiliate of Tenant, its participation in or the payment or reimbursement from, Medicare, Medicaid program, Blue Cross, or other reimbursement or payment programs, or its full accreditation by the Joint Commission, as applicable, or any other state or nationally recognized accreditation organization, or the tax-exempt status of Tenant or an Affiliate of Tenant, any of its property or financing (or the interest income thereon, as applicable), or will prevent or prohibit any physician, or any other health care professionals or their patients from utilizing Tenant or any of its services, or if for any other reason said performance should be in violation of any statute, ordinance, or be otherwise deemed

illegal, or be deemed unethical by any recognized body, agency, or association in the medical or hospital fields, Tenant shall have the rights and remedies set forth in Section 27(e)(vii) of this Lease.

(vii) Upon the occurrence of any of the events referenced in Section 27(e)(v) or (vi) of this Lease or any potential violation of the Anti-Kickback Statute and/or Stark Law, Tenant shall give Landlord written notice of the matter at issue, and Tenant and Landlord agree to promptly engage in good faith negotiations to resolve the matter through an amendment to this Lease. If the parties are unable to resolve the matter through an amendment to this Lease within thirty (30) days after Tenant's written notice to Landlord thereof, and the parties do not otherwise agree upon a course of action to resolve the matter within the same thirty (30) day period, then the parties agree to submit the matter to binding arbitration with AHLA for resolution pursuant to the AHLA Rules of Procedure for Arbitration at a mutually agreeable location, and judgment on any award rendered by such arbitrators may be entered in any court having jurisdiction thereof. Tenant and Landlord agree that a matter submitted to arbitration will be arbitrated before a panel of three (3) arbitrators, appointed in accordance with the AHLA Rules of Procedure for Arbitration.

(f) Estoppel Certificates. Within fifteen (15) Business Days after its receipt of a written request from the other party, Landlord or Tenant, as applicable, shall execute and deliver to the other party or its designee a written statement in the form attached hereto as **Exhibit F**. Within thirty (30) days after receipt of an invoice and reasonable supporting documentation therewith, the requesting party shall reimburse the responding party for the actual, out-of-pocket fees (including attorney fees) it incurs for its review and response to any statement requested pursuant to this Section 27(f).

(g) Offset. If Landlord fails to pay Tenant any amounts that Landlord owes Tenant under this Lease, after the applicable notice and cure period set forth in this Lease, Tenant may deduct such amounts with interest thereon (the "**Rental Offsets**") from the Rent and retain the same; provided, however, the total Rental Offsets in any calendar year shall not exceed fifteen percent (15%) of the total Monthly Rent during such calendar year and the Rental Offsets in any month shall not exceed fifteen percent (15%) on the Monthly Rent payable during such month

(h) Force Majeure. If Landlord or Tenant is delayed in performing any of its obligations under this Lease due to a Force Majeure Event, then the period of time that Landlord or Tenant, as applicable, has to perform the obligation shall be extended by the period of such delay; provided, however, the provisions of this Section shall not operate to (i) excuse, extend or abate Tenant's obligation to pay any Rent, (ii) excuse Landlord's or Tenant's inability to perform its obligations hereunder because of inadequate finances, or (iii) excuse Landlord's failure to deliver exclusive possession of the Premises to Tenant except if such event is also a force majeure event under the Development Agreement.

(i) Landlord's Liens. Landlord hereby waives any and all liens, whether statutory, constitutional, possessory or otherwise, that Landlord may, now or hereafter, have with respect to any of Tenant's property, including, without limitation, trade fixtures, furnishings, accounts receivable and equipment.

(j) Holdover. If Tenant retains possession of the Premises after the expiration or earlier termination of this Lease, Tenant shall be a tenant at sufferance at one hundred twenty-five percent (125%) of the Monthly Rent for the Premises in effect upon the date of such expiration or earlier termination, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of Rent after such expiration or earlier termination shall not result in a renewal of this Lease, nor shall such acceptance create a month-to-month tenancy. If a month-to-month tenancy is created by operation of law, either party shall have the right to terminate such month-to-month tenancy upon thirty (30) days' prior written notice to the other, whether or not said notice is given on the Monthly Rent paying date. This Section 27(j) shall in no way constitute a consent by Landlord to any holding over

by Tenant upon the expiration or earlier termination of this Lease, nor limit Landlord's remedies in such event. In no event shall Tenant be liable for consequential damages in connection with a holdover.

