

HOSPITAL LEASE AGREEMENT

by

Desert Hospital District

as Lessor

and

Tenet HealthSystem Desert, Inc.

as Lessee

Dated as of: May 30, 1997



TABLE OF CONTENTS

	Page
ARTICLE I PREMISES AND TERM	3
1.1 <u>Lease</u>	3
1.2 <u>Term</u>	4
ARTICLE II RENT AND OTHER PAYMENTS	4
2.1 <u>Prepaid Rent</u>	4
2.2 <u>Taxes and Assessments</u>	5
2.3 <u>Right to Contest Taxes</u>	6
2.4 <u>Lessor's Right to Pay Taxes</u>	6
2.5 <u>Utilities</u>	6
2.6 <u>Triple Net Lease</u>	6
ARTICLE III USE, MAINTENANCE AND IMPROVEMENTS	7
3.1 <u>Limitations on Use</u>	7
3.2 <u>Compliance with Laws, Covenants, Conditions, and Restrictions</u>	8
3.3 <u>Waste; Quiet Enjoyment</u>	10
3.4 <u>Maintenance of Leased Premises</u>	11
3.5 <u>Alterations, Additions and Improvements</u>	11
3.6 <u>Disposition of Personal Property During Lease Term</u>	12
ARTICLE IV INSURANCE	13
4.1 <u>Compliance with Insurance Requirements</u>	13
4.2 <u>Insurance to be Procured by Lessee</u>	14
4.3 <u>Other Insurance Matters</u>	15
4.4 <u>Disposition of Insurance Proceeds</u>	16
4.5 <u>Proof of Compliance</u>	17
4.6 <u>Waiver of Subrogation</u>	17
ARTICLE V ACCEPTANCE OF LEASED PREMISES	18
ARTICLE VI DAMAGE OR DESTRUCTION DURING TERM OF LEASE	18
6.1 <u>Restoration of Leased Premises</u>	18
6.2 <u>Damage Near the End of the Term</u>	19
6.3 <u>No Abatement of Rent; Extension of Lease Term</u>	20
ARTICLE VII CONDEMNATION	21
ARTICLE VIII DEFAULT	22
8.1 <u>Events of Default</u>	22
8.2 <u>Notice and Right to Cure</u>	23
8.3 <u>Lessee's Right to Cure</u>	23
8.4 <u>Remedies</u>	24
8.5 <u>Default by Lessor</u>	25
8.6 <u>Injunctive Relief</u>	26

ARTICLE IX	EFFECT OF SURRENDER	27
ARTICLE X	RIGHT OF FIRST OFFER; RIGHT OF FIRST REFUSAL; ETC.	27
10.1	<u>Right of First Offer</u>	27
10.2	<u>Right of First Refusal</u>	28
10.3	<u>Limitations on Sale</u>	29
ARTICLE XI	HAZARDOUS MATERIALS	29
ARTICLE XII	LIENS, ESTOPPELS AND EASEMENTS	31
12.1	<u>No Liens by Lessor</u>	31
12.2	<u>Estoppel Certificate</u>	31
12.3	<u>Easements, Restrictions</u>	32
ARTICLE XIII	ADDITIONAL COVENANT OF LESSOR	32
ARTICLE XIV	ADDITIONAL COVENANTS OF LESSEE	33
14.1	<u>Nondiscrimination in Operating Decisions</u>	33
14.2	<u>Review Prior to Termination of Service or Program</u>	34
14.3	<u>Restrictions on Assignment and Subletting</u>	35
14.4	<u>Attornment and Nondisturbance of Subtenants</u>	36
14.5	<u>Use and Inspection of Premises by Lessor</u>	37
14.6	<u>Accreditation</u>	38
14.7	<u>License</u>	38
14.8	<u>Payment Systems</u>	38
14.9	<u>Capital Projects</u>	39
14.10	<u>Health and Safety Code Requirements</u>	39
14.11	<u>Governance</u>	39
	14.11(a) <u>Local Governing Board</u>	39
	14.11(b) <u>Corporate Board of Directors of Lessee</u>	41
	14.11(c) <u>Medical Staff Bvlaws</u>	41
14.12	<u>Annual Reporting</u>	41
14.13	<u>Donor Support</u>	41
14.14	<u>Other Lessor Consent Items</u>	42
ARTICLE XV	TERMINATION	42
15.1	<u>Termination by Either Lessor or Lessee</u>	42
15.2	<u>Termination for Convenience by Lessee</u>	42
15.3	<u>Termination by Mutual Consent</u>	42
15.4	<u>Surrender of Leased Premises and Desert Businesses</u>	43
15.5	<u>Disposition of Lessee's Property upon Termination</u>	44
	15.5(a) <u>Purchase of Termination Assets</u>	44
	15.5(b) <u>Lease of Termination Assets</u>	45
	15.5(c) <u>Option to Extend Lease Term</u>	45
15.6	<u>Inventory and Prepays</u>	46
15.7	<u>Rebate of Unearned Prepaid Rent upon Certain Terminations</u>	47

ARTICLE XVI MISCELLANEOUS	+8
16.1 <u>Modification or Amendment</u>	+8
16.2 <u>Waiver of Conditions</u>	+8
16.3 <u>Indemnification</u>	+8
16.4 <u>Trade Secrets</u>	+9
16.5 <u>Governing Law</u>	50
16.6 <u>Invalidity</u>	50
16.7 <u>Notices</u>	50
16.8 <u>Entire Agreement</u>	51
16.9 <u>Captions</u>	52
16.10 <u>Additional Documents</u>	52
16.11 <u>Time is of the Essence</u>	52
16.12 <u>Dispute Resolution</u>	52
16.13 <u>Relationship of Lessor and Lessee</u>	56
16.14 <u>Consents Not Unreasonably Withheld</u>	56
16.15 <u>Table of Defined Terms</u>	56
16.16 <u>No Third Party Beneficiaries</u>	57
16.17 <u>Calculation of Lease Extensions</u>	57
16.18 <u>Short Form Agreement</u>	58

SCHEDULES

Schedule "1.1(a)"	Real Property
Schedule "1.1(b)"	Personal Property
Schedule "2.1"	Schedule of Prepaid Rent
Schedule "14.2"	Core Services
Schedule "14.9"	Capital Projects
Schedule "14.11(a)"	Operating Guidelines of Local Governing Board
Schedule "14.12"	Annual Report



1 HOSPITAL LEASE AGREEMENT

2
3 This Hospital Lease Agreement ("**Agreement**") is made and dated as of May 30, 1997,
4 by and between Desert Hospital District, a political subdivision of the State of California
5 ("**Lessor**" or "**the District**"), and Tenet HealthSystem Desert, Inc., a California corporation
6 ("**Lessee**"), with reference to the following facts:

7 RECITALS:

8 A. Lessor owns Desert Hospital (the "**Hospital**"), an acute care hospital located at
9 1150 North Indian Canyon Drive, Palm Springs, California, licensed to operate 388 beds, which
10 facility includes all related real and personal property and assets more particularly defined herein.
11 The Hospital and all associated outpatient centers, clinics, home health agencies, physician
12 practices, management and collection services provided to physicians, group practices and
13 managed care organizations, medical office buildings and any other activity or business related
14 thereto, as the same may change from time to time, are hereinafter referred to as the "**Desert**
15 **Businesses**".

16 B. Pursuant to an Corporate Dissolution and Lease Termination Agreement dated
17 as of April 7, 1997 (the "**Corporation Dissolution Agreement**"), the District and the prior
18 operator of the Desert Businesses, Desert Hospital Corporation (the "**Corporation**"), have
19 terminated the prior lease of the Real Property (as defined below) by the Corporation, and the
20 Corporation has dissolved and liquidated and in connection therewith has transferred and
21 assigned to the District all assets and liabilities comprising the Desert Businesses.

22 C. Pursuant to the authority granted to the District under the Local Health Care
23 District Law of the State of California, commencing with Section 32000 of the California Health
24 and Safety Code (the "**Local Health Care District Law**"), the Board of Directors of the

1 District has determined in accordance with the requirements of Section 32126 of the Local Health
2 Care District Law that it is in the best interest of the District to provide for the operation and
3 maintenance of the Hospital through the lease of the Hospital, including all related real and
4 personal property assets, to Lessee for a term of thirty (30) years.

5 D. Except as expressly provided herein, nothing herein shall prohibit the District from
6 exercising its power to engage in any of the activities allowed by the Local Health Care District
7 Law as presently written or hereinafter amended. The District shall continue in existence such
8 programs of public health as are necessary for the maintenance of good physical and mental
9 health of the communities served by the District.

10 E. Pursuant to Section 32126 of the Local Health Care District Law and after
11 consideration of public review and comment, the District finds that execution of this Agreement
12 will promote the following objectives:

13 1. Enhance the provision of quality health care to the communities served by
14 District.

15 2. Enhance the participation of the Hospital in the regional health care system
16 developed by Lessee, which combines the resources of the Hospital and Lessee and which
17 utilizes the size and geographic scope arising from this Agreement in order to better serve
18 the general public residing in the communities served by the District.

19 3. Achieve general efficiencies in economies of scale.

20 4. Provide access to capital and/or improve access to equity capital markets
21 and enable the Hospital facilities to borrow on the regional strengths of Lessee and the
22 national strength of Lessee's Affiliates.

23 5. Eliminate unnecessary duplication of major capital equipment.

1 including, without limiting the generality of the foregoing, all right, title and interest of the District
2 in and to the following assets (but excluding all Retained Assets):

3 1.1(a) The real property owned in fee by the District upon which the Hospital or
4 any medical office building or other Desert Business is situated and all other real property owned
5 in fee by the District (all of which real property is identified on **Schedule "1.1(a)"** hereto),
6 together with all land improvements, the Hospital, construction work-in-progress, the medical
7 office buildings and any other buildings and other improvements and fixtures thereon, and all
8 rights, privileges and easements appurtenant thereto (the "**Real Property**").

9 1.1(b) All tangible personal property (other than items of tangible personal
10 property that are consumed, disposed of or held for sale or are inventoried in the ordinary course
11 of business) owned by the District which are related to, used in, necessary for or contribute to the
12 operation of the Desert Businesses (the "**Personal Property**"), the current list of which is set
13 forth on **Schedule "1.1(b)"** hereto.

