

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**MINUTES OF NOVEMBER 17, 2011 MEETING**

**Attendees:** Authority Board Members: Ralph Rosenberg, Dr. Charles Lingle, Rev. Eugene Sherman; Dr. John Inman, Jr., Rev. H. B. Johnson; John Hayes; Lamar Reese; Fred Ghiglieri; Dr. Steven Wolinsky; Legal Counsel: James E. Reynolds, Jr., J. Huff Croxton, Jr., E. B. Wilkin, Jr. and Robert Baudino; also present were: Joel Wernick; Kerry Loudermilk; Joe Austin; Tommy Chambless; Tim Trotter; Linton Harris, CPA; and Records, Annette Allen and Mary Barfield

**Absent Authority Members:** None

**Call to Order:**

The meeting was called to order by Chairman Rosenberg at 7:30 A.M. in the Willson Board Room of Phoebe Putney Memorial Hospital.

**Open Meeting and Establish a Quorum:**

Mr. Rosenberg welcomed the Authority and established that a quorum was present, with all nine members being in attendance.

**Approval of the Agenda:**

The proposed Agenda was reviewed and a motion made by Rev. Sherman and seconded by Rev. Johnson, to adopt the Agenda as presented. The motion was approved by the Authority.

**Approval of the Minutes:**

The Minutes of the August 18, 2011 meeting having been provided to the Members prior to the meeting, were presented for approval. A motion was made and seconded to approve the Minutes as provided. The motion passed unanimously.

**Financial Reports:**

Kerry Loudermilk made a presentation of the year to date financial report for Phoebe Putney Memorial Hospital, Inc. Certain detail from the presentation is attached hereto.

Mr. Loudermilk also presented an internal financial report for the Authority for the three months ending 10/31/2011. A copy of detail from the presentation is attached.

Mr. Linton Harris, CPA, of Draffin & Tucker, LLP, made a presentation and review of the Authority's audited Financial Statements for FYE 7/31/2011. A copy of the Financial Statements as presented are attached hereto. A motion was made and seconded to approve and adopt the audited Authority Financial Statements as presented. The motion passed unanimously.

### **Reports from Phoebe Putney Memorial Hospital**

Mr. Joe Austin gave an operational report for Phoebe Putney Memorial Hospital.

Mr. Wernick gave a further report principally pertaining to the opening of Phoebe Sumter Medical Center and how that opening was expected to positively affect PPMH. Copies of Regional update information attached.

Mr. Rosenberg thanked Mr. Harris, Mr. Wernick, Mr. Austin and Mr. Loudermilk for their respective presentations.

### **Closing of the Meeting:**

A motion was made by Rev. Sherman and seconded by Fred Ghiglieri to close the meeting in order to consult with legal counsel as contemplated in O.C.G.A. §50-14-2(1) and to discuss potentially commercially valuable plans, proposal or strategy that may be of competitive advantage in the operation of the Hospital or its medical facilities, as contemplated in O.C.G.A. §31-7-75.2.

Mr. Rosenberg polled the individual Authority Members whose votes are shown below:

Ralph Rosenberg	Yes
Dr. Charles Lingle	Yes
Dr. John Inman, Jr.	Yes
Rev. H. B. Johnson	Yes
Fred Ghiglieri	Yes
Lamar Reese	Yes
Dr. Eugene Sherman	Yes
John Hayes	Yes
Dr. Steven Wolinsky	Yes

The motion passed unanimously and the meeting was closed.

**Open Session Reconvened:**

At this point, Dr. Wolinsky and Chairman Roseberg had necessarily, previously left the meeting, either during or at the conclusion of the Closed Session. Vice-Chairman Lingle presided over the balance of the meeting.

The Authority then considered and discussed (with emphasis on the findings and conclusions recited therein) a Resolution (copy of entire Resolution attached) which had been previously provided to the Authority Members, dealing with the Authority's approval of a Lease and Transfer Agreement between Phoebe Dougherty Medical Center, Inc. and the Hospital Authority of Ben Hill County, Georgia. Upon motion made by Mr. Reese and seconded by Mr. Ghiglieri, the Resolution was adopted by all seven of the Authority members present.

**Adjournment:**

There being no further business, the meeting adjourned at 10:15 A.M.

  
\_\_\_\_\_  
Mary S. Barfield, Recorder

AGENDA  
HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

Meeting of November 17, 2011  
7:30 A.M.

- |       |  |                    |
|-------|--|--------------------|
| I.    | Open meeting and establish Quorum  | Ralph Rosenberg    |
| II.   | Approval of Agenda   | Ralph Rosenberg    |
| III.  | Consideration of Minutes of August 18, 2011 meeting<br>(Draft previously provided to Members)  | Ralph Rosenberg    |
| IV.   | Presentation of updated financial reports on behalf of<br>Phoebe Putney Memorial Hospital, Inc.  | Kerry Loudermilk   |
| V.    | (a) Presentation and review of audited Authority Financial<br>Statements for FYE 7/31/2011   | Linton Harris, CPA |
|       | (b) Presentation and review of internal Authority Financial<br>Report for 3 months ending 10/31/2011   | Kerry Loudermilk   |
| VI.   | Motion and vote to close meeting for purposes<br>of privileged consultation with legal counsel and to<br>discuss proposal or strategy that may be of competitive<br>advantage in the operation of the Hospital or its medical<br>facilities (roll call vote is taken)<br>Consideration of any official action following closed session | Ralph Rosenberg    |
| VII.  | Operational Reports from PPMH, including opening of<br>Phoebe Sumter Medical Center  | Joel Wernick       |
| VIII. | Other business   | Ralph Rosenberg    |
| IX.   | Adjournment  | Ralph Rosenberg    |



HOSPITAL AUTHORITY OF  
ALBANY-DOUGHERTY COUNTY, GEORGIA

---

FINANCIAL STATEMENTS

for the years ended July 31, 2011 and 2010

## CONTENTS

---

	<u>Pages</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	2
Statements of Revenues, Expenses and Changes in Unrestricted Net Assets	3
Statements of Cash Flows	4-5
Notes to Financial Statements	6-7

# Draffin & Tucker, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Hospital Authority Of  
Albany-Dougherty County, Georgia  
Albany, Georgia

We have audited the balance sheets of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in unrestricted net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2011 and 2010, and the results of its operations and changes in unrestricted net assets, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Draffin & Tucker, LLP*

Albany, Georgia  
October 27, 2011

P.O. BOX 6  
2617 GILLIONVILLE ROAD  
ALBANY, GEORGIA 31702-0006  
(229) 883-7878  
FAX (229) 435-3152

**PARTNERS:**

LINTON A. HARRIS, CPA  
STEPHEN M. BEDSOLE, CPA  
CYNTHIA R. DUPREE, CPA  
JIM L. CREAMER, SR., CPA  
JEFFREY S. WRIGHT, CPA  
MILES V. ESPY, SR., CPA  
MICHAEL L. REESE, CPA

SANDRA D. CANNON, CPA  
WILSON E. JOINER, III, CPA  
C. BERT BENNETT, CPA  
CHARLES R. HORNE, CPA  
JIMMIE D. RICHTER, JR., CPA  
R. WES STERNENBERG, CPA

**MEMBERS:**

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
THE GEORGIA SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN UNRESTRICTED NET ASSETS  
 for the years ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
Lease revenue	\$ 1	\$ 1
Contribution from Phoebe Putney Memorial Hospital, Inc.	<u>941,356</u>	<u>98,937</u>
Total revenue	941,357	98,938
Expenses:		
Operating expenses	<u>4,380,735</u>	<u>86,404</u>
Excess revenues (expenses)	(3,439,378)	12,534
Unrestricted net assets, beginning of year	<u>33,272</u>	<u>20,738</u>
Unrestricted net assets, end of year	<u>\$(3,406,106)</u>	<u>\$ 33,272</u>

The accompanying notes are an integral part  
of these financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued  
for the years ended July 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of excess revenues (expenses) to net cash flows provided by operating activities:		
Excess revenues (expenses)	\$(3,439,378)	\$ 12,534
Change in:		
Accounts payable	<u>3,607,938</u>	<u>4,477</u>
Net cash provided by operating activities	\$ <u>168,560</u>	\$ <u>17,011</u>

The accompanying notes are an integral part  
of these financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Significant Accounting Policies, Continued

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement No. 20, as amended, the Authority has elected to apply the provisions of all relevant pronouncements of the FASB, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

2. Commitments and Contingencies

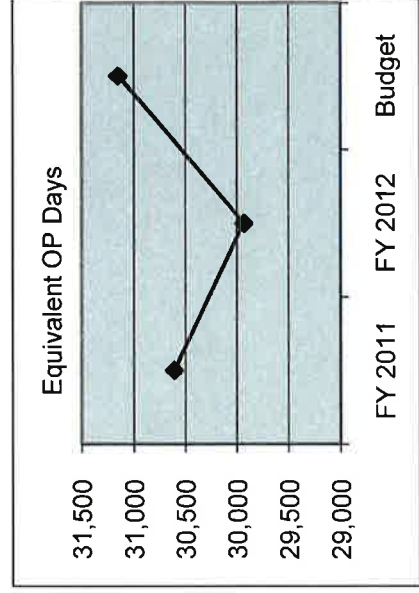
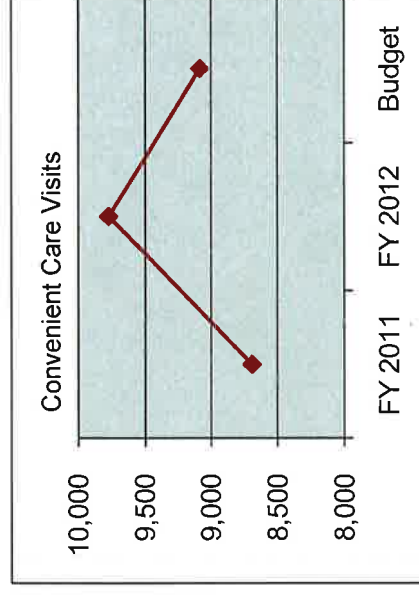
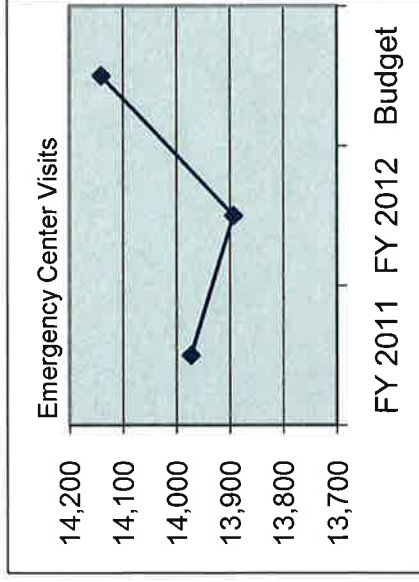
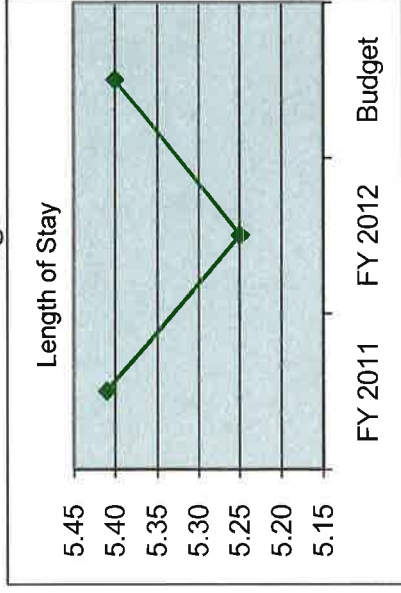
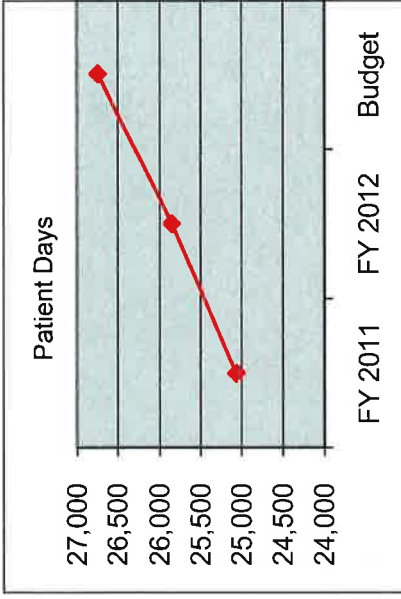
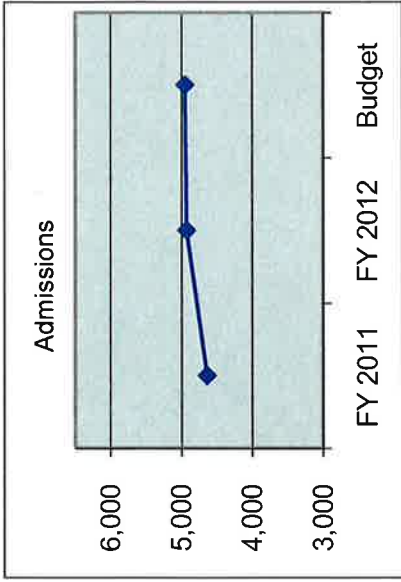
In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

3. Income Taxes

The Hospital Authority is a tax exempt entity and none of its present or anticipated future activities are subject to income taxes; therefore, no provision for income taxes is made in these financial statements.

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN UNRESTRICTED NET ASSETS DETAIL**  
**10/31/2011**

	<u>Unaudited</u> <u>10/31/2011 YTD</u>	<u>Audited</u> <u>2011</u>	<u>Audited</u> <u>2010</u>
<b>REVENUE:</b>			
Lease Revenue	\$ 1	\$ 1	\$ 1
Contribution from Phoebe Putney Memorial Hospital, Inc.	400,000	941,356	98,937
Funds received from Georgia Department of Community Health:			
Indigent Care Trust Fund	-	11,058,756	12,116,614
Upper payment limit	-	4,672,475	104,902
Transfers from Phoebe Putney Memorial Hospital, Inc.	-	5,207,333	4,259,397
Total Revenue	<u>400,001</u>	<u>21,879,921</u>	<u>16,579,851</u>
<b>EXPENSES:</b>			
Legal and other expenses	92,471	4,380,735	86,404
Funds paid to Georgia Department of Community Health:			
Indigent Care Trust Fund	\$ -	\$ 3,834,070	\$ 4,228,698
Upper payment limit	-	1,373,263	30,699
Transfers to Phoebe Putney Memorial Hospital, Inc.	-	15,731,231	12,221,516
Total Expenses	<u>92,471</u>	<u>25,319,299</u>	<u>16,567,317</u>
Excess Revenues (expenses)	307,530	(3,439,378)	12,534
Unrestricted net assets, beginning of year	<u>(3,406,106)</u>	<u>33,272</u>	<u>20,738</u>
Unrestricted net assets, end of year	<u>\$ (3,098,575)</u>	<u>\$ (3,406,106)</u>	<u>\$ 33,272</u>



Statistic	FY2012 Year-to-Date		Budget Variance
	FY 2011	FY 2012	
Admissions	4,634	4,928	(22)
Patient Days	25,069	25,857	(891)
Length of Stay	5.41	5.25	(0.15)
Emergency Center Visits	13,973	13,893	(248)
Convenient Care Visits	8,699	9,770	682
Equivalent OP Days	30,612	29,938	(682)
			(1,215)



**HOSPITAL AUTHORITY  
OF  
ALBANY/DOUGHERTY COUNTY  
MEETING**

**NOVEMBER 17, 2011**



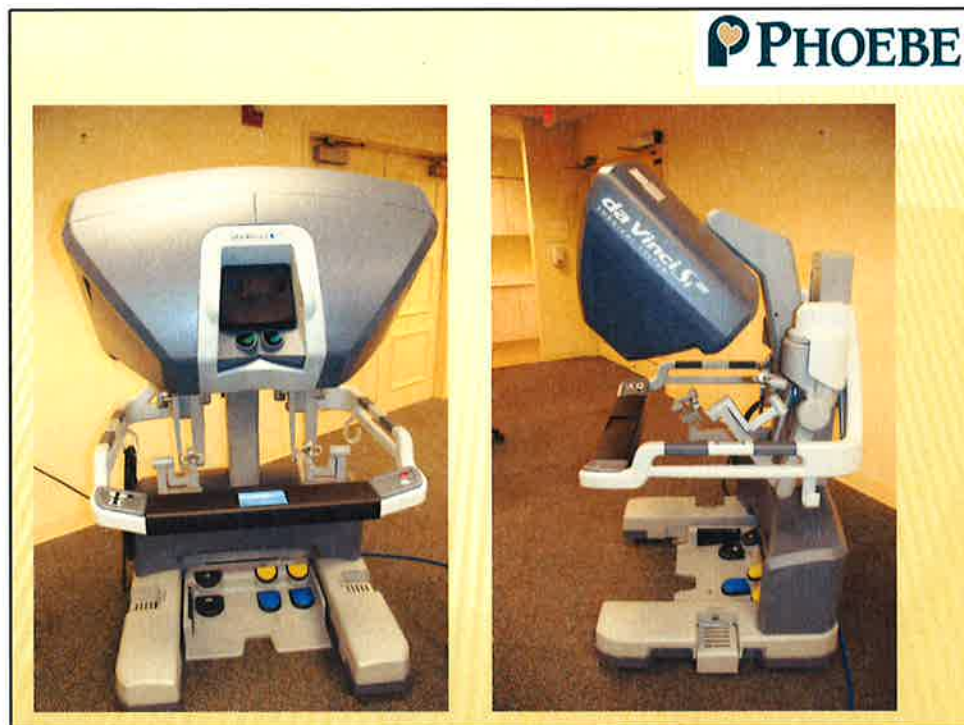
**Da Vinci  
Robotic  
Surgery**

- 444 surgeries have been performed since June 3, 2010
- 14 physicians currently certified in robotic surgery



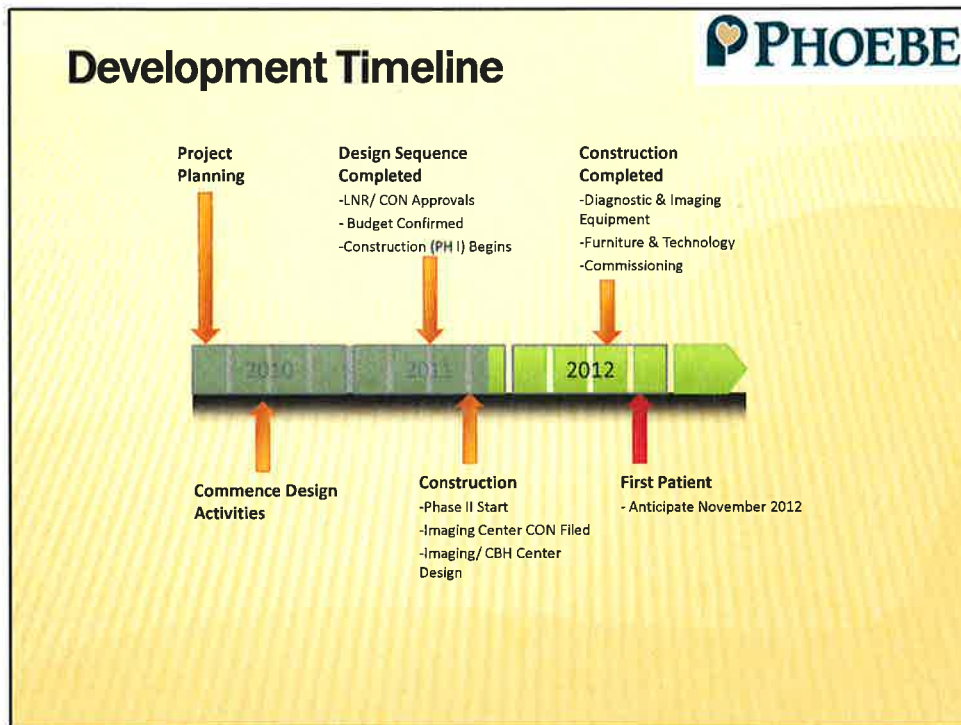
# Da Vinci Robot












## ONCOLOGY ACCREDITATIONS



- ✧ American College of Radiology, Gold Standard, Breast Imaging Center of Excellence
- ✧ Reaccreditation for CoC (Commission on Cancer)
- ✧ December 1<sup>st</sup> onsite surveyor from American College of Surgeons will review program for the standing of Center of Excellence for Breast Cancer.