(k) No Brokers. Landlord and Tenant each (i) represents and warrants to the other that it has not dealt with any real estate broker, finder or listing agent in connection with this Lease, and (ii) agrees to indemnify, defend and hold harmless the other from and against any claim for a commission, fee or other compensation made by a broker, finder or listing agent with whom it has dealt (or allegedly dealt). The provisions of this Section 27(k) shall survive the expiration or termination of this Lease.

(l) Successors and Assigns. This Lease shall be binding on Landlord, Tenant and their respective successors and assigns.

(m) Relationship of Parties. The relationship of Landlord and Tenant is solely that of independent third parties engaged in an arm's length transaction. Nothing contained in this Lease shall be deemed or constructed as creating a partnership, joint venture, agency or other similar relationship between Landlord and Tenant.

(n) Severability. If any provision of this Lease is found by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remainder of this Lease will not be affected, and in lieu of each provision that is found to be illegal, invalid or unenforceable, the parties will add a provision as a part of this Lease that is as similar to the illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

(o) Entire Agreement. This Lease constitutes the entire agreement between the parties with respect to the Premises, and all prior negotiations and understandings shall be deemed incorporated herein. This Lease may only be amended or modified by a written instrument signed by both Landlord and Tenant.

(p) No Waiver. No waiver by Landlord or Tenant of any provision or breach of this Lease shall be deemed to have been made unless the same is in writing, and no waiver of any provision or breach of this Lease shall be deemed a waiver of any other provisions or breach. Landlord's or Tenant's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of Landlord's or Tenant's consent to or approval of any subsequent act.

(q) Submission. The submission of this Lease does not constitute an offer, and this document shall become effective and binding only upon the execution and delivery hereof by both Landlord and Tenant. Furthermore, copies of this Lease that have not been executed and delivered by both Landlord and Tenant shall not serve as a memorandum or other writing evidencing an agreement between the parties.

(r) Memorandum of Lease. This Lease shall not be recorded in the public records. Notwithstanding the foregoing, simultaneous to the execution of this Lease, Landlord and Tenant shall execute and thereafter promptly record a memorandum of this Lease in the form attached as Exhibit D; provided the cost of recording such memorandum shall be borne by the requesting party.

(s) Attorney Fees. In the event of any lawsuit between the parties arising from or relating to this Lease, the prevailing party in such lawsuit shall be entitled to recover its reasonable costs, expenses and attorneys' fees from the non-prevailing party therein, including without limitation, court costs, professional fees and other litigation expenses through all appellate levels and in bankruptcy court. This Section 27(s) shall survive the expiration or termination of this Lease.

(t) Exhibits. Landlord and Tenant acknowledge and agree that all exhibits referenced in this Lease are attached hereto and incorporated herein by reference.

(u) Governing Law, Venue and Jurisdiction. This Lease shall be governed by the laws of the State of Oregon. Landlord and Tenant stipulate and agree that any lawsuit or other legal action arising from or relating to this Lease (or any agreement formed pursuant to the terms hereof) shall only be commenced, and such jurisdiction and venue shall only be valid, in state court of the county where the Land is located.

(v) WAIVER OF TRIAL BY JURY. EACH OF LANDLORD AND TENANT ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTION OF THE UNITED STATES AND THE STATE OF OREGON. EACH OF LANDLORD AND TENANT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR (ii) IN ANY MANNER CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF LANDLORD AND TENANT WITH RESPECT TO THIS LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREINAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; EACH OF LANDLORD AND TENANT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY, AND THAT EITHER PARTY MAY FILE A COPY OF THIS SECTION 27(V) WITH ANY COURT AS CONCLUSIVE EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