14 The Real Property and the Personal Property are referred to collectively herein as the "**Leased**
15 **Premises**".

16 1.2 Term. The term of this Agreement shall be for thirty (30) years, commencing on
17 the Closing Date under the Pre-Lease Agreement. The parties shall confirm in writing the
18 commencement date of this Agreement at or promptly following the Closing Date, which
19 confirmation shall thereafter be attached hereto and constitute a part hereof.

20 ARTICLE II

21 RENT AND OTHER PAYMENTS

22 2.1 Prepaid Rent. The parties acknowledge and agree that, as of the Closing Date and
23 subject to certain adjustments thereafter as provided in the Pre-Lease Agreement, Lessee has paid

1 certain sums to the District in a total aggregate amount as specified in the Pre-Lease Agreement
2 and the exact amount of which the parties shall separately confirm in writing in an addendum
3 to this Agreement which they shall cause to be attached hereto within sixty (60) days after the
4 Closing Date (such agreed and confirmed amount being the "**Prepaid Rent**"), and which
5 amount shall be treated as prepaid rent for the Leased Premises under this Agreement, on a pro
6 rata basis, for the entire term. The pro rata amount of the Prepaid Rent earned each year shall
7 be as set forth on **Schedule "2.1"** attached hereto. In the event that there is any post-Closing
8 adjustment to the Prepaid Rent under the Pre-Lease Agreement or hereunder, the Prepaid Rent
9 hereunder and the annual Prepaid Rent amounts on Schedule "2.1", amortizing the Prepaid Rent
10 on a straight-line basis over the term of this Agreement, shall be adjusted on a like basis. In such
11 event, the parties shall confirm in writing the adjusted Prepaid Rent figure hereunder and the
12 revised Schedule "2.1", which confirmation shall thereafter be attached hereto and constitute a
13 part hereof.

14 2.2 Taxes and Assessments. Lessee shall pay all real and personal property taxes,
15 general and special assessments, and other charges of every description levied on or assessed
16 against the Leased Premises, improvements or personal property located on or in the Leased
17 Premises, the leasehold estate or any subleasehold estate, to the full extent of installments falling
18 due with respect to the term, whether belonging to or chargeable against Lessor or Lessee. Lessee
19 shall also pay any municipal, county, state, or federal income or franchise taxes chargeable against
20 Lessee. If any such taxes paid by Lessee cover any period prior to the commencement of or after
21 the expiration of the term, Lessee's share of such taxes shall be equitably prorated to cover only
22 the period of time within the tax fiscal year during which this Agreement is in effect, and Lessor
23 shall reimburse Lessee to the extent required.

1 2.3 Right to Contest Taxes. Lessee may contest the legal validity or amount of any
2 taxes, assessments, or charges for which Lessee is responsible under this Agreement, and with
3 prior written notice to Lessor, may institute such proceedings as Lessee considers necessary. If
4 Lessee contests any such tax, assessment, or charge, Lessee may withhold or defer payment or
5 pay under protest and such act shall not constitute a default under this Agreement, so long as no
6 forfeiture of any part of the Leased Premises would be caused thereby. Lessor appoints Lessee
7 as Lessor's attorney-in-fact for the purpose of making all payments to any taxing authorities and
8 for the purpose of contesting any taxes, assessments, or charges (including any appeal of any
9 unfavorable determination), and shall otherwise cooperate with Lessee in connection therewith.

10 2.4 Lessor's Right to Pay Taxes. Notwithstanding the foregoing, Lessor shall have the
11 right to pay any taxes to be paid by Lessee pursuant to Paragraph 2.2 if Lessee defaults in its
12 obligations to pay such taxes and Lessor reasonably believes that all or any part of the Leased
13 Premises will be taken or sold by a taxing authority. If Lessor shall give Lessee not less than
14 thirty (30) days' advance written notice of its exercise of its rights under this Paragraph 2.4, and
15 thereafter if Lessor pays any taxes pursuant to this Paragraph, Lessee shall, on demand,
16 immediately reimburse Lessor for the amount of taxes so paid and any penalties or costs
17 associated with such payment.

18 2.5 Utilities. Lessee shall, during the term of this Agreement, or any renewal or
19 extension thereof, pay for all utilities used upon the Leased Premises, including without limitation
20 water, gas, heat, light, power, telephone service refuse collection and removal, and all other
21 services supplied to the Leased Premises.

22 2.6 Triple Net Lease. This Agreement shall be a triple net lease and, except as
23 expressly provided herein or in the Pre-Lease Agreement, Lessor shall not be responsible for any

1 costs or expenses in any way related to the possession, use or operation of the Leased Premises.
2 However, if an act or omission or an event or circumstance occurring or existing gives rise to an
3 obligation of Lessor under the Pre-Lease Agreement, then the satisfaction of such obligation shall
4 to the extent required or contemplated under the Pre-Lease Agreement be borne solely by Lessor
5 (and not Lessee), notwithstanding that such obligation would otherwise be an obligation of Lessee
6 under this Agreement. Lessee shall have the right and option, but not the obligation, to satisfy
7 any such obligation of Lessor, and Lessor shall indemnify and hold Lessee harmless from and
8 against all Losses suffered by Lessee as a result thereof in accordance with and to the extent
9 required or contemplated under the Pre-Lease Agreement.

10 ARTICLE III

11 USE, MAINTENANCE AND IMPROVEMENTS

12 3.1 Limitations on Use. The Leased Premises are leased to Lessee for the purpose of
13 Lessee operating and maintaining the Leased Premises as an acute care community hospital and
14 for providing any and all ancillary or other health care services (including, without limiting the
15 generality of the foregoing, rehabilitation, skilled nursing, subacute, psychiatric, home health,
16 hospice, substance abuse, chemical dependency, or other specialty services, diagnostic centers,
17 outpatient service centers or clinics, and all management and administrative services associated
18 therewith or with managed care providers of such services). Subject to the other provisions of
19 this Agreement, Lessee shall continuously operate the Leased Premises for the benefit of the
20 communities served by the District and shall maintain the Leased Premises as an acute care
21 community hospital and related health care institution. Notwithstanding the foregoing or any
22 other provision of this Agreement, without obtaining any consent from Lessor, (i) Lessee shall
23 have the right to use or sublease to one or more Persons, and nothing in this Agreement shall

1 prohibit or restrict Lessee from using or subleasing to one or more Persons, all or any portion of
2 the Leased Premises (other than the Hospital itself where patient care is provided) as medical
3 office buildings or such other purposes as are deemed by Lessee to be necessary or advisable to
4 promote the provision of health care, and (ii) Lessee shall have the right to engage, and nothing
5 in this Agreement shall prohibit or restrict Lessee from engaging, one or more Persons as its
6 manager or agent with respect to all or any portion of the Hospital where patient care is
7 provided, so long as Lessee continues to hold the applicable license with respect to such facility.

8 3.2 Compliance with Laws, Covenants, Conditions, and Restrictions.

9 3.2(a) Lessee agrees to use the Leased Premises in material compliance with all
10 Laws (other than Environmental Regulations, which shall be governed by Article XI) now in force
11 or which may hereafter be in force relative to the Leased Premises, its use and the business
12 conducted thereon, including without limitation all building requirements and regulations, as well
13 as all covenants, conditions, and restrictions applicable to the Leased Premises. The final, non-
14 appealable judgment of any court of competent jurisdiction, or the admission of Lessee in any
15 action or proceeding against Lessee, regardless of whether Lessor is a party to such action or
16 proceeding, that Lessee's use of the Leased Premises has violated any such Laws, or such
17 covenants, conditions and restrictions shall be conclusive of such fact as between Lessor and
18 Lessee. Lessee, at its sole cost and expense, shall have the right to contest the applicability,
19 validity, interpretation, construction or noncompliance of or with any Law, covenant, condition
20 and restriction now or hereafter in force and relating to Lessee or the Leased Premises, provided
21 that Lessee diligently and expeditiously prosecutes the appropriate proceeding, contest, or appeal.
22 Lessor shall not be required to join in any proceeding, contest or appeal brought by Lessee unless
23 the provisions of any law require that the proceeding, contest or appeal be brought by or in the

1 name of Lessor or any owner of the Leased Premises. In that case, Lessor shall join in the
2 proceeding, contest or appeal or permit the same to be brought in Lessor's name as long as
3 Lessor is not required to bear any cost. If Lessee, within a reasonable time after final
4 determination of the proceeding, contest, or appeal, complies with the final determination
5 resulting therefrom, the noncompliance of Lessee during the interim period shall not be deemed
6 a default under this Agreement.

7 3.2(b) Notwithstanding any provision herein to the contrary, in the event Lessee
8 is obligated to comply with any Law now or hereafter enacted with respect to the Leased
9 Premises, including, but not limited to any Law regarding seismic safety upgrades, Environmental
10 Regulations and any other matter affecting the physical condition of the Leased Premises (other
11 than a matter caused by Lessee's violation of this Agreement or relating solely to a new building
12 or asset acquired or constructed by Lessee after the commencement date of this Agreement), the
13 cost of which (the "Upgrade Cost") is in excess of \$10,000,000, then Lessee shall have the
14 option to elect to either (i) terminate this Agreement effective one hundred eighty (180) days
15 following Lessee's delivery of a written termination notice to Lessor, or (ii) extend the term of this
16 Agreement for the period determined in accordance with Paragraph 3.2(d) below; provided,
17 however, that the option to extend the lease term may not be exercised after the twentieth (20th)
18 anniversary of this Agreement. (The foregoing \$10,000,000 threshold amount is to be increased
19 annually by the percentage increase in the Index from the month in which the commencement
20 date of this Agreement occurs through the most recent month then available as of the date such
21 written termination notice is delivered to Lessor; provided, however, that such threshold amount
22 shall in no event exceed a maximum of \$12,500,000 at any time.)