HOSPITEL

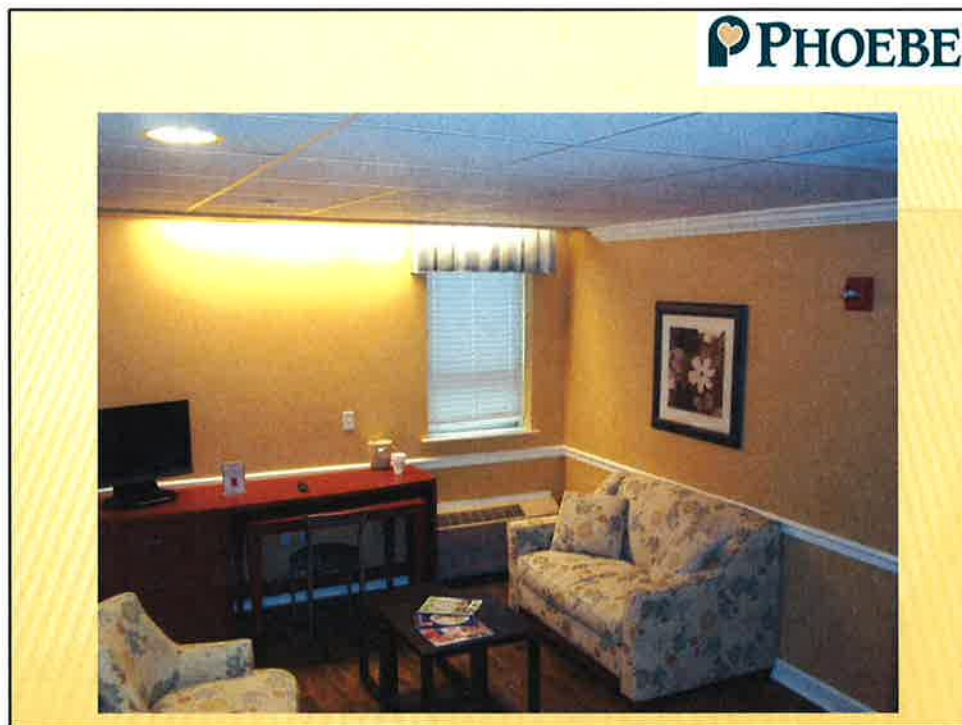
 PHOEBE

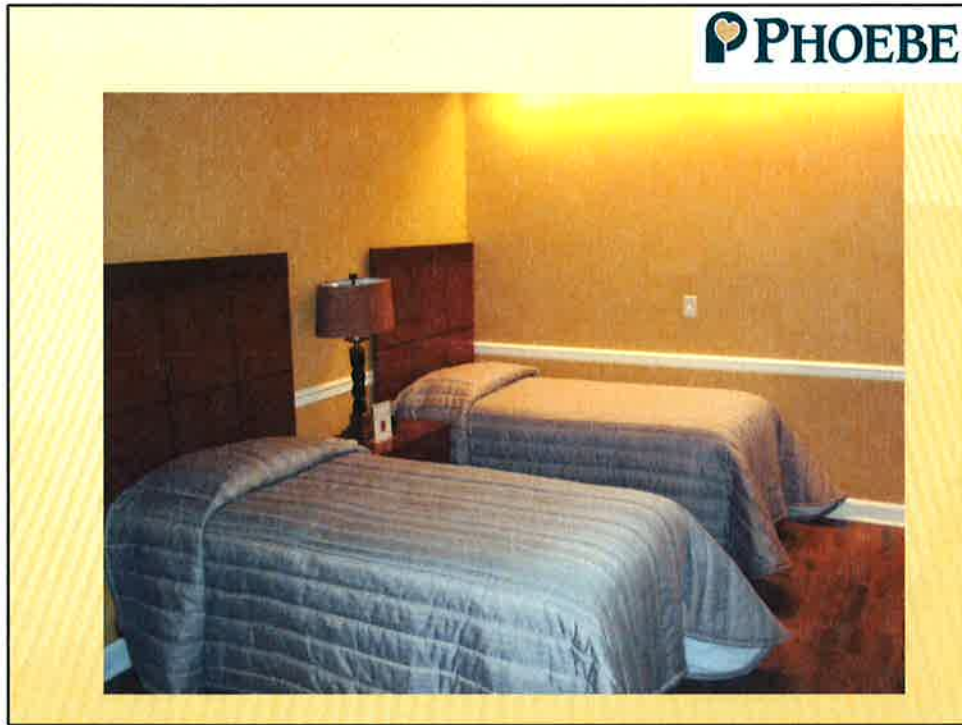


 PHOEBE







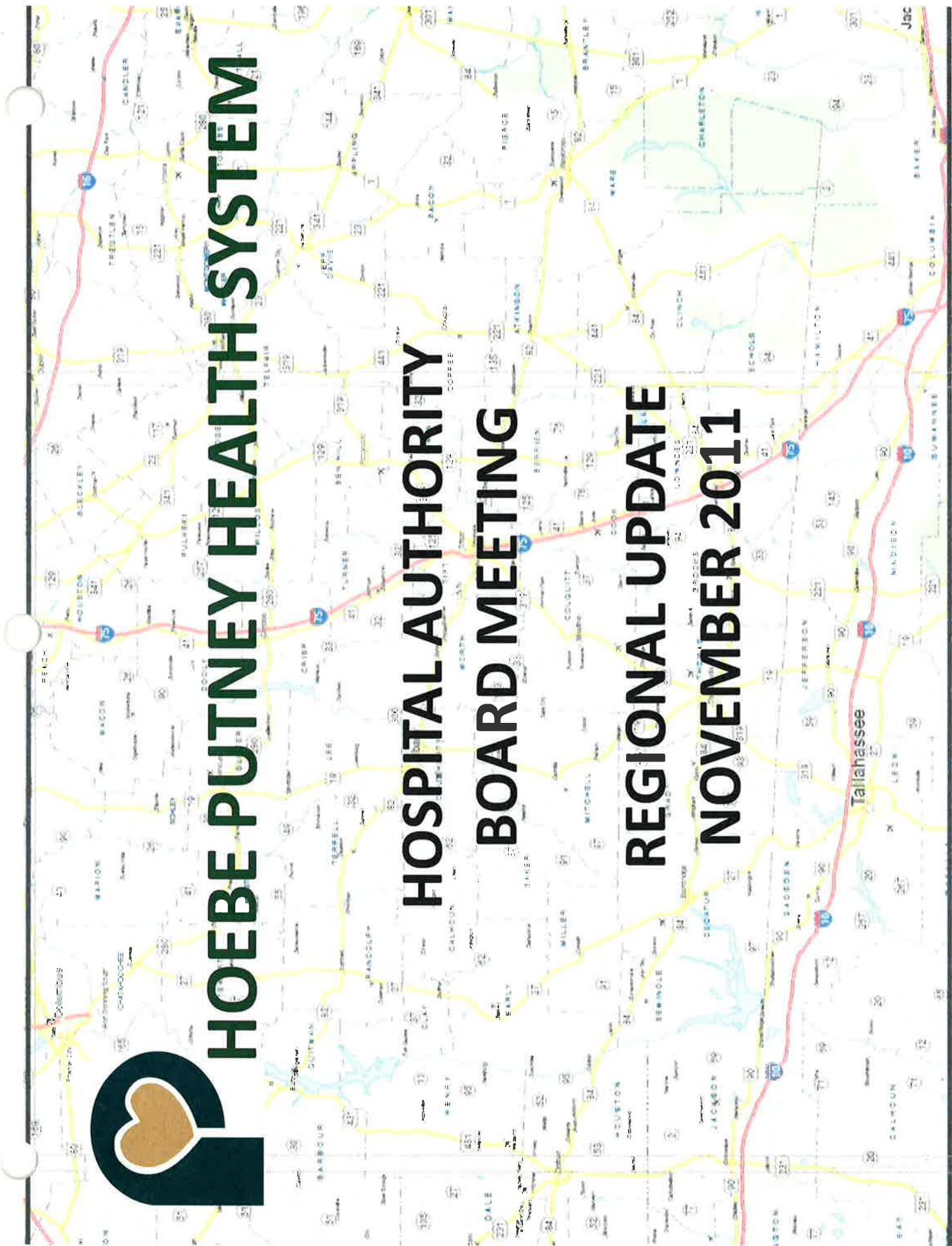






# HOEBE PUTNEY HEALTH SYSTEM

## HOSPITAL AUTHORITY BOARD MEETING REGIONAL UPDATE NOVEMBER 2011



# PHOEBE SUMTER MEDICAL CENTER



**GRAND OPENING  
SATURDAY, DECEMBER 17<sup>TH</sup>**





# PHOEBE SUMTER MEDICAL CENTER

**Community Tours of the New Hospital**

**Entire month of November**

**Ribbon Cutting Ceremony**

**Saturday, December 10<sup>th</sup>**



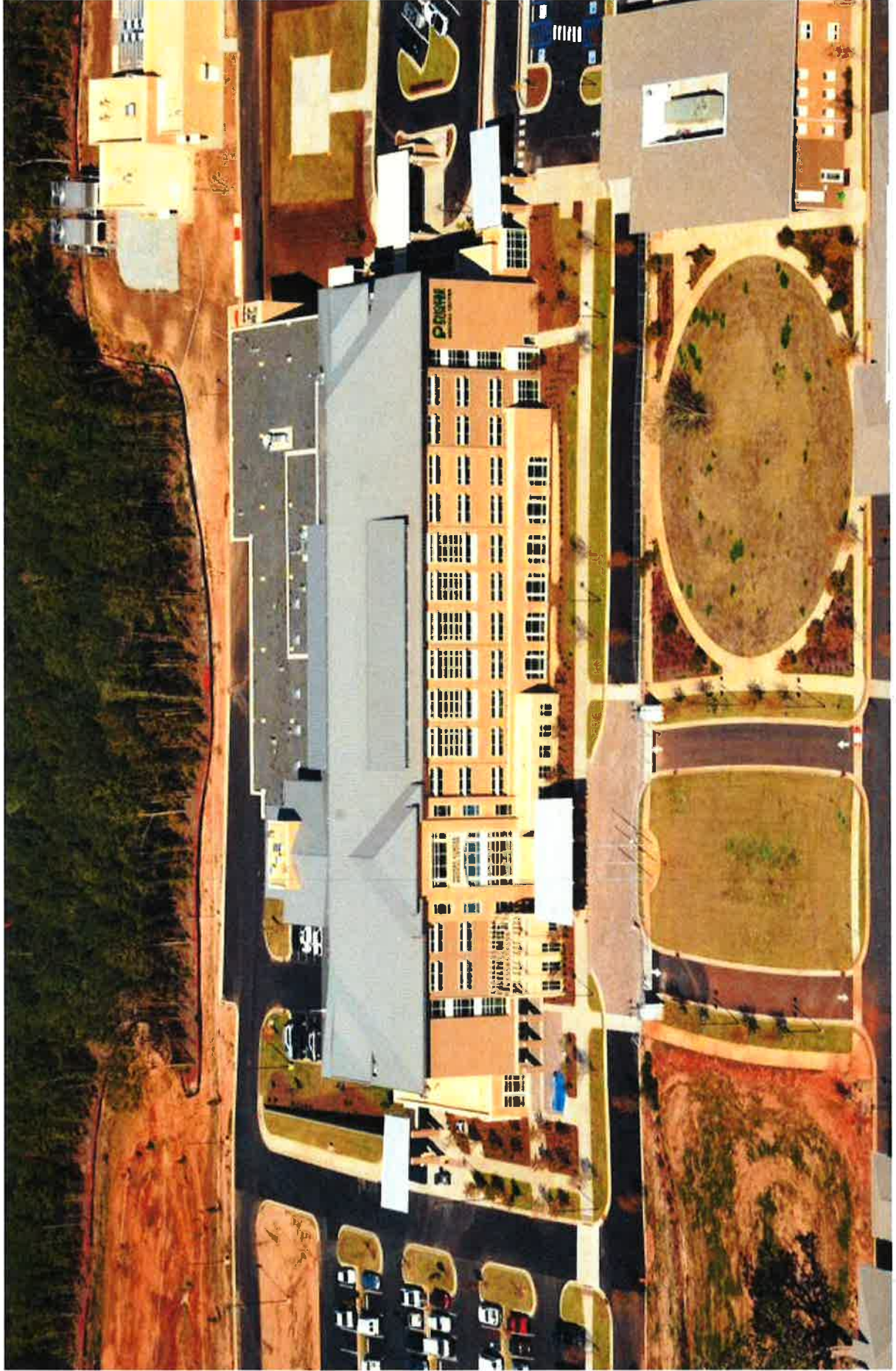
From This.....



April, 2011

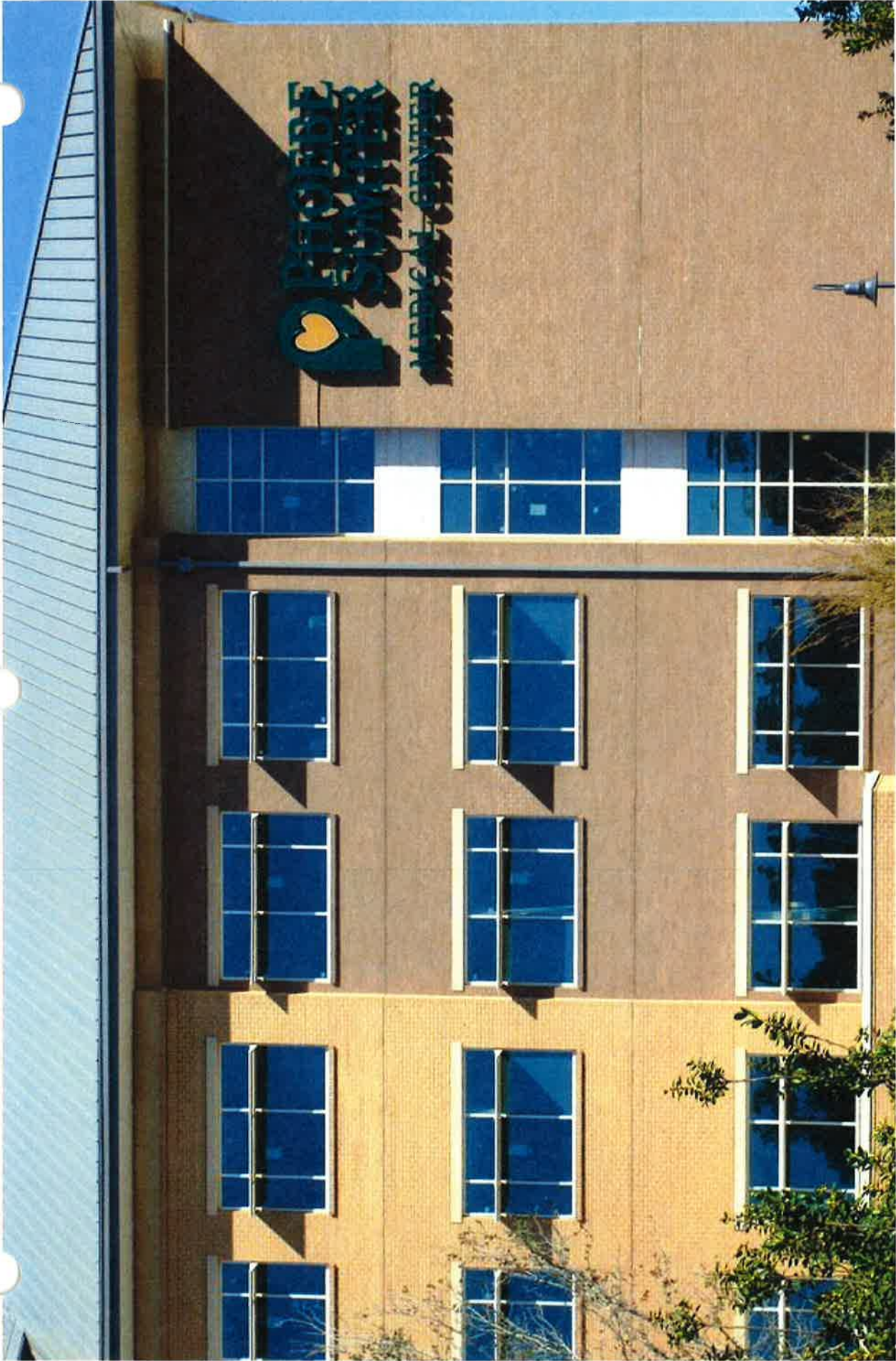


TO THIS.....



November 2011





**LOGO ON EAST SIDE OF BUILDING**





The signage is on the front door!



**Front Desk/Lobby Area**





View of lobby from 2<sup>nd</sup> Floor



**MRI Machine in Radiology**





**Operating Room**



**Lab**





Emergency Waiting Room





Cafeteria



**Hallway on 3<sup>rd</sup> Floor**





Rooftop Garden on 3<sup>rd</sup> Floor





**View of Americus from 3<sup>rd</sup> Floor**



## 4<sup>th</sup> Floor Hallway





**Former President Jimmy Carter and his wife Rosalynn recently toured the new Phoebe Sumter Medical Center in Americus. Carter, the 39th President of the United States, is a native of Sumter County and once served as a Hospital Board Member.**

**RESOLUTION OF THE HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA APPROVING TRANSACTION WITH THE HOSPITAL AUTHORITY OF BEN HILL COUNTY, GEORGIA UNDER SECTION 5.05 (b) OF THE LEASE AND TRANSFER AGREEMENT, AS AMENDED, WITH PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.**

**WHEREAS**, the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority") is a party to that certain Lease and Transfer Agreement dated as of December 11, 1990, as amended, with Phoebe Putney Memorial Hospital, Inc. ("PPMH, Inc.") for the lease of Phoebe Putney Memorial Hospital (the "PPMH Lease"). Capitalized terms not otherwise defined herein shall have the meaning given them in the PPMH Lease; and

**WHEREAS**, it is the understanding of the Authority that the Hospital Authority of Ben Hill County, Georgia, an instrumentality of the State of Georgia and a Georgia hospital authority organized and existing under the Georgia Hospital Authorities Law ("Ben Hill Authority"), owns and operates substantially all of the assets used exclusively in the operation of Dorminy Medical Center located at 200 Perry House Road, Fitzgerald, Georgia 31750 and supporting facilities (collectively, the "Hospital"); and

**WHEREAS**, on September 21, 2010, the Ben Hill Authority, and Phoebe Putney Health System, Inc., a Georgia nonprofit corporation and parent affiliate to PPMH, Inc. and Phoebe Dorminy Medical Center, Inc., agreed in principle to a two-phase affiliation involving the operations of the Hospital in which the first phase would be structured as an agreement by Phoebe Putney Health System, Inc. ("PPHS, Inc.") to manage the operations of the Hospital and the second phase of the affiliation would be structured as a lease of substantially all of the assets of the Hospital by an affiliate of PPHS, Inc., although the latter phase of affiliation would necessarily be conditioned on approval of the same by this Authority; and

**WHEREAS**, on November 1, 2010, the Ben Hill Authority and PPHS, Inc. entered into a management agreement to effectuate the first phase of the affiliation and pursuant to which PPHS, Inc. agreed to manage the day-to-day operations of the Hospital, to provide all employees necessary to operate the Hospital, deliver non-physician patient care to patients of the Hospital and to provide all services necessary for the operation of Hospital; and

**WHEREAS**, on April 12, 2011, Phoebe Dorminy Medical Center, Inc. ("PDMC, Inc.") was incorporated as a Georgia nonprofit corporation and wholly controlled subsidiary of PPHS, Inc. and is therefore an Affiliate of PPHS, Inc.; and

**WHEREAS**, on August 1, 2011, due to the expiration of the Ben Hill Authority's employees' benefits, PDMC, Inc., PPHS, Inc. and the Ben Hill Authority executed an Amended and Restated Management Agreement pursuant to which PDMC, Inc. agreed to manage the day-to-day operations of Dorminy Medical Center and employ the Ben Hill Authority's employees, other than administrative managers (who are employed by PPHS, Inc.), and lease those employees to the Ben Hill Authority; and

**WHEREAS**, Section 5.05 (b) of the PPMH Lease permits, in certain circumstances, an Affiliate to enter into a lease or other agreement with a public body corporate and politic (other

than the Authority) which is an instrumentality of the State of Georgia, organized and existing under the Georgia Hospital Authorities Law, O.C.G.A. §§ 31-7-70 *et seq.* (the "Act"), and in connection therewith may make investments in or dispositions of certain Property, and may enter into any other agreements, including financial guaranties, necessary to enable such Affiliate to perform the terms of its agreement; and

**WHEREAS**, as required in such instance by Section 5.05 (b) of the PPMH Lease, the Authority has been given written notice of the intention by PDMC, Inc. to enter into a lease and transfer agreement with the Ben Hill Authority (the "Dorminy Lease) to effectuate the second phase of the affiliation as described above and a copy of said notice has been provided to each member of the Authority in advance of this meeting (said notice attached hereto as Exhibit A); and

**WHEREAS**, as required by Section 5.05 (b) of the PPMH Lease, the Authority has been given a copy of the proposed Dorminy Lease in substantially final form, together with a written description of the general terms of the Dorminy Lease. The Dorminy Lease and its description are attached hereto as Exhibit B, copies of each such document having been provided to each member of the Authority in advance of this meeting; and

**WHEREAS**, as required by Section 5.05 (b) of the PPMH Lease, the organizational documents of PDMC, Inc. provide that upon dissolution of PDMC, Inc. or upon termination of the Dorminy Lease, all the assets owned or held by PDMC, Inc. will revert to the Ben Hill Authority. Attached hereto as Exhibit C is a copy of the Articles of Incorporation of PDMC, Inc., the same having been provided to each member of the Authority in advance of this meeting; and

**WHEREAS**, PPHS, Inc. will provide a guaranty of PDMC, Inc.'s financial obligations and financial commitments under the Dorminy Lease, including but not limited to the required payments under the Dorminy Lease, payment of certain defined but contingent liabilities of the Ben Hill Authority, and physician recruitment in Ben Hill County, Georgia; and

**WHEREAS**, PPHS, Inc. will also provide non-refundable advances to fund operational shortfalls. In addition PPHS, Inc will provide capital loans to PDMC, Inc. capital expenditures related to the Hospital which will become immediately due with interest in the event that either the Ben Hill Authority or PDMC, Inc. terminate the Dorminy Lease during the initial ten (10) year term and for which any such capital loans will be forgiven if the Dorminy Lease is extended beyond the initial ten (10) year term; and

**WHEREAS**, the Authority has been given previous general information concerning the above and in advance of this meeting has received considerable written information concerning the above, including, but not limited to the written notice previously delivered and attached hereto as Exhibit A, the Dorminy Lease and the written description of the terms thereof previously delivered and attached hereto as Exhibit B, the Articles of Incorporation of PDMC, Inc. attached hereto to as Exhibit C, the additional explanations, presentations, and descriptions provided to the Board by the representatives of PDMC, Inc. and PPMH, Inc. and;

**WHEREAS**, the Authority has met and received a thorough presentation concerning the above and has asked such questions and had the opportunity to ask such questions as it desired.

**NOW, THEREFORE**, be it resolved by the Hospital Authority of Albany-Dougherty County, Georgia as follows:

1. The Authority has found and determined that the proposed lease agreement between PDMC, Inc. and the Ben Hill Authority, including the investment of Property associated therewith, is consistent with and advances the Authority's mission and purposes of enhancing the healthcare facilities available to the citizens of Albany and Dougherty County and reducing or controlling the costs of healthcare in Albany and Dougherty County in multiple ways, including the following:
  - a. The long term viability of PPMH, Inc., and the scope and quality of healthcare offered by and through PPMH, Inc. to the citizens of Albany and Dougherty County is enhanced as additional hospital facilities operated by Parent Affiliate result in additional tertiary care patients utilizing PPMH, Inc. for high level services not typically subject to capacity limitations, thereby developing better utilization and increased feasibility of high level and specialty medical facilities and treatments and additional revenue for PPMH, Inc. to support its operations and spread its costs; the same being especially important as private and governmental health care payment systems seek to reduce reimbursements.
  - b. PPMH, Inc. will benefit from increased economies of scale, such as reduced cost through a common system of care and delivery of care that will be accomplished through shared services such as laboratory services, wound clinics, administration and group purchasing and its fixed costs will be spread over more patients utilizing PPMH, Inc.
  - c. The Dorminy Lease should increase the opportunity for Parent Affiliate, as a regional health care system, to attract and retain quality physicians with a wider range of specialties, as well as other health care providers, all of which should improve the quality and scope of healthcare available to the citizens of Albany and Dougherty County.
  - d. The financial commitments to be made by Parent Affiliate in this proposed transaction, in comparison to the value of Parent Affiliate's net assets is not so material as to jeopardize the financial viability of PPMH, Inc. or Parent Affiliate, and is a worthwhile investment for the citizens of this community. Additionally, the financial commitment by Parent Affiliate to provide capital for capital expenditures is somewhat mitigated because it will be in the form of loans which become immediately due in the event of termination of the Dorminy Lease during the initial ten (10) year term by either the Ben Hill Authority or PDMC, Inc. and are only forgiven in the event the Dorminy Lease is extended beyond its initial ten (10) year term.
2. The Authority finds that the requirements of Section 5.05 (b) of the PPMH Lease have been met by PDMC, Inc. so as to permit the Authority to approve the

Dorminy Lease and as set forth above, finds that such transaction should benefit the citizens of Albany and Dougherty County, Georgia.

3. In accordance with Section 5.05 (b) of the PPMH Lease, the Authority does hereby approve the execution by PDMC, Inc. of the Dorminy Lease in substantially the form attached as Exhibit B hereto.
4. The Authority approves of the Parent Affiliate entering into the financial guaranty of PDMC, Inc.'s financial obligations and commitments and to support the operations of PDMC, Inc. both financially and operationally.
5. The appropriate officers of the Authority are hereby authorized and directed to take any and all further action and to execute and deliver any and all further documents as may be reasonably necessary or appropriate to fully implement and carry out the approval given herein as per Section 5.05 (b) of the PPMH Lease.

Duly Adopted this 17th day of November, 2011.

**HOSPITAL AUTHORITY OF ALBANY-  
DOUGHERTY COUNTY, GEORGIA**

By: Chas C. Amode  
Its: Vice Chairman

**EXHIBIT A**  
**Notice of Intent to Enter into Lease and Transfer Agreement**  
*See Attached.*



November 14, 2011

Ralph Rosenberg  
Chairman  
Hospital Authority of Albany-Dougherty County, Georgia  
P.O. Box 1827  
222 Pine Avenue  
Albany, GA 31702-5301

Re: Notice of Intent to Enter Into Lease and Transfer Agreement

Dear Chairman Rosenberg and Members:

In accordance with Section 5.05 (b) of the Lease and Transfer Agreement Between Hospital Authority of Albany-Dougherty County, Georgia and Phoebe Putney Memorial Hospital, Inc. dated as of December 11, 1990, as amended ("PPMH Lease"), please accept this letter as notice of Phoebe Dorminy Medical Center, Inc.'s, an Affiliate of Transferee (as defined in the PPMH Lease), intention to enter into a lease and transfer agreement with the Hospital Authority of Ben Hill County, Georgia, a public body corporate and politic and Georgia hospital authority and instrumentality of the State of Georgia organized and existing under the Georgia Hospital Authorities Law (O.C.G.A. §§ 31-7-70 *et seq.*), to lease and operate Dorminy Medical Center located in Fitzgerald, Georgia, to be effective as soon as the pre-conditions to its commencement date are satisfied as set forth in the Dorminy Lease (as defined below).

(i) Notice

Phoebe Dorminy Medical Center, Inc. ("PDMC, Inc.") intends to enter into a ten (10) year lease and transfer agreement to lease and operate Dorminy Medical Center ("Hospital"), a licensed Georgia hospital owned by the Hospital Authority of Ben Hill County, Georgia ("Ben Hill Authority") located at 200 Perry House Road, Fitzgerald, Georgia 31750 and supporting facilities ("Dorminy Lease").

On September 21, 2010, the Ben Hill Authority and Phoebe Putney Health System, Inc. ("PPHS, Inc.") agreed to a two-phase affiliation involving the operations of the Hospital pursuant to which the first phase would be structured as an agreement by PPHS, Inc. to manage the operations of the Hospital and the second phase of the affiliation would be structured as a lease of substantially all of the assets of the Hospital to an affiliate of PPHS, Inc. On November 1, 2010, PPHS, Inc. and the Ben Hill Authority entered into a management agreement under which PPHS, Inc. agreed to manage the day-to-day operations of the Hospital, to provide all employees necessary to operate the Hospital, deliver non-physician patient care to patients of the Hospital and to provide all necessary services for the operations of the Hospital. In order to effectuate the second phase of the affiliation, on April 12, 2011, PPHS, Inc. formed PDMC, Inc. as a Georgia nonprofit corporation and wholly controlled affiliate of PPHS, Inc. Due to the expiration of the Ben Hill Authority's employees' benefits, PDMC, Inc., PPHS, Inc. and the Ben Hill Authority entered into an Amended and Restated Management Agreement pursuant to which PDMC, Inc. agreed to manage the day-to-day operations of the Hospital and employ the

Ben Hill Authority's employees, other than administrative managers (who are employed by PPHS, Inc.), and lease those employees to the Ben Hill Authority.

Therefore, PDMC, Inc. currently manages the day-to-day operations of the Hospital pursuant to the Amended and Restated Management Agreement which will terminate upon the commencement of the Dorminy Lease.

Pursuant to the Dorminy Lease, the Ben Hill Authority will transfer all of its assets, including all equipment, land, accounts receivable, and certain specified liabilities set forth in the Schedule 3.03 to the Dorminy Lease to PDMC, Inc. As more fully set forth in the description of the Dorminy Lease enclosed herein, PPHS, Inc. will guaranty the financial obligations and commitments of PDMC, Inc. contained in the Dorminy Lease and also invest capital in the Hospital to be used either for operations or capital expenditures which will be treated as a loan from PPHS, Inc. to PDMC, Inc. and an account payable by PDMC, Inc. to PPHS, Inc. In the event the Dorminy Lease is terminated by either PDMC, Inc. or the Ben Hill Authority at any time during the initial term of the Lease, the loan would be immediately due from PDMC, Inc. (or the Ben Hill Authority if PDMC, Inc. does not have sufficient funds) with interest. However, in the event that the parties agree to mutually extend the Dorminy Lease beyond the ten (10) years during or before the expiration of the initial term, the capital loans made by PPHS, Inc. to PDMC, Inc. will be forgiven. Additionally, the Dorminy Lease provides that PDMC, Inc. will promote and pursue physician recruitment as soon as possible after the commencement of the Dorminy Lease, continue to provide charity care at the Hospital, and operate the Hospital in furtherance of the Ben Hill Authority's objectives to meet the public needs of the community it serves and operate the Hospital for the benefit of the general public in full compliance with the requirements of the Georgia Hospital Authorities Law. Except as expressly described in the Dorminy Lease, upon termination of the Dorminy Lease, all assets owned, leased or held by PDMC, Inc. will revert to the Ben Hill Authority.

All federal and Georgia statutory requirements for the execution of the Dorminy Lease have been complied with for the transaction to occur. Specifically, in accordance with the provisions of the Georgia Hospital Authorities Law (O.C.G.A. § 31-7-74.3), a public hearing was held on April 11, 2011 and in compliance with the Georgia Hospital Acquisitions Act (O.C.G.A. § 31-7-404), a public hearing was held on June 6, 2011 by the Attorney General of the State of Georgia. The Attorney General for the State of Georgia rendered its final report on July 6, 2011 approving the proposed lease of the Hospital by the Ben Hill Authority to PDMC, Inc.

(ii) Copy of Dorminy Lease

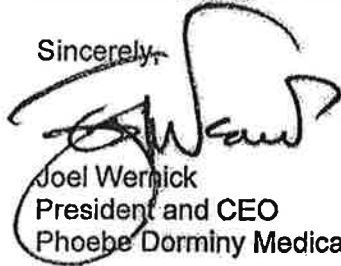
Enclosed with this notice, you will find a written description and a copy of, in substantially final form, the proposed Dorminy Lease.

November 14, 2011  
Page 3

(iii) Copy of Organizational Document

Enclosed with this notice, you will find a copy of the Articles of Incorporation of PDMC, Inc. which provides (see Article X) that upon dissolution or termination of the Dorminy Lease, all of the assets owned or held by PDMC, Inc. will be returned to the Ben Hill Authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel Wernick", is written over the word "Sincerely,". The signature is stylized and somewhat cursive.