(w) Confidentiality. The parties hereto shall hold in confidence the information contained in this Lease and each of them hereby acknowledges and agrees that all information related to this Lease, not otherwise known to the public, is confidential and proprietary and is not to be disclosed to third Persons without the prior written consent of each of the parties except: (a) to the extent necessary to comply with Applicable Law or the valid order of any governmental agency or any court of competent jurisdiction; (b) as part of its normal reporting or review procedure, to its auditors, advisors, consultants, and attorneys; (c) to the extent necessary to obtain appropriate insurance, to its insurance agent; (d) to the extent necessary to complete a business transaction, to accountants, advisors, attorneys, brokers and consultants; or (e) as necessary to enforce its rights and perform its agreements and obligations under this Lease. Landlord shall treat all non-public information obtained as part of this engagement as confidential and shall not, without written authorization from Tenant, release or share such information with any third party, except as may be required by Applicable Law. Landlord agrees that, prior to reporting any actual or perceived violation of law to any governmental entity, even if required by law to do so, Landlord will first discuss any potential legal or compliance matter with Tenant's legal counsel and, unless otherwise required by Applicable Law, provide Tenant with an opportunity to investigate and appropriately report any compliance matter brought to Tenant's attention by Landlord. The provisions of this Section 27(w) shall survive the termination or expiration of this Lease.

(x) State-Specific Provisions. [To be confirmed.]

28. Ground Lease.

(a) Compliance with Ground Lease. Landlord shall not do anything or suffer or permit anything to be done that would result in a default by Landlord under the Ground Lease or an early termination of the Ground Lease. In addition, Landlord shall satisfy all of its obligations and liabilities under the Ground Lease to the extent the same arise or relate to periods outside the Term or are not Tenant's

responsibility under this Lease. In the event of a default by Ground Lessor under the Ground Lease, Landlord shall take all action reasonably necessary to enforce the terms of the Ground Lease against Ground Lessor. During the Term, Landlord shall not cancel or terminate the Ground Lease, and Landlord shall neither amend nor modify the Ground Lease nor enter into any other agreement with Ground Lessor that would contravene or conflict with Landlord's obligations under this Lease or that would affect Tenant's rights and responsibilities under this Lease.

(b) Ground Lease Monthly Rent. Commencing on the Commencement Date and continuing throughout the remainder of the Term, Tenant shall be responsible for the payment of the Ground Lease Rent that Landlord owes Ground Lessor under the terms of the Ground Lease, as the same may be reduced or abated pursuant to the terms of the Ground Lease. Tenant shall pay such Ground Lease Rent directly to Ground Lessor in accordance with the terms of the Ground Lease. If Landlord receives any bills, invoices, or other payment requests from Ground Lessor related to the Ground Lease Rent or other amounts that Landlord owes Ground Lessor under the Ground Lease, Landlord shall immediately deliver the same to Tenant. Notwithstanding anything to the contrary contained herein, in no event shall Tenant be: (i) required to pay any Ground Lease Rent that is allocable or related to periods outside the Term; or (ii) obligated to pay any amounts that Landlord owes Ground Lessor as a result of any late payment or default by Landlord under the Ground Lease.

(c) Ground Lease Terms. Except as otherwise expressly provided in this Lease, Tenant shall perform and be bound by all of Landlord's obligations under the Ground Lease to the extent, but only to the extent, such obligations first arise and relate to periods within the Term. In no event shall Tenant be responsible for: (i) curing any default by Landlord existing under the Ground Lease as of the Commencement Date; (ii) repairing, or paying for the cost of repairing, any damage to the Premises to the extent caused by any act, negligence or misconduct of Landlord, excluding ordinary wear and tear; (iii) any indemnification obligation of Landlord under the Ground Lease arising or resulting from an event or matter that does not occur during the Term or from any act, negligence or misconduct of Landlord, Ground Lessor or any of their Affiliates, agents, employees, contractors or representatives; or (iv) liable as a result of any matter or event that does not first occur during the Term, except to the extent any such liability is exasperated by the negligent or intentional actions of Tenant during the Term (in which case Tenant's liability shall not exceed the extent to which its negligent or intentional actions exasperated such matter). If Landlord shall fail to make any payment or perform any act required to be made or performed by Landlord under the Ground Lease, and such default is neither an obligation of Tenant hereunder nor caused by Tenant and is not cured by Landlord by the first to occur of (i) one half of the period specified in the Ground Lease for curing such default, or (ii) five (5) days prior to the expiration of such Ground Lease cure period, then Tenant may (but shall not be obligated to), without waiving or releasing any obligation hereunder, make such payment or perform such act for the account and at the expense of Landlord, and may take any and all such actions as Tenant in its reasonable discretion deems necessary or appropriate to accomplish such cure. If Tenant reasonably incurs any expense in remedying such default, Tenant shall be entitled to recover from Landlord such costs within ten (10) Business Days after delivering written notice to Landlord, which notice shall be accompanied by reasonable evidence or substantiation of the costs to be recovered.