1 3.2(c) If Lessee elects to terminate this Agreement under Paragraph 3.2(b)(i), then
2 upon such termination, Lessee shall be entitled to receive a reimbursement and rebate of the
3 Applicable Percentage (as defined below) of the Unearned Prepaid Rent attributable to the
4 portion of the original lease term after the termination date; provided, however, that Lessor may
5 elect in writing at any time up until thirty (30) days prior to such termination date to defer the
6 repayment of such Applicable Percentage of the Unearned Prepaid Rent by providing Lessee with
7 a promissory note as provided in Paragraph 15.7 below. For purposes of this Paragraph 3.2, the
8 **"Applicable Percentage"** shall be: (i) zero percent (0%) if such written termination notice is
9 delivered on or prior to the tenth (10th) anniversary of the Closing Date, (ii) seventy five percent
10 (75%) if such written termination notice is delivered after the tenth (10th) anniversary of a Closing
11 Date and on or before the fifteenth (15th) anniversary of the Closing Date, and (iii) one hundred
12 percent (100%) if such written termination notice is delivered after the fifteenth (15th) anniversary
13 of the Closing Date.

14 3.2(d) If Lessee elects to extend the term of this Agreement under Paragraph
15 3.2(b)(ii), then Lessor and Lessee shall enter into an amendment to this Agreement extending its
16 term for a period of months (the **"Upgrade Extension Period"**) equal to (i) the Upgrade Cost,
17 divided by (ii) the original Prepaid Rent amount divided by 360 (which latter figure shall be
18 confirmed by the parties in the addendum to be attached hereto as provided in Paragraph 2.1
19 above). The consideration for such Upgrade Extension Period is, and the Prepaid Rent during
20 such Upgrade Extension Period shall be deemed to be, an amount equal to the Upgrade Cost.

21 3.3 Waste; Quiet Enjoyment. Lessee shall not commit or suffer to be committed any
22 waste upon the Leased Premises. Lessor covenants and agrees that Lessee shall peacefully hold
23 and enjoy the Leased Premises during the term hereof or any extension or renewal hereof,

1 without interference or hindrance from Lessor or any person or persons holding or claiming
2 under Lessor in any manner whatsoever. Lessor shall not exercise its power of eminent domain
3 in any manner which would interfere with Lessee's operation of the Leased Premises.

4 3.4 Maintenance of Leased Premises. Subject to the other provisions of this Agreement,
5 Lessee shall, at its sole cost and expense, maintain the Leased Premises in the same condition and
6 repair as the Leased Premises were in at the commencement of this Agreement (subject to
7 ordinary wear and tear, normal obsolescence, and the effect of the elements) and use the Leased
8 Premises in accordance with all applicable Laws, including without limitation such zoning, safety
9 ordinances and laws, and Environmental Regulations, and such rules and regulations thereunder
10 as may be binding upon Lessee. Lessor shall not have any responsibility to maintain the Leased
11 Premises. Lessee hereby waives all right to make repairs at the expense of Lessor or to deduct
12 the cost thereof from the rent. All rights under California Civil Code Sections 1932(1), 1941 and
13 1942 or any law in replacement thereof are hereby waived and released.

14 3.5 Alterations, Additions and Improvements. Lessee may make any alterations,
15 additions or improvements to the Leased Premises, provided that (i) they are consistent with the
16 limitations on use contained in Paragraph 3.1, and (ii) except for any alteration, addition or
17 improvement which is required under (x) any Assumed Contract assigned to Lessee under the
18 Pre-Lease Agreement or (y) any governmental master development plan or zoning or land use
19 requirement or conditional use permit or related agreements or commitments now or hereafter
20 applicable to the Leased Premises, Lessee shall obtain the prior written consent of Lessor for any
21 alteration, addition or improvement which, based upon then-current accounting principles and
22 depreciation schedules, would have a net book value (cost less accumulated depreciation) in excess
23 of \$1,000,000 upon the normal expiration of this Agreement on the thirtieth (30th) anniversary

1 of this Agreement (or such later expiration date as may then be established under the other
2 provisions of this Agreement). Furthermore, except for any improvement which is required under
3 an Assumed Contract assigned to Lessee under the Pre-Lease Agreement, Lessee shall obtain the
4 prior written consent of Lessor for any improvement not located on the Leased Premises which,
5 based upon then-current accounting principles and depreciation schedules, would have a net book
6 value in excess of \$1,000,000 upon the normal expiration of this Agreement as provided above,
7 in order for such improvement to be included within the Termination Assets pursuant to the final
8 sentence of Paragraph 15.5(a) below. Failure of Lessee to seek any such consent or an
9 unsuccessful attempt to obtain any such consent hereunder shall not affect Lessee's right to make
10 such alteration, addition or improvement, but shall result in such alteration, addition or
11 improvement being excluded from Termination Assets for purposes of Paragraph 15.5 below.
12 The foregoing \$1,000,000 threshold amounts are to be increased annually by the percentage
13 increase in the U.S. Consumer Price Index -- All Urban Consumers for the Los Angeles-
14 Anaheim-Riverside MSA, or any successor index thereto, or if such index is no longer published
15 and there is no specified successor index, then a reasonably comparable index mutually approved
16 by the parties (such applicable index being the "**Index**"), from the month in which the
17 commencement date of this Agreement occurs through the most recent month then available, and
18 such adjusted figure as of the date upon which Lessee is to determine if any consent of Lessor
19 required hereunder for the foregoing alterations, additions or improvements to be included in the
20 Termination Assets shall be used for such purpose.

21 3.6 Disposition of Personal Property During Lease Term. During the term of this
22 Agreement, Lessee shall have the right from time to time to dispose of any portion of the Personal
23 Property in the ordinary course of business, or which is obsolete, worn out or incapable of further

1 use, and Lessor shall execute all documents necessary to release Lessor's right, title and interest
2 in and to such Personal Property and enable Lessee to dispose thereof free and clear of all liens
3 and encumbrances. If reasonably necessary and appropriate, Lessee shall replace any of the
4 foregoing Personal Property which is disposed of with a comparable item of Personal Property
5 (taking into consideration technological and medical advances), and in such event the book value
6 of the replacement item shall be reduced by the salvage or other value actually realized by Lessee
7 in the disposal of such replaced item (on a net basis after all reasonable expenses of disposal,
8 including any brokerage, removal or shipping expenses) for purposes of Paragraph 15.5 below.
9 If not so replaced, then the salvage or other value actually realized by Lessee in the disposal of
10 such unreplaced item (on a net basis as provided above) shall be deducted from the purchase
11 price for the Termination Assets under Paragraph 15.5 below.

12 ARTICLE IV

13 INSURANCE

14 4.1 Compliance with Insurance Requirements. No use shall be made by Lessee or
15 permitted by Lessee to be made on, to or of the Leased Premises, which will cause the cancel-
16 lation of any insurance policy covering the Leased Premises, nor shall Lessee sell or permit to be
17 kept, used or sold in and about the Leased Premises, any article which may be prohibited by any
18 such insurance policy. Lessee shall, at its sole cost and expense, comply with any and all
19 requirements pertaining to the Leased Premises, of any insurance organization or company,
20 necessary for the maintenance of the insurance described in this Agreement. In addition, if
21 applicable, Lessee shall comply with the insurance requirements set forth in any indenture, loan
22 agreement, lease, agreement, obligation or document (each such document being referred to

1 herein as a "**Bond Document**") related to the \$27,500,000 Desert Hospital Corporation
2 Taxable Bonds, 1993 Series A, so long as such Bond Document is in effect.

3 4.2 Insurance to be Procured by Lessee. Lessee shall, at Lessee's sole cost and expense,
4 during the term of this Agreement and any renewal or extension thereof, procure and maintain
5 at all times in force and in effect the following insurance:

6 4.2(a) Insurance against loss or damage by fire, lightning, vandalism, malicious
7 mischief and all other risks covered by an "all risk" insurance agreement then in use in the State
8 of California, covering the Leased Premises in an amount equal to the "full replacement value"
9 of the Leased Premises and naming Lessor as a named insured. As used in this Agreement, the
10 term "full replacement value" is the cost of replacing all improvements included in the Leased
11 Premises with improvements of substantially identical kind, quality and capacity without deduction
12 for depreciation, which shall be reviewed by Lessee at least every five (5) years and within a
13 reasonable time following any major capital improvements or additions. Such cost of replacement
14 shall also include demolition and any increased cost of construction occasioned by the
15 enforcement of any state or municipal law or ordinance regulating the construction or repair of
16 buildings or the demolition of any portion of a building which has not suffered damage.

17 4.2(b) Boiler and machinery insurance providing coverage on pressure vessels,
18 auxiliary piping, pumps and compressors, refrigeration systems, HVAC systems, transformers and
19 miscellaneous electrical apparatus constituting part of the Leased Premises in reasonable and
20 customary amounts and naming Lessor as loss payee.

21 4.2(c) Comprehensive general liability insurance, including automobile liability,
22 in reasonable and customary amounts for death, injury or damage to property. Such policy shall
23 also insure performance by Lessee of the indemnity provisions of Paragraph 16.3 hereof.

1 4.2(d) Professional liability and malpractice insurance, in reasonable and
2 customary amounts.

3 4.2(e) All employees' compensation insurance on Lessee's employees required by
4 worker's compensation laws and regulations of the State of California, provided that Lessee shall
5 be permitted to enter into reasonable plans of self-insurance to the extent otherwise permitted by
6 California law.

7 4.2(f) Such other insurance as is customarily procured and maintained in
8 connection with the lease and operation of hospitals and related facilities of similar size and
9 character located in the State of California, provided Lessee shall only be obligated to carry
10 earthquake insurance coverage in connection with any "all risk" insurance agreement under
11 Paragraph 4.2(a) hereof to the extent that Lessee generally carries such earthquake insurance
12 coverage at comparable acute-care hospitals in Southern California and such coverage is
13 commercially available and feasible at a reasonable premium on the Leased Premises. If Lessee
14 intends to discontinue earthquake insurance due to what Lessee believes to be an unreasonable
15 premium for such coverage, it shall give Lessor at least ninety (90) days' prior written notice of
16 such intent. Lessor may, at its option, elect to cause Lessee to renew such insurance on a year-to-
17 year basis thereafter by agreeing to pay one-half (1/2) of the applicable renewal premium within
18 sixty (60) days after receipt of Lessee's notice at the time of each annual insurance renewal.

19 4.3 Other Insurance Matters. All insurance required under this Agreement shall:

20 4.3(a) Be subject to deductibles not exceeding amounts customarily provided for
21 hospitals of similar size, structure and replacement value located in the State of California.

1 4.3(b) Be issued by insurance companies authorized to do business in the State
2 of California, with a financial rating of at least an B+ status as rated by the most recent edition
3 of Best's Insurance Reports.