Joel Wernick  
President and CEO  
Phoebe Dorminy Medical Center, Inc.

Enclosures

cc: James E. Reynolds, Jr., Esq.  
Lemuel V. Griffin  
Thomas S. Chambless, Esq.  
Robert J. Baudino, Jr., Esq.

**EXHIBIT B**  
**Lease and Transfer Agreement**  
*See Attached.*

DESCRIPTION OF LEASE AND TRANSFER AGREEMENT  
BETWEEN  
HOSPITAL AUTHORITY OF BEN HILL COUNTY, GEORGIA  
AND  
PHOEBE DORMINY MEDICAL CENTER, INC.

I. BACKGROUND

The Hospital Authority of Ben Hill County, Georgia (“Ben Hill Authority”) was created in 1969 by resolution of Ben Hill County, Georgia as a Georgia hospital authority organized and existing under the Georgia Hospital Authorities Law, O.C.G.A. §§ 31-7-70 *et seq.* It was created to assume ownership and operation of the Ben Hill County Hospital. The Ben Hill Authority constructed a new facility, “Dorminy Memorial Hospital,” which commenced operations in 1974 and was later renamed Dorminy Medical Center.

The Ben Hill Authority owns and currently operates Dorminy Medical Center, a 75-bed multi-specialty, general medical and surgical hospital located 200 Perry House Road, Fitzgerald, Ben Hill County, Georgia and supporting facilities (collectively, “Hospital”). Over the last few years, the Ben Hill Authority has experienced significant financial difficulties related to its operation of the Hospital in part due to the outmigration of patients and the lack of a sufficient number of physicians within the community. As a result, the Ben Hill Authority sought out an affiliate partner in order to continue its mission of providing health care to the citizens of its community.

In August of 2010, the Ben Hill Authority and Phoebe Putney Health System, Inc., a Georgia nonprofit corporation and the parent affiliate of Phoebe Dorminy Medical Center, Inc. (“PPHS, Inc.”) began discussions regarding an affiliation between the two parties with the goal of better serving the health needs of the communities served by the Ben Hill Authority and PPHS, Inc. Those discussions resulted in a letter of intent which was executed by the parties on September 21, 2010, and which outlined the basic terms, requirements and expectations of the parties with regard to the proposed affiliation.

The Ben Hill Authority and PPHS, Inc. agreed to structure the affiliation in two phases. The parties agreed the first phase would be structured as a management agreement between the Ben Hill Authority and PPHS, Inc. under which PPHS, Inc. would manage the day-to-day operations of the Hospital. The second phase would be structured as a lease of substantially all of the assets of the Hospital by an affiliate of PPHS, Inc.

To effectuate the first phase of the affiliation, on November 1, 2010, the Ben Hill Authority and PPHS, Inc. executed a management agreement under which PPHS, Inc. agreed to manage the day-to-day operations of the Hospital.

In connection with the second phase of the affiliation, on April 11, 2011, Phoebe Dorminy Medical Center, Inc. was incorporated as a Georgia nonprofit corporation and wholly controlled subsidiary of PPHS, Inc. (“PDMC, Inc.”).

Due to the expiration of the Ben Hill Authority's employees' benefits on July 31, 2011, on August 1, 2011, PPHS, Inc., PDMC, Inc., and the Ben Hill Authority executed an Amended and Restated Management Agreement pursuant to which PDMC, Inc. agreed to manage the day-to-day operations of the Hospital and employ the Ben Hill Authority's employees, other than administrative managers (who are employed by PPHS, Inc.), and lease those employees to the Ben Hill Authority. The Amended and Restated Management Agreement will terminate upon the commencement of the Dorminy Lease (as defined below).

To effectuate the second phase of the affiliation, PDMC, Inc. intends to enter into a lease agreement with the Ben Hill Authority pursuant to which the Ben Hill Authority will lease substantially all of the assets of the Hospital to PDMC, Inc. for a period of ten (10) years ("Dorminy Lease"). The Dorminy Lease specifically addresses both the Ben Hill Authority's need for capital infusion and the recruitment of physicians to enable the Hospital to continue to provide health care to the citizens of the community.

Pursuant to the requirements of the Georgia Hospital Authorities Law, O.C.G.A. § 31-7-74.3, a public hearing regarding the Dorminy Lease was held on April 11, 2011. Additionally, pursuant to the requirements of the Georgia Hospital Acquisition Act, O.C.G.A. § 31-7-404, on June 6, 2011, the Attorney General for the State of Georgia held a public hearing regarding the Dorminy Lease and rendered its final report on July 6, 2011, finding that the Ben Hill Authority and PDMC, Inc. took all necessary steps to ensure: (a) that the Dorminy Lease is authorized; (b) that the value of the charitable assets is safeguarded; (c) that any proceeds of the Dorminy Lease are used for appropriate charitable health purposes; and (d) that the appropriate factors under the Hospital Acquisition Act were properly addressed.

## II. LEASE AND TRANSFER AGREEMENT

### A. Generally

The parties to the proposed Dorminy Lease include the Ben Hill Authority, as the lessor, and PDMC, Inc., as the lessee. PPHS, Inc. will also execute the Dorminy Lease for the limited purpose of financially guaranteeing PDMC, Inc.'s performance of the Dorminy Lease. *See* Article X of the Dorminy Lease. Under the proposed Dorminy Lease, the Ben Hill Authority will transfer to and PDMC, Inc. will assume substantially all of the assets, operations, including the real property, leased property, equipment, improvements, operating assets and certain liabilities of the Ben Hill Authority specifically set forth in Schedule 3.03 of the Dorminy Lease, for a term of ten (10) years. The term of the Dorminy Lease may be extended by mutual agreement of the parties for a term not to exceed forty (40) years. *See* Section 3.05.

Subject to the ultimate control of the Ben Hill Authority and in compliance with the Georgia Hospital Authorities Law, PDMC, Inc. will continue to operate the Hospital as a 75-bed licensed and accredited general acute care hospital for the ten (10) year term in furtherance of the Ben Hill Authority's purposes and objectives. Throughout the term of



the Dorminy Lease, the Hospital will offer substantially the same range of services the Hospital offered prior to commencement of the Dorminy Lease. *See* Section 4.02.

PDMC, Inc. will assume all contracts of the Ben Hill Authority but will not assume the Ben Hill Authority's existing Medicare and Medicaid provider agreements. As the employees of the Ben Hill Authority were employed by PDMC, Inc. pursuant to the Amended and Restated Management Agreement, those employees will continue to be employed by PDMC, Inc. but will no longer be leased to the Ben Hill Authority. *See* Section 4.11 (c).

Identical to the commitments of PPHS, Inc.'s other affiliates, PDMC, Inc. will provide indigent care and will annually allocate to the cost of indigent care no less than 3% of the gross revenues of the Hospital after provision for bad debt and Medicare and Medicaid contractual adjustments. *See* Section 4.17.

In accordance with the Georgia Hospital Authorities Law, the Dorminy Lease requires PDMC, Inc. to operate the Hospital in a manner which will not contravene the intent of the Hospital Authorities Law and requires that PDMC, Inc. fix rates and charges for services by the Hospital in accordance with the intent and the policy established by the Hospital Authorities Law as required under O.C.G.A. § 31-7-77. Further, the Dorminy Lease requires, in accordance with O.C.G.A. § 31-7-74.3, that one member of the Ben Hill Authority serve as a full voting member on PDMC, Inc.'s board of directors.

Moreover, to assist the Ben Hill Authority in ensuring, on an ongoing basis, that the operation of the Hospital by PDMC, Inc. meets the requirements of the Dorminy Lease and the Hospital Authorities Law, the Dorminy Lease imposes various reporting obligations upon PDMC, Inc., including, for example, (1) furnishing the Authority with PDMC, Inc.'s financial statements within ninety (90) days of the close of any fiscal year as required by O.C.G.A. §31-7-90; (2) providing a report on the cost and extent of indigent and charity care provided by PDMC, Inc. to enable the Ben Hill Authority to submit its Community Benefit Report required under O.C.G.A. § 31-7-90.1; and (3) providing a report every three (3) years on the unmet health needs of the community in order for the Ben Hill Authority to adequately address those unmet needs. *See* Section - 4.24.

PDMC, Inc.'s Articles of Incorporation and Bylaws set forth specific powers that are reserved for PPHS, Inc. as is required of all of PPHS, Inc.'s affiliates. The PDMC, Inc. Board of Directors must be comprised of no less than seven (7) members, one of whom must be a current member of the Board of Directors of the Ben Hill Authority, one of whom must be on the Hospital's medical staff and a resident of Ben Hill County, and two (2) who must be residents of Ben Hill County, Georgia. *See* Section 4.14.

As an affiliate of PPHS, Inc. and as required under Section 5.05 (b) of the Lease and Transfer Agreement between the Hospital Authority of Albany-Dougherty County, Georgia and Phoebe Putney Memorial Hospital, Inc. dated December 11, 1990, as amended, PDMC, Inc.'s Articles of Incorporation and the Dorminy Lease provide that

upon the dissolution of PDMC, Inc. or termination of the Dorminy Lease, all of the assets owned or held by PDMC, Inc. revert to the Ben Hill Authority and not to the Albany-Dougherty Authority.

#### B. Financial Commitments

Upon the commencement of the Dorminy Lease, PDMC, Inc. must pay the Ben Hill Authority twenty thousand dollars (\$20,000.00) to cover the Ben Hill Authority's expenses related to its oversight activities. After the end of the first year of the Dorminy Lease, and every year thereafter during the term, PDMC, Inc. is required to pay no more than \$50,000.00 per year to cover the Ben Hill Authority's expenses for things such as legal, accounting, or consultant fees or other oversight activities. These support payments are in addition to PDMC, Inc.'s obligation to pay or discharge the liabilities it has specifically assumed under the Dorminy Lease as set forth in Schedule 3.03 of the Dorminy Lease. *See* Section 3.06.

Additionally, PDMC, Inc. is required under the Dorminy Lease to fund physician recruitment needs and must commission physician needs reports at least once every three (3) years. PDMC, Inc. also must assume and perform the financial commitments made by the Ben Hill Authority to physicians who have agreed to locate their practices in Fitzgerald, Georgia from other areas. *See* Section 4.11 (a).

Further, at its sole cost and expense, PDMC, Inc. must maintain and upgrade the Hospital facility and its equipment so that it meets the operating needs of the Hospital and the primary medical needs of the community. To that end, during the initial ten (10) year term of the Dorminy Lease, any capital invested by PPHS, Inc. in the existing facilities (whether needed for operations or capital expenditures) will be considered a loan by PPHS, Inc. to PDMC, Inc. and an account payable by PDMC, Inc. to PPHS, Inc. In the event that the Dorminy Lease is terminated for any reason by either the Ben Hill Authority or PDMC, Inc. during the initial ten (10) year term, the loans must immediately be paid back to PPHS, Inc. with interest by PDMC, Inc. or the Ben Hill Authority (if PDMC, Inc. does not have sufficient funds). However, should the parties extend the Dorminy Lease beyond the initial ten (10) year term, then the capital invested by PPHS, Inc. will not be considered a loan and shall be forgiven. In other words, if the Dorminy Lease is terminated before year ten of the Dorminy Lease, any capital invested by PPHS, Inc. must be paid back with interest either by PDMC, Inc. or the Ben Hill Authority. If, however, the Dorminy Lease is extended beyond year ten, any capital invested by PPHS, Inc. is not required to be paid back by either PDMC, Inc. or the Ben Hill Authority. However, PPHS, Inc. will be required to obtain the Ben Hill Authority's prior approval before it expends more than \$100,000.00 in a single transaction for the facilities. *See* Section 4.01 (b).

#### C. Termination Provisions

Before the commencement date of the Dorminy Lease, either party may terminate the Dorminy Lease if by April 1, 2012, any one or more of the actions or conditions required to be satisfied before the commencement date have not been completed or satisfied (i.e. obtain recognition of tax exemption for PDMC, Inc.). PDMC, Inc. may also terminate the Dorminy Lease if, in its reasonable opinion, a material liability exists that the parties

do not agree upon and after a good faith effort cannot resolve the disagreement. *See* Section 11.02 (a)(2).

After the commencement of the Dorminy Lease, either party may also terminate the Dorminy Lease if a default has occurred which is not cured within twenty (20) days after the date of the notice. Either party may terminate the Dorminy Lease without cause upon thirty (30) days written notice on or after the fifth anniversary of the commencement date. *See* Section 11.02 (b).



LEASE AND TRANSFER AGREEMENT  
BETWEEN  
HOSPITAL AUTHORITY OF BEN HILL COUNTY, GEORGIA  
AND  
PHOEBE DORMINY MEDICAL CENTER, INC.

---

DATED AS OF \_\_\_\_\_, 201\_\_

	<u>PAGE</u>
ARTICLE I DEFINITIONS .....	5
ARTICLE II REPRESENTATIONS .....	14
SECTION 2.01.    Representations and Warranties by Lessor .....	14
SECTION 2.02.    Representations, and Warranties by Lessee .....	22
ARTICLE III LEASING OF FACILITIES. TRANSFER OF OPERATING ASSETS	
ASSUMPTION OF LIABILITIES; TERM AND REQUIRED PAYMENTS .....	22
SECTION 3.01.    Leasing of Existing Facilities; Quiet Enjoyment. ....	22
SECTION 3.02.    Transfer of Operating Assets and Existing Operations.....	23
SECTION 3.03.    Assumption of Liabilities.....	24
SECTION 3.04.    Transfer of the Existing Facilities and Existing Operations; Consideration .....	24
SECTION 3.05.    Term.....	24
SECTION 3.06.    Required Payments .....	254
SECTION 3.07.    Absolute Obligation to Pay Required Payments.....	25
ARTICLE IV COVENANTS OF LESSOR AND LESSEE .....	25
SECTION 4.01.    Maintenance of Existing Facilities; Capital Investment .....	25
SECTION 4.02.    Operation of Hospital.....	26
SECTION 4.03.    Compliance With Applicable Law.....	28
SECTION 4.04.    Liens and Encumbrances .....	29
SECTION 4.05.    Payments of Other Obligations.....	29
SECTION 4.06.    Lessor's Performance of Lessee's Obligations.....	30
SECTION 4.07.    Improvements .....	30
SECTION 4.08.    Tax-Exempt Status.....	31
SECTION 4.09.    Regulatory Controls .....	31
SECTION 4.10.    License and Accreditation.....	31
SECTION 4.11.    Medical Staff and Employees; Physician Development.....	31
SECTION 4.12.    Medicare/Medicaid Filings .....	32
SECTION 4.13.    Participation and Reimbursement Agreements.....	33
SECTION 4.14.    Articles of Incorporation of Lessee.....	33
SECTION 4.15.    No Interest in PPHS or Any Affiliate of PPHS .....	34
SECTION 4.16.    Consents and Notices .....	34
SECTION 4.17.    Indigent Care.....	34
SECTION 4.18.    Permitted Indebtedness .....	34
SECTION 4.19.    Financial Books and Records.....	35
SECTION 4.20.    Competition with Hospital.....	35
SECTION 4.21.    Eminent Domain .....	36
SECTION 4.22.    Existing Certificates of Need. ....	36
SECTION 4.23.    Name of the Hospital .....	36

SECTION 4.24.	Annual Report Requirement .....	36
SECTION 4.25.	Meeting Room Space and Record Storage .....	38
SECTION 4.26.	Excluded Contracts .....	38
SECTION 4.27.	Conduct of Business by Lessor.....	38
SECTION 4.28.	Insurance and Insurance Funds.....	38
ARTICLE V IMPROVEMENTS; DISPOSITIONS OF. PROPERTY; ALTERIATIONS.....		39
SECTION 5.01.	After-Acquired Property as Part of the Existing Facilities .....	39
SECTION 5.02.	Covenant Against Unauthorized Disposition.....	39
SECTION 5.03.	Dispositions of Property Without Notice.....	39
SECTION 5.04.	Dispositions of Property With Notice.....	40
SECTION 5.05.	Transfers to Affiliates. ....	40
SECTION 5.06.	Alterations.....	41
SECTION 5.07.	Disposition of Property by Lessor .....	41
SECTION 5.08.	Limitation Upon Sale of Hospital; Right of First Refusal in Certain Circumstances .....	41
ARTICLE VI INSURANCE.....		42
SECTION 6.01.	Insurance.....	42
SECTION 6.02.	Insurers and Policies. ....	43
SECTION 6.03.	Involuntary Loss; Use of Insurance Proceeds Condemnation Awards and Sale Proceeds.....	43
SECTION 6.04.	Failure to Carry Insurance. ....	44
ARTICLE VII INDEMNIFICATION .....		44
SECTION 7.01.	Indemnification; No Liability; Damage Claims .....	44
SECTION 7.02.	Reimbursement of Costs and Expenses .....	45
SECTION 7.03.	Continuation of Liability.....	45
ARTICLE VIII ASSIGNMENTS; SUBLEASES, OPERATING ARRANGEMENTS.....		45
SECTION 8.01.	Maintenance of Corporate Existence; Permitted Mergers; Consolidations and Sales. ....	45
SECTION 8.02.	Subleases and Operating Contracts.....	46
SECTION 8.03.	Prohibition on Other Assignments and Subleases. ....	46
ARTICLE IX LEASE COMMENCEMENT, CONDITION AND CONTINGENCIES.....		46
SECTION 9.01.	Effective Date and Lease Commencement. ....	46
SECTION 9.02.	Conditions and Contingencies .....	49
SECTION 9.03.	Conditions and Contingencies Subsequent to the Commencement Date.....	50
ARTICLE X GUARANTEE .....		49
ARTICLE XI DEFAULT BY LESSEE .....		49
SECTION 11.01.	Events of Default .....	49
SECTION 11.02.	Termination.....	51
SECTION 11.03.	Repossession Without Termination. ....	51



SECTION 11.04.	Damages.....	52
SECTION 11.05.	Additional Remedies.....	52
SECTION 11.06.	No Waiver of Rights .....	53
SECTION 11.07.	Reversion of Assets.....	53
ARTICLE XII MISCELLANEOUS.....		53
SECTION 12.01.	Captions .....	53
SECTION 12.02.	Covenants Considered Material.....	53
SECTION 12.03.	Amendment of Agreement.....	53
SECTION 12.04.	Georgia Law Controlling .....	53
SECTION 12.05.	Consents and Approvals .....	53
SECTION 12.06.	Multiple Counterparts.....	54
SECTION 12.07.	Severability .....	54
SECTION 12.08.	Lessee's Remedies.....	54
SECTION 12.09.	Assignments.....	54
SECTION 12.10.	Recording.....	54
SECTION 12.11.	Notices; Demands; Requests.....	55
SECTION 12.12.	No Personal Liability .....	55
SECTION 12.13.	Payments .....	55
SECTION 12.14.	Survival of Covenants, Representations, and Warranties.....	55
SECTION 12.15.	Entire Agreement.....	55
SECTION 12.16.	Good Faith .....	55
SECTION 12.17.	Relationship of Parties.....	56
SECTION 12.18.	Brokerage Commission.....	56
SECTION 12.19.	Costs in Preparation of Agreement;Attorneys' Fees and Costs...	56
SECTION 12.20.	Time is of the Essence .....	56
SECTION 12.21.	Specific Performance.....	56
ARTICLE XIII CONDITIONS .....		56

<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>	
Exhibit A	Affiliation Services .....	60
Exhibit B	Assigned Contracts .....	61
Exhibit C	Assignment and Assumption Agreement.....	62
Exhibit D	Excluded Contracts .....	63
Exhibit E	Leased Real Property .....	64
Exhibit F	Real Property .....	65
Exhibit G	Claims and Liens on Real Property .....	66
Exhibit H	Articles of Incorporation of Lessee.....	67
Exhibit I	Insurance and Insurance Funds.....	68

## LEASE AND TRANSFER AGREEMENT

THIS LEASE AND TRANSFER AGREEMENT (this "Agreement") is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, between the HOSPITAL AUTHORITY OF BEN HILL COUNTY, GEORGIA, a public body corporate and politic and an instrumentality of the State of Georgia (herein called "Lessor"), and PHOEBE DORMINY MEDICAL CENTER, INC., a nonprofit corporation organized, existing and in good standing under the laws of the State of Georgia (herein called "Lessee").

### NOW WITNESSETH:

WHEREAS, Lessor, a body corporate and politic organized and existing under the Georgia Hospital Authorities Law, O.C.G.A. §§ 31-7-70 et seq. (the "Act"), owns and operates Dorminy Medical Center, a 75-bed multi-specialty, general medical and surgical hospital located in Fitzgerald, Ben Hill County, Georgia (the "Hospital");

WHEREAS, Phoebe Putney Health System, Inc. ("PPHS") is a Georgia nonprofit corporation recognized as exempt from federal and State of Georgia income taxes and is a multi-entity health care delivery organization with substantial financial resources and substantial operational and administrative support experience;

WHEREAS, Lessor has determined that a lease of the Hospital and its related facilities and assets to Lessee, Lessee being a controlled affiliate of PPHS, and also a component of PPHS' integrated healthcare system, will promote serving the public health needs of the community by making available additional health care facilities and services or lowering the cost of delivering health care in the community in that Lessee will enjoy greater operational flexibility than Lessor, and will have the ability to compete more effectively with other institutional health care providers, thereby promoting efficiency while protecting the Hospital and its facilities as a community asset operated on a nonprofit basis for the benefit of the community and its general public; and

WHEREAS, to accomplish this end, Lessor wishes to lease the real property assets and the personal property assets of the Hospital, and to transfer all of the operations and liabilities of the Hospital, to Lessee, and Lessee wishes to lease the real property and the personal property assets and assume all of the operations and liabilities of the Hospital, all on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, covenants and agreements set forth herein, the parties hereto agree as follows:

### ARTICLE I DEFINITIONS

The following words, terms or phrases, when used in this Agreement, shall have the following meanings unless the context indicates a different meaning:

"Act" means the Georgia Hospital Authorities Law, O.C.G.A. §§ 31-7-70 et seq. as amended.



"Affiliate" means a corporation, limited or general partnership, limited liability company, joint venture, association, business trust or similar entity organized under the laws of the State of Georgia or authorized to conduct affairs in the State of Georgia: (a) which controls, or which is controlled, directly or indirectly, by, Lessor, Lessee or PPHS; or (b) a majority of the members of the Directing Body of which are also members or directors of the Board of Directors of the Lessee and constitute a majority of the members or directors of the Board of Directors of the Lessee. For the purposes of this definition, control means with respect to: (i) a nonprofit corporation not having stock, the power to elect or appoint, directly or indirectly, a majority of the Directing Body of such corporation; (ii) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation; (iii) a general or limited partnership, the ownership of a majority of the general partners' interest in the partnership; (iv) a limited liability company, the ownership of a majority of the membership interest in the limited liability company; or (v) any other entity with the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise. For the purposes of this definition, "Directing Body" means: (x) with respect to a nonprofit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion; (y) with respect to a corporation having stock, such corporation's board of directors and the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (both of which groups shall be considered a Directing Body); (z) with respect to a general or limited partnership, the holders of a majority of the general partners' interest in the partnership; and (aa) with respect to any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"Affiliation Services" shall have the meaning set forth in Section 4.02(g).

"Agreement" means this Lease and Transfer Agreement as from time to time amended or supplemented pursuant hereto.

"Amended and Restated Management Services Agreement" means that certain management services agreement dated November 1, 2010, between PPHS and Lessor, as amended and restated on August 1, 2011 with Phoebe Dorminy Medical Center, Inc. added as a party.

"Approval" means any approval, authorization, consent, notice, qualification or registration, or any extension, modification, amendment or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Entity (other than Lessor or its Affiliates).

"Assigned Contracts" means all oral or written agreements of Lessor which are not Excluded Contracts. Exhibit "B" hereto lists, to the best of Lessor's knowledge, all contracts to which Lessor, Manager or Affiliates of Manager are a party and which Lessor expects Lessee to assume and perform.

"Assumed Liabilities" means all liabilities and obligations of Lessor and Manager listed on Schedule 3.03.

"Assignment and Assumption Agreement" means the agreement substantially in the form of Exhibit "C" hereto.

"Authority" shall mean the Lessor.

"Book Value" means with respect to any Property the value thereof calculated on the basis of the book value of such assets shown on the asset side of the balance sheet in the financial statements for Lessee for the most recent Fiscal Year for which financial statements have been reported on by an Independent Accountant using generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended and all applicable existing and proposed regulations that may from time to time be issued thereunder.

"Commencement Date" shall have the meaning set forth in Section 9.01 hereof.

"Contract" means any agreement, lease, sublease, license, sublicense, promissory note, evidence of indebtedness, or other contract, to which the Lessor in connection with the Existing Facilities is a party or by which assets of the Existing Facilities are bound which are related exclusively to the Existing Operations.

"Employees" means all of the employees employed in connection with Existing Operations on August 1, 2011 by Lessor.

"Encumbrance" means any claim, charge, easement, restrictive covenant, encumbrance, encroachment, security interest, mortgage, lien, pledge or restriction, whether imposed by agreement, understanding, Law, equity or otherwise.

"Entity" means a corporation, general or limited partnership, limited liability company, joint venture, association, trust, person or other legal entity.

"Environmental Condition" means any event, circumstance or condition related in any manner whatsoever to (i) the current or past presence or spill, emission, discharge, disposal, release or threatened release of any hazardous, infectious or toxic substance or waste (as defined by any applicable Environmental Laws) or any chemicals, pollutants, petroleum, petroleum products or oil ("Hazardous Material"), into the environment; or (ii) the on-site or off-site treatment, storage, disposal or other handling of any Hazardous Material originating on or from the Real Property; or (iii) the placement of structures, materials or substances into waters of the United States; or (iv) the presence of any Hazardous Substance, including friable asbestos, in any building, structure or workplace or on any portion of the Real Property; or (v) any violation of

Environmental Laws at or on any part of the Real Property or arising from the activities of Lessor at the facilities involving Hazardous Materials or the presence of any underground storage container on or in any part of the Real Property.