(d) Ground Lease Consents. If Tenant desires to take any action and the Ground Lease requires that Landlord obtain the consent of Ground Lessor before undertaking such action, Tenant may contact Ground Lessor directly for such consent and Landlord agrees to cooperate and assist Tenant in connection with obtaining any such consents; provided Landlord shall not be required to incur any out-of-pocket costs in connection therewith without reimbursement from Tenant and such consent shall not impair Landlord's rights under the Ground Lease or modify Landlord's obligations under the Ground Lease. Unless otherwise expressly provided herein, Tenant shall not be required to obtain Landlord's consent for any matter requiring Ground Lessor's consent; provided, however, each such consent obtained directly

from Ground Lessor shall specifically provide that the consent granted therein shall inure to the benefit of Landlord and not result in a default by Landlord under the Ground Lease.

(e) Bankruptcy. If the Ground Lease is rejected by Ground Lessor in a proceeding under the United States Bankruptcy Code or similar statutes relating to insolvency, possession of the Premises by Tenant shall be deemed to be possession of the Premises by Landlord and Tenant may exercise Landlord's right to remain in possession of the Premises and the terms of such possession shall be governed by this Lease.

(f) Ground Lease Termination. Subject to a Leasehold Mortgagee's right to enter into a new lease pursuant to the Ground Lease and/or hereunder, either Landlord or Tenant shall have the right to terminate this Lease if the Ground Lease is terminated in accordance with its terms, provided such termination shall not be deemed a waiver of any rights or remedies to which such party may be entitled as a result of a breach of this Lease and provided further, that nothing in this Section shall limit Landlord's obligations under Section 28(a) of this Lease and Landlord shall not take any action that would result in an early termination of the Ground Lease.

(signatures on following page)

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease as of the Effective Date.

LANDLORD:

CAPITAL GROWTH MEDVEST, LLC,
an Alabama limited liability company

By: _____

Printed: _____

Title: _____

TENANT:

PEACEHEALTH RIVERBEND, LLC,
an Oregon limited liability company

By: _____

Printed: _____

Title: _____

EXHIBIT A

DESCRIPTION OF LAND

[To be attached.]

EXHIBIT B

COMMENCEMENT DATE AGREEMENT

_____, 20__

Re: Lease Agreement (“**Lease**”), dated _____, between Capital Growth Medvest, LLC, an Alabama limited liability company (“**Landlord**”), and PeaceHealth RiverBend, LLC, an Oregon limited liability company (“**Tenant**”). Capitalized terms used herein but not defined shall be given the meanings assigned to them in the Lease.

Ladies and Gentlemen:

Landlord and Tenant agree as follows:

1. **Condition of Premises.** Tenant has accepted possession of the Premises pursuant to the Lease; provided nothing herein shall be deemed to limit Tenant’s rights or remedies under the Lease or the Development Agreement (the “**Development Agreement**”) between Landlord and Tenant, dated _____, as a result of any defects or deficiencies therein. To Tenant’s actual knowledge, without additional investigation or inquiry, any improvements required by the terms of the Lease and the Development Agreement to be made by Landlord have been completed, except for the punchlist and other items described on **Exhibit A** hereto (the “**Punchlist Items**”).
2. **Commencement Date.** The Commencement Date of the Lease is _____, 20__.
3. **Expiration Date.** The Initial Term is scheduled to expire on the last day of the 180th full calendar month of the Initial Term, which date is _____, ____.
4. **Adjusted Project Costs.** The total amount of the Adjusted Project Costs is \$_____.
5. **Initial Monthly Rent.** The initial Monthly Rent is \$_____. The prorated amount of the first installment of the initial Monthly Rent is \$_____ and shall be due, together with the second installment of the initial Monthly Rent, on _____, 20__.
6. **Rent Adjustment Date.** The first Rent Adjustment Date is _____, 20__.
7. **Ratification.** Tenant and Landlord hereby ratify and confirm its obligations under the Lease.
8. **Binding Effect; Governing Law.** Except as modified hereby, the Lease shall remain in full effect and this letter shall be binding upon Landlord and Tenant and their respective successors and assigns. If any inconsistency exists or arises between the terms of this letter and the terms of the Lease, the terms of this letter shall prevail. This letter shall be governed by the laws of the state in which the Premises are located.