4 4.3(c) Name Lessor as additional insured.

5 4.3(d) Be reviewed by Lessee on a periodic basis and within a reasonable time
6 following any major capital improvements or additions.

7 4.3(e) Notwithstanding any provision in this Article IV to the contrary, all or any
8 part of the insurance described in Paragraph 4.2 hereof may be effected through a program of
9 self-insurance operated by Lessee or its Affiliates, or through a blanket policy of liability insurance,
10 including in each instance insurance provided by an industry-captive insurance company affiliated
11 with Lessee or its Affiliates, so long as the coverage afforded to Lessor is not materially reduced
12 or diminished or otherwise altered from that which would exist under a separate policy meeting
13 all other requirements of this Agreement. The requirements of Paragraph 4.3(b) shall not apply
14 to such program of self-insurance and blanket policies of liability insurance.

15 4.4 Disposition of Insurance Proceeds. The proceeds of any insurance maintained
16 under Paragraph 4.2 shall be made available to Lessee for payment of costs and expenses of
17 repair. In the event the insurance proceeds are insufficient to cover the cost of repair, then,
18 except as expressly provided in Article VI, any amounts required over the amount of the
19 insurance proceeds received that are required to complete such repair shall be paid by Lessee.
20 Any unused portion over the amount required to complete any repair shall be retained by Lessee.
21 If neither Lessor nor Lessee is required or elects to repair and restore under Article VI of this
22 Agreement, and this Agreement is terminated, then all insurance proceeds and all salvage
23 resulting from any risk covered by insurance on the Leased Premises shall belong to Lessor,

1 except that Lessee shall be entitled to receive and retain any insurance proceeds or salvage
2 relating to (i) Lessee's personal property, (ii) any free-standing real property improvements which
3 are not part of the existing Leased Premises, and (iii) any alterations or additions to the existing
4 Leased Premises hereafter made by Lessee up to the lower of fair market value or net book value
5 of such alterations or additions immediately prior to such loss event; provided, however, that if
6 the insurance proceeds and salvage value are insufficient to cover the replacement cost of both
7 the Leased Premises and the foregoing items for which insurance proceeds are payable to Lessee,
8 the insurance proceeds shall be equitably apportioned between Lessor and Lessee based upon the
9 relative values of the Leased Premises and such items. Each of the parties hereto agrees to sign
10 any and all documents required by the other party or the insurance company or companies that
11 may be necessary for use in connection with the settlement of any loss under the appropriate
12 insurance policies, provided that such documents are factually accurate and in no manner
13 prejudicial to the interest of such party.

14 4.5 Proof of Compliance. Lessor may require Lessee to deliver to Lessor, in the
15 manner required for notices, copies or certificates of all insurance policies required by this
16 Agreement. Lessee shall include a provision in each of its insurance policies requiring the
17 insurance carrier to give Lessor at least thirty (30) days' prior written notice before such policy
18 terminates. Lessee shall not substantially modify any of the insurance policies required by this
19 Agreement without giving at least thirty (30) days' prior written notice to Lessor, and Lessor may
20 review such policies on a periodic basis as determined by Lessor.

21 4.6 Waiver of Subrogation. Lessor and Lessee hereby release and relieve one another,
22 and waive their entire right of recovery against the other, for loss or damage arising out of or
23 incident to the perils insured against under Paragraph 4.2, which perils occur in, on, or about the

1 Leased Premises, whether due to the negligence of the Lessor or Lessee or their agents.
2 employees, contractors and/or invitees. Lessee and Lessor, prior to obtaining any policies of
3 insurance, shall give notice to the insurance carrier or carriers that the foregoing mutual waiver
4 of subrogation is contained in this Agreement and each insurer issuing such insurance shall
5 expressly acknowledge and consent to the foregoing waiver and shall expressly waive any right
6 of subrogation on the part of the insurer against Lessor or Lessee.

7 ARTICLE V

8 ACCEPTANCE OF LEASED PREMISES

9 Lessee accepts the Leased Premises "as-is" on the date of commencement of the term of
10 this Agreement, subject, however, to all representations and warranties of Lessor set forth in the
11 Pre-Lease Agreement.

12 ARTICLE VI

13 DAMAGE OR DESTRUCTION DURING TERM OF LEASE

14 6.1 Restoration of Leased Premises. If during the term of this Agreement, the Leased
15 Premises shall be damaged, whether or not from a risk covered by insurance, and subject to the
16 other provisions of this Agreement regarding termination, Lessee shall promptly and expeditiously
17 make the repairs necessary to restore the Leased Premises to a condition for occupancy or use
18 comparable to the condition thereof before such damage, if such repairs to the facility are
19 commercially feasible. Such damage shall not terminate this Agreement. If the cost of such
20 repairs exceeds a commercially feasible amount, Lessee may nevertheless repair, restore and
21 replace the Leased Premises, or, by prior written notice to Lessor, elect instead to demolish and
22 reconstruct the improvements which were damaged. All repairs and restorations to the Leased
23 Premises comparable to the condition thereof before such damage shall be deemed a part of the

1 Leased Premises and belong solely to Lessor, and all repairs and restorations to any of Lessee's
2 personal property, and any alterations, additions or improvements to the Leased Premises made
3 by Lessee, shall belong solely to Lessee (subject to Paragraph 15.5 below).

4 Notwithstanding the foregoing, in the event that the Leased Premises are totally destroyed
5 or, in the reasonable opinion of Lessee, materially damaged such that the repairs to and
6 restoration of the Leased Premises are not commercially feasible, then upon written notice by
7 Lessee the parties shall meet and confer regarding the possibility of rebuilding or repair once
8 Lessee has analyzed the feasibility and projected cost of such rebuilding or repair. If the parties
9 are unable to agree upon a plan for rebuilding and repair, or in any event if any such meet-and-
10 confer process is not completed within sixty (60) days after Lessee's written notice commencing
11 the meet-and-confer process, then Lessee shall thereafter have the option to elect to terminate this
12 Agreement upon ninety (90) days' written termination notice to Lessor. In such event, each party
13 shall be entitled to retain its insurance proceeds, if any, as provided in Paragraph 4.4 above, and
14 Lessee shall be entitled to receive a reimbursement and rebate of the Unearned Prepaid Rent
15 attributable to the portion of the original lease term after the termination date; provided,
16 however, that Lessor may elect in writing at any time up until 30 days prior to such termination
17 date to defer the repayment of such Unearned Prepaid Rent by providing Lessee with a
18 promissory note as provided in Paragraph 15.7 below.

19 **6.2 Damage Near the End of the Term.** Notwithstanding any provision in this
20 Agreement to the contrary, in the event that the Leased Premises are damaged or destroyed (i)
21 during the last ten (10) years, but prior to the last three (3) years, of the term hereof such that the
22 cost of repairs to and restoration of the Leased Premises would exceed \$3,000,000 after
23 application of any property insurance proceeds, if any, payable to Lessee as a result of such

1 damage or destruction, or (ii) during the last three (3) years of the term hereof such that the cost
2 of repairs to and restoration of the Leased Premises would exceed \$1,000,000 (whether or not
3 insured), then upon written notice by Lessee the parties shall meet and confer regarding the
4 possibility of rebuilding or repair once Lessee has analyzed the feasibility and projected cost of
5 such rebuilding or repair. If the parties are unable to agree upon a plan for rebuilding and
6 repair, or in any event if any such meet-and-confer process is not completed within sixty (60) days
7 after Lessee's written notice commencing the meet-and-confer process, then Lessee shall thereafter
8 have the option to elect to terminate this Agreement upon ninety (90) days' written termination
9 notice to Lessor. The foregoing \$3,000,000 and \$1,000,000 threshold amounts are to be
10 increased annually by the percentage increase in the Index from the month in which the
11 commencement date of this Agreement occurs through the most recent month then available as
12 of the date of the event of damage or destruction. In such event, each party shall be entitled to
13 retain its insurance proceeds, if any, as provided in Paragraph 4.4 above, and Lessee shall be
14 entitled to receive a reimbursement and rebate of the Unearned Prepaid Rent attributable to the
15 portion of the original lease term after the termination date; provided, however, that Lessor may
16 elect in writing at any time up until 30 days prior to such termination date to defer the
17 repayment of such Unearned Prepaid Rent by providing Lessee with a promissory note as
18 provided in Paragraph 15.7 below.

19 6.3 No Abatement of Rent; Extension of Lease Term. Except as expressly provided
20 herein, in no event shall Lessee be entitled to any compensation or damages on account of any
21 annoyance or inconvenience on making repairs or on account of such destruction. In the event
22 Lessee undertakes the repair and restoration of the Leased Premises under the provisions of this
23 Article VI, Lessee shall not be entitled to any abatement of rent, or refund of Prepaid Rent, for

1 the period while such repairs are being made; provided, however, that unless it would violate
2 then-applicable law, Lessor shall enter into a lease extension so as to extend the term of this lease
3 by a period of time equal to the period of time from the date of damage or destruction until the
4 repair and restoration of the Leased Premises is completed, and the portion of the Prepaid Rent
5 hereunder which would otherwise accrue and relate to such period of repair or restoration shall
6 instead be deemed earned and applied to such extension period (without any further payment of
7 rent being required hereunder with respect to such extension period). Lessee hereby waives the
8 provisions contained in California Civil Code Sections 1932(2) and 1933(4) or any laws replacing
9 or modifying such provisions.

10 ARTICLE VII

11 CONDEMNATION

12 In the event that the Leased Premises or any portion thereof are taken by eminent
13 domain, or by inverse condemnation, or for any public or quasi-public use under any statute, the
14 rights of the parties with respect to the term, the rent, or the refund of Prepaid Rent, and the
15 award shall be divided as the parties then agree to be just and equitable under all the
16 circumstances, regardless of any technical rule of law, considering the rights of any leasehold, fee
17 or mortgage, the economics of operating any remaining portion of the Leased Premises and
18 improvements, the cost of restoration, and the balance of the term remaining, among other
19 relevant considerations. If Lessor and Lessee do not agree within sixty (60) days after the amount
20 of the award is finally determined, the undecided questions shall be decided by arbitration, in the
21 manner provided in this Agreement.