“Environmental Laws” means all laws relating to pollution or the environment, including the Comprehensive Environmental Recovery, Compensation, and Liability Act, as amended, 42 U.S.C. §9601, *et seq.*; the Resource Conservation and Recovery Act, as amended 42 U.S.C. §9601, *et seq.*, the Clean Air Act, 42 U.S.C. §7401, the Occupational Safety and Health Act, 29 U.S.C. §600, *et seq.*, the Georgia Air Quality Act, as amended, O.C.G.A. §§12-9-1, *et seq.*, the Georgia Groundwater Use Act, as amended, O.C.G.A. §§12-5-90, *et seq.*, the Georgia Safe Drinking Water Act of 1977, as amended, O.C.G.A. §§ 12-5-170, *et seq.*, the Georgia Water Supply Act, as amended, O.C.G.A. §§12-5-470, *et seq.*, the Georgia Water Well Standards Act, as amended, O.C.G.A. §§12-5-120, *et seq.*, the Georgia Hazardous Waste Management Act, as amended, O.C.G.A. §§12-8-60, *et seq.*, the Georgia Underground Storage Act, as amended, O.C.G.A. §§12-13-1, *et seq.*, the Georgia Radiation Control Act, as amended, O.C.G.A. §§31-13-1, *et seq.*, the Georgia Environmental Protection Division (“GEPD”) Air Quality Control Rules and Regulations, Official Compilation Rules and Regulations of the State of Georgia (“Georgia Rules”) rr. 391-3-1, *et seq.*, GEPD Groundwater Use Rules and Regulations, Georgia Rules rr. 391-3-2, *et seq.*, GEPD Safe Drinking Water Rules and Regulations, Georgia Rules rr. 391-3-5, *et seq.*, GEPD Hazardous Waste Management Rules and Regulations, Georgia Rules rr. 391-3-11, *et seq.*, GEPD Underground Storage Tank Management Rules and Regulations, Georgia Rules rr. 391-3-15, *et seq.*, GEPD Radioactive Materials Rules and Regulations, Georgia Rules rr. 391-3-17, *et seq.*, and all other laws relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, chemicals, pesticides, or industrial, infectious, toxic or hazardous substances or wastes into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or otherwise relating to the processing, generation, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, infectious, toxic, or hazardous substances or wastes.

“Equipment” means all equipment, machinery and furniture owned by Lessor and used in connection with the Existing Operations as of the Commencement Date and all equipment, machinery and furniture acquired and installed in replacement thereof or in substitution therefore and further shall mean all tangible personal property which is owned by Lessor and leased to Lessee which is not included in the definition of Real Property.

“Excluded Contracts” means contracts or agreements not assumed by Lessee for the reasons set forth in Section 4.11(c) of this Agreement and which are listed on Exhibit D to this Agreement.

“Existing Facilities” means the Dorminy Medical Center facility located at 200 Perry House Road, Fitzgerald, Georgia, and the Real Property, Leased Real Property, Equipment, and all Improvements which are leased or assigned by Lessor to Lessee on the Commencement Date.

“Existing Operations” means all of the hospital, health care, administrative and related activities conducted as of the Commencement Date hereof or in the past by Lessor or by PPHS on behalf of Lessor pursuant to the Management Services Agreement, as amended and restated, in the ordinary course of owning and operating the Existing Facilities. Upon the transfer of the

Existing Operations to Lessee pursuant to Section 3.02 hereof, the term “Existing Operations” shall mean all of the hospital, health care, administrative and related activities conducted by Lessee in the ordinary course of leasing and operating the Existing Facilities.

“Financial Statements” means the audited financial statements of the Lessor as of [date].

“Fiscal Year” means the fiscal year of Lessee which shall be August 1 of each year through July 31 of the following year, unless changed by Lessee with at least thirty (30) days prior notice to Lessor.

“GAAP” means, United States generally accepted accounting principles and practices as in effect from time to time applied consistently by Lessor in connection with the Existing Facilities throughout the periods involved.

“Governmental Entity” means any government or any agency, bureau, board, directorate, commission, court, department, official, political subdivision, tribunal or other instrumentality for any government, whether federal, state or local, domestic or foreign.

“Guarantor” shall have the meaning set forth in Article X hereof.

“Hospital” means the Existing Facilities, as well as any medical office buildings or other structures constructed on Lessor’s real property, together with all licenses, permits and approvals, including certificate of need approvals, necessary or desirable for the use and operation thereof.

“Immigration Act” means the Immigration Reform and Control Act of 1986.

“Improvements” means any and all buildings, structures, improvements, furnishings, machinery, equipment and other personal property which have been or shall be constructed, placed or installed in or upon the Real Property or as a substitution for or in renewal or replacement of any buildings, structures, improvements, furnishings, machinery, equipment or other personal property constituting part of the Hospital, and any other additions, alterations and improvements to the Hospital placed or installed in or upon the Real Property.

“Independent Accountant” means a firm of regionally or nationally recognized, independent certified public accountants selected by Lessee and approved by Lessor.

“Insurance Consultant” means a person or Entity appointed by Lessee who is qualified to survey, issue and to recommend insurance coverage for hospital facilities and services and organizations engaged in like operations, who has a favorable reputation for skill and experience in such surveys and such recommendations, and who may be a broker or agent with whom Lessee or Lessor transacts business.

“Intellectual Property” means, to the extent held or used in or ancillary to the business or operation of the Existing Facilities, patents, trademarks, trade names (including Lessor’s interest in the name “Dorminy Medical Center”), service marks, copyrights and any applications thereof, mask works, net lists, schematics, technology, know-how, trade secrets, ideas, algorithms,



processes, computer software programs and applications (in both source code and object code form), and tangible or intangible proprietary information or material.

“Inventory” means all inventories, supplies, food, pharmaceuticals, janitorial and office supplies and other disposables on hand or under order for use exclusively in the business or operation of the Existing Facilities.

“Joint Commission” means The Joint Commission.

“Law” means any constitutional provision, statute, ordinance, or other law, rule, regulation, interpretation, judgment, decree or order of any Governmental Entity (other than Lessor or its Affiliate) or any settlement agreement or compliance agreement with any Governmental Entity (other than Lessor or its Affiliates).

“Leased Real Property” means real property subject to a leasehold or subleasehold estate described on Exhibit E.

“Letter of Intent” shall mean the agreement in principle between PPHS and the Authority under date of September 20, 2010 accepted September 21, 2010 with respect to the proposed affiliation between PPHS and Lessor regarding Hospital.

“Management Consultant” means a nationally recognized firm of independent professional management consultants knowledgeable in the operation of hospitals, which may include a firm of Independent Accountants.

“Management Services Agreement” means that certain management services agreement dated November 1, 2010, between PPHS and Lessor, as amended and restated on August 1, 2011 with Phoebe Dorminy Medical Center, Inc. added as a party..

“Manager” means PPHS pursuant to the Management Services Agreement.

“Material Liability” means (i) any single liability of \$500,000.00 or more or liabilities aggregating \$500,000.00 or more or a condition existing prior to the execution of this Agreement and requiring the expenditure by Lessee of \$500,000.00 or more to remedy which material liability or condition was not expressly disclosed to PPHS prior to the date of the execution of this Agreement or (ii) any amount required to be expended by Lessee as they relate to claims known prior to the Commencement Date so that the amount on deposit in a self insurance fund or funds maintained by or for the benefit of Lessor as of the Commencement Date is sufficient, on an actuarially determined basis, to pay the risk insured when due.

“Master Trust Indenture” means the Master Trust Indenture between Phoebe Putney Memorial Hospital, Inc. and SunTrust Bank, Master Trustee, dated as of March 1, 2002, as amended and supplemented.

“Obligated Group” shall have as its definition the definition set forth in the Master Trust Indenture.

“Operating Assets” means all assets which are owned by Lessor in connection with the operations of the Existing Facilities (including, without limitation, all assets reflected in the Financial Statements, with such changes as may have occurred after the date of the Financial Statements in the ordinary course of business) excluding the Existing Facilities, but including, without limitation:

(a) all cash, cash equivalents, bank accounts, savings and loan accounts, certificates of deposit, money market accounts, treasury bills, other investments and revenues (including amounts held in any insurance trust) owned by Lessor in connection with the Existing Facilities;

(b) all accounts receivable and all other amounts owed to Lessor in connection with the Existing Facilities;

(c) all Inventory;

(d) the Assigned Contracts;

(e) all books, records and other information collected and maintained in connection with the Existing Facilities including, without limitation, patient records and employee records;

(f) all judgments, choses in action, and intangibles owned by Lessor and related to the Existing Facilities;

(g) the name “Dorminy Medical Center”;

(h) all funded depreciation, board designated or board restricted assets and other similar reserves;

(i) all Intellectual Property owned by Lessor and transferable; and

(j) all assets wherever located, not listed above and not otherwise classified as Existing Facilities, but used directly or indirectly in the operation of Hospital.

Upon the lease and transfer of the Operating Assets to Lessee pursuant to Section 3.02 hereof, the term “Operating Assets” shall mean all Operating Assets received by Lessee plus all accumulations and additions thereto, and less all deletions and deductions therefrom, as may have occurred in the ordinary course of business of Lessee or as otherwise may have been permitted by the terms of this Agreement.

“Operating Year” means the initial partial year (i) commencing on the Commencement Date hereof and (ii) ending on the last day of the Lessee’s Fiscal Year during which the Commencement Date occurred; and thereafter, “Operating Year” shall consist of successive periods of twelve consecutive calendar months coinciding with Lessee’s Fiscal Year.

“Permit” means any license, permit or certificate of need required to be issued by any Governmental Entity (other than Lessor or its Affiliates).

“Permitted Encumbrances” means this Agreement and, as of any particular time:

(a) liens for taxes and special assessments, if any, which are not then delinquent, or if then delinquent are being contested in accordance with the provisions of this Agreement;

(b) utility, access and other easements and rights-of-way, restrictions and exceptions which will not materially interfere with or materially impair the operation of the Hospital or facilities thereof (or, if they are not being then operated, the operation for which they were designed or last modified);

(c) any mechanic’s, laborer’s, materialmen’s, supplier’s or vendor’s lien or right in respect thereof, if any, if payment is not yet due under the contract in question or if such lien is being contested in accordance with the provisions of this Agreement;

(d) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Real Property and which do not materially and adversely affect the value of the Hospital or materially impair the property affected thereby for the purpose for which it was acquired or is held by Lessee;

(e) leases to other than Affiliates which relate to portions of the Hospital which are customarily the subject of such leases, such as office space for physicians and educational institutions, food service facilities, gift shops and radiology, pharmacy and similar departments;

(f) zoning laws and similar restrictions which are not violated by Lessee or which do not materially and adversely affect the value of the Hospital;

(g) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal and state statutes;

(h) all right, title and interest of the State, municipalities and the public in and to access over, under or upon a public way;

(i) any instrument creating or securing Permitted Indebtedness;

(j) liens on and security interests in Property which secure Permitted Indebtedness to the extent permitted by this Agreement;

(k) interests, including leasehold and ownership interest, of any Affiliate in Property leased or transferred to such Affiliate in accordance with the provisions of Section 5.05 hereof;

(l) liens on and security interests in Property, including those existing on such Property at the time of acquisition thereof (including acquisition by gift, bequest or devise) by Lessee, which (i) either existed at the time of the acquisition of such property or which secure Permitted Indebtedness assumed or incurred by Lessee in connection

with the acquisition of such Property, (ii) do not extend to any Property of Lessor other than that so acquired, and (iii) at the time the indebtedness secured thereby is or was issued or incurred by Lessee or in the case of Property acquired subject to an existing lien or security interest at the time of such acquisition, the aggregate amount remaining unpaid on the indebtedness secured thereby (whether or not assumed by Lessee) shall not exceed the lesser of the acquisition price or the fair market value of the property as determined in good faith by Lessee;

(m) liens on and security interests in Property given, bequeathed or devised to Lessee existing at the time of such gift, bequest or devise, provided that (i) such liens or security interests attach solely to the Property which is the subject of such gift, bequest or devise, and (ii) the indebtedness incurred by such liens or security interests is not assumed by Lessee or, if assumed, is assumed on a nonrecourse basis;

(n) leases of Property entered into by Lessee in order to obtain the use of such Property; and

(o) restrictions or other encumbrances which are either insured over by a reputable, solvent title insurance company which has been writing title insurance in Georgia for at least five (5) years or which relate to properties which are not contiguous to the property on which the Hospital is situated and the loss of which would have no material adverse impact on the operations of the Hospital.

“Permitted Indebtedness” means the indebtedness or obligations of Lessee permitted under Section 4.18 hereof.

“Person” means an association, a corporation, a limited liability company, an individual, a partnership, a trust, a hospital authority organized under the Act, or any other entity or organization including a Governmental Entity.

“Physician Development” shall have the meaning ascribed to it in Section 4.11 hereof.

“PPHS” means Phoebe Putney Health System, Inc., a Georgia nonprofit corporation whose address is 417 Third Avenue, Albany, Georgia 31702.

“Property” means any and all rights, title and interest in and to any and all property of Lessor whether real or personal, tangible or intangible and wherever situated.

“Property, Plant and Equipment” means all Property of Lessee which is classified as property, plant and equipment under GAAP.

“Real Property” means all the real property owned by Lessor and more particularly described by legal description on Exhibit “F” hereto, including all buildings, fixtures, improvements, mechanical systems, drawings or parking areas located thereon (unless the parties have expressly agreed in this Agreement that improvements, buildings or fixtures located thereon or therein shall not be included), and all easements, rights of way, and appurtenances thereto (including appurtenant rights in and to public streets), and all claims and recorded or unrecorded interests therein, including any and all options to acquire such real property.



“Required Payments” means any and all of the payments defined in Section 3.06(a) hereof.

“State” means the State of Georgia.

“Unknown Liability” means a liability of Lessor or a condition affecting the Hospital or Existing Facilities requiring an expenditure of more than \$200,000.00 by Lessee to satisfy or remedy which arose at any time prior to the Commencement Date but which was unknown to PPHS or Lessee prior to the Commencement Date.

## ARTICLE II REPRESENTATIONS

SECTION 2.01. Representations and Warranties by Lessor. Lessor makes the following representations and warranties to Lessee as the basis for the undertakings on Lessee’s part herein contained:

(a) Lessor is a public body corporate and politic and an instrumentality of the State of Georgia, duly organized, validly existing and in good standing under the laws of the State of Georgia;

(b) Lessor has good and sufficient fee simple absolute title for purposes of this Agreement in and to the Real Property, and good and valid title in and to the Equipment and the Operating Assets, free and clear of any lien, claim, and encumbrance or security interest therein, except for those liens and encumbrances of record as of the Commencement Date and those additional claims listed in Exhibit “G” hereto.

(c) Lessor has full power and authority to enter into this Agreement, to carry out the transactions contemplated hereunder, and to carry out its obligations hereunder and such actions have been duly and validly authorized and approved by all necessary actions on the part of Lessor, none of which actions have been modified or rescinded and all of which actions remain in full force and effect;

(d) Lessor has duly authorized the execution, delivery and performance of this Agreement;

(e) Lessor is not subject to any claim or restriction or subject to any provision of any nature whatsoever contained in Lessor’s enabling legislation, charter, ordinances or bylaws or in any evidence of indebtedness, indenture, commitment, agreement or contract to which Lessor is a party or by which it is bound, or subject to any existing judgment, order or decree binding upon Lessor, which in any way prevents Lessor from entering into this Agreement or performing any of its obligations hereunder;

(f) Except as set forth in Section 9.02 of this Agreement for the Approvals and Permits required for Lessee’s operation of the Existing Facilities, no additional material Approvals or Permits of, or filing or registration with, or action by, any Governmental Entity (other than Lessor or its Affiliates) needs to be made or sought by Lessor or any of its Affiliates; provided that Lessor makes no representation regarding

any requirements of the Hart Scott Rodino Pre-Merger Notification Act or any other state or federal antitrust regulations in connection with the transactions contemplated hereby;

(g) No Person owns a minority interest in the Existing Facilities. Additionally, the Existing Facilities do not consist of a minority interest in any other Person.

(h) There are no outstanding rights (including any right of first refusal), options, contracts made on behalf of Lessor giving any Person any current or future right to acquire the Existing Facilities or, following the Commencement Date of this Agreement, to sell or transfer to such Person or to any third party any material interest in any assets comprising Existing Facilities except as set forth in Exhibit G hereto;

(i) The Leased Real Property, Real Property and the Operating Assets (i) constitute all assets which are held or used by the Lessor or any of its Affiliates exclusively for use by and necessary for the conduct of the business and Existing Operations of the Existing Facilities in the manner conducted as of the date of this Agreement and are (ii) sufficient to permit Lessee to carry on such business and Existing Operations as currently being conducted;

(j) Except as disclosed on Schedule 2.01 (j), other than the Assumed Liabilities, there are no material liabilities of any type or nature of Lessor or any of its Affiliates relating to either the Existing Operations or the Existing Facilities which are required to be disclosed in accordance with GAAP on the financial statements of Lessor or the Existing Facilities;

(k) The Lessor holds all Permits and Approvals necessary for the conduct of the business and operation of the Existing Facilities as currently conducted. All such Permits and Approvals are in full force and effect and unimpaired. Each Existing Facilities' pharmacies, laboratories and all other material ancillary departments located at the Existing Facilities or operated for the benefit of the Existing Facilities, which are required to be specially licensed or to have Permits and Approvals, are licensed by the appropriate Governmental Entity or have such Permits and Approval issued by the appropriate Governmental Entity;

(l) Lessor is in compliance in all material respects with all Permits and Approvals required by Law with regards to the Existing Operations. There are no provisions in, or Assigned Contracts relating to, any such Permits and Approvals which preclude or limit in any material respect the Lessor from operating the Existing Facilities as they are currently operated. There is not now pending nor, to the knowledge of Lessor, threatened, any action by or before any Governmental Entity (other than Lessor or its Affiliates) to revoke, cancel, rescind, modify or refuse to renew any of the Permits and Approvals (and as the date of this Agreement, there is not pending nor, to the knowledge of Lessor, threatened, any action by or before Lessee or any of its Affiliates), and all of the material Permits or Approvals are and shall be in good standing now and as of the Commencement Date of this Agreement;

(m) Except as disclosed on Schedule 2.01 (m), Lessor owns or will own, or is licensed or will be licensed or otherwise possesses or will possess all necessary rights to use, all Intellectual Property used in the Existing Facilities owned by Lessor;

(n) Except as disclosed on Schedule 2.01(m), to the knowledge of Lessor, there is no unauthorized use, disclosure, infringement or misappropriation of any Intellectual Property rights of Lessor or any of its Affiliates, any trade secret material to Lessor or any of its Affiliates, or any Intellectual Property right of any third party to the extent licensed by or through Lessor or any of its Affiliates, by any third party, including any employee or former employee of Lessor or any of its Affiliates, relating in any way to the Existing Facilities. Other than in the ordinary course of business, there are no royalties, fees or other payments payable by Lessor or any of its Affiliates, to any Person by reason of the ownership, use, sale or disposition of Intellectual Property related to any of the Existing Facilities;

(o) Except as disclosed on Schedule 2.01 (m), Lessor is not nor will be as a result of execution and delivery of this Agreement or any of the documents described herein or the performance of its obligations under this Agreement or any of the documents described herein, in material breach of any licenses, sublicense or other agreement relating to the Intellectual Property or the Intellectual Property rights of any third party related to the Existing Facilities;

(p) The Existing Facilities is eligible to receive payment without restriction under Title XVIII of the Social Security Act ("Medicare") and Title XIX of the Social Security Act ("Medicaid") and the Existing Facilities is a "provider" with valid and current provider agreements and with one or more provider numbers with the federal Medicare program, all applicable state Medicaid and successor programs (the "Government Programs") through intermediaries. The Existing Facilities, if it has historically received payments under TRICARE and successor programs, is a "provider" with valid and current provider agreements and with one or more provider numbers with TRICARE and successor programs through intermediaries. The Existing Facilities is in compliance with the conditions of participation for the Government Programs in all material respects and have received all Approvals necessary for capital reimbursement. Except as disclosed on Schedule 2.01 (p) there is no pending, nor to the knowledge of Lessor threatened proceeding or investigation under the Government Programs involving Lessor or the Existing Facilities. The cost reports of the Lessor or the Existing Facilities referred to above for the Government Programs and for payment or reimbursement of any other Agency Receivables for the fiscal years through July 31, 2009 required to be filed on or before the date hereof have been properly filed and are complete and correct in all material respects. Lessor is in material compliance with filing requirements with respect to the cost reports of the Existing Facilities and such reports do not knowingly claim, and the Existing Facilities has not knowingly retained payment or reimbursement in excess of, the amount provided by law or any applicable agreement, except where excess reimbursement was noted on the cost report. Lessor is in compliance in all material respects with any and all Medicare, Medicaid or other third party corporate integrity or compliance agreements or consent order applicable to the Existing Facilities;

(q) All billing practices of Lessor or the Existing Facilities with respect to all third party payors, including the Government Programs and private insurance companies, have been and are in compliance with all applicable Laws, regulations and policies of such third party payors and Government Programs in all material respects. Except as disclosed on Schedule 2.01 (q) neither Lessor nor the Existing Facilities has knowingly billed or retained any payment or reimbursement in excess of amounts allowed by Law;

(r) The Hospital is duly accredited by the Joint Commission. Lessor has provided Lessee copies of the Hospital's Joint Commission accreditation survey report and deficiency list, if any, and the Hospital's plan of correction, if any;

(s) Except as disclosed on Schedule 2.01(s) Lessor is in compliance in all material respects with all applicable statutes, rules, regulations and requirements of and all agreements and orders with Governmental Entities having jurisdiction over the Existing Facilities and the business operation of it. Neither Lessor or any of its Affiliates or the Existing Facilities are in violation in any material respect under any Law relating to the Existing Operations, or under any order of any court or federal, state, municipal or other Governmental Entity (other than Lessor or its Affiliates) wherever located;

(t) To Lessor's knowledge, each Assigned Contract (i) is valid and existing, and the Lessor or the Existing Facilities has duly performed in all material respects its respective obligations under each Assigned Contract to which it is a party to the extent that such obligations to perform have accrued and (ii) no material breach or default, alleged material breach or default, or event which would (with the passage of time, notice or both) constitute a material breach or default under any Assigned Contract by the Lessor or, to the knowledge of the Lessor, any other party or obligor with respect thereto, has occurred;

(u) Lessor will hold good and marketable title to all tangible personal property assets and valid title to all intangible assets included in the Existing Facilities free and clear of all Encumbrances, except Permitted Encumbrances and rights of owners under Assigned Contracts or under leases or licenses of assets leased or licensed in the ordinary course or business;

(v) The Equipment is not, and the Lessor does not expect it then to become, subject to a lien imposed under the Code or under Title I or Title IV or ERISA including liens arising by virtue of Lessor considered to be aggregated with another entity pursuant to Section 414 of the Code ("ERISA Controlled Group");

(w) Neither Lessor nor any member of Lessor's ERISA Controlled Group has sponsored, contributed to or had an "obligation to contribute" (as defined in ERISA Section 4212) to a "multiemployer plan" (as defined in ERISA Sections 4001(a)(3) or 3(37)(A)) on or after September 26, 1980 on behalf of any employees of the Facilities;

(x) Except as disclosed on Schedule 2.01 (x), there are no material actions, audits or claims pending or, to Lessor's knowledge, threatened against Lessor with



respect to the Plans, other than routine claims for benefits and other claims that are not material;

(y) Except as have been disclosed, Lessor does not have any written employment Contracts, and no Contract of any nature that provides for employment for any particular period of time or that provides any restrictions upon the Existing Facilities' right to terminate employment without any post-termination payment obligation, with any Person whomsoever relating to the Existing Facilities. Other than cost of living wage or compensation adjustments mandated by agreements existing prior to the Letter of Intent, no binding agreements have been made or entered into between the Lessor and any employee regarding changes in compensation, promotion or any other change in status;

(z) To the best of Lessor's knowledge, (i) there is no pending or, threatened employee strike, work stoppage or labor dispute with respect to the Existing Facilities, (ii) to the best of Lessor's knowledge, no union representation effort exists respecting any of Lessor's employees, no demand has been made for recognition by a labor organization by or with respect to any of Lessor's employees, no union organizing activities by or with respect to any of Lessor's employees taking place, and none of Lessor's employees are represented by any labor union or organization; (iii) no collective bargaining agreement exists or is currently being negotiated by Lessor; (iv) there is no unfair practice claim against either before the National Labor Relations Board, or any strike, dispute, slowdown, or stoppage pending or, to the best of the Lessor's knowledge, threatened against or involving the Existing Facilities and none has occurred, (v) to Lessor's knowledge, it is in compliance in all material respects with all Laws and Contracts respecting employment and employment practices, labor relations, terms and conditions of employment, and wages and hours, (vi) Existing Facilities is not engaged in any unfair labor practices; (vii) there are no pending, or to the best of Lessor's knowledge, threatened complaints or charges before any Governmental Entity regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, workers' compensation claims or the like against the Existing Facilities except as has been previously disclosed; and (viii) except as otherwise provided in this Agreement, Lessee will not be subject to any claim or liability for severance pay as a result of the consummation of the transactions contemplated by this Agreement;

(aa) Except as otherwise already disclosed, there are no claims, actions, suits, audits, compliance reports or information requests, proceedings or investigations pending, or the knowledge of Lessor, threatened against (i) Lessor or any of its Affiliates with respect to the Existing Facilities; or (ii) any employee who is employed at either the Existing Facilities, at law or in equity, or before or by any Governmental Entity (other than Lessor or its Affiliates) wherever located. The representations and warranties set forth in this Section 2.01(aa) is not intended to address peer review organization ("PRO") information, National Data Bank reports, quality review information and other physician specific confidential information;

(bb) Except as otherwise already disclosed, Lessor is not subject to any outstanding judgment, order or decree with respect to the Existing Facilities;

(cc) Lessor has not engaged in any transaction that would reasonably be expected to subject Lessor (or any successors in interest) to any avoidance action with respect to the Existing Facilities. Without limiting the generality of the foregoing, Lessor has not with respect to the Existing Facilities: (i) received any material payment from its account debtors outside the ordinary and usual course; (ii) acquired or sold any asset other than for reasonably equivalent value; or (iii) conducted any business with any debtor-in-possession or bankrupt estate other than in the ordinary and usual course;

(dd) All tax returns, including income tax returns, sales tax returns, employee payroll tax returns, employee unemployment tax returns, and franchise tax returns, for periods prior to and including the Commencement Date of this Agreement, which are required to be filed by the Lessor or Existing Facilities have been filed or will be filed within the time (including any valid extension thereof) and in the manner provided by Law, and all Returns are or will be true and correct and accurately reflect the tax liabilities in all material respects, and all amounts when due on such tax returns have been or will be paid on a timely basis;

(ee) All federal, state, county, and local income, franchise, payroll, withholding, property, sales, use and all other taxes, penalties, interest, and any other statutory additions which have become or are due with respect to the Existing Facilities and any assessment received, has been or by the effective date of this Agreement will be paid regarding any period ended on or prior to aforementioned date;

(ff) There are no tax liens on the Existing Facilities;

(gg) Proper and accurate amounts have been withheld by Lessor or the Existing Facilities for all periods prior to the Commencement Date of this Agreement in compliance with the payroll tax and other withholding provision of all applicable Laws, and all of such amounts have been duly and validly remitted to the proper taxing authority;

(hh) No notice of a claim or pending investigation has been received, or to the knowledge of Lessor, has been threatened, by any state, local or other jurisdiction, alleging that Lessor has a duty to file tax returns and pay taxes or is otherwise subject to the taxing authority of any jurisdiction, nor has Lessor received any notice or questionnaire from any jurisdiction which suggests or asserts that Lessor may have a duty to file such returns and pay such taxes, or otherwise is subject to the taxing authority of such jurisdiction;

(ii) Lessor has materially complied and is in material compliance (with respect to the Existing Facilities) with all Environmental Laws;

(jj) To Lessor's knowledge, Lessor has no liability under any Environmental Law with respect to the Existing Facilities, nor is Lessor responsible for any liability of any other Person under any Environmental Law with respect to the Existing Facilities.