(signatures on following page)

Please indicate your agreement to the above matters by signing this letter in the space indicated below and returning an executed original to us.

Sincerely,

Capital Growth Medvest, LLC,
an Alabama limited liability company

By: _____

Printed: _____

Title: _____

ACKNOWLEDGED AND AGREED TO:

PeaceHealth RiverBend, LLC,
an Oregon limited liability company

By: _____

Printed: _____

Title: _____

EXHIBIT C

GUARANTY

[See attached.]

EXHIBIT D

MEMORANDUM OF LEASE

Prepared by/Return to:

Attn:

MEMORANDUM OF LEASE AGREEMENT

This MEMORANDUM OF LEASE AGREEMENT (“**Memorandum**”) is entered into this _____ day of _____, 20__ (“**Effective Date**”) by and between _____, a(n) _____ (“**Landlord**”), having its principal office at _____, and _____, a(n) _____ (“**Tenant**”), having its principal office at 330 Seven Springs Way, Brentwood, TN 37027.

RECITALS:

A. Landlord and Tenant entered into that Lease Agreement dated as of the date hereof (“**Lease**”), whereby Landlord leased to Tenant and Tenant leased from Landlord certain land and a to-be-constructed inpatient rehabilitation hospital located in _____, _____, and more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (“**Premises**”).

B. This Memorandum of Lease is being executed and recorded to evidence the Lease and shall not be construed to limit, amend or modify the provisions of the Lease in any respect.

MEMORANDUM

1. **General.** Landlord has and does hereby lease and grant to Tenant the right to use the Premises subject to the terms and conditions of the Lease.

2. **Term.** The term of the Lease is a period of _____ years commencing on the Commencement Date (as defined in the Lease), with _____ options to extend the term for _____ years each.

3. **Purchase Rights.** Pursuant to the terms of the Lease, Landlord has granted Tenant (i) a right to first opportunity to purchase, (ii) a right of first refusal to purchase, (iii) and purchase option as to Landlord’s interest in the Premises upon the occurrence of certain conditions precedent that are more particularly described in the Lease.

4. **Purposes; Conflicts.** This Memorandum is prepared for the purpose of recording and providing notice of the Lease, and in no way modifies the express provisions of the Lease. Third parties are advised that the provisions of the Lease itself shall be controlling with respect to all matters set forth herein. In the event of any discrepancy between the provisions of the Lease and this Memorandum, the provisions of the Lease shall take precedence and prevail over the provisions of this Memorandum.

5. **Counterparts.** The parties agree this Memorandum may be executed in multiple originals, each of which shall be considered an original for all purposes and, collectively, shall be considered to

constitute this Memorandum. The parties further agree signatures transmitted by facsimile or in Portable Document Format (pdf) may be considered an original for all purposes, including, without limitation, the execution and enforcement of this Memorandum.

(signatures on the following pages)

IN WITNESS WHEREOF, Landlord and Tenant have caused this Memorandum to be executed as of the Effective Date.

LANDLORD:

By: _____

Printed: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
as _____ of _____, a(n)
_____.

Notary Public

Printed

(Seal, if any)

My commission expires: _____

TENANT:

By: _____

Printed: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

This instrument was acknowledged before me on _____, 202__ by
_____ as _____ of _____, a(n)
_____.

Notary Public

Printed

(Seal, if any)

My commission expires: _____

EXHIBIT A

DESCRIPTION OF PREMISES

EXHIBIT E

SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENMENT AGREEMENT

Prepared by/Return to:

Attn:

SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENMENT AGREEMENT

This SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENMENT AGREEMENT ("**Agreement**"), is entered into as of _____, 20__ ("**Effective Date**") by and among _____, a(n) _____ ("**Tenant**"), _____, a(n) _____ ("**Landlord**"), and _____, a(n) _____ ("**Lender**").

- A. Tenant is the holder of a leasehold estate in that real property more particularly described on **Exhibit A** ("**Property**") under and pursuant to the provisions of that Lease Agreement dated as of the date hereof (as amended from time to time, the "**Lease**"), by and between Landlord and Tenant.
- B. The Property is or is to be encumbered by one or more mortgages, deeds of trust, deeds to secure debt, or similar security agreements (collectively, the "**Security Instrument**") from Landlord, or its successor in interest.
- C. Tenant has agreed to subordinate the Lease to the Security Instrument and to the lien thereof and Lender has agreed to grant non disturbance to Tenant under the Lease on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, Lender, Landlord, and Tenant covenant and agree as follows:

1. **Subordination.** The Lease shall be subject and subordinate in all respects to the lien and terms of the Security Instrument, to any and all advances to be made thereunder, and to all renewals, modifications, consolidations, replacements, and extensions thereof.