22 Notwithstanding the foregoing, in the event that the Leased Premises are totally taken or,
23 in the reasonable opinion of Lessee, the taking is of such an extent that the operation of the

1 remaining portion of the Leased Premises is not commercially feasible, then upon written notice
2 by Lessee the parties shall meet and confer regarding the situation. If the parties are unable to
3 agree upon a plan for resolving the situation, or in any event if any such meet-and-confer process
4 is not completed within sixty (60) days after Lessee's written notice commencing the meet-and-
5 confer process, then Lessee shall thereafter have the option to elect to terminate this Agreement
6 upon ninety (90) days' written termination notice to Lessor. In such event, Lessor shall be entitled
7 to retain any award related to the Leased Premises, and Lessee shall be entitled to receive the
8 greater of (i) a reimbursement and rebate of the Unearned Prepaid Rent attributable to the
9 portion of the original lease term after the termination date (which, to the extent it exceeds the
10 portion of the award referred to in subparagraph (ii) below, Lessor may elect in writing at any
11 time up until 30 days prior to such termination date to defer the repayment of such excess
12 portion of the Unearned Prepaid Rent by providing Lessee with a promissory note as provided
13 in Paragraph 15.7 below), or (ii) the portion of the award to which it is entitled as provided
14 above, as determined either by mutual agreement or by arbitration as provided therein.

15 ARTICLE VIII

16 DEFAULT

17 8.1 Events of Default. Subject to the notice and cure provisions of Paragraphs 8.2 and
18 8.3 below, and the expiration of the cure period set forth therein, each of the following events
19 shall be a default by Lessee and a breach of this Agreement:

20 8.1(a) Failure or refusal to pay when due any sum required by this Agreement to
21 be paid by Lessee, or failure to perform any other material covenant or condition of this
22 Agreement.

1 8.1(b) The subjection of any material right or interest of Lessee to attachment,
2 execution, or other levy, or to seizure under legal process which would materially interfere with
3 Lessee's ability to operate the Hospital, if not released within ninety (90) days.

4 8.1(c) The appointment of a receiver to take possession of the Leased Premises
5 or improvements, or of Lessee's interest in the leasehold estate or of Lessee's operations on the
6 Leased Premises for any reason, which appointment is not dismissed, vacated or otherwise
7 permanently stayed or terminated within ninety (90) days.

8 8.1(d) An assignment by Lessee for the benefit of creditors or the filing of a
9 voluntary or involuntary petition by or against Lessee under any law for the purpose of (i)
10 adjudicating Lessee a bankrupt, (ii) extending time for payment, adjustment or satisfaction of
11 Lessee's liability, or (iii) reorganization, dissolution, or arrangement on account of or to prevent
12 bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders,
13 adjudications, custodies, and supervisions are dismissed, vacated, or otherwise permanently stayed
14 or terminated within ninety (90) days after the assignment, filing, or other initial event.

15 8.2 Notice and Right to Cure. As a condition to pursuing any remedy for an alleged
16 default of Lessee, Lessor shall give written notice of default to Lessee. Each notice of default shall
17 specify in detail the alleged event of default and the intended remedy.

18 8.3 Lessee's Right to Cure. If the alleged default is nonpayment of any sums to be
19 paid by Lessee under this Agreement, Lessee shall have thirty (30) days after notice is given to
20 cure or contest the default. With respect to any other default, Lessee shall promptly and
21 diligently after notice commence curing the default and shall have a reasonable period of time.
22 in light of the circumstances, to complete the cure or, alternatively, contest such default.

1 8.4 Remedies. If any material default by Lessee continues uncured following notice
2 of default as required by this Agreement for the period applicable to the default under the
3 applicable provision of this Agreement, or, if contested by Lessee, continues uncured following
4 the issuance of the final award of the arbitrator pursuant to Paragraph 16.12, Lessor has the
5 following remedies in addition to the rights and remedies provided by law or equity to which
6 Lessor may resort cumulatively or in the alternative:

7 8.4(a) Lessor may at its election terminate this Agreement by giving Lessee notice
8 of termination. On the giving of notice, all Lessee's rights in the Leased Premises and
9 improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and
10 vacate the Leased Premises and all improvements in clean condition. Termination under this
11 Paragraph shall not relieve Lessee from the payment of any sum then due to Lessor or from any
12 claim for damages previously accrued or then accruing against Lessee. If Lessor thereafter during
13 the remainder of the lease term of this Agreement shall sell, transfer, lease or otherwise convey
14 any interest in or right to operate the Leased Premises to any Person, any net sales proceeds,
15 rents, or other consideration received by Lessor or any Affiliate in connection therewith (less any
16 reasonable sale or reletting expenses) shall be delivered to Lessee as and when received as a
17 reimbursement and rebate of the Unearned Prepaid Rent attributable to the portion of the lease
18 term after the termination date, up to the amount of the Unearned Prepaid Rent; provided,
19 however, that Lessor shall be entitled to retain any surplus proceeds, rent or other consideration
20 therefrom over and above the amount of such Unearned Prepaid Rent. If Lessor or any Affiliate
21 elects to operate the Leased Premises itself following such termination, then Lessor shall pay to
22 Lessee as such reimbursement and rebate an amount equal to fifty percent (50%) of the fair
23 market rental value of the Leased Premises up to the amount of the Unearned Prepaid Rent,

1 which rebate shall be payable on a quarterly basis for so long as Lessor or such Affiliate operates
2 the Leased Premises during the remainder of the lease term of this Agreement; provided,
3 however, that no such fair market rental value payments shall be required during the first ten (10)
4 years of the term of this Agreement.

5 8.4(b) Lessor may at Lessor's election enter the Leased Premises, and, without
6 terminating this Agreement, at any time and from time to time relet the Leased Premises and
7 improvements or any part of them for the account and in the name of Lessee or otherwise.
8 Lessor may at Lessor's election eject all persons or eject some and not others or eject none.
9 Lessor shall deliver to Lessee as and when received all rents and other sums received from
10 reletting for the period through the remaining term of this Agreement (up to the amount of the
11 Unearned Prepaid Rent, with Lessor entitled to retain any excess rents or other sums received
12 from such reletting), provided that any reletting may be done for a period shorter or longer than
13 the remaining term of this Agreement. Lessor may nonetheless deduct and withhold from such
14 rents and sums payable to Lessee the equivalent of all sums required of Lessee under this
15 Agreement, plus Lessor's expenses in reletting the Leased Premises. No act by or on behalf of
16 Lessor under this provision shall constitute the termination of this Agreement unless Lessor gives
17 Lessee notice of termination. After Lessee's default and for as long as Lessor does not terminate
18 Lessee's right to possession of the Leased Premises, and if Lessee obtains Lessor's consent if
19 required pursuant to Paragraph 14.3, Lessee shall have the right to assign or sublet its interest
20 in this Agreement, but Lessee shall not be released from liability.

21 8.5 Default by Lessor. Lessor shall not be in default unless Lessor fails to perform
22 obligations required of Lessor within a reasonable time, but in no event later than sixty (60) days
23 after written notice by Lessee to Lessor, specifying wherein Lessor has failed to perform such

1 obligation; provided, however, that if the nature of Lessor's obligation is such that more than sixty
2 (60) days are required for performance then Lessor shall not be in default if Lessor commences
3 performance within such 60-day period and thereafter diligently prosecutes the same to
4 completion. In the event of Lessor's default hereunder which continues uncured following notice
5 of default as required by this Agreement for the period applicable to the default under the
6 applicable provision of this Agreement, or, if contested by Lessor, continues uncured following
7 a period of thirty (30) days following the issuance of the final award of the arbitrator pursuant to
8 Paragraph 16.12, Lessee shall be entitled to terminate this Agreement and all other rights and
9 remedies available to it at law or in equity. In the event of any termination of this Agreement
10 by reason of Lessor's default, Lessee shall be entitled to receive a reimbursement and rebate of
11 the Unearned Prepaid Rent attributable to the portion of the original lease term after the
12 termination date; provided, however, that Lessor may elect in writing at any time up until 30 days
13 prior to such termination date to defer the repayment of such Unearned Prepaid Rent by
14 providing Lessee with a promissory note as provided in Paragraph 15.7 below.

15 8.6 Injunctive Relief. As contemplated by Paragraph 6.12(c), and notwithstanding any
16 other provision of this Article XIII, each party hereto shall be entitled to seek preliminary or
17 provisional equitable relief following the giving of any notice of default to the other party, without
18 waiting for the expiration of any cure period relating to such default, and without limiting any
19 other rights or remedies to which such party may be entitled or constituting a waiver of the
20 dispute resolution and arbitration provisions set forth in Paragraph 6.12.

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ARTICLE IX

EFFECT OF SURRENDER

The voluntary or other surrender of this Agreement by Lessee, or a mutual cancellation or rescission thereof, shall not create a merger, and shall operate as an assignment to Lessor of all existing and valid subleases, subtenancies or contracts relating to the use or operation of the Leased Premises.

ARTICLE X

RIGHT OF FIRST OFFER; RIGHT OF FIRST REFUSAL; ETC.

10.1 Right of First Offer. Lessor may not sell, assign, lease or in any manner transfer (for purposes of this Paragraph any of the foregoing acts shall be referred to as "transfer") the Leased Premises without complying with the terms of this Paragraph 10.1. In the event Lessor desires to transfer all or any portion of Lessor's interest in all or any part of the Leased Premises (subject to and taking into account this Agreement), Lessor shall give to Lessee written notice of its intention to transfer such interest. Such notice shall specify the interest to be transferred and shall state whether such transaction shall be a sale, assignment, lease or other transfer. Unless giving Lessee the right of first offer would violate any then-applicable law in the opinion of District counsel or, if deemed necessary, as determined in a validation action under applicable law, Lessee shall then have ninety (90) days after receipt of such notice to submit a written offer to Lessor to purchase, acquire, lease or otherwise take by assignment, as the case may be, Lessor's interest in the Leased Premises. If such written offer is accepted by Lessor within forty-five (45) days after receipt of the offer, the parties shall then negotiate in good faith to consummate the proposed purchase, acquisition, lease or assignment. If such written offer is not accepted as stated above, or the proposed transfer is not consummated within one hundred eighty (180) days after

1 Lessor's acceptance of the offer, Lessor may thereafter seek offers from other parties subject to
2 Paragraphs 10.2 and 10.3 below). If Lessor has not consummated any transaction within one (1)
3 year after Lessor's failure to accept Lessee's offer or the end of the 180-day period following
4 acceptance of Lessee's offer (whichever is applicable in the circumstances), then Lessee's right of
5 first offer shall again apply and Lessor shall be obligated to give notice from time to time of any
6 subsequent intent to transfer all or any portion of Lessor's interest in the Leased Premises.