There are no pending or, to the knowledge of Lessor, threatened actions, suits, orders, claims, legal proceedings or other proceedings based on, and neither Lessor nor any of its Affiliates have received any formal or informal written notice of any complaint, order, directive, citation, notice of responsibility, notice of potential responsibility, or information request from any Governmental Entity or any other Person or knows any fact(s) which would reasonably be expected to form the basis for any such actions or notices arising out of or attributable to any Environmental Condition;

(kk) Lessor has been duly issued, and currently has and will maintain through the Commencement Date of this Agreement, all material Approvals and Permits required under any Environmental Law with respect to the Existing Facilities. Lessor is in material compliance (with respect to the Existing Facilities) with all Approvals and Permits. Except in accordance with such Approvals and Permits, there has been no release of materials regulated by such Approvals and Permits at, on, under, or from the Real Property in violation of Environmental Laws;

(ll) The Real Property contains no underground improvements, including treatment or storage tanks, or underground piping associated with such tanks, used currently or in the past for the management of Hazardous Materials, and Lessor has not used any portion of the Real Property as a dump or landfill;

(mm) Lessor is not aware of the presence of any PCBs, lead paint, or asbestos-containing materials on or in the Real Property;

(nn) No Encumbrance in favor of any Person relating to or in connection with any claim under any Environmental Law has been filed or has attached to the Real Property, other than Permitted Encumbrances;

(oo) Lessor is in compliance in all material respects with the terms and provisions of the Immigration Act in all material respects with respect to the Existing Facilities. For each employee of the Existing Facilities for whom compliance with the Immigration Act is required, the Existing Facilities has obtained and retained a complete and true copy of each such employee's Form I-9 (Employment Eligibility Verification Form) and all other records or documents prepared, procured or retained by the Existing Facilities pursuant to the Immigration Act to the extent it is required to do so under the Immigration Act. Lessor has not been cited, fined, served with a notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at the Existing Facilities, nor, to the knowledge of the Lessor, has any action or administrative proceeding been initiated or threatened against Lessor in connection with the Existing Facilities, by reason of any actual or alleged failure to comply with the Immigration Act;

(pp) Lessor has complied with all applicable Laws relating to employee health and safety in all material respects, and Lessor has not received any written notice from any Governmental Entity (other than Lessee and its Affiliates) that past or present conditions of the Existing Facilities violate any applicable legal requirements or

otherwise will be made the basis of any claim, proceeding, or investigation, based on OSHA violations or otherwise related to employee health and safety;

(qq) All of the Inventory existing as of the acceptance date of the Letter of Intent exists as of the date hereof except for any Inventory exhausted or added in the ordinary course of business;

(rr) Between the acceptance date of the Letter of Intent and the Commencement Date, and except for matters disclosed in writing to Lessee and consented to by Lessee in writing, there has not been any transaction or occurrence in which the Lessor or any of its Affiliates, in connection with the Existing Facilities has:

- (1) Suffered any material damage, destruction or loss with respect to or affecting any of the leased assets;
- (2) Written down or written up in any material amount the value of any Inventory (including write-downs by reason of shrinkage or markdowns), determined as collectible any material Other Receivable or any portion thereof which was previously considered uncollectible, or written off as uncollectible any material Other Receivable or any portion thereof, except for write-downs, write-ups and write-offs in the ordinary course or business;
- (3) Disposed of or permitted to lapse any right to the use of any Intellectual Property;
- (4) Made any material capital expenditure or commitment for additions to property, plant, equipment, intangible or capital assets or for any other purpose, other than for emergency repairs or replacement;
- (5) Sold, transferred or otherwise disposed of any of the leased assets except in the ordinary course of business;
- (6) Granted or incurred any obligation for any increase in the compensation of any employee who is employed at the Existing Facilities (including any increase pursuant to any bonus, pension, profit-sharing, retirement, or other plan or commitment) except in the ordinary course of business;
- (7) Made any change in any method of accounting or accounting practice;
- (8) Taken any other action neither in the ordinary course of business nor provided for in this Agreement, except for the execution of the Management Agreement, and except for actions in the furtherance of the transactions contemplated herein; or



(9) Agreed, so as to legally bind Lessee or affect the leased assets, whether in writing or otherwise, to take any actions set forth in this Section 2.01 (rr) and not otherwise permitted by this Agreement.

(ss) Lessor has received no pending open records requests that it has not disclosed to Lessee and Lessor has complied in all material respects Georgia's Open Meetings Act requirements and is in full compliance with all documentation of meetings required by the Georgia Open Meetings Act.

SECTION 2.02. Representations, and Warranties by Lessee. Lessee makes the following representations and warranties to Lessor as of the date of delivery hereof:

(a) Lessee is a nonprofit corporation duly incorporated, validly existing and in good standing under the laws of the State of Georgia;

(b) Lessee has full power and authority to enter into this Agreement, to carry out the transactions contemplated hereunder and to carry out its obligations hereunder;

(c) Lessee is duly authorized to execute, deliver and perform this Agreement;

(d) Lessee is an organization described in Section 501(c)(3) of the Code, exempt from federal income tax under Section 501(a) of the Code and not a private foundation as defined in Section 509(a) of the Code; Lessee will receive a determination letter from the Internal Revenue Services confirming such status, as provided in Section 4.16 below;

(e) Lessee is not subject to any limitation, restriction or provision of any nature whatsoever contained in Lessee's articles of incorporation or bylaws or in any evidence of indebtedness, indenture, commitment, agreement or contract to which Lessee is a party or by which it is bound, or Subject to any existing judgment, order or decree binding upon Lessee which in any way limits, restricts, or prevents Lessee, from entering into this agreement or performing any of its obligations hereunder; and

(f) Lessee, its officers, directors, agents, employees, and representatives have not and shall not be excluded, debarred or revoked from participation in any state or federal health care program.

### ARTICLE III

#### LEASING OF FACILITIES. TRANSFER OF OPERATING ASSETS ASSUMPTION OF LIABILITIES; TERM AND REQUIRED PAYMENTS

SECTION 3.01. Leasing of Existing Facilities; Quiet Enjoyment.

(a) Lessor, for and in consideration of the payment by Lessee of the Required Payments pursuant to Section 3.06 hereof and the performance by Lessee of the covenants and agreements set forth herein, leases the Real Property, Leased Real Property, Equipment, Improvements, and the Existing Facilities to Lessee effective as of the Commencement Date, and Lessee effective as the Commencement Date takes and

accepts the Real Property, Leased Real Property, Equipment, Improvements, and the Existing Facilities from Lessor, subject to the terms, covenants, conditions and provisions hereinafter stated and the following limitations, restrictions, reservations and encumbrances, to have and to hold for the term hereof.

(b) Effective as of the Commencement Date, Lessor grants to Lessee the right to lease and operate the Hospital, and agrees that so long as Lessee shall pay the Required Payments as provided herein and shall duly observe and perform all the terms, covenants, conditions, provisions, stipulations and agreements of this Agreement obligatory upon Lessee and shall operate the Hospital consistent with all obligations currently existing under the Act which are applicable to the Existing Facilities, then Lessee shall have, hold and enjoy, during the term hereof, peaceful, quiet and undisputed possession of the Hospital, without hindrance or molestation by anyone claiming by or through Lessor, subject, however, to the provisions of this Agreement, and Lessor shall from time to time take all necessary or appropriate action to that end.

SECTION 3.02. Transfer of Operating Assets and Existing Operations. Lessor, for and in consideration of the assumption by Lessee of the Assumed Liabilities pursuant to Section 3.03 hereof and the performance by Lessee of its other agreements hereunder and performance of the terms and conditions of this Agreement, and effective as of the Commencement Date, assigns, transfers and conveys to Lessee all of Lessor's right, title and interest in and to the Operating Assets and Existing Operations for the term hereof, including all Permits and Approvals to the extent transferrable, Lessor's provider numbers for the Hospital, and all rights and authority to the income or operating gains of the Operating Assets and Existing Operations, subject to the Lessee's satisfactory performance of the obligations of this Agreement including paying and satisfying all debts and obligations of Lessor as provided for in this Agreement. Lessee during the term hereof shall use such Operating Assets and Existing Operations so transferred to it in furtherance of Lessee's purposes as set forth in its Articles of Incorporation and as otherwise permitted by this Agreement to operate and maintain a licensed general acute care hospital in Ben Hill County, Georgia. At the expiration or earlier termination of this Agreement Lessee shall assign and return to Lessor all of such Operating Assets and Existing Operations, including to the extent assignable or transferrable all provider numbers for Government Programs, Permits, and Approvals to permit Lessor to operate a licensed general acute care hospital in Ben Hill County, Georgia and Lessor, to the extent allowed by law, shall assume in writing all the then current liabilities of Lessee and all other liabilities of Lessee incurred in the ordinary course of business; provided that such liabilities shall constitute Permitted Indebtedness hereunder and provided further that such obligation of Lessor shall be payable only from the revenues of the Existing Facilities and provided further that no Permitted Indebtedness or liability that exceeds One Million Dollars (\$1,000,000.00) shall have been incurred during the term of this Agreement by Lessee without the prior consent of Lessor. Lessee guarantees that it shall return to Lessor at the expiration or earlier termination of the term hereof an amount of total assets (determined in accordance with then GAAP) which when netted against the amount of total liabilities (determined in accordance with GAAP) assumed by Lessor shall be at least equal to the amount of total assets (determined in accordance with GAAP) transferred to Lessee hereunder less the amount of total liabilities (determined in accordance with GAAP) assumed by Lessee hereunder. In the event Lessor cannot at the expiration or earlier termination of the term hereof legally assume any liability of Lessee, Lessee shall cause

such liability to be discharged. In the event Lessee is required by Lessor to satisfy a liability that Lessor cannot legally assume, Lessee may utilize the Operating Assets to obtain sufficient funds to discharge any such liability, and Lessee shall then transfer and assign to Lessor the remaining Operating Assets net of the funds required to satisfy any such liability.

SECTION 3.03. Assumption of Liabilities. Effective as of the Commencement Date, Lessee assumes and agrees to perform and discharge all of the Assumed Liabilities listed on Schedule 3.03. Any liability or obligation of Lessor not listed on Schedule 3.03 shall not be assumed, performed or discharged by Lessee and shall not be a liability or obligation of Lessee.

SECTION 3.04. Transfer of the Existing Facilities and Existing Operations; Consideration. The parties hereby agree and acknowledge that the purpose of this Agreement and other instruments contemplated hereby is to effect, as of the Commencement Date, pursuant and subject to the terms hereof, the transfer of control over all of the Existing Facilities, the Existing Operations and the Operating Assets to Lessee and that the consideration therefor shall consist of the Required Payments made by Lessee pursuant to Section 3.06 hereof, the operation of the Hospital, the assumption or payment by Lessee of the Assumed Liabilities, and the performance of all other agreements and actions required of Lessee under this Agreement; provided, however, notwithstanding anything in this Agreement to the contrary, during the term of this Agreement Lessor shall retain the ultimate and final authority for the operation of the Existing Facilities, Existing Operations and Operating Assets to ensure that such are operated in furtherance of the Act, the Authority's responsibilities and obligations under the Act, and the public policy goals and purposes expressly set forth or inherently implicit in the provisions herein, including, but not limited to, operating the Hospital for the benefit of the general public and providing for the health care needs of the community and qualifying for Medicaid Indigent Care Trust Fund and Upper Payment Limit funding.

SECTION 3.05 Term. Subject to Section 11.02 of this Agreement the initial term of this Agreement shall be a ten (10) year term commencing at 12:01 a.m. on the Commencement Date as defined in Section 9.01 of this Agreement. The term of this Agreement may be extended or renewed as mutually agreed to by Lessor and Lessee; provided, however, at no time may the term of the Agreement exceed forty (40) years. The parties agree to use best efforts to satisfy all conditions necessary for this Agreement to commence to enable the Commencement Date to occur on or before February 1, 2012; provided, however, that in any event if the Commencement Date has not occurred by April 1, 2012, either party may terminate this Agreement as provided in Section 11.02.

SECTION 3.06. Required Payments.

(a) As partial consideration for the leasing of the Existing Facilities to Lessee hereunder, effective as of the Commencement Date, Lessee shall pay Lessor the sum of Twenty Thousand and no/100 Dollars (\$20,000.00) to cover Lessor's expenses, including but not limited to, payment for necessary educational, legal, accounting or other consultant support for oversight activities. Beginning on the first anniversary of the Commencement Date and each year on the anniversary of the Commencement Date thereafter during the Term of this Agreement for the continued operations of Lessor in accordance with Section 4.02 Lessee shall pay Lessor an amount sufficient to cover Lessor's expenses, including

but not limited to, payment for necessary educational, legal, accounting or other consultant support for oversight activities ("Annual Support Payments"); provided, however, that the Annual Support Payments for any year shall not exceed fifty thousand dollars (\$50,000.00). The Annual Support Payments shall be in addition to Lessee's obligations to pay or discharge the Assumed Liabilities as specified in Section 3.03 hereof and all liabilities incurred by Lessee in connection with the Hospital after the Commencement Date and during the term hereof. The Annual Support Payments and Lessee's obligation to pay or discharge the Assumed Liabilities as specified in Section 3.03 hereof and all liabilities incurred by the Lessee in connection with the Hospital after the Commencement Date and during the term hereof shall be referred to herein as the "Required Payments."

(b) In the event Lessee shall fail to make any Required Payment under Section 3.06(a) above when due, then in addition to any other remedies provided in Article IX, Lessor shall have the right (but not the obligation) to make such payment, and if Lessor does so elect to cure such failure, then the amounts paid by Lessor to effect such cure shall constitute a debt due from Lessee to Lessor, which debt shall be due on demand and which shall bear interest from the date so advanced by Lessor until repaid by Lessee at the rate equal to the publicly announced "prime" (or "base" or equivalent) lending rate of SunTrust Bank in Albany, Georgia, or its successors, which rate shall be adjusted as and when adjusted by SunTrust Bank in Albany, Georgia, or its successors. Lessee agrees to execute any and all documents necessary to memorialize and enforce Lessee's obligations to repay Lessor in accordance with the terms and conditions of Section 3.06(b) of this Agreement.

SECTION 3.07. Absolute Obligation to Pay Required Payments. The obligation of Lessee to make the Required Payments in accordance with Section 3.06 hereof shall be a general obligation of Lessee, shall be absolute and unconditional and shall not be abated, rebated, set off, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of set-off, recoupment or counterclaim that Lessee might otherwise have against Lessor. Failure to receive any prior notice of the due date of any Required Payment will not relieve Lessee of its obligation to pay such installment thereof, without notice or demand therefor, in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for the payment of public and private debts.

#### ARTICLE IV COVENANTS OF LESSOR AND LESSEE

The following covenants contained in this Article IV shall be effective from and after the Commencement Date.

SECTION 4.01. Maintenance of Existing Facilities; Capital Investment.

(a) Lessee will assure that the Hospital facility and its equipment are well maintained and upgraded sufficiently to meet the operating needs of the Hospital and the primary medical needs of the community. To this end, Lessee shall, at its sole cost and expense, at all times during the term of this Agreement, keep and maintain the Existing Facilities and all Improvements, both inside and outside, structural and nonstructural, in a

good state of repair and preservation, ordinary wear and tear and acts of God excepted, and Lessee shall make all repairs and replacements that may be necessary to maintain the Existing Facilities and all Improvements (including without limitation all electrical, plumbing, HVAC systems and equipment and such equipment as shall be reasonably required to meet the Joint Commission or comparable accreditation standards and to comply in all material respects with all applicable codes) in such state of repair. Lessee covenants that it will not permit, commit or suffer any waste of the whole or any part of the Existing Facilities and the Improvements and shall not use or permit the use of the Existing Facilities or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. Lessee covenants and agrees that it shall provide at its own cost and expense, current and modern equipment as generally used in accredited, comparable community hospitals, and shall provide all equipment, machinery, furnishings, supplies and other personal property required or necessary for the proper operation, repair and maintenance of the Hospital, consistent with standards of hospital organization and administration generally acceptable for fully accredited hospitals comparable to the Existing Facilities.

(b) For the initial ten-year term of this Agreement capital invested by PPHS in the Existing Facilities (whether needed for operations or capital expenditures) shall be considered a loan by PPHS to Lessee and an account payable by Lessee to PPHS and, in the event this Agreement is terminated for any reason by either Lessee or Lessor at any time during the initial term of this Agreement such loans shall be required to be immediately paid back to PPHS by Lessee or Lessor (should Lessee not have sufficient funds to pay back in full the loan(s)) with interest from the date of termination at the prime commercial rate then in effect at SunTrust Bank in Albany, Georgia; provided however, in the event Lessor is required to pay back any portion of the loan(s), PPHS agrees that it will enter into repayment terms that will enable Lessor to both operate Hospital and repay the loan(s). The foregoing notwithstanding, any amount of money loaned, advanced, contributed, paid or invested by PPHS in Lessee for the purpose of paying the operating expenses of Lessee during the term of this Agreement which are not repaid to PPHS by Lessee shall not be deemed a loan which Lessor is obligated to repay to PPHS at the expiration or termination of this Agreement. PPHS shall obtain Lessor's prior approval of any capital in an amount that exceeds \$100,000.00 to be invested by PPHS in the Existing Facilities in a single transaction. In the event that before expiration of the initial term hereof the parties mutually agree to extend the term of this Agreement beyond ten (10) years then the capital loans by PPHS to Lessee prior to the agreement to extend the term of this Agreement beyond ten (10) years shall be forgiven.

SECTION 4.02. Operation of Hospital. Lessee will faithfully and efficiently administer, maintain and operate the Hospital as a general purpose hospital and as a charitable facility open to the general public, free of discrimination based upon race, color, religion, creed, national origin, or sex and will use, maintain and operate the Hospital on a revenue-producing basis, consistent with Lessee's obligations under this Agreement. Lessee further covenants and agrees that:

(a) the Hospital will be, throughout the term hereof, licensed as a general acute care hospital and shall not operate as a critical access hospital;



(b) it will at all times use its best efforts to maintain participation in Government Programs and to maintain and operate the Hospital to meet the standards and requirements and provide health care of such quality and in such manner as shall enable the Hospital to participate in, and provide services in connection with, Government Programs and recognized private medical insurance programs, and Lessee agrees that, so long as it shall remain a participating facility under such programs, it will use its best efforts to comply with the standards and requirements for remaining a participating medical facility thereunder;

(c) it will comply with applicable federal and state laws prohibiting discrimination based on race, religion, creed, color, sex or national origin;

(d) it will use the Hospital only in a legally-compliant manner and in furtherance of the lawful purposes of Lessee;

(e) it will not use the Hospital or any part thereof for sectarian instruction nor will it use the Hospital as a place of religious worship or as a facility used as a part of a program of a school or department of divinity for any religious denomination or the religious training of ministers, priests, rabbis or other similar persons in the field of religion; provided, however, that the foregoing restrictions shall not be construed to prevent Lessee from (i) maintaining a chapel for the use of patients, employees and visitors as part of the Existing Facilities, (ii) conducting medical education programs on any subject with one or more institutions, whether or not sectarian, or seminars or meetings explaining the operating policies of Lessee with regard to abortions or other medical or surgical services or (iii) maintaining pastoral care programs of the kind provided by hospitals generally;

(f) it will not be in material violation of any laws, ordinances, governmental rules or regulations to which it is subject and will not fail to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of the Hospital or the conduct of its activities, which violation or failure to obtain might materially adversely affect the Hospital or the condition (financial or otherwise) of Lessee;

(g) it, as a wholly-controlled affiliate of PPHS, will use commercially reasonable efforts to provide or implement the services described in the document attached hereto as Exhibit "A" (the "Affiliation Services");

(h) the Hospital will continue to provide emergency services through an emergency room that is open twenty-four hours per day, seven days a week;

(i) it will continue to abide by the mission statement of the Hospital and will not change such mission statement without the specific written consent of Lessor;

(j) it will operate the Hospital in furtherance of the Authority's objectives that the Hospital meet the public health needs of the community, operate for the benefit of the general public and have a beneficial effect upon health care in the community;

(k) it will continue to provide, or cause to be provided, indigent and charity care at the Hospital, including access to Hospital services by indigent persons, in full compliance with state and federal law, without discrimination, and will neither enact, nor will it cause or permit to be enacted, financial admission policies that have the effect of denying essential medical services or treatment solely because of a patient's immediate inability to pay for the services or treatment; and

(l) it will enact prompt payment discounts and other programs so that uninsured patients are not charged excessively for the services provided at the Hospital;

(m) it will maintain the Hospital's licensed number of beds at seventy-five (75) acute care inpatient beds; and

(n) it will prepare and furnish to Lessor all reports, information and submissions required of either Lessor or Lessee by the Act within the required time for such reports, information and submissions as set forth in the Act and Lessee will assist Lessor in Lessor's compliance with all requirements placed upon Lessor by the Act.

During the term of this Agreement Lessor agrees to use its best efforts to cooperate with Lessee in Lessee's performance of its duties and responsibilities under not only this Section 4.02, but also the entirety of this Agreement and any other ancillary agreements related to this Agreement; provided further Lessor, at Lessee's request, will meet with Lessee to give due consideration to actions Lessee recommends Lessor to take for Lessee to operate Hospital in a fiscally sound manner in compliance with this Section 4.02 and the Agreement as a whole.

SECTION 4.03. Compliance With Applicable Law.

(a) Lessee shall not use or occupy, nor permit any use or occupancy of, the Hospital or any part thereof contrary to any material applicable law, ordinance or governmental regulation now or hereinafter in force. Lessee covenants and agrees that throughout the term of this Agreement, at its sole cost and expense, it shall promptly comply with all such material applicable laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments, and appropriate departments, commissions, boards and offices thereof, whether or not requiring structural repairs or alterations to the Hospital or relating to the use or occupancy or manner of use of the Hospital. Lessee shall also observe and comply with in all material respects the requirements respecting the Hospital of all policies of insurance or programs of self insurance at any time in force with respect to any of the buildings, improvements, machinery or equipment constituting a part of the Hospital. Lessee will not use or occupy the Hospital or permit its use or occupancy in such manner as may be reasonably be deemed to prejudice Lessor's title to or interest in the Hospital, or any portion thereof, or as may provide a basis for claims of adverse use or possession by the public or implied dedication to public use of any part of the Hospital or as may in any way impair the efficient operation, use or control of the Hospital.

(b) Lessee shall operate the Existing Facilities in a manner which will not contravene the intent of the Act, and Lessee shall not operate the Existing Facilities for profit nor obtain more than a reasonable rate of return on its investment, and shall fix rates and charges for services by the Hospital and the Existing Facilities in accordance with the intent of and the policy established by the Act. To that end, Lessee shall fix rates and charges in such amounts as will produce revenues sufficient (i) to pay principal and interest on its or Lessor's indebtedness related to the Existing Facilities; (ii) to provide for the maintenance and operation of the Existing Facilities and a reasonable rate of return on Lessee's investment; (iii) to create and maintain reserves sufficient to meet the principal and interest payments due on its or Lessor's indebtedness related to the Existing Facilities in any one year after the issuance thereof; (iv) to provide reasonable reserves for the improvement, replacement or expansion of the Existing Facilities, or for the expansion of the services offered at or in connection with such facilities; and (v) to comply with any rate covenants contained in any trust indenture or debt instrument, or any other applicable and controlled debt or financing instruments entered into by Lessee or Lessor, with respect to which Lessee is bound, provided that such rate covenants do not contravene the requirements of O.C.G.A. § 31-7-77. Subject to compliance with this subsection 4.03(b) and the requirements of O.C.G.A. §§ 31-7-75(7) and 31-7-77, Lessee shall have total control over the establishment of all rates and charges for services by the Hospital and the Existing Facilities.

(c) Nothing in this Section 4.03 shall require Lessee to comply with any law, ordinance or governmental regulation so long as there is a substantial and legitimate question as to its applicability to Lessee and/or Lessor or so long as the interpretation or validity of such law, ordinance or governmental regulation shall be contested in good faith and by appropriate legal proceedings, including securing any necessary injunctive relief which will stay enforcement of such law, ordinance or governmental regulation.

SECTION 4.04. Liens and Encumbrances. Except for Permitted Encumbrances or as set forth in Section 3.07 of this Agreement, Lessee covenants and agrees that it shall not without the specific written approval of Lessor create or suffer to be created any mortgage, lien, or other encumbrance, or charge upon the Hospital or the Operating Assets and that it will satisfy or cause to be discharged or structure a settlement with respect to, or shall make adequate provision to satisfy and discharge, within sixty (60) days after the same shall be due, all lawful claims and demands for labor, materials, supplies or other items. Nothing in this Section shall require Lessee to satisfy or discharge any such charge, claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings if Lessee shall have posted a bond or other security to avoid any such risk to Lessor's interest in the Hospital or the Operating Assets.

SECTION 4.05. Payments of Other Obligations.