2. **Acknowledgements.** Tenant acknowledges that except as expressly permitted by the Lease or this Agreement:

(a) Under the provisions of the Security Instrument, the Lease cannot be terminated by Landlord (either directly or by the exercise of any option which could lead to termination) without the prior written consent of Lender, or its successors and assigns.

(b) The interest of Landlord in the Lease has been assigned to Lender for the purposes specified in the Security Instrument.

(c) Lender, its successors and assigns, assume no duty, liability, or obligation whatever under the Lease or any extension or renewal thereof.

(d) Notwithstanding any provision in the Lease to the contrary, Tenant agrees that Landlord may disclose to Lender any financial or other information of Tenant disclosed to Landlord pursuant to or in connection with the Lease, provided that such disclosure shall be subject to Tenant's confidentiality requirements.

3. Right of Lender to Cure Defaults. If any default occurs under the Lease on the part of Landlord, which would give Tenant the right (or under which Tenant might claim the right) to cancel or terminate the Lease, prior to cancelling or terminating the Lease, Tenant shall notify Lender of Tenant's intent to cancel or terminate the Lease as a result of Landlord's default, and Lender shall have thirty (30) days from the date of such notice to cure any such default, or if such default is not reasonably capable of being cured in such period of time, Lender shall have the right within such time to commence remedying such default and shall diligently proceed to complete the same within sixty (60) days. If any such default is so cured, the Lease shall not be deemed to be in default, and Tenant's duties thereunder shall continue unabated. Nothing herein shall be deemed to be a duty on the part of Lender to cure any such default, but only a right on its behalf.

4. Attornment.

(a) If Lender succeeds to the interest of Landlord under such Lease, the Lease shall continue with the same force and effect as if Lender, as Landlord, and Tenant had entered into a Lease for a term equal to the then unexpired term of the Lease, containing the same terms, conditions, and covenants as those contained in the Lease, including, without limitation, any rights of renewal therein, and Tenant shall be bound to Lender under all of the provisions of the Lease for the remaining term thereof with the same force and effect as if Lender were the Landlord under the Lease, and Tenant hereby attorns and agrees to attorn to Lender as its landlord, such attornment to be effective and self operative without the execution of any further instruments on the part of either of the parties hereto immediately upon the succession of Lender to the interest of Landlord under the Lease. Tenant shall be under no obligation to pay rent to Lender until Tenant receives written notice from Lender that an event of default under the Security Instrument has occurred, or that it has succeeded to the interest of Landlord under the Lease. Landlord and Tenant agree that, upon receiving such notice from Lender that includes a demand to pay rent directly to Lender, thereafter, Tenant shall pay all rents directly to Lender without any duty to inquire as to the validity of such notice or any duty to inquire as to whether a default actually exists under the Security Instrument. Landlord hereby irrevocably authorizes Tenant to make the foregoing payments to Lender upon such notice and demand and hereby releases and discharges Tenant from its obligations to make payments to Landlord under the Lease upon receipt of such notice and demand from Lender. Nothing contained herein shall in any manner limit or restrict the right of Lender to have a receiver appointed or to seek any other appropriate relief or remedy under the Security Instrument. The respective rights and obligations of Tenant and Lender upon such attornment and their relationship shall be as tenant and landlord respectively, for the remaining term of the Lease, including any renewal periods set forth in said Lease.

(b) Tenant agrees that it shall not, without the express consent of Lender, prepay any minimum base rental under the Lease to Landlord in excess of one (1) month's advance minimum base rental.

(c) If Lender succeeds to the interest of Landlord under the Lease, Lender agrees to be bound to Tenant under all of the terms, covenants, and conditions of the Lease and to perform the obligations of Landlord under the terms and conditions of the Lease; provided, however, Lender shall not be:

(i) liable for any act or omission of any prior landlord (including Landlord) except for any act or omission of the prior landlord (including Landlord) which remains continuing and uncured as of

the date that Lender succeeds to the interest of Landlord.