7 10.2 Right of First Refusal. In addition, if at any time during the term, Lessor receives
8 an offer from a third party to acquire any interest in all or any part of the Leased Premises or
9 all or any part of Lessor's interest therein, whether such transaction relates to or would become
10 effective during or after the term hereof (other than an offer received during the final twelve (12)
11 months of the term with respect to a transaction which would not become effective until after the
12 term, as to which no right of first refusal shall apply), and desires to transfer such interest to such
13 third party, unless giving Lessee the right of first refusal would violate any then-applicable law in
14 the opinion of District counsel or, if deemed necessary, as determined in a validation action under
15 applicable law, Lessor must first provide Lessee with a right of first refusal with respect to each
16 such transfer. Lessor shall promptly provide Lessee with written notice of the price or lease terms
17 offered by any such third party, and Lessee shall have thirty (30) days after receipt of such notice
18 to notify Lessor in writing as to whether it desires to acquire the subject interest on the terms set
19 forth in the notice. If Lessee desires to acquire the subject interest, the parties shall then negotiate
20 in good faith to consummate the proposed purchase, acquisition, lease or assignment. If Lessee
21 does not desire to acquire the subject interest, Lessor may transfer such interest to said third
22 party, provided that the purchase price or lease terms, as the case may be, are not more favorable
23 to said third party than the price or lease terms offered to Lessee, and provided that the structure

1 of the transaction is identical to the structure offered to Lessee. In the event the transfer to such
2 other person is not consummated within one hundred eighty (180) days after Lessor's receipt of
3 Lessee's election not to acquire the subject interest, or if the price or lease terms or structure of
4 such transfer are not identical to that offered to Lessee, Lessee's right of first refusal shall continue
5 in existence and Lessor shall then be obligated to give notice from time to time of any third party
6 offer to transfer all or any portion of Lessor's interest in the Leased Premises.

7 10.3 Limitations on Sale. Notwithstanding anything to the contrary contained in this
8 Article X, Lessor hereby agrees that during the term of this Agreement it will not sell, assign,
9 lease or in any manner transfer the Leased Premises or any part thereof or its interest as lessor
10 thereunder, to any person or entity which, either directly or through any Affiliate (as hereinafter
11 defined) actively operates health facilities or otherwise provides the health care services described
12 in Paragraph 3.1, whether as an owner or under management or operating contracts, other than
13 Lessee

14 ARTICLE XI

15 HAZARDOUS MATERIALS

16 If any Hazardous Materials are brought upon, generated, used, kept or stored in, on,
17 about or under the Leased Premises by Lessee or any of its agents, representatives, employees,
18 contractors, suppliers, permittees, assignees, invitees or sublessees (collectively "**Responsible**
19 **Parties**"), then Lessee and its Responsible Parties shall generate, use, keep, store, treat, remove,
20 transport and dispose of such Hazardous Materials in a manner which materially complies with
21 all applicable Environmental Regulations. Without limiting any of the other obligations of Lessee
22 set forth in this Agreement, Lessee shall, at its own cost and expense, procure, maintain in effect
3 and materially comply with all conditions and requirements of any and all permits, licenses and

1 other governmental, court-imposed and regulatory approvals, authorizations or orders arising or
2 required under any Environmental Regulations relating to Lessee's generation, use, keeping,
3 storage, transport or disposal of such Hazardous Materials. Lessee shall immediately notify Lessor
4 of its discovery of (i) any material release of any Hazardous Materials on or about the Leased
5 Premises or adjoining property, or (ii) the presence thereon of any Hazardous Materials which
6 is in material violation of any material Environmental Regulations, or (iii) its receipt of any notice
7 of violation or any Environmental Regulations or Environmental Claim pertaining to the Leased
8 Premises or Lessee's activities. If Lessee shall generate, use, keep, store, remove, transport or
9 dispose of Hazardous Materials in, on, about or under the Leased Premises or any adjoining
10 property and the same results in any contamination of the Leased Premises or the surrounding
11 environment during the term of this Agreement or within a period of five (5) years thereafter, and
12 a written claim with respect thereto is asserted by Lessor or its assignee against Lessee within such
13 term or within five (5) years thereafter, then Lessee shall promptly at its sole cost and expense
14 take all the actions as are necessary to return the Leased Premises and/or the surrounding
15 environment to the condition existing prior to such contamination in a manner which materially
16 complies with all Environmental Regulations. Prior to the expiration or earlier termination of
17 the term of this Agreement, subject to Paragraph 15.5 below, Lessee shall cause to be removed
18 from the Leased Premises all Hazardous Materials existing in, on, about or under the Leased
19 Premises and/or adjoining property which were brought upon, generated, used, kept or stored
20 by Lessee or any of its Responsible Parties and shall cause such Hazardous Materials to be stored,
21 treated, transported and/or disposed of, all in material compliance with all Environmental
22 Regulations. Lessee shall immediately deliver to Lessor copies of any and all manifests and other
23 documentation relating to the removal, storage, treatment, transportation and/or disposal of any

1 Hazardous Materials or receptacles or containers therefor reflecting the legal and proper removal,
2 storage, treatment, transportation and/or disposal thereof. Lessee shall, at its sole cost and
3 expense, repair any damage to the Leased Premises resulting from Lessee's removal of such
4 Hazardous Materials and receptacles or containers therefor. Lessee's obligations hereunder shall
5 include, but shall not be limited to, the cost of investigation, removal, remediation, restoration
6 and/or abatement, and shall survive the expiration or earlier termination of this Agreement.

7 ARTICLE XII

8 LIENS, ESTOPPELS AND EASEMENTS

9 12.1 No Liens by Lessor. Except for Permitted Encumbrances and the easements,
10 covenants, conditions and restrictions created in accordance with Paragraph 12.3, Lessor agrees
11 and covenants not to place any deed of trust, mortgage or security lien ("**Lien**") upon the Leased
12 Premises during the term of this Agreement.

13 12.2 Estoppel Certificate. Each party, within twenty (20) days after notice from the
14 other party, shall execute and deliver to the other party in recordable form, a certificate stating
15 that this Agreement is unmodified and in full force and effect, or in full force and effect as
16 modified, and stating the modifications. The certificate also shall state the nature and extent of
17 any then existing default or breach of this Agreement by the party requesting the certificate.
18 Failure to deliver the certificate within such twenty-day period shall be conclusive upon the party
19 failing to deliver the certificate for the benefit of the party requesting the certificate and any
20 successor to the party requesting the certificate, that this Agreement is in full force and effect and
21 has not been modified and no default or breach exists, except as may be represented by the party
22 requesting the certificate. Lessor shall also provide similar estoppel certificates upon request by
3 Lessee or any sublessee on the same terms with respect to any subleases which may be entered

1 into by Lessee under and as permitted by this Agreement from time to time with respect to all
2 or any portion of the Leased Premises.

3 12.3 Easements, Restrictions. At no cost or expense to Lessor, Lessor shall execute
4 whatever documents Lessee reasonably requests to impose upon the Leased Premises such
5 easements, covenants, conditions and restrictions for parking, ingress, egress and utilities as are
6 reasonably required by Lessee in connection with the orderly operation and development of the
7 Leased Premises; provided that Lessor shall not be required to execute any such document which
8 would have a material adverse effect upon the use of the Leased Premises as provided for in
9 Paragraph 3.1.

10 ARTICLE XIII

11 ADDITIONAL COVENANT OF LESSOR

12 After the Closing Date and during the entire term of this Agreement, neither the Lessor
13 nor any Affiliate (including the Desert Hospital Foundation (the "**Foundation**")) will directly or
14 indirectly own any interest in, manage or operate (i) any hospital or other health care facility,
15 provider or business within the geographical boundaries of the District or which may otherwise
16 at any time be competitive with any present or future Desert Businesses or newly created
17 healthcare system affiliated with the Desert Businesses; or (ii) any other healthcare-related business
18 conducted with or supporting the Leased Premises, including, without limitation, ownership or
19 management of physician practices, without Lessee's prior written consent (which Lessee may
20 withhold in its sole and absolute discretion). Lessor and its Affiliates will not be prevented from
21 participating in activities which promote health care services for residents of the District's
22 community, so long as they do not provide financial support to another acute-care hospital within
23 the District's boundaries or act as a provider of health care services themselves. In the event that

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17.12 Severability

The provisions of this Agreement are severable, and if any one or more provisions may be determined to be judicially unenforceable, in whole or in part, the remaining provisions and any partially unenforceable provisions, to the extent enforceable, shall nevertheless be binding upon and enforceable against the parties hereto.

17.13 Certain Definitions

(a) Newly Defined Terms. For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" of a specified Person shall mean any corporation, partnership, sole proprietorship or other Person or entity which directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with the Person specified. The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or entity.

"Bonded Indebtedness" shall mean the bond issues issued by the District or the Corporation which are to be assumed, purchased, defeased or retired by Lessee hereunder, as more fully described in Paragraph 2.1.

"COBRA" shall mean Sections 601 through 609 of ERISA and Section 4980B of the Code.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Environmental Claim" shall mean any claim, action or cause of action, suit, Lien, judgement, demand or other written communication by any Person (including the parties hereto and their respective Affiliates) alleging or asserting potential liability (including, without limitation, potential liability for investigatory costs, clean-up costs, governmental response costs, natural resources damages, property damages, personal injuries, fees or penalties) arising out of, based on or resulting from, in whole or in part, (a) the presence or Release into the environment of any Hazardous Materials or (b) circumstances forming the basis of any violation or alleged violation of any Environmental Regulation.

"Environmental Regulations" shall mean all Laws and all policies and guidelines relating to the use, handling, treatment, storage, transportation, or Releases of Hazardous Materials or otherwise relating to the protection of the environment or industrial hygiene (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata).