(a) Lessee covenants and agrees to pay when due the Required Payments and all assessments, levies, taxes (ordinary or extraordinary, special or general) and insurance premiums and self insurance payments, of every kind and nature relating to the whole or any part of the Existing Facilities or this Agreement, or any interest therein and all sales, use or excise taxes, if any, levied upon the Required Payments and other payments due

under this Agreement, and all costs, expenses, liabilities and charges of every kind and nature, including charges for gas, electricity, water, sewer and other utilities, relating to the maintenance, repair, replacement and improvement, if undertaken hereunder by Lessee, of the Hospital, or any part thereof, or the facilities, machinery or equipment thereon or in connection therewith which may arise or accrue during the term of this Agreement; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as are required to be paid during the term of this Agreement.

(b) Lessee shall not be required to pay any tax, charge, assessment or imposition, nor to remove any lien required to be removed under this Agreement, so long as Lessee shall contest or there shall be contested on Lessee's behalf, in good faith and at Lessee's own cost and expense, the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, assessment, levy, fee, rent, charge, lien or encumbrance so contested, and the sale, forfeiture, or loss of the Existing Facilities or any part thereof or interest therein, to satisfy the same; provided, that no such contest shall subject Lessor to the risk of any liability or loss or materially impair the obligations of Lessee under this Agreement. Each such contest shall be promptly prosecuted to final conclusion (subject to the right of Lessee to settle any such contest), and in any event Lessee will save Lessor harmless against all losses, judgments, decrees and costs (including reasonable attorneys' fees and expenses in connection therewith) and will, promptly after the final determination of such contest or settlement thereof, enter into a structured payment agreement with respect to, or pay and discharge, the amounts which shall be levied, assessed or imposed or determined to be payable therein, together with all penalties, fines, interest, costs and expenses thereon or in connection therewith. Lessee shall give Lessor prompt written notice of any such contest. If in the reasonable opinion of counsel to Lessor, by nonpayment of any of the foregoing items, the Hospital, or any substantial part thereof, will be subject to imminent loss or forfeiture, then Lessor shall notify Lessee and Lessee shall promptly pay all such unpaid items and cause them to be satisfied and discharged.

SECTION 4.06. Lessor's Performance of Lessee's Obligations. In the event Lessee at any time neglects, refuses or fails to perform any of its obligations under this Agreement, Lessor, at its option and following at least thirty (30) days' written notice to Lessee, or to prevent any loss or forfeiture thereof, or to prevent any material loss to the Hospital or its operations, may (but is not obligated to) perform or cause to be performed such obligation, and all expenditures incurred by Lessor thereby shall be promptly paid or reimbursed, plus interest at the rate specified in Section 3.06(b) hereof, by Lessee to Lessor.

SECTION 4.07. Improvements. The parties hereto covenant and agree that in the event Improvements shall be provided to, on, within or above the Real Property, the provisions of this Agreement pertaining to the Existing Facilities shall automatically extend to such Improvements and upon termination or expiration of this Agreement the Improvements shall revert to be the property of Lessor.

SECTION 4.08. Tax-Exempt Status. Lessee represents that, as of the Commencement Date: (i) that Lessee has submitted an application to the Internal Revenue Service for recognition of its tax-exempt status (Form 1023) and that a determination letter from the Internal Revenue Service confirming such tax-exempt status has been received; (ii) it is an organization described in Section 501(c)(3) of the Code; (iii) the facts and circumstances which form the basis of the application for tax-exempt status as represented to the Internal Revenue Service continue to exist and will continue to exist during the Term of this Agreement; and (iv) it is exempt from federal income taxes under Section 501(a) of the Code, and is not a "private foundation" as defined in Section 509(a) of the Code. Lessee agrees that during the Term of this Agreement, it shall not perform any act or enter into any agreement which shall adversely affect the federal income tax status of Lessee and shall conduct its operations and the Hospital so as to maintain Lessee's status as a charitable organization within the meaning of Section 501(c)(3) of the Code and which is exempt from Federal income taxes under Section 501(a) of the Code, or any successor provisions of federal income tax law.

SECTION 4.09 Regulatory Controls. Lessee covenants and agrees that it shall take all appropriate action to obtain such consents, exceptions, exemptions or approvals of governmental authorities as may be necessary to permit it to comply fully with all of its covenants, stipulations, obligations and agreements contained in this Agreement. Lessor covenants to cooperate reasonably with Lessee in this regard.

SECTION 4.10. License and Accreditation. Lessee will procure and maintain in good standing a license from the State of Georgia to operate the Hospital as a general acute care hospital licensed to operate at least seventy-five (75) inpatient beds. Lessee will cause the Hospital to have Joint Commission accreditation or similar accreditation by another nationally approved and recognized accrediting body throughout the term of this Agreement, or in the event that such accreditation is superseded, accreditations by comparable and federally recognized standards which provide for third party payor authorization and Lessee shall cause the Hospital to obtain in a reasonable period of time such other accreditation; provided, however, that Lessor may waive this requirement if the Board of Directors of Lessee shall have determined in good faith, evidenced by a resolution of said Board, that such compliance is not in Lessee's best interest and that lack of such compliance would not materially impair its ability to operate the Hospital in the manner contemplated herein and to make the Required Payments hereunder.

SECTION 4.11. Medical Staff and Employees; Physician Development.

(a) Lessee shall continue to promote and pursue in earnest, and as soon as possible after the Commencement Date, the enhancement of the Hospital's medical staff by funding physician recruitment consistent with the needs identified in physician needs studies to be commissioned by Lessee periodically, but at least once every three (3) years. Prior to the Commencement Date, Lessee or PPHS will either promptly commission the first such physician needs study or evaluate recently prepared existing studies and will support medical staff development consistent with the results and findings of such study. Lessee shall assume and perform the financial commitments made by Lessor to specific physicians who have agreed to locate their practices in Fitzgerald, Georgia from other areas.



(b) Lessee will, effective as of the Commencement Date, accept all members of Lessor's Medical Staff and will adopt the bylaws of the Hospital's medical staff and, during the term of this Agreement, Lessee (i) will maintain appropriate procedures for review and amendment of the medical staff bylaws of the Hospital, and for appointment, reappointment, suspension and termination of medical staff privileges, (ii) shall have the power and authority to grant temporary medical staff privileges to qualified new applicants, and (iii) shall take all other actions which it may deem necessary or appropriate with respect to medical staff bylaws and privileges, including, without limitation, all final action regarding the granting, denial, suspension or revocation of medical staff privileges. The foregoing shall not prevent Lessee from modifying or revising the bylaws of the Medical Staff.

(c) Lessee hired all of the employees of Lessor employed at the Existing Facilities as of August 1, 2011 who: (i) met Lessee's employment qualifications, which do not differ from those qualifications in effect at those facilities operated by PPHS or its Affiliates (a copy of Lessee's employment qualifications has been provided in writing to Lessor), (ii) met all federal and State of Georgia laws governing the hiring of employees, and (iii) were not previously discharged by an Affiliate of PPHS without eligibility for rehire. Lessee shall honor the prior service credit, vacation, sick time and paid time off accruals of such personnel with the Hospital for purposes of satisfying pre-existing condition limitations in Lessee's welfare benefit plans. Lessee shall honor length of service with the Hospital for purposes of eligibility and vesting in Lessee's retirement and other benefit plans, but shall not be required to make contributions to such retirement plans with respect to such prior service. Subject to due diligence review acceptable to PPHS, it is PPHS' intent that it or one of its Affiliates will assume as of August 1, 2011 Hospital's employment agreements; provided, however, any such agreement entered into by the Lessor between the date of acceptance of the Letter of Intent and the Commencement Date shall be subject to PPHS' prior approval and if no prior approval is received, Lessee may not assume the agreement at the Commencement Date. The parties acknowledge that the Hospital's personnel are employees of the Lessor, and that as of August 1, 2011 Lessor will cease to have any employees and all employees will then be employees of Lessee or an Affiliate of Lessee.

SECTION 4.12. Medicare/Medicaid Filings. During the term hereof, Lessee shall be responsible for making all filings due to the Medicare and Medicaid programs and Lessor shall not file any reports or other documents or make any other filings in connection with Medicare and Medicaid reimbursement with respect to the Hospital, including but not limited to any cost reports, without allowing Lessee at least thirty (30) business days to review any such filings and related documentation and obtaining Lessee's prior written approval of such filing. Lessee shall be responsible for taking all actions with respect to any liability to the Medicare or Medicaid program and Lessor shall, at Lessee's expense, execute such documents, respond to any audit or Notice of Program Reimbursement and pursue any appeal with respect thereto in the manner and at the time deemed appropriate by Lessee in its sole discretion. Lessee shall defend and hold Lessor harmless from all claims, actions, fines, fees, expenses and liability associated with or related to Hospital's participation in Government Programs and any reimbursement received or claimed and any reports, filings or submissions made pursuant to a Government Program during the term of this Agreement.

SECTION 4.13. Participation and Reimbursement Agreements. Lessee will enter into such participation and reimbursement agreements as it may, from time to time, deem to be appropriate, with Medicare, Medicaid and other third-party payors and insurers which, to the extent permitted by law or the terms of the particular agreement, shall be assigned to Lessor upon termination or expiration of this Agreement.

SECTION 4.14. Articles of Incorporation of Lessee. The Articles of Incorporation of Lessee is in the form attached hereto as Exhibit "H", and has been approved by Lessor.

At all times during the term hereof, the Articles of Incorporation and Bylaws of Lessee shall provide that Lessee's sole member shall be PPHS and that it shall have a board of directors of not less than seven (7) persons appointed by PPHS with at least one (1) of those persons being a then currently serving member of Lessor and at least three (3) additional directors being residents of Ben Hill County, Georgia with one of the three (3) Ben Hill County, Georgia residents being a physician with active medical staff privileges at Hospital.

The Articles of Incorporation and Bylaws of Lessee shall provide that the Lessee may not take any of the following actions without the prior approval of PPHS:

- (a) Adopt a plan of dissolution of Lessee;
- (b) Authorize Lessee to engage in, or enter any transaction providing for the sale, mortgage or disposition of all or substantially all of the assets Lessee;
- (c) Adopt a plan of merger or consolidation of Lessee with another corporation;
- (d) Adopt any annual or long-term capital and operational budgets of Lessee or approve any changes therein exceeding ten percent (10%) of any budgeted item or ten percent (10%) of the budget as a whole;
- (e) Amend or take any action to terminate this Agreement or any other agreement between Lessee and Lessor with respect to the Hospital;
- (f) Take any action which would, or reasonably could be expected to, cause Lessee to exceed its annual budget for capital expenditures or cause loss of tax exemption;
- (g) Incur any liability or indebtedness or make any expenditure for any particular project or service of or for Lessee in an amount in excess of \$1,000,000;
- (h) Take any action which would, or reasonably could be expected to, result in an adverse variance (on an annualized basis) of total expenses of greater than two percent (2%) of total annual budgeted expenses;
- (i) Appoint or remove the independent auditors of Lessee;
- (j) Select or remove the President/Chief Executive Officer of Lessee;

(k) Adopt or permit any changes to any long-term, strategic or master institutional plans of Lessee; or

(l) Amend the Articles of Incorporation or Bylaws of Lessee.

Further, the parties agree that the actions listed in (a), (b), (c), (g), (k), or (l) shall not be undertaken without the prior written approval by Lessor.

SECTION 4.15 No Interest in PPHS or any Affiliate of PPHS. Lessor acknowledges that Lessee is a wholly controlled subsidiary of PPHS, a multi-entity organization which controls Lessee and certain other Affiliates. Notwithstanding any transfers permitted under Sections 5.03, 5.04 5.05 or 8.02 of this Agreement to PPHS or its other Affiliates during the Term of this Agreement, upon termination of this Agreement or dissolution of Lessee, Lessor acknowledges and agrees that it shall have no right, title, claim or interest of any type whatsoever, whether legal or equitable, upon the assets or rights, claims or interests, whether tangible or intangible, of or in PPHS and any of its other Affiliates, nor shall Lessor have any right to require PPHS or any Affiliate of PPHS, other than Lessee, to dissolve and transfer their assets to Authority; provided however, upon termination or expiration of this Agreement or dissolution of Lessee, Lessor shall have all those rights to Lessee and Lessee's property as set forth in Section 11.07 of this Agreement.

SECTION 4.16. Consents and Notices. Lessor shall use its best efforts to obtain all material consents and shall give all notices which may be required in connection with the transfer of the Assigned Contracts to Lessee and the assumption by Lessee of the Assumed Liabilities hereunder in accordance with the terms of such agreements and liabilities. Lessor shall provide Lessee with satisfactory evidence that all such consents have been requested and notices have been given upon Lessee's written request.

SECTION 4.17. Indigent Care. The parties will cooperate to provide indigent care pursuant to the provisions of Section 4.02(k) herein. In addition, Lessee shall annually allocate funds for the purpose of providing charity care. The funds allocated will be no less than 3% of the gross revenues of the Hospital after provisions for bad debt and Medicaid and Medicare adjustments have been deducted. The funds allocated will be based on the previous year's financial records.

SECTION 4.18. Permitted Indebtedness. Except as permitted or required by this Agreement, Lessee covenants that it will not create, guarantee, assume, permit to exist directly or indirectly, any indebtedness of any kind or character for money borrowed in connection with or become liable for, any kind of acquisition of a capital asset (including, without limitation, any liability by way of endorsement, guarantee or agreement to repurchase or supply funds or any extension of its credit, directly or indirectly, in support of the obligations or undertakings of others) except that Lessee may incur "Permitted Indebtedness" as follows:

(a) indebtedness arising under this Agreement;

(b) indebtedness of the Lessor existing on the Commencement Date and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof (immediately prior to giving effect to such

extension, renewal or replacement) or shorten the maturity or the weighted average life thereof;

(c) indebtedness permitted under Section 4.12 of the Master Trust Indenture as in effect on the date hereof without regard to the effect of any subsequent amendments or supplements thereto regardless of whether Lessee is or is not a member of the Obligated Group; provided however any indebtedness incurred specifically and solely for the benefit of Hospital shall be assumed by Lessor upon termination of this Agreement and any such indebtedness not incurred specifically and solely for the benefit of Hospital shall not be assumed by Lessor upon termination of this Agreement;

(d) other unsecured indebtedness of Lessee and indebtedness of Lessee secured by purchase money security interests in an aggregate principal amount not to exceed \$25,000,000 at any time outstanding;

(e) tax-exempt bonds, as authorized by the Lessor in its sole discretion, for the benefit of the Hospital; and

(f) incur Permitted Indebtedness or liability that exceeds One Million Dollars (\$1,000,000.00) without the prior written consent of Lessor.

Lessor acknowledges and agrees that Lessee may become a member of the Obligated Group at any time during the term hereof; provided that such does not constitute or create a mortgage lien on the Hospital or the granting of a security deed for the Real Property and provided the obligations and restrictions of the Obligated Group shall not apply to Hospital or Lessor upon the termination or expiration of this Agreement.

SECTION 4.19. Financial Books and Records. Lessee shall install and maintain proper books of record and account of all business and affairs of Lessee, in which full and correct entries shall be made in accordance with generally accepted accounting principles. Lessee shall assist Lessor in Lessor's installation and maintenance of proper books of record and account of all business and affairs of Lessor, in which full and correct entries shall be made in accordance with generally accepted accounting principles. Neither Lessee nor Lessee's Affiliates or employees of either shall have control of nor the right to make disbursements from the funds of Lessor. Lessee shall engage an independent certified public accountant that is acceptable to Lessor to prepare and file, following review and approval by Lessor, an audited financial statement of the Hospital and Lessor in accordance with the requirements of the Act. The audited financial statements of Hospital and Lessor shall be submitted to Lessor for its review and approval within ninety (90) days after the close of the applicable Fiscal Year.

SECTION 4.20. Competition with Hospital. During the term of this Agreement, neither Lessor nor any Affiliate thereof shall own, manage, operate or control or be connected in any manner with the ownership, management, operation or control of any hospital or other health care facility other than the Hospital in Ben Hill County, Georgia and neither Lessee nor any Affiliate thereof shall own, manage, operate, or control any hospital in Ben Hill County, Georgia except for the Hospital. The provisions of this section may be waived in each instance by mutual consent of the parties.

SECTION 4.21. Eminent Domain. During the term of this Agreement, Lessor shall not exercise its right of eminent domain, granted pursuant to O.C.G.A. § 31-7-75(12) or any other provision of law, to acquire any of the Existing Facilities.

SECTION 4.22. Existing Certificates of Need. Lessee shall comply with the terms of all Certificates of Need granted to Lessor prior to the Commencement Date. Lessor shall cooperate with Lessee in complying with all Certificate of Need requirements, including requirements relating to the implementation of any outstanding Certificates of Need.

SECTION 4.23. Name of the Hospital. Lessor and Lessee agree that during the term of this Agreement the Hospital shall always be named "Phoebe Dorminy Medical Center."

SECTION 4.24. Annual Reporting Requirement. To assist Lessor in ensuring on an ongoing basis that operation of the Existing Facilities meets the requirements herein and the Act:

(a) Lessee shall provide an annual report ("Report") to Lessor for review, comment and approval addressing Lessee's performance on:

- (1) making additional facilities and care available in the community or lowering the cost of health care in the community;
- (2) activities addressing the unmet health needs of the public;
- (3) providing indigent and charity care;
- (4) participating in the Medicare and Medicaid programs; and
- (5) attesting to Lessee's compliance with O.C.G.A. § 31-7-77 regarding rates and charges.

The Report required by Section 4.24(a)(5) above shall provide information that the rates and charges fixed by Lessee are consistent with the policy of the State of Georgia set forth at O.C.G.A. §31-7-77 and have produced revenues only in amounts sufficient, together with other funds of Lessee, to: (i) pay principal and interest on its or Lessor's indebtedness related to the Existing Facilities; (ii) provide for the maintenance and operation of the Existing Facilities and a reasonable rate of return on Lessee's investment; (iii) to create and maintain a reserve sufficient to meet principal and interest payments due on its or Lessor's indebtedness related to the Existing Facilities in any one year after the issuance thereof; and (iv) to provide for reasonable reserves for the improvement, replacement or expansion of the Existing Facilities, or for the expansion of services offered at or in connection with the Existing Facilities.

(b) Lessee, within 45 days after the start of its fiscal year, shall provide Lessor with an operating and capital budget for Hospital for the fiscal year.

(c) Lessee, within 90 days of the close of any fiscal year, shall furnish to Lessor its complete and detailed financial statements for such Fiscal Year, prepared in accordance with GAAP and including a balance sheet of Lessee as of the end of such Fiscal Year, and statements of operations, changes in net assets and statement of cash



flow of Lessee for such Fiscal Year. Such report shall be audited by a firm of Independent Accountants, which may be a separate auditing firm from Lessor's, and shall contain their opinion as to whether the report fairly presents the results of operations and was prepared in accordance with GAAP, applied on a consistent basis. Following Lessor's acceptance of the final audited financial statements, such audited financial statements shall be filed as required by the Act or other State laws.

(d) Lessee, within 60 days after the close of the fiscal year to enable Lessor to prepare and submit its annual Community Benefit Report as required under O.C.G.A. § 31-7-90.1, shall furnish a comprehensive report which discloses the cost and extent of indigent and charity care provided by Lessee for Lessor during the last fiscal year. This report shall present to Lessor a statement reflecting the type of indigent and charity care provided by Lessee for Lessor, the number of indigent persons served, the categorization of those indigent persons by county of residence and the cost in dollars of indigent and charity care provided by Lessee for Lessor.

(e) Every three years, Lessee shall furnish a report to Lessor on the unmet health needs of the community to enable Lessor to plan for the unmet health needs of the community as required by O.C.G.A. § § 31-7-5 (22) and 31-7-76 (d)(4). Lessee shall also submit to Lessor for its review, comment and acceptance, Lessee's plan for meeting the unmet health needs of the community identified in the report.

(f) Lessee shall submit quarterly reports to Lessor of Hospital's: (a) financial performance, including, but not limited to, a balance sheet, a statement of operations and changes in net assets and a statement of cash flow, any alterations to the annual budget previously provided Lessor or significant proposed capital expenditures or acquisitions not identified in the annual budget, the monitoring of operating results; (b) a summary in reasonable detail of Lessee's performance of any Indigent Care Program (including prisoner care) as required by any Indigent Care Agreement or any Indigent Care Assumption Agreement; (c) Lessee's participation in Medicare and Medicaid; (d) patient utilization and payor mix for the clinical department or clinical service of the Hospital (for the purpose of demonstrating operation of the Hospital as an acute care hospital for the benefit of the general public); (e) non-routine medical staff activity, including contested physician credentialing or changes to medical staff bylaws; and (f) any other matters of significant financial and strategic importance that might adversely affect community access to Hospital's services.

(g) Lessee, within 30 days after its receipt of a final report, shall furnish Lessor with the report of the Joint Commission on the accreditation of Hospital.

(h) The reports and attestations required by (a) through (g) above shall be for the purpose of permitting Lessor to: (1) provide ongoing oversight regarding Lessee's lease performance; (2) determine that Lessee has established rates and charges in conformance with O.C.G.A. § 31-7-77; (3) be vested with ultimate and final authority, pursuant to terms of the Lease, for the operations of the Hospital so as better to bring about achievement of the public policy goals and purposes which are expressly set forth or inherently implicit in the provisions of the Lease, including, but not limited to,

operating the Hospital for the benefit of the general public and providing for the health care needs of the community and qualifying for Medicaid ICTF and/or UPL funding; and (4) enabling Lessor to comply with its requirements under the Act.

SECTION 4.25 Meeting Room Space and Record Storage. Lessee will provide meeting room accommodations and storage of records within the Hospital as reasonably requested to support the activity of Lessor.

SECTION 4.26 Excluded Contracts. Lessor shall remain solely responsible for satisfying any obligations pursuant to any Excluded Contract and Lessor shall hold Lessee harmless from any liabilities resulting from a breach of an Excluded Contract.

SECTION 4.27 Conduct of Business by Lessor. During the period from the date that this Agreement is executed until the Commencement Date, and subject to termination of this Agreement as permitted in Section 11.02, Lessor shall and shall cause Hospital to:

- (a) Carry on the business of the Hospital in the ordinary course;
- (b) Provide promptly to PPHS following the close of each month that month's financial statements for the Hospital;
- (c) Meet at least monthly with PPHS to discuss the income and expenses of the Hospital and implement strategies acceptable to the Authority to increase income or reduce expenses or both;
- (d) Without the consent of PPHS (which shall not be unreasonably withheld), not enter into any contract or commitment, incur or agree to incur any liability, except where such matters either (i) are in the ordinary course of business and which do not represent a liability exceeding \$10,000.00, or (ii) relate to contracts or commitments which are terminable without cause or penalty within thirty (30) days following the effective date of the Lease.
- (e) Without the consent of PPHS (which shall not be unreasonably withheld), not increase compensation payable or to become payable or make a bonus payment to or otherwise enter into one or more bonus agreements with any employee or agent of the Authority or the Hospital or any person under any personal services contract or other contract with the Authority or the Hospital;
- (f) Not sell, assign or otherwise transfer or dispose of any part of the assets of the Hospital or permit any encumbrance to attach to any part of the assets of the Hospital; and
- (g) Not take any other action outside the ordinary course of business except as permitted by this Agreement.

SECTION 4.28 Insurance and Insurance Funds. Exhibit I sets forth a true and complete list of all insurance policies or self insurance funds maintained by Lessor as of the execution of this Agreement covering the ownership and operation of the Hospital or any of the Existing Facilities, indicating the type of insurance, policy numbers, terms, identity of insurers and amounts and coverages (including applicable deductibles). Lessor has one or more “business interruption” insurance policies in customary form and amount covering the Existing Facilities (which coverage includes post-Commencement Date operations by Lessee), and the proceeds of such policies are assignable to Lessee as to the period following the Commencement Date. All of such policies are now and will be until the Commencement Date in full force and effect with no premium or self funding arrearages. To the extent any such insurance is in the form of a self insurance fund or funds, the amount of such fund or funds on hand as of the Commencement Date, on an actuarially determined basis, is sufficient to pay the risk insured when due. On the Commencement Date all self insurance funds will be assigned to Lessee.

#### ARTICLE V

#### IMPROVEMENTS; DISPOSITIONS OF PROPERTY; ALTERATIONS; RIGHT OF FIRST REFUSAL

SECTION 5.01. After-Acquired Property as Part of the Existing Facilities. All buildings, structures, improvements, machinery, equipment and other property which shall be constructed, placed or installed in or upon the Real Property as an addition to, or as a substitute for or in renewal or replacement of, any buildings, structures, improvements, furnishings, equipment or other property constituting part of the Hospital shall (unless Lessor and Lessee otherwise provide by signed written agreement directed to a specific item) become Improvements hereunder without any further act or deed, subject to PPHS’ rights to pay back of capital loans under Section 4.01(b) of this Agreement. At the request of Lessee, Lessor shall cooperate in securing such permits and authorizations and shall join in the application for such municipal and other governmental permits and authorizations as may be deemed necessary or advisable to be obtained in connection with any such construction, acquisition or installation, provided that Lessee shall indemnify and hold Lessor harmless against and from all costs and expenses which may be incurred by Lessor in connection with any such joinder or application.

SECTION 5.02. Covenant Against Unauthorized Disposition. Except as otherwise provided in this Article V and elsewhere in this Agreement, Lessee shall not dispose of the Existing Facilities without the prior written consent of Lessor. Lessee shall maintain accurate records of the location of, and any transfers with respect to, such facilities. For purposes of this Article V, the term “dispose of” means to transfer, assign, sell, lease, or sublease. Notwithstanding anything to the contrary in this Agreement, Lessee shall have no right to sell or transfer title to Real Property; provided further, however, real estate acquired by Lessee during the term of this Agreement which is not Real Property may be disposed of by Lessee in accordance with this Article V.

SECTION 5.03. Dispositions of Property Without Notice.

(a) Subject to Lessee’s obligations described in Section 3.02 of this Agreement, Lessee may, from time to time, at its cost and expense, without notice to and

without obtaining the approval of Lessor and free of any obligation to make any replacement thereof, remove or dispose of:

(i) Equipment or other personal property for fair market value in a transaction which qualifies as a transaction in the ordinary course of business of operating a hospital similar to the Hospital;

(ii) Equipment or other personal property that in the discretion of Lessee is obsolete or unusable for its intended purpose; or

(iii) Equipment or other personal property (i) for fair market value, and (ii) provided that during any consecutive twelve (12) calendar month period the aggregate Book Value thereof at the times of all such dispositions does not exceed five percent (5%) of the Book Value of the Property, Plant and Equipment of Lessee, and (iii) such dispositions will impair not the structural soundness or usefulness of the Hospital nor adversely affect the Hospital operations or the purposes of this Agreement.