(ii) subject to any offsets which Tenant might have against any prior landlord (including Landlord) except for any offset which was the result of an act or omission of the prior landlord (including Landlord) which remains continuing and uncured as of the date that Lender succeeded to the interest of Landlord.

(iii) bound by any prepayment of more than one (1) month's minimum base rental under the Lease to any prior landlord (including Landlord).

5. Tenant's Personal Property. It is expressly agreed among Lender, Landlord, and Tenant that in no event shall the Security Instrument cover or encumber any of Tenant's trade fixtures, equipment, furniture, and other personal property at any time placed in, on, or about the Property.

6. Notices. Whenever any notice, demand, or request is required or permitted hereunder, such notice, demand, or request shall be made in writing and shall be deemed to have been duly given and to be effective as provided in the notice section of the Lease, addressed as follows:

If to Lender: _____

Attn: _____

If to Landlord: _____

Attn: _____

If to Tenant: _____
c/o LifePoint Health, Inc.
330 Seven Springs Way
Brentwood, TN 37027
Attn: _____

with a copy to: LifePoint Health, Inc.
330 Seven Springs Way
Brentwood, TN 37027
Attn: VP, Real Estate

or such other address as any party may hereafter designate in writing to the other.

7. Binding Effect. This Agreement and all of the covenants, terms, conditions, and obligations herein contained are covenants running with the land and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns and successors in title to the Property and successors in title to the Property.

8. Governing Law. The interpretation, validity, and enforcement of this Agreement shall be governed by and construed under the internal laws of the State or Commonwealth where the Property is located excluding any state law principles of conflict of laws.

9. Modifications. This Agreement can be modified only in writing duly executed by the parties.

10. Recording. The parties hereto agree that this Agreement may be recorded in the public records of the county where the Property is located.

11. Entire Agreement. This Agreement constitutes the entire agreement between Lender, Landlord, and Tenant regarding the subordination of the Lease to the Security Instrument and the rights and obligations of Lender, Landlord, and Tenant as to the subject matter of this Agreement.

12. Severability. If any provision of this Agreement is determined to be invalid, illegal, or unenforceable, such provision shall be considered severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect as if such provision had not been included.

13. Counterparts. The parties agree this Agreement may be executed in multiple originals, each of which shall be considered an original for all purposes and, collectively, shall be considered to constitute this Agreement. The parties further agree signatures transmitted by facsimile or in Portable Document Format (pdf) may be considered an original for all purposes, including, without limitation, the execution and enforcement of this Agreement.

(signatures on the following pages)

IN WITNESS WHEREOF, the parties hereto have caused this Subordination, Non-Disturbance and Attornment Agreement to be effective as of the Effective Date.

LANDLORD:

By: _____

Printed: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
as _____ of _____, a(n)
_____.

Notary Public

Printed

(Seal, if any)

My commission expires: _____

TENANT:

By: _____

Printed: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
as _____ of _____, a(n)
_____.

Notary Public

Printed

(Seal, if any)

My commission expires: _____

LENDER:

By: _____

Printed: _____

Title: _____

STATE OF _____)

COUNTY OF _____)

This instrument was acknowledged before me on _____, 20__ by _____
as _____ of _____, a(n)
_____.

Notary Public

Printed

(Seal, if any)

My commission expires: _____

EXHIBIT A

DESCRIPTION OF PROPERTY

EXHIBIT F

TENANT ESTOPPEL CERTIFICATE

Attn:

RE: Lease Agreement dated _____, 20__ (“**Lease**”) by and between _____,
a(n) _____ (“**Landlord**”), and _____, a(n)
_____ (“**Tenant**”), with respect to certain premises located at
_____.

The undersigned, as Tenant under the above-referenced Lease, hereby certifies to _____,
a(n) _____ (“**Beneficiary**”), that, as of the date hereof:

1. The copy of the Lease attached hereto and made a part hereof as **Exhibit A** is a true, correct, and complete copy of the Lease, which Lease is in full force and effect and has not been modified or amended except as set forth in **Exhibit A**.

2. As of the date hereof, the Monthly Rent (as defined in the Lease) due under the Lease is \$_____. As of the date hereof, Monthly Rent has been paid through _____, 20__

3. The current term of the Lease expires on _____, 20__.

4. To the Tenant’s actual knowledge, neither Landlord nor Tenant is in default under the Lease, and no circumstance exists which, with the giving of notice, the passage of time, or both, would constitute such a default.