1 the provisions contained in this Article XIII shall ever be deemed to exceed the time or
2 geographic limits or any other limitations permitted by applicable law in any jurisdiction, then
3 such provisions shall be deemed reformed in such jurisdiction to the maximum extent permitted
4 by applicable law. Lessor acknowledges and agrees that (i) its covenants herein set forth form part
5 of the consideration hereunder and are a material inducement for Lessee entering into and
6 consummating this Agreement, (ii) the provisions of this Paragraph are necessary to protect the
7 interests of Lessee and the continued goodwill of the business and operations of the Desert
8 Businesses, an interest in which the Lessee is hereby acquiring, (iii) the restrictive covenants set
9 forth herein are reasonable in scope and duration, (iv) a breach of the covenants contained in this
10 Paragraph will result in irreparable harm and damages to Lessee which cannot be adequately
11 compensated for by a monetary award, and (v) in addition to all other remedies available in law
12 or in equity, Lessee shall be entitled to the remedy of a temporary restraining order, preliminary
13 injunction or such other form or injunctive or equitable relief as may be issued by a court of
14 competent jurisdiction to restrain or enjoin Lessor and its Affiliates from breaching the provisions
15 of this Paragraph or otherwise to specifically enforce the provisions of this Paragraph. Lessor
16 covenants to cause its Affiliates (including the Foundation) to comply with the restrictions set forth
17 herein and to confirm the same to Lessee upon request.

18 ARTICLE XIV

19 ADDITIONAL COVENANTS OF LESSEE

20 14.1 Nondiscrimination in Operating Decisions. During the term of this Agreement,
21 and as provided in this Agreement, Lessee agrees to operate the Leased Premises for the benefit
22 of the communities served by the District. Major decisions regarding the operation of the
23 Hospital will be made by Lessee without discrimination against the interests of the communities

1 served by the Hospital. Operational decisions relating to any termination or material reduction
2 of any Core Service (as defined below) shall be made through a process as described herein which
3 will include consideration of the needs of the Hospital community and physicians. At no time
4 during the term of this Agreement will any Core Service be instituted at or moved to John F.
5 Kennedy Memorial Hospital in Indio, California ("**JFK**") for the purpose of or with the direct
6 effect of terminating or materially reducing such Core Service at the Hospital.

7 **14.2 Review Prior to Termination of Service or Program.** During the term of this
8 Agreement, Lessee shall give Lessor prior written notice of any proposed termination or material
9 reduction of a core Hospital program or service set forth on **Schedule "14.2"** attached hereto
10 ("**Core Services**"). Before giving such notice, Lessee shall consult with the Medical Staff and
11 Local Governing Board regarding the proposed termination or material reduction. Within ninety
12 (90) days after receiving such notice, Lessor shall have the right to hold one or more noticed
13 public meetings at which the public and Lessor's board have an opportunity to comment on such
14 termination or material reduction of Core Services. A representative of Lessee shall attend such
15 public meeting(s). After the public meeting(s), Lessee's board of directors shall then consider and
16 make the final decision regarding the proposed termination or material reduction, and so notify
17 Lessor's board in writing.

18 Notwithstanding the foregoing, Lessee agrees not to terminate or materially reduce any
19 of the Core Services prior to the third (3rd) anniversary of the commencement date of this
20 Agreement. Thereafter, if Lessee proposes any termination or material reduction of Core Services
21 due to financial infeasibility or hardship, Lessee shall submit with its written notice to Lessor
22 either an analysis and report regarding the financial aspects of such Core Service or the continued

1 availability of such Core Service elsewhere in the community served by the District (other than
2 at JFK).

3 14.3 Restrictions on Assignment and Subletting. Except as set forth in the second
4 paragraph of this Paragraph 14.3, Lessee shall not assign all or any part of this Agreement, or
5 sublet any space in the Hospital itself where patient care is provided, without Lessor's prior
6 written consent. Notwithstanding the foregoing or any other provision of this Agreement, without
7 obtaining any consent from Lessor, (i) Lessee shall have the right to use or sublease to one or
8 more Persons, and nothing in this Agreement shall prohibit or restrict Lessee from using or
9 subleasing to one or more Persons, all or any portion of the Leased Premises (other than the
10 Hospital itself where patient care is provided) as medical office buildings or such other purposes
11 as are deemed by Lessee to be necessary or advisable to promote the provision of health care,
12 and (ii) Lessee shall have the right to engage, and nothing in this Agreement shall prohibit or
13 restrict Lessee from engaging, one or more Persons as its manager or agent with respect to all or
14 any portion of the Hospital where patient care is provided. As a condition to such consent,
15 Lessor may require that the assignee of this entire Agreement or sublessee of the entire Hospital
16 (i) furnish evidence of the assignee's or sublessee's financial capacity to meet its obligations under
17 this Agreement; and (ii) execute in writing an agreement in a form approved by Lessor setting
18 forth the assignee's or sublessee's commitment to accept and assume (or perform on a sublease
19 basis, as applicable) the obligations of Lessee under this Agreement on a prospective basis (as
20 applicable to the proposed assignment or sublease). If Lessee proposes a sublease of space in the
21 Hospital hereunder for the purpose of having another party operate a hospital service or activity,
22 and Lessor objects or refuses to grant consent to such sublease, then notwithstanding any other

1 provision of this Agreement to the contrary, Lessee shall have the option of terminating the
2 hospital service or activity which Lessee wished to sublease (subject to Paragraph 14.2).

3 Notwithstanding the preceding paragraph, Lessee shall have the right to make a permitted
4 transfer in the form of an assignment of all or part of this Agreement or a sublease of all or part
5 of the Hospital, if such assignment or sublease (a "**Permitted Transfer**") is made to an Affiliate
6 of Lessee (the "**Permitted Transferee**") subject to the following conditions: Prior to making
7 a Permitted Transfer, Lessee shall provide Lessor sixty (60) days' prior written notice of such
8 proposed Permitted Transfer, which notice shall include (i) a description of the Permitted
9 Transferee, including the names of any investors holding more than a ten percent (10%) interest
10 in the Permitted Transferee; (ii) evidence of the financial capacity of the Permitted Transferee to
11 meet its obligations under this Agreement; and (iii) the commitment of the Permitted Transferee
12 to execute in writing an agreement in a form approved by Lessor setting forth the commitment
13 of the Permitted Transferee to accept and assume the obligations of Lessee under this Agreement
14 on a prospective basis (as applicable to the proposed assignment or sublease).

15 As Lessor has determined that the combined resources and experience of Lessee and its
16 Affiliates, including Tenet Healthcare Corporation ("**Tenet**"), provide the best opportunity to
17 meet the goals and objectives for this Agreement, Lessee shall at all times under this Agreement
18 be controlled by Tenet or an Affiliate of Tenet; provided, however, that nothing in this paragraph
19 shall preclude Tenet altering its ownership interests in Lessee, or Lessee offering new investment
20 opportunities to other Persons in Lessee, providing that the control of Lessee is retained by Tenet
21 or its Affiliates.

22 14.4 Attornment and Nondisturbance of Subtenants. If Lessee subleases to one or more
23 Persons all or any portion of the Leased Premises as permitted herein, each such sublease shall

1 contain a provision requiring the sublessee of such sublease to attorn to Lessor if Lessee defaults
2 under or otherwise terminates this Agreement. Lessor shall recognize each and every such
3 sublease and shall not disturb any such sublessee's possession thereunder so long as such sublessee
4 is not in default under such sublease, such sublessee attorns to Lessor and pays to Lessor all rent
5 due and payable after the date of such attornment (subject to any rights of Lessee set forth
6 elsewhere in this Agreement and without any liability or obligation by Lessee or such sublessee
7 to refund any amount of prepaid rent previously received by Lessee or such sublessee from the
8 attorning sublessee), and Lessor shall not be responsible to such sublessee for any act, omission,
9 event or circumstance by Lessee or any sublessee claiming under Lessee occurring on or prior to
10 the date of such attornment. In connection with any sublease that Lessee wishes to enter into,
11 Lessee shall be responsible for undertaking all acts necessary for such sublease to comply with the
12 Subdivision Map Act of California, Government Code Section 66410 et seq. and/or local
13 ordinances and regulations pertaining to the regulation and control of subdivisions, including
14 preparing and filing any parcel map or obtaining waivers or lot line adjustments as Lessee
15 reasonably determines are necessary for such compliance, if applicable. Lessor shall cooperate
16 fully, at no cost to Lessor, and shall execute such applications and other documentation as may
17 be requested by Lessee that are necessary or customary in the circumstances.

18 14.5 Use and Inspection of Premises by Lessor. Lessee shall permit Lessor to use its
19 meeting or office facilities on the Leased Premises for regular and special meetings of Lessor's
20 board of directors, provided, however, that Lessor gives Lessee reasonable notice of the date, time
21 and duration of such meetings. Lessee shall also provide Lessor with a district office (including
22 space for the Foundation's offices) in the Stergios Building and necessary storage space for their

1 books and records on a sublease basis, without any rent charge. Lessor shall also have the right
2 to inspect the Leased Premises during the term of this Agreement.

3 14.6 Accreditation. Lessee shall use best efforts to continuously maintain any
4 accreditation which may be necessary for Lessee to continue to operate the Leased Premises as
5 a health care institution, including without limitation, its accreditation with the Joint Commission
6 on Accreditation of Healthcare Organizations ("JCAHO").

7 14.7 License. Lessee shall use best efforts to continuously maintain a valid license issued
8 by the Department of Health Services of the State of California for the operation of the Leased
9 Premises as a health care institution, and to maintain any additional licenses, permits and other
10 governmental approvals necessary for Lessee to continue to operate the Leased Premises as a
11 health care institution.

12 14.8 Payment Systems. Lessee shall use commercially reasonable efforts to maintain (i)
13 its certification for participation in the Medicare program or any successor thereto, (ii) its
14 qualification for participation in the Medi-Cal program or any successor thereto, and (iii) its
15 qualification for participation in and payment under private insurance programs having broad
16 application and federal, state and local governmental programs providing for payment or
17 reimbursement for services rendered; provided, however, that nothing herein shall require Lessee
18 to (a) institute or maintain any action or proceeding against the State of California or any other
19 governmental entity or agency, (b) enter into a contract with a Local Initiative or Mainstream
20 Plan under the Department of Health Services' plan for expanding Medi-Cal managed care, or
21 (c) comply with any new laws or regulations which substantially modify existing laws or
22 regulations respecting Disproportionate Share Payments.