Lessor shall have the right of first refusal to purchase any Equipment that has a value in excess of Twenty Thousand and no/100 Dollars (\$20,000.00) in the event Lessee seeks to dispose of such Equipment. Lessee shall provide Lessor with written notice and provided Lessor does not elect to purchase the Equipment within twenty (20) days after receipt of the written notice, Lessee may dispose of the Equipment. Such Equipment or other personal property disposed of as aforesaid shall thereafter not constitute part of the Hospital. Lessee shall file a report with Lessor at least annually within ninety (90) days following the end of each Fiscal Year stating the type or character of such property removed or otherwise disposed of pursuant to Section 5.03(c) and a fair market value and book value thereof at the time or times of such removal or other disposition.

(b) Real Property may be disposed of by Lessor only following written notice to Lessee, at least thirty (30) days prior to the proposed date of transfer, and the sale proceeds or other consideration shall be allocated between Lessor and Lessee in proportion to the value of Lessor's reversionary interest and Lessee's leasehold interest. The sale proceeds shall be applied by Lessee to the uses set forth in Section 5.07 below.

SECTION 5.04. Dispositions of Property With Notice. Except for transfers made pursuant to Sections 5.03 or 8.02 hereof, Lessee may not in any consecutive twelve (12) month period, cause one or more dispositions of Property, if the Book Value of which when aggregated with all other dispositions of Property within such consecutive twelve (12) month period totals, in the aggregate, in excess of five percent (5%) of the book value of the Property, Plant and Equipment of Lessee, unless not less than thirty (30) days prior to the last of such dispositions which causes such excess to occur the written consent of Lessor is obtained with respect to said last such disposition; provided further, as used herein the term "dispositions of Property" shall not include the right or ability of Lessee to sell or transfer title to Real Property.

SECTION 5.05. Transfers to Affiliates. Subject to the obligations of Section 3.02 of this Agreement, the limitation set forth in Section 5.04 of this Agreement and subject to

Lessee's inability to sell or transfer title to Real Property and notwithstanding any other provision of this Agreement to the contrary, Lessee shall have the right to make dispositions of Property (including, without limitation, Real Property and non-restricted gifts, grants and contributions) to PPHS or an Affiliate; provided further Lessee shall not, without the prior written consent of Lessor, dispose of to any person (whether or not PPHS or an Affiliate) either: (i) all of the Operating Assets or the Hospital; or (ii) so substantial a part of the Operating Assets or the Hospital as would either remove Lessee from direct involvement with the day to day operations of the Hospital or prevent Lessor upon termination of this Agreement from operating Hospital.

SECTION 5.06. Alterations. Lessee shall not, without Lessor's written consent, demolish or structurally alter the Real Property in any material respect unless such demolition or alteration is in connection with a project by Lessee to repair, remodel or make additions to such Real Property.

SECTION 5.07 Disposition of Property by Lessor. Lessor shall upon sale or disposition of any of its Property, regardless of whether Lessee holds a leasehold interest in the Property or not, remit or contribute the proceeds from the sale or other disposition of the Property to Lessee; however, the proceeds of the sale are to be used to the betterment of the health of the citizens of Ben Hill County as requested and approved by Lessor in its reasonably exercised discretion or may be directed to satisfy or reduce debts of Lessee.

SECTION 5.08 Limitation Upon Sale of Hospital; Right of First Refusal in Certain Circumstances.

(a) Lessor shall not sell the Hospital, or any portion of the leased premises, to any person or entity which is not PPHS' controlled income tax-exempt affiliate without first giving Lessee the option, by written notice, to purchase such property upon the same terms, conditions, and for the same price, as is offered, bona fide, to Lessor by any other prospective purchaser. Lessee shall then have a period of thirty (30) days after the receipt of the written notice from Lessor in which to meet the bona fide offer of any prospective bona fide purchaser which is not PPHS' controlled income tax-exempt affiliate, and to enter into a binding written contract with Lessor for the sale and purchase of the Hospital, or such portion of the leased premises as is subject to the bona fide offer of a prospective purchaser. Provided, however, that Lessor need not give notice to Lessee of an offer received from a prospective purchaser who or which is not PPHS' controlled affiliate if Lessor determines that it will not sell to any such prospective purchaser the Hospital or the portion of the leased premises which is the subject of the bona fide offer. In that event, with no notice to Lessee having been given, Lessor may not sell the Hospital or any portion of the leased premises to any such prospective purchaser. In the event Lessor and Lessee should enter into an agreement for the sale and purchase of the Hospital, or any portion of the leased premises pursuant to the provisions of this Section 5.08, the closing shall take place within sixty (60) days after Lessor has complied with the notice and public hearing requirements of Section 31-7-74.3(a) of the Act and the Georgia Hospital Acquisition Act, O.C.G.A. §§ 31-7-400 et seq.



(b) In the event Lessor should sell the Hospital, or any substantial portion of the leased premises, to a prospective purchaser who or which is not an income tax-exempt affiliate of PPHS, this Agreement shall terminate upon the consummation of the sale.

## ARTICLE VI INSURANCE

### SECTION 6.01. Insurance.

(a) Lessee covenants and agrees that it shall, during the term of this Agreement, keep and maintain at all times insurance (in such amounts and with such deductibles as shall be comparable to coverage carried by institutions similar to Lessee) as follows:

(1) fire, with uniform standard extended coverage endorsements, flood and crime, vandalism and malicious mischief insurance, as may be approved for issuance in the State, including insurance against loss or damage from lightning, windstorm, civil commotion, aircraft vehicles and smoke, covering the Hospital at all times in an amount not less than the full insurable value thereof;

(2) insurance coverage of boilers, pressure vessels, auxiliary piping and selected machinery objects (pumps and compressors);

(3) comprehensive general liability insurance, including but not limited to use and occupancy, and professional liability insurance protecting Lessee against liability for death, injury, loss or damage as a result or arising out of examination, diagnosis, treatment or care of (or failure to so examine, diagnose, treat or care for) any patient of the Hospital or any occupant of the same;

(4) comprehensive automobile liability insurance;

(5) worker's compensation and unemployment coverage as required or permitted by the state;

(6) business interruption insurance;

(7) fidelity bonds on all officers and employees of Lessee who have access to or have custody of revenues, receipts or income from the Hospital or any funds of Lessee;

(8) directors' and officers' liability insurance.

(b) Lessee shall designate an Insurance Consultant, who shall be an insurance broker or an insurance agent with whom Lessee or Lessor transacts business. Lessee may at any time replace such Insurance Consultant and appoint a new Insurance Consultant.

(c) Lessee may make modifications to the insurance coverage hereinabove provided and may change the manner by which it keeps and maintains such insurance coverage, which modifications or changes expressly include but are not limited to the keeping and maintaining of self-insurance, insurance provided by or through an agency of the State or use of a captive insurance company in whole or in part for any such coverage, but only upon the following terms and conditions. In making its decision whether to make such modifications or changes Lessee shall consider the availability of commercial insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such costs upon Lessee's costs and charges for its services. No such modification or change shall be made unless (i) Lessee has received a written recommendation with respect to such modification or change from the Insurance Consultant, (ii) such modification or change shall not disqualify Lessee for reimbursement under Medicare or Medicaid programs or any governmental programs providing similar benefits and (iii) adequate reserves certified by the Insurance Consultant or an independent actuary certifying the adequacy of such reserves for any self-insurance program, insurance provided by or through a State agency or use of a captive insurance company are deposited and maintained with an independent corporate trustee. Lessee shall give written notice to Lessor of any modifications or changes made pursuant hereto, indicating in such notice the effective date of such modification or change and including the Insurance Consultant's written recommendation and the Certification of the Insurance Consultant (or actuary) certifying the adequacy of reserves as set forth above.

SECTION 6.02. Insurers and Policies. Lessee further agrees that each insurance policy required by Section 6.01 hereof shall: (i) be by such insurer (or insurers) as is financially responsible, allowed to write the respective insurance in the State and of recognized standing, including insurers having at least a Best's "A" rating or be by PPHS' Affiliate Phoebe Putney Indemnity, SPC., or its successors and assigns, (ii) be in such forms and with such provisions (including, without limitation, the loss payable clause, the waiver of subrogation clause, relieving the insurer of liability to the extent of minor claims, and the designation of the named assureds) as are generally considered standard provisions for the type of insurance involved and (iii) prohibit cancellation or substantial modification by the insurer without at least thirty (30) days, prior written notice to Lessor and Lessee. Without limiting the generality of the foregoing, all insurance policies carried pursuant to Section 6.01 above shall name Lessor and Lessee as parties insured thereunder as the respective interest of each of such parties may appear, and loss thereunder shall be made payable and shall be applied as provided in Section 6.03 hereof.

SECTION 6.03. Involuntary Loss; Use of Insurance Proceeds; Condemnation Awards and Sale Proceeds.

(a) If all or any part of the Hospital shall be damaged or destroyed by whatever cause or shall be taken by any public authority or entity in the exercise of, or acquired under the threat of the exercise of, the power of eminent domain (for purposes hereof, an "Involuntary Loss"), Lessee shall give prompt notice of such Involuntary Loss to Lessor. There shall be no abatement or reduction in the Required Payments as a result of any Involuntary Loss.

(b) Lessee shall proceed promptly to repair, rebuild or restore the Property damaged, destroyed or taken with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by it and Lessee may receive the insurance proceeds, condemnation awards or sale proceeds resulting from such Involuntary Loss and shall apply said proceeds for such purpose together with any additional moneys necessary therefor.

(c) Lessee and Lessor shall cooperate fully with one another in the handling and conduct of any prospective, pending or threatened condemnation proceedings or with respect to any settlement or negotiation proceedings involving coverage provided under any policy of insurance.

(d) Lessee and Lessor agree that Lessor shall be entitled to the entire award attributable to any taking of all or part of the Hospital and Lessee shall not be entitled to any award by reason of the loss of its leasehold estate; provided, however, Lessee shall be entitled to claim compensation from the condemning authority for business interruption as long as any award to Lessee does not impair or diminish the award otherwise payable to Lessor.

(e) Any balance remaining after completion of the repair, rebuilding or restoration of the Hospital shall be considered part of the operating assets of Lessee, subject to set-off for any sums then due and payable to Lessor.

(f) In the event that it is determined by an independent management consultant that the taking or other loss results in Lessee's inability to generate revenues sufficient to operate the Hospital as contemplated herein, all funds contemplated by this Article will be paid to Lessee and this Agreement shall thereupon terminate.

SECTION 6.04. Failure to Carry Insurance. In the event Lessee shall at any time neglect or refuse to procure or maintain insurance or self insurance as herein required, Lessor may at its option and following at least thirty (30) days' notice to Lessee, except where a shorter period of written notice is necessary to avoid a default on any Assumed Liability or Permitted Indebtedness, or to prevent any loss or forfeiture thereof, procure and maintain such insurance and Lessee shall be obligated to reimburse promptly Lessor for all amounts expended in connection therewith.

## ARTICLE VII INDEMNIFICATION

### SECTION 7.01.

Indemnification; No Liability; Damage Claims. Lessee shall protect, defend, indemnify, and save harmless Lessor and its present or future members, officers, employees or agents against and from any and all liabilities, suits, actions, claims, demands, damages, losses, expenses (including reasonable counsel fees) and costs of every kind and nature incurred by, or asserted or imposed against, Lessor and its present or future members, officers, agents or employees, or any of them, by reason of any matter relating to the financing, leasing, construction, operation, management, maintenance or the existence of the Hospital or relating to

the Assumed Liabilities, unless resulting from the gross negligence or willful misconduct or fraud of any such persons, during the term of this Agreement, and regardless of whether such liabilities, suits, actions, claims, demands, damages, losses, expenses and costs be against or be suffered or sustained by Lessor or by any of its respective present or members, officers, agents or employees, or be against future or be suffered or sustained by other persons, corporations or other legal entities to whom Lessor or any future members, officers, agents of its respective present or may become liable therefor. Lessee may, and if so requested by Lessor shall, undertake to defend at Lessee's sole cost and expense, any and all suits, actions or proceedings brought against Lessor or any of its respective present or future members, officers, agents or employees, in connection with any of the matters mentioned in this Section, provided that Lessor shall give Lessee timely notice of and shall forward to Lessee every demand, notice, summons or other process received with respect to any claim or legal proceeding within the preview thereof. Notwithstanding the foregoing, Lessee shall not be liable to Lessor to the extent Lessor is protected against any liability by the doctrine of sovereign immunity.

SECTION 7.02. Reimbursement of Costs and Expenses. Lessee shall promptly pay any and all costs, expenses and judgments which may be incurred by, or rendered against, Lessor or any of its respective present or future members; officers, employees or agents at any time or times during the term of this Agreement (i) in obtaining possession of the Hospital or taking any other action as a result of any default by Lessee or (ii) in defending any action, suit or proceedings brought by any person, other than Lessee or an Affiliate of Lessee (but only in the event Lessee or its Affiliate prevails), against Lessor or any of its respective present or future members, officers, employees or agents as a result of the violation of, or noncompliance with, any present or future federal, state, county or municipal law, ordinance, regulation or order, or as a result of any alleged failure, neglect, misfeasance, malfeasance or default in any way connected with, arising from, or growing out of this Agreement or the Hospital, or any operations conducted in or any use or occupancy of the Hospital prior to the Commencement Date unless resulting from the gross negligence, willful misconduct, or fraud of the person or entity seeking indemnification hereunder.

SECTION 7.03. Continuation of Liability. Each of the foregoing provisions of this Article VII shall be severable from and independent of and may be enforced without regard to the enforcement of the other provisions of this Article VII and other provisions of this Agreement, and the provisions of this Article shall survive the termination of this Agreement with respect to acts occurring prior to the termination of this Agreement.

## ARTICLE VIII ASSIGNMENTS; SUBLEASES, OPERATING ARRANGEMENTS

SECTION 8.01. Maintenance of Corporate Existence; Permitted Mergers; Consolidations and Sales. During the term of this Agreement, Lessee agrees that it will maintain its corporate existence, will not dissolve or otherwise dispose of its assets except as permitted elsewhere in this Agreement and in its Articles of Incorporation and will not, without the approval of Lessor, (i) consolidate with or merge into another corporation or other entity or permit one or more corporations or other entities to consolidate with or merge into it, or (ii) transfer all or substantially all of its assets to any other person or Entity.

SECTION 8.02. Subleases and Operating Contracts. Lessee may sublease any part, but not all or substantially all, of the Hospital or contract for the performance by others of operations or services on or in connection with any part, but not all or substantially all of the Hospital for any lawful purpose, if (i) each such sublease or contract is consistent with and subject to the provisions of this Agreement, (ii) complies with the Act and all Laws and (iii) Lessee shall remain fully obligated and responsible under this Agreement to the same extent as if such sublease or contract had not been executed.

SECTION 8.03. Prohibition on Other Assignments and Subleases. Lessee shall not assign or sublet all or any part of the Existing Facilities without Lessor's consent except as described in Sections 5.03, 5.04, 5.05, 8.01 and 8.02 of this Agreement.

ARTICLE IX  
LEASE COMMENCEMENT, CONDITIONS AND CONTINGENCIES

SECTION 9.01. Effective Date and Lease Commencement. The lease, transfer, and assumptions described in Article III above shall commence and will be effective upon the following:

(a) an Amended and Restated Management Services Agreement must have been approved by the Board of Directors of PPHS, Lessee and Lessor, be in effect as of the Closing and Phoebe Dorminy Medical Center, Inc. must be managing the day-to-day operations of the Hospital;

(b) this Lease and Transfer Agreement shall have been signed by the parties hereto;

(c) The Lessor, Lessee, and PPHS shall have each provided to the other:

(1) Certificates of Good Standing from the Georgia Secretary of State;

(2) Certificates, signed by a senior executive officer such as the chairman of the governing board or president of corporation confirming compliance with the terms hereof, no default (or event which with the passage of time a notice would be a default) hereunder, no material adverse changes in the activities, properties, or finances of the party and that the representations and warranties of the party contained in this Agreement remain true and correct as of Commencement Date;

(3) Certificates of Incumbency from the respective officers of Lessor, Lessee and PPHS executing this Agreement, and any other agreements or instruments contemplated to be completed on the Commencement Date;

(4) An opinion from Lessor's counsel, dated as of the Commencement Date and addressed to Lessee, in a form reasonably acceptable to the other party, opining that: (i) Lessor is a hospital authority duly organized and validly existing under the laws of the Georgia; (ii) Lessor has full power and authority to execute, deliver and perform this Agreement and all other agreements required by this



Section 9.01; (iii) that hospital authority proceedings required to be taken to authorize the execution, delivery and performance of this Agreement and all other agreements required by this Section 9.01, have all been taken; and (iv) this Agreement and other agreements required by this Section 9.01 constitute valid and binding obligations of the Lessor, enforceable in accordance with their respective terms and are in compliance with federal and state laws controlling the transactions contemplated therein;

(5) An opinion from Lessee and PPHS' counsel, dated as of the Commencement Date and addressed to Lessor, in a form reasonably acceptable to the other party, opining that: (i) Lessee and PPHS are nonprofit corporations duly organized and validly existing under the laws of Georgia; (ii) Lessee and PPHS have full power and authority to execute, deliver and perform this Agreement and all other agreements required by this Section 9.01; (iii) that all corporate proceedings required to be taken by Lessee and PPHS to authorize the execution, delivery and performance of this Agreement and all other agreements required by this Section 9.01, have all been taken; (iv) that the hospital authority proceedings required to be taken by the Hospital Authority of Albany-Dougherty County, Georgia to authorize the execution, delivery and performance of this Agreement and all other agreements required by this Section 9.01, have all been taken; and (v) this Agreement and other agreements required by this Section 9.01 constitute valid and binding obligations of the Lessee and PPHS, enforceable in accordance with their respective terms and are in compliance with federal and state laws controlling the transactions contemplated therein;

(6) Lessee has submitted to the Internal Revenue Service a Form 1023, Application for Recognition of Exemption, in form and with such exhibits as are reasonably satisfactory to the parties hereto and has received written recognition from the Internal Revenue Service of its tax exempt status.

(d) Occurrence of all hospital authority proceedings and actions required to be taken by the Hospital Authority of Albany-Dougherty County, Georgia to authorize execution, delivery and performance of this Agreement and all other agreements required by this Agreement, including a certified copy of a resolution adopted by the Hospital Authority of Albany-Dougherty County, Georgia, and such other documents as the parties deem necessary by which the Hospital Authority of Albany-Dougherty County, Georgia, recognizes and agrees to the ongoing financial guaranty of this Agreement by PPHS, and by which resolution or documents the Hospital Authority of Albany-Dougherty County, Georgia, releases any claim to the assets of Lessee upon termination of the Lease and Transfer Agreement Between Hospital Authority of Albany-Dougherty County, Georgia and Phoebe Putney Memorial Hospital, Inc., dated as of December 11, 1990, as amended or dissolution of Lessee;

(e) Possession of the Existing Facilities;

(f) The Assignment and Assumption Agreement shall have been signed by Lessor and Lessee;

(g) Receipt by Lessee of a Phase I Environmental Site Assessment of the Real Property and Existing Facilities in accordance with ASTM Standard 1527-05 showing an absence of any recognized environmental condition (as defined in ASTM Standard Practice 1527-05);

(h) Completion of due diligence upon Lessor, Affiliates of Lessor and the Existing Facilities by PPHS;

(i) Lessee shall purchase on behalf of Lessor insurance insuring against general liability, property and casualty liability, workers' compensation liability, umbrella liability, any professional liability, fiduciary liability and directors and officers liability claims that may be made against Lessor or Lessor's agents, officers, or employees for acts or claims related to Lessor's operation of Hospital prior to the Commencement Date;

(j) Compliance with all federal, State of Georgia, and other regulatory approvals, including but not limited to the Act and the State of Georgia Hospital Acquisition Act (O.C.G.A. §§ 31-7-400 *et seq.*), required to complete the Affiliation;

(k) Receipt by Lessee within the time period established by the particular law, statute, or regulation of all federal, State of Georgia, and local licenses, approvals, consents, permits, certificates of need or exemption therefrom, provider agreements, zoning requirements, environmental or other matters necessary for Lessee to lease and operate the Hospital as an acute care hospital; provided, however, that it is understood by the parties that certain of such licenses, approvals, consents, permits and requirements to operate a hospital will be obtained subsequent to Closing;

(l) Absence of any governmental prohibition or threatened prohibition of Closing by the State of Georgia, the U.S Department of Justice, or the Federal Trade Commission;

(m) Receipt or waiver on or before Closing of all consents required by the terms of any Contract which Lessee agrees to assume and perform;

(n) Reissuance of the Hospital Authority of Ben Hill County, Georgia Revenue Anticipation Certificates (Dorminy Medical Center) Series 2007 shall have occurred;

(o) Such other instruments and documents as are reasonably necessary to effectuate this Agreement.

The date upon which all the foregoing actions have been completed together with the actions described in Section 9.02 of this Agreement is herein referred to as the "Commencement Date." The parties agree to use their best efforts to enable the completion of the actions required to establish the Commencement Date on or before February 1, 2012; provided, however, that if the Commencement Date has not been established by April 1, 2012, due to the non-occurrence of any action required to establish the Commencement Date, this Agreement shall be terminable as provided in Section 11.02 of this Agreement.

SECTION 9.02. Conditions and Contingencies Prior to the Commencement Date. Notwithstanding the foregoing, the Commencement Date shall not occur until the following actions have been completed to the reasonable satisfaction of both parties:

(a) the public hearing described in § 31-7-74.3, Official Code of Georgia Annotated has occurred and such shall be not less than sixty (60) days prior to the Commencement Date; and

(b) the review by the Attorney General of the State of Georgia, under § 31-7-401, Official Code of Georgia Annotated, has been completed and the Attorney General has rendered a report not opposing the transactions contemplated hereunder.

In the event the foregoing actions of both Sections 9.01 and 9.02 have not been completed to the reasonable satisfaction of the parties hereto on or by April 1, 2012, either party may provide the other with written notice cancelling and terminating this Agreement.

#### ARTICLE X GUARANTEE

Lessee's financial obligations and financial commitments hereunder and under the other documents described herein are hereby guaranteed by PPHS, (herein referred to as the "Guarantor"). PPHS hereby unconditionally and absolutely guarantees the prompt payment by Lessee of each and every financial obligation, Assumed Liability and agreement requiring financial performance by Lessee arising out of this Agreement. This is a guarantee of timely full payment. The Guarantor hereby waives presentment and notice. In order to enforce this guarantee, Lessor shall not be required to initiate a lawsuit or take other legal action with regard to Lessee as a prior condition. The Guarantor shall sign this Agreement to signify its acceptance of the guarantee obligation and its specific knowledge of the Lessee's financial obligations and financial commitments contained herein.

#### ARTICLE XI DEFAULT BY LESSEE

SECTION 11.01. Events of Default. The following shall constitute events of default under this Agreement:

(a) if Lessee shall fail to pay, when due and payable, any Required Payment, and, such failure shall continue for a period of fifteen (15) business days after written notice of failure of payment shall have been given to Lessee by Lessor;

(b) substantial failure by Lessee to observe and perform in any material respect any covenant, condition or agreement in this Agreement on Lessee's part to be observed or performed, other than as referred to in subsection (a) of this Section, and including without limitation failure to comply with O.C.G.A. § 31-7-77 as determined by Lessor after its review of that portion of the Report described in Section 4.24(a)(5) of this Agreement, failure to perform the obligations, terms and conditions of this Agreement or

a breach of a material representation or material warranty given under this Agreement with such failure continuing unremedied for a period of thirty (30) days after written notice (specifying such failure and requesting that it be remedied) has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, that if such failure by Lessee is of the type that cannot be remedied within such thirty (30) day period and Lessee immediately commences and diligently pursues on a continuous basis appropriate actions to remedy such failure, and there shall be no risk of substantial economic loss or forfeiture to Lessee or Lessor, then Lessee may request an extension of the time to remedy the default reasonable in duration to accomplish the remedy and the agreement for a reasonable extension by Lessor shall not be withheld;

(c) if Lessee shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or other pleading seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or of the Hospital, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(d) if a petition or other pleading shall be filed against Lessee seeking an adjudication of bankruptcy, reorganization, composition, readjustment, liquidation or similar relief under any present or future law or regulation and shall remain undismissed or unstayed for sixty (60) days, or if, by an order or decree of a court of competent jurisdiction, Lessee shall be adjudicated a bankrupt or insolvent or relief shall be granted under or pursuant to any such petition or other pleading, or if by order or decree of such court, there shall be appointed without the consent or acquiescence of Lessee, a trustee in bankruptcy or reorganization or a receiver or liquidator of it or of all or any substantial part of its property or of the Hospital and any such order or decree shall have continued unvacated, or unstayed on appeal or otherwise and in effect for a period of sixty (60) days, or if Lessee shall be dissolved or liquidated;

(e) the abandonment by Lessee of the Hospital, or any substantial part thereof, and such abandonment shall continue for a period of ten (10) days; and

(f) the entry of a final judgment or judgments from which no further appeals are available for the payment of money aggregating in excess of fifteen percent (15%) of operating revenues of Lessee for the most recent fiscal year for which audited financial statements are available against Lessee, for which there does not exist adequate insurance, adequate self insurance reserves or appropriate bonds, any one of which remains outstanding for more than sixty (60) days, from the date it shall become unappealable without having been discharged in full, structured so that no annual payment required thereunder is in excess of 5% of operating revenues of Lessee, stayed or superseded.

SECTION 11.02. Termination. Except as provided in this Section 11.02, neither party shall have the right to terminate this Agreement without cause prior to the fifth anniversary of the Commencement Date. The parties may mutually agree to terminate this Agreement at any time.

(a) Pre-Commencement Date.

(1) Either party may terminate this Agreement prior to the Commencement Date if on April 1, 2012, any one or more of the actions or conditions required to be completed or satisfied prior to the Commencement Date have not been completed or satisfied.