5. That there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any state thereof.

Tenant acknowledges that Beneficiary will and shall be entitled to rely on the statements and agreements contained herein.

Dated: _____, 20__

TENANT:

By: _____

Name: _____

Title: _____

EXHIBIT 3
FINANCING LETTERS



CAPITAL GROWTH
MEDVEST
361 SUMMIT BLVD, SUITE 220
BIRMINGHAM, ALABAMA 35243
WWW.MEDVEST.COM

April 14, 2023

Re: Funding for the development of a new 50-bed inpatient rehabilitation hospital

PeaceHealth RiverBend, LLC is filing a certificate of need application for a 50-bed Inpatient Rehabilitation Facility (IRF) in Springfield, Lane County, Oregon. Capital Growth Medvest, LLC (Medvest) will be responsible for the development of the IRF which will be a 67,000-square-foot facility. The site for the IRF will be located at 123 International Way, Springfield, Oregon (on the corner of International Way and Deadmond Ferry Road). Medvest will lease upon Absolute NNN basis the developed IRF to PeaceHealth RiverBend, LLC for a 15-year lease term. The year 1 lease rate (\$5,735,770) will be based upon a construction cost of \$72,148,051 (Facility Development Capital Not Including Equipment) and a 7.95% (cap rate).

This letter shall serve as a commitment from Medvest to financially support its interest in the proposed IRF with funds from a bank loan, which lender commitment is attached.

Thank you for your time and attention to the certificate of need application for this important project.

Sincerely,

Joseph Baugh
Managing Partner

Attachment: Letter from ServisFirst Bank

SERVISFIRST BANK
Post Office Box 1508
Birmingham, Alabama 35201-1508
T 205.949.0302 F 205.949.0303
servisfirstbank.com

Capital Growth Medvest Springfield, LLC
C/o Capital Growth Medvest, LLC
361 Summit Blvd., Suite 220
Birmingham, AL 35243



RE: 50 Bed Inpatient Rehabilitation Hospital in Springfield, Lane County, Oregon with approximately 67,000 s.f. of gross building area

Dear Mr. Buchalter:

This letter is to express ServisFirst's interest in providing a construction loan for the land acquisition and construction costs for the above captioned development as well as providing short term permanent financing subsequent to the construction loan.

The specific loan amount will be determined using standard underwriting procedures such as net operating income generated by tenants, loan to value ratio not to exceed 85%, competitive interest rates, and an independent appraisal. Any loan will carry typical security requirements including first mortgage interest on the property, assignment of all leases, and acceptable guaranty during the loan period. As of the date hereof, we understand that project costs are estimated to be approximately \$72,148,051.

The Bank will provide a Term Sheet for both the Construction Loan and the Permanent Loan for your consideration by a separate letter after the Bank's review of all current pertinent information.

We appreciate the opportunity to provide financing for another Capital Growth Medvest development. Please let me know how we can be of further assistance.

This statement of terms is a statement of commitment for financing, but subject to thorough underwriting and formal approval by ServisFirst's Executive Committee.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ben Harrison", with a horizontal line extending to the right.

Ben Harrison
Assistant Vice President
ServisFirst Bank



April 10, 2023

Matt Gilman
Oregon Health Authority
Certificate of Need Program
Health Care Regulation and Quality Improvement Program
800 NE Oregon Street, Suite 465
Portland, OR 97232

RE: PEACEHEALTH RIVERBEND, LLC – CERTIFICATE OF NEED APPLICATION

Dear Mr. Gilman:

This letter serves as confirmation that Lifepoint Health, Inc. (“Lifepoint”) through its subsidiary LPNT IRF Development 70, LLC, the co-member of PeaceHealth RiverBend, LLC, has available and will commit sufficient funds, along with our partner PeaceHealth, to finance this project.

In 2022, Lifepoint generated approximately \$8 billion in annual revenues and as of the end of 2022, Lifepoint had \$395 million of unrestricted cash. Lifepoint also maintains access to an \$800 million revolving credit facility which had available funds of \$573 million as of the end of 2022. Lifepoint has sufficient resources to fully fund the expenditures associated with this project in addition to its other ongoing liabilities.

Thank you for your consideration of the proposed project.

Sincerely,



J. Michael Grooms
SVP & Chief Accounting Officer