(2) Lessee may terminate this Agreement at any time prior to the Commencement Date if in Lessee's reasonable opinion a Material Liability exists and Lessor disagrees and after a good faith effort by both Lessor and Lessee to resolve the disagreement the parties still do not agree.

(b) Post Commencement Date.

(1) Upon the occurrence of any one or more of the events of default specified in Section 11.01 hereof, the party not in default may give to the party in default written notice that this Agreement shall terminate upon a date specified in such notice, which date shall be not less than twenty (20) days after the date of such notice. Lessee shall peaceably vacate and surrender possession of the Hospital and the Operating Assets, including such additional or renewal or replacement facilities, furnishings or equipment as Lessee may have placed on or in the Hospital, and Lessor, or its designee, may reenter and take possession of any interest that Lessor may then have in the Hospital and the Operating Assets, including such additional or renewal or replacement facilities, furnishings, equipment or Improvements as Lessee may have placed on or in the Hospital.

(2) On or after the fifth anniversary of the Commencement Date either party may terminate this Agreement without cause upon thirty (30) days written notice to the other party.

SECTION 11.03. Repossession.

(a) Repossession Without Termination. Upon the occurrence of any one or more of the events of default specified in Section 11.01 above, in lieu of terminating this Agreement, at the option of Lessor, Lessee shall vacate and surrender possession of the Hospital including such additional or renewal or replacement facilities, furnishings or equipment as Lessee may have placed on or in the Hospital and Lessor or its designee may reenter and take possession for Lessee's account. To protect its interest in the Hospital, Lessor upon such repossession without termination may provide for the use and occupancy of all or any part of the Hospital from time to time in the name of Lessee or Lessor without further notice, for such term or terms, on such conditions and consideration and for such uses and purposes as Lessor, in its discretion, may determine, and may collect and receive all revenues and rentals derived therefrom and apply the



same, after deduction of all appropriate operating expenses, to the payment of the Required Payments payable hereunder by Lessee. Lessee shall remain liable for any deficiency in the Required Payments payable by it hereunder and all costs incurred by Lessor in connection with such reletting including without limitation all repairs, charges and attorneys' fees.

(b) Wind-Down Period and Repossession upon Termination. Upon any termination of this Agreement, Lessee shall continue to operate the Hospital for the period of time as is reasonably necessary for Lessee to wind-down its operation of the Operating Assets. Lessee shall then peaceably vacate and surrender possession of the Hospital and the Operating Assets, including such additional or renewal or replacement facilities, furnishings or equipment as Lessee may have placed on or in the Hospital, and Lessor, or its designee, may reenter and take possession of any interest that Lessor may then have in the Hospital and the Operating Assets, including such additional or renewal or replacement facilities, furnishings, equipment or Improvements as Lessee may have placed on or in the Hospital.

(c) Transition Matters. Notwithstanding the termination of this Agreement, Lessor and Lessee shall cooperate to ensure that the Hospital maintains insurance coverage and employee staffing and that all required regulatory licenses, permits and approvals are obtained for the orderly transfer of the Hospital and Existing Operations to Lessor such that to the maximum extent possible community access to health care services at Hospital is not interrupted.

SECTION 11.04. Damages.

(a) Upon termination of this Agreement pursuant to Section 11.02 (a) hereof, neither Lessor nor Lessee shall be liable to the other for any type or kind of damages or expenses.

(b) Upon the termination of this Agreement pursuant to Section 11.02(b)(1) hereof for any reason Lessee shall be obligated to pay, and shall forthwith pay, as damages to Lessor:

(i) an amount equal to all unpaid Required Payments; plus

(ii) an additional amount sufficient to pay and satisfy all other unpaid costs and obligations reasonably incurred by Lessor in connection with or as a result of Lessee's default under this Agreement, and the termination hereof.

(c) Upon termination of this Agreement pursuant to Section 11.02(b)(2), Lessee shall only be obligated to pay, and shall forthwith pay to Lessor an amount equal to all unpaid Required Payments accrued through the effective date of termination.

SECTION 11.05. Additional Remedies. The rights and remedies of Lessor specified in this Agreement shall be cumulative. In addition thereto, Lessor shall have all of the rights and remedies now or hereafter conferred by law or in equity, including, among other remedies, receivership and injunctions to restrain violations or attempted violations of any provision of this

Agreement by Lessee. Lessee agrees that a default under the terms of this Agreement is such a default that entitles Lessor to specific performance of this Agreement.

SECTION 11.06. No Waiver of Rights. No failure by Lessor to insist upon the strict performance of any term, covenant, condition or provision of this Agreement, or to exercise any right or remedy consequent upon an event of default hereunder, and no acceptance of Required Payments during the continuance of any such default shall constitute a waiver of any such default or of such term, covenant, condition or provision or a waiver or relinquishment for the future of the right to insist upon and to enforce by any appropriate legal remedy strict compliance with all the terms, covenants, conditions and provisions of this Agreement, or of the right to exercise any such rights or remedies, if any default by Lessee be continued or repeated, or of the right to recover possession of the Hospital by reason thereof. No term, covenant, condition or provision of this Agreement binding upon Lessee, and no breach hereof or default hereunder, shall be waived, altered or modified, except as set forth in a written instrument executed by Lessor. No waiver of any breach shall affect or alter this Agreement but every term, covenant, condition and provision of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach hereof.

SECTION 11.07. Reversion of Assets. Upon the expiration or earlier termination of this Agreement, or upon a material breach of the terms of this Agreement by Lessee and such breach has not been cured if so allowed hereunder, or in the event this Agreement shall become void or unenforceable, all assets of the Lessee shall become the property of the Lessor absolutely. Further, Lessee covenants and agrees that each of the representations and warranties set forth in Section 2.01 above shall be true and accurate on and as of the last day of the term hereof as if made by Lessee to Lessor herein, as such representations and warranties may be modified by the passage of time or by changes in law.

## ARTICLE XII MISCELLANEOUS

SECTION 12.01 Captions. The captions of the Articles and Sections hereof have been inserted solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

SECTION 12.02. Covenants Considered Material. All covenants made by Lessor or Lessee contained herein shall be considered to be material to the Agreement and the relationship between Lessor and Lessee.

SECTION 12.03. Amendment of Agreement. This Agreement may be amended only by a written agreement duly executed by Lessee and Lessor.

SECTION 12.04. Georgia Law Controlling. This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia.

SECTION 12.05. Consents and Approvals. Whenever the written consent or approval of Lessor or Lessee or any officer thereof shall be required under the provisions of this Agreement, such consent or approval shall not be unreasonably withheld.

SECTION 12.06. Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original constituting but one and the same instrument.

SECTION 12.07. Severability. If any one or more of the sentences, sections or other portions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, the invalidity of any such sentence, section or other portion of this Agreement shall in no way affect the validity or effectiveness of the remainder of this Agreement, and this Agreement shall continue in force to the fullest extent permitted by law.

SECTION 12.08. Lessee's Remedies. In the event Lessor shall fail to perform any of its obligations under this Agreement, Lessee may institute such action against Lessor as Lessee may deem necessary to compel performance. In addition, Lessee shall have all of the rights and remedies conferred in this Agreement or now or hereafter conferred at law or in equity, which rights and remedies are cumulative.

SECTION 12.09. Assignments. Except as otherwise provided herein, neither Lessor nor Lessee shall give assign or pledge its rights under this Agreement without the consent of the other party, and such amount may be withheld in the sole and absolute discretion of the party whose consent is required.

SECTION 12.10. Recording. The parties agree that a short form memorandum of this Agreement in customary form may be recorded in such office in the State as may be at the time provided by law as the proper place for the recordation of a deed conveying the Existing Facilities.

SECTION 12.11. Notices; Demands; Requests. All notices, demands and requests to be given or made hereunder to or by Lessee or Lessor shall be in writing and shall be deemed to be properly given or made three business days after being properly deposited in the United States mail, certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

(a) As to Lessee —

Phoebe Dorminy Medical Center, Inc.  
c/o Phoebe Putney Health System, Inc.  
P.O. Box 1828  
417 Third Avenue  
Albany, Georgia 31702-1828  
Attention: Chief Executive Officer

With a copy to:  
Thomas S. Chambless, General Counsel  
Phoebe Putney Health System, Inc.  
P.O. Box 1828  
417 Third Avenue  
Albany, Georgia 31702-1828

(b) As to Lessor—

Hospital Authority of Ben Hill County, Georgia  
c/o  
200 Perry House Road  
Fitzgerald, Georgia  
Attention: Chairman

Any of such addressees and addresses may be changed at any time upon written notice of such changes sent by United States certified or registered mail, return receipt requested, postage prepaid, to the other party by the party effecting the change. Any time periods commencing with notice prescribed by the terms of this Agreement shall commence with the date of receipt of written notice as evidenced by the return receipt required by this Section.

SECTION 12.12. No Personal Liability. Notwithstanding anything to the contrary contained herein or in any other instrument or document executed by or on behalf of Lessor or Lessee in connection herewith, no stipulation, covenant, agreement or obligation contained herein or therein shall be deemed or construed to be a stipulation, covenant, agreement or obligation of any present or future member, director, trustee, affiliate, officer, employee or agent of Lessor or Lessee or of any incorporator, member, affiliate, director, trustee, officer, employee or agent of any successor to Lessor or Lessee, in any such person's individual capacity, and no such person, in his individual capacity, shall be liable personally for a breach or nonobservance of or for any failure to perform, fulfill or comply with any such stipulations, covenants, agreements or obligations, nor shall any recourse be had for the payment of any of the Required Payments due hereunder or for any claim based thereon or on any such stipulation, covenant, agreement or obligation, against any such person; in his individual capacity, either directly or through Lessor or Lessee or any successor to Lessor or Lessee, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such person, in his individual capacity, is hereby expressly waived and released.

SECTION 12.13. Payments. All payments to be made by Lessee hereunder shall be made in immediately available funds (by wire transfer or otherwise) on or before the day on which such payments are due.

SECTION 12.14. Survival of Covenants, Representations, and Warranties. All covenants, representations and warranties set forth herein shall survive the execution of this Agreement.

SECTION 12.15. Entire Agreement. This Agreement, together with the attachments and exhibits attached hereto, contains the entire understanding of the parties with respect to the transactions contemplated hereby and supersedes all other agreements and undertakings, oral or written, between or among the parties.

SECTION 12.16. Good Faith. Good faith is the essence of this Agreement. Lessor and Lessee each agrees to exercise good faith and commercial reasonableness in the interpretation, performance and enforcement of this Agreement.

SECTION 12.17. Relationship of Parties. Nothing contained in this Agreement shall be construed or deemed by the parties hereto or by any third party to create a relationship of partnership or of joint venture or of any association whatsoever between Lessor or Lessee, it being expressly understood and agreed to that no provisions in this Agreement nor any acts of the parties hereto shall be deemed to create any relationship between Lessor and Lessor other than the relationship of landlord and tenant.

SECTION 12.18. Brokerage Commission. Lessor and Lessee each hereby represents to each other that the negotiations relative to this Agreement and the transactions contemplated hereby do not give rise on account of either of their respective actions to any claim against any of the parties to this Agreement for a finder's fee, brokerage commission or other like payment.

SECTION 12.19. Costs in Preparation of Agreement; Attorneys' Fees and Costs.

(a) Each of Lessor, Lessee and PPHS will pay its own costs and expenses, including the fees of attorneys, accountants, brokers and other advisors, incurred in connection with the preparation and execution of this Agreement. PPHS will pay any filing fees associated with any filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and its related regulations should such filing be necessary.

(b) If any legal action is brought by any party hereto to enforce, defend or interpret its rights under this Agreement, the prevailing party in such action shall be entitled to receive as additional damages all court costs; provided further all reasonable costs incurred in enforcing or defending its rights under this Agreement and attorneys' fees incurred, whether out of court, in the trial court, on appeal or in bankruptcy proceedings will be paid by the party incurring those costs and attorney fees and will not be awarded to the prevailing party.

SECTION 12.20. Time is of the Essence. Time is of the essence in the performance by each party of its obligations hereunder.

SECTION 12.21. Specific Performance. This Agreement and each and every provision hereof shall be specifically enforceable. Each party hereto, upon the introduction and presentation of evidence to the applicable court having jurisdiction over the matter showing a material breach by the other party hereto, shall be entitled to injunctive relief mandating specific performance.

### ARTICLE XIII CONDITIONS

The effectiveness of this Agreement and commencement of the Term of this Agreement is subject to and conditional upon receipt by Lessor and Lessee of the various determinations, approvals, opinions and reports referenced in Sections 9.01 and 9.02 herein, and upon approval by the Board of Directors of PPHS and the Lessor of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal as of the day and year first above written.



Signed, sealed and delivered  
in the presence of

LESSOR:  
HOSPITAL AUTHORITY OF BEN HILL  
COUNTY, GEORGIA

\_\_\_\_\_  
Unofficial Witness

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

\_\_\_\_\_  
Notary Public

(SEAL)

My Commission Expires:

Attest:

\_\_\_\_\_  
(NOTARIAL SEAL)

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

The undersigned, as Guarantor, hereby executes this Agreement for purposes of Article X  
above, this \_\_\_ day of \_\_\_\_\_, \_\_\_\_.

Signed, sealed and delivered  
in the presence of

GUARANTOR:  
PHOEBE PUTNEY HEALTH SYSTEM, INC.

\_\_\_\_\_  
Unofficial Witness

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

Signed, sealed and delivered  
in the presence of

LESSEE:  
PHOEBE DORMINY MEDICAL CENTER,  
INC.

\_\_\_\_\_  
Unofficial Witness

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

\_\_\_\_\_  
Notary Public

(CORPORATE SEAL)

My Commission Expires:

Attest:

\_\_\_\_\_  
(NOTARIAL SEAL)

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

**SCHEDULE 3.03**

**Assumed Liabilities**

[List]

**EXHIBIT A**

**Affiliation Services**

See attached.

**EXHIBIT B**

**Assigned Contracts**

**[List]**

**EXHIBIT C**

**Assignment and Assumption Agreement**

See attached.

**EXHIBIT D**

**Excluded Contracts**

**[List]**



**EXHIBIT E**

**Leased Real Property**

**[Description]**

**EXHIBIT F**

**Real Property**

**[Description]**

**EXHIBIT G**

**Claims and Liens on Real Property**

**[Description]**

**EXHIBIT H**

**Articles of Incorporation**

See attached.

**EXHIBIT I**

**Insurance and Insurance Funds**

[List]

**ARTICLES OF INCORPORATION  
OF  
PHOEBE DORMINY MEDICAL CENTER, INC.**

ARTICLE I

Name

The name of the Corporation is Phoebe Dorminy Medical Center, Inc.

ARTICLE II

Organization

The Corporation is organized pursuant to the Georgia Nonprofit Corporation Code.

ARTICLE III

Period of Duration

The period of duration of the Corporation shall be perpetual.

ARTICLE IV

Purposes

The Corporation is organized and shall be operated exclusively for charitable, scientific and educational purposes, including:

- (a) To own, manage, control, operate, govern, reconstruct, repair and lease existing medical facilities, hospitals and related support facilities in Georgia; and to own, operate, construct, lease and joint venture other medical facilities, hospitals and related support facilities which may be constructed in Georgia;
- (b) To establish, operate and/or joint venture hospitals, extended care facilities, nursing homes, home health agencies, hospice care, ambulatory surgery facilities, clinics, teaching units and any other health care services for the purpose of furnishing medical, surgical and psychiatric aid, nursing, medical and psychiatric care, food and



any other necessary care for those suffering from illness, disease, injuries or disabilities and to operate an emergency room or rooms in such hospitals, extended care facilities, ambulatory surgery facilities and clinics; and to lend or advance money to or otherwise invest such hospitals, extended care facilities, clinics, teaching units and health care services;

- (c) To carry on any education or other activities relating to the rendering of care to the sick and injured or to the promotion of the general health and welfare of the citizens of the State of Georgia and surrounding areas;
- (d) To participate in any activity designed and carried on to promote the general health of the citizens of the State of Georgia and surrounding areas;
- (e) To promote and carry on scientific research and educational activities related to the care of the sick and injured;
- (f) To solicit and receive funds, gifts, endowments, donations, devises and bequests;
- (g) To lease or purchase wherever located land or lands, building or buildings, and purchase and construct buildings for purposes in connection with activities of the Corporation, including, but not limited to, hospitals, doctors' offices, clinics, ambulatory surgical facilities, laboratories or any related medical activity;
- (h) To exercise, without limitation, all the powers enumerated in the Georgia Nonprofit Corporation Code, as it now exists or is subsequently amended or superseded, and to do and perform such acts and to have such powers as shall be desirable and necessary in furtherance of any of the powers hereinabove enumerated which are not in derogation of the laws of the State of Georgia;
- (i) To exercise any of the powers enumerated herein or in the Georgia Nonprofit Corporation Code, as it now exists or is subsequently amended or superseded, by the

Corporation singly or by joint venture or partnership with any person or entity, whether or not said entity is for profit or not for profit, so long as the Corporation's participation in the joint venture or partnership is primarily in furtherance of the charitable, education and scientific purposes for which the Corporation is organized;

- (j) To form and own shares in affiliated or related corporations, whether said corporations are for profit or not for profit, so long as said formation and ownership is not inconsistent with the furtherance of the charitable, educational and scientific purposes for which the Corporation is organized;
- (k) To conduct and provide such other programs, activities and services as are necessary, incident or pertaining to the foregoing purposes of this Corporation.

#### ARTICLE V

##### Sole Member

The sole member of the Corporation shall be Phoebe Putney Health System, Inc., a corporation organized pursuant to the Georgia Nonprofit Corporation Code, whose principal offices are located at 417 Third Avenue, Albany, Georgia 31701.

#### ARTICLE VI

##### Election of Directors

The affairs of the Corporation shall be managed by the Board of Directors. The qualifications, minimum and maximum number and manner of election or removal of the Directors shall be provided in the Bylaws of the Corporation.

#### ARTICLE VII

##### Board of Directors

The Board of Directors shall consist of no less than seven (7) members. Each member of the Board of Directors shall be appointed by Phoebe Putney Health System, Inc. Each member

of the Board of Directors shall have the qualifications and serve for the term as set forth by the Bylaws of the Corporation.

The Board of Directors of the Corporation shall at all times include one member who contemporaneously also serves as a duly appointed member of the Hospital Authority of Ben Hill County, Georgia ("Authority").

The Board of Directors of the Corporation shall at all times include at least three (3) members, not including that member who contemporaneously serves as a duly appointed member of the Authority, who are residents of Ben Hill County, Georgia, and one of the three residents of Ben Hill County, Georgia, shall be a physician with active medical staff privileges at Phoebe Dorminy Medical Center (the "Hospital").

#### ARTICLE VIII

##### Powers

The Corporation shall have all powers enumerated herein and in the Georgia Nonprofit Corporation Code.

#### ARTICLE IX

##### Restrictions

This Corporation is organized exclusively for charitable, educational and scientific purposes, as a nonprofit corporation, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and its activities shall be conducted for such purposes in such a manner that no part of its net earnings shall inure to the benefit of any director, officer or individual. In addition, the Corporation shall be authorized to exercise powers permitted nonprofit corporations under the Georgia Nonprofit Corporation Code; provided, however, that the Corporation while exercising any one or more powers shall do so in furtherance of the charitable, educational and scientific purposes for which it has been organized

as described in Section 501(c)(3) of the Code. All of the assets and earnings of the Corporation shall be used exclusively for the charitable, educational and scientific purposes hereinabove set forth, including the payment of expenses incidental thereto, and all the powers of the Corporation shall be exercised exclusively for such purposes. No part of the Corporation's activities shall inure to the benefit of any individual, and no substantial part of its activities shall be for the carrying on of a program of propaganda or for influencing legislation, nor shall it participate in any political campaign on behalf of any candidate for public office. The Corporation shall not carry on any activities not permitted to be carried on by an organization exempt from federal income taxation under Section 501(c)(3) of the Code, or any organization to which contributions are deductible under Section 170(c)(2) of the Code.

## ARTICLE X

### Dissolution

If the Corporation enters into an agreement with the Authority pursuant to which the Authority leases, transfers and assigns the Hospital to Corporation, then upon the termination of such lease, transfer or assignment agreement, or upon termination of any renewal or extension thereof, Corporation shall be dissolved. Except as set forth below, upon dissolution of the Corporation, all of its assets remaining after the payment of all costs and expenses of such dissolution, and after adequate provision has been made for the discharge or assumption of its liabilities, shall be distributed to the Authority, which is a public body corporate and politic and an instrumentality of the State of Georgia, to be used exclusively for a public purpose, and none of the assets will be distributed upon such dissolution to any member, officer or director of the Corporation. In the event the Authority is not in existence upon dissolution of the Corporation or is for any reason unable to accept title to such assets, then all of the net assets of the Corporation (except as set forth above) shall in that event be distributed exclusively for the

purposes of the Corporation, in such manner, and to such organization or organizations, organized and operated exclusively for charitable, scientific and educational purposes, as shall at the time qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (or the corresponding provision of any future United States internal revenue law), as the Board of Directors shall determine. Any of such assets not so disposed of shall be disposed of by the Superior Court of Ben Hill County, exclusively for such purposes and to such organization or organizations, as such court shall determine. The Authority shall have the authority to compel the Corporation's compliance with this Article.

## ARTICLE XI

### Restrictions on the Authority of the Board of Directors

The Board of Directors of the Corporation shall not, without the prior approval of Phoebe Putney Health System, Inc., as the sole member of the Corporation, take any of the following actions:

- (a) Adopt a plan of dissolution of the Corporation;
- (b) Authorize the Corporation to engage in, or enter into, any transaction providing for the sale, mortgage or other disposition of all or substantially all of the assets of the Corporation;
- (c) Adopt a plan of merger or consolidation of the Corporation with another corporation;
- (d) Adopt any annual or long-term capital or operational budgets of the Corporation or approve any changes therein exceeding ten percent (10%) of the budgeted item or ten percent (10%) of the budget as a whole;
- (e) Adopt or take any action to terminate any lease between the Corporation and the Authority with respect to Phoebe Dorminy Medical Center;

- (f) Take any action which would, or reasonably could be expected to, cause the Corporation to exceed its annual budget for capital expenditures or cause loss of tax exemption;
- (g) Incur any liability or indebtedness or make any expenditure for any particular project or service of or for the Corporation in an amount in excess of \$1,000,000;
- (h) Take any action which would, or reasonably could be expected to, result in an adverse variance (on an annualized basis) of total expenses of greater than two percent (2%) of total annual budgeted expenses;
- (i) Appoint or remove the independent auditors of the Corporation;
- (j) Select or remove the President/Chief Executive Officer of the Corporation;
- (k) Adopt or permit any changes to the mission of the Hospital or to any long-term, strategic or master institutional plans for the Corporation; or
- (l) Amend the Articles of Incorporation or Bylaws of the Corporation.

## ARTICLE XII

### Registered Office and Agent

The initial registered office of the Corporation shall be at 200 Perry House Road; Fitzgerald, Georgia 31750. The initial registered agent at such address shall be Warren M. Manley.

## ARTICLE XIII

### Incorporator

The name and address of the Incorporator is:

Joel Wernick  
417 Third Avenue  
Albany, GA 31701



ARTICLE XIV

Notwithstanding the provisions of Article VI and VII above, the Incorporator shall have the authority to appoint the following persons as initial directors of the Corporation for the purpose of holding an organizational meeting, at the call of a majority of the directors, to complete the organization of the Corporation by appointing officers, adopting bylaws and carrying on any other business brought before the meeting and to hold such additional meetings, at the call of a majority of the directors, as are necessary, until Phoebe Putney Health System, Inc. shall have appointed the Board of Directors pursuant to Article VII above. Phoebe Putney Health System, Inc. shall appoint the Board of Directors pursuant to Article VII prior to and no later than the effective date of the lease agreement between the Corporation and the Authority for the Hospital.

Incorporator Appointed Directors:

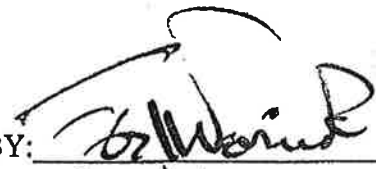
1. Joel Wernick 417 Third Avenue, Albany, Georgia 31701
2. Kerry L. Loudermilk 417 Third Avenue, Albany, Georgia 31701
3. Timothy R. Trottier 417 Third Avenue, Albany, Georgia 31701

ARTICLE XV

Subject to the restrictions set forth in Article XI herein, these Articles of Incorporation may be amended at any time and from time to time by the affirmative vote of the majority of all the Directors then in office.

IN WITNESS WHEREOF, the undersigned executed these Articles of Incorporation this 11th day of April, 2011.

SECRETARY OF STATE  
CORPORATIONS DIVISION  
2011 APR 12 AM 11:45

BY:   
\_\_\_\_\_  
Incorporator  
Joel Wernick


STATE OF GEORGIA  
COUNTY OF DOUGHERTY

AFFIDAVIT RELATIVE TO CLOSED MEETING

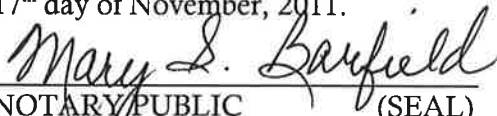
Personally appeared before the undersigned, RALPH S. ROSENBERG, who having been duly sworn, deposes and states as follows:

1. I am over the age of 18 years, I am suffering under no disabilities and I am competent to testify to the matters contained herein.
2. I am the Chairperson of the Board of the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority").
3. On the 17th day of November, 2011, at a meeting of the Authority Board, a motion was duly approved in a roll call vote for the Authority Board to go into closed session for the purposes of: (i) privileged consultation with legal counsel, including consultation pertaining to pending or potential litigation, settlement, claims, administrative proceedings or other judicial actions (permitted under O.C.G.A. § 50-14-2(1)); and, (ii) to discuss potentially commercially valuable plans, proposal or strategy that may be competitive advantage in the operation of the Hospital or its medical facilities (permitted under O.C.G.A. § 31-7-75.2).
4. To the best of my knowledge and belief, the business conducted during the closed portion of the meeting was devoted solely to the above matters for which the meeting was closed.

This the 17<sup>th</sup> day of November, 2011.

  
\_\_\_\_\_  
Chairperson

Sworn to and subscribed before me this  
17<sup>th</sup> day of November, 2011.

  
\_\_\_\_\_  
NOTARY PUBLIC (SEAL)  
Dougherty County, Georgia  
My Commission expires: \_\_\_\_\_