1 14.9 Capital Projects. **Schedule "14.9"** is a listing of potential future capital projects
2 contemplated by the Hospital. Subject to unforeseen developments or a good faith determination
3 by Lessee that any project has become technically or economically infeasible, Lessee shall use
4 commercially reasonable efforts to undertake and complete such future capital projects as may
5 be determined by mutual agreement between Lessee and the Local Governing Board, and shall
6 spend on future capital projects over the first three (3) years of this Agreement a cumulative
7 amount equal to at least the cumulative capital projects expenditures of the Corporation over the
8 immediately preceding three-year period. Lessee shall give Lessor written notice of any decision
9 after the date of this Agreement not to pursue completion of any future capital project listed on
10 Schedule 14.9 and the reasons therefor.

11 14.10 Health and Safety Code Requirements. To the extent applicable to Lessee, Lessee
12 shall conform to and abide by each and all of the provisions of Section 32128 of the Local Health
13 Care District Law, and any rules established by the Lessor thereunder or by the Hospital local
14 governing board described in Paragraph 14.11 below thereunder with Lessee's approval, including
15 without limitation, the provisions regarding the self-governance of the medical staff regarding
16 professional work performed in the Hospital and the provisions regarding the preparation and
17 maintenance of accurate and complete medical records of all patients.

18 14.11 Governance.

19 14.11(a) Local Governing Board. The parties agree to establish a local governing
20 board ("**Local Governing Board**") to provide for community participation, particularly by
21 persons possessing special expertise, regarding the medical aspects of the Hospital's operations.
22 and the delivery of health care to the community served by the District. The Local Governing
23 Board shall have thirteen members, a majority of which shall be physician members from the

1 Hospital's medical staff and, provided that Brown Act compliance is not required as a result
2 thereof, shall include up to two members selected by the District under a mutually-agreeable
3 selection process. Members of the Board of Directors of the Corporation immediately prior to
4 its dissolution may not serve on the Local Governing Board for more than one year under this
5 Agreement, and no more than two such members of the Corporation's board shall so serve. The
6 Local Governing Board shall have authority over the following medical aspects of the Hospital's
7 operation: (i) the appointment and reappointment of medical staff; (ii) the review of the quality
8 of medical services provided at the Hospital (including medical staff bylaws); (iii) the maintenance
9 of the Hospital licensure and JCAHO accreditation; (iv) the approval of the Chief Executive
10 Officer of the Hospital; (v) the right to review and approve all proposed operating and capital
11 budgets for the Hospital; (vi) the right to review and approve all material hospital-based physician
12 contracts; (vii) the right to review and provide recommendations to Lessee on coordination of
13 services; (viii) the right to review and provide comments to Lessee with respect to any proposed
14 termination or material reduction of Core Services before such proposal is submitted to Lessor's
15 board, and (ix) the ability to act as a forum regarding community input of the delivery of health
16 care to the community. If at any time the laws of the State of California should be amended to
17 require the Local Governing Board meetings to be subject to the Brown Act, Lessee and Lessor
18 shall meet to reorganize the Local Governing Board in order to maintain the parties' intent
19 regarding the non-public nature of the Local Governing Board meetings. The Local Governing
20 Board shall operate in accordance with the Operating Guidelines (including conflict-of-interest
21 policies) attached hereto as **Schedule "14.11(a)"**, which Operating Guidelines may not be
22 amended without mutual written approval of the parties hereto.

1 14.11(b) Corporate Board of Directors of Lessee. Notwithstanding the above
2 provisions regarding the Local Governing Board, the corporate board of directors of Lessee will
3 nevertheless retain ultimate decision-making power, control and authority over the operations of
4 the Hospital, including without limiting the generality of the foregoing, reserved power sufficient
5 to oversee the conduct of the day-to-day operations of the Hospital, to maintain ultimate
6 responsibility for the performance of the Hospital's executives, management and employees, and
7 to maintain ultimate responsibility to determine the capital needs and actual operating and capital
8 budgets of the Hospital.

9 14.11(c) Medical Staff Bylaws. Lessee shall recognize and adopt the medical staff
10 bylaws in effect immediately prior to the effective date of this Agreement, with additional
11 provisions satisfactory to Lessee regarding the authority of the Local Governing Board and the
12 corporate board of directors of Lessee as provided in this Paragraph 14.11. The Local Governing
13 Board shall act as the governing body described in those medical staff bylaws.

14 14.12 Annual Reporting. Lessee shall provide to Lessor an annual report on the
15 operation of the Hospital in the format set forth on **Schedule "14.12"** attached hereto, or such
16 other format as the parties may mutually agree.

17 14.13 Donor Support. Lessee shall maintain existing donor identification on various
18 buildings, rooms, wall displays and other aspects of the Hospital and generally support the
19 District's and any other party's efforts to generate additional donor support for the Hospital in
20 the future.

1 15.4 Surrender of Leased Premises and Desert Businesses. Upon the expiration or
2 earlier termination of this Agreement (but subject to Paragraph 3.6 and Articles VI and VIII),
3 Lessee shall surrender unto Lessor the Leased Premises in the same condition as when received
4 (normal wear and tear, normal obsolescence and the effect of the elements excepted), together
5 with all of Lessee's patient records, including without limitation the items listed in Title 22,
6 Section 70749 in the California Code of Regulations (or any successor regulation of similar effect),
7 and all records and books relating to the Leased Premises and the Termination Assets which are
8 reasonably necessary to the operation thereof by Lessor or a successor lessee. In this regard,
9 Lessee shall maintain throughout the term of this Agreement appropriate building records,
10 notwithstanding any provision of the Pre-Lease Agreement permitting destruction of old records.
11 At such time, Lessee shall also cooperate with Lessor in obtaining the transfer and assignment to
12 Lessor or to any lessee succeeding Lessee of all licenses, permits and contracts, including without
13 limitation contracts with Payors for health care services, related to the operation of the Leased
14 Premises as an acute care hospital. During the last twelve (12) months preceding the termination
15 of this Agreement, Lessee shall afford Lessor and its agents reasonable access to the Leased
16 Premises and to Lessee's books and records for the operation of the Hospital for the purpose of
17 showing them to prospective lessees or purchasers of the Leased Premises, provided Lessor and
18 its agents, as well as any prospective lessees or purchasers, agree in writing with Lessee to keep
19 any such information confidential, except as otherwise provided by law. Lessee shall assign to
20 Lessor or its designee, and Lessor or its designee shall assume and agree to indemnify and hold
21 Lessee harmless from any further liability with respect to future performance or obligations under
22 any of the foregoing contracts relating to the operation of the Leased Premises or the then-current
23 Desert Businesses. Lessor or its successor shall thereafter provide reasonable access to Lessee to

1 such contracts and records for Lessee's own use in billing, collecting or otherwise concluding its
2 business conducted in connection with the Desert Businesses prior to such expiration or
3 termination. For purposes of the foregoing Paragraph, the parties agree that the assets used in
4 connection with any other Desert Business conducted within a ten (10)-mile geographical radius
5 of the Hospital at the time of such expiration or termination shall be surrendered with the Leased
6 Premises for this purpose (subject to Paragraphs 15.5 and 15.6 to the extent that such assets are
7 owned by Lessee), whether or not such Desert Businesses are operated by Lessor or the
8 Corporation prior to the commencement of this Agreement.

9 15.5 Disposition of Lessee's Property upon Termination.

10 15.5(a) Purchase of Termination Assets. Upon the expiration or earlier
11 termination of this Agreement for any reason whatsoever, and notwithstanding any other
12 provision of this Agreement, all alterations, additions or improvements to the Leased Premises
13 made by Lessee, including any additional or replacement items of Personal Property acquired by
14 Lessee during the term of this Agreement (collectively, the "**Termination Assets**"), shall be
15 transferred to Lessor; provided, however, that Lessor shall purchase and pay Lessee a sum equal
16 to the fair market value or net book value (cost less accumulated depreciation), whichever is less,
17 of the Termination Assets upon such expiration or termination. If Lessor so elects in writing at
18 least sixty (60) days prior to such expiration or termination, Lessor may pay such amount
19 pursuant to a five (5)-year negotiable promissory note of Lessor, which shall have all of the same
20 terms and provisions as provided in Paragraph 15.7 for the promissory note given to evidence
21 liability for any Unearned Prepaid Rent. The Termination Assets shall include all real and
22 personal property and all tangible and intangible assets which are owned by Lessee and used in
23 connection with the Desert Businesses and which are within the geographic area referred to in

1 the last sentence of Paragraph 15.4, to the extent not already owned by Lessor and included
2 within the Leased Premises (excluding only any such assets for which Lessor's consent was
3 required for such assets to be included in the Termination Assets pursuant to Paragraph 3.5 and
4 for which such consent was not sought or obtained), and Lessor shall pay Lessee for such assets
5 in accordance with the preceding sentence.

6 15.5(b) Lease of Termination Assets. In lieu of purchasing the Termination Assets,
7 Lessor shall have the right to elect in writing to Lessee within ninety (90) days prior to the
8 expiration or termination, to lease from Lessee the Termination Assets at a rental rate equal to
9 the fair market rental rate for the Termination Assets or the amount by which such assets
10 continue to be depreciated on the books of Lessee, whichever is greater, for a term ending on the
11 earlier of (i) the first (1st) anniversary date of the expiration or termination; or (ii) the date upon
12 which Lessor either enters into a lease with another tenant for the Hospital or obtains a loan to
13 purchase the Termination Assets. At the end of the foregoing lease term, Lessor shall purchase
14 the Termination Assets as provided above for their then-current fair market value or net book
15 value (cost less accumulated depreciation), whichever is less. The lease agreement for the
16 Termination Assets shall provide for monthly payment of rent by Lessor and shall be evidenced
17 in a commercially reasonable lease document in form and substance satisfactory to Lessee and
18 its counsel.

19 15.5(c) Option to Extend Lease Term. If the purchase price of the Termination
20 Assets would exceed \$10,000,000, then in lieu of purchasing the Termination Assets, Lessor shall
21 have the right to elect by written notice to Lessee within one (1) year prior to the expiration of
22 this Agreement, to extend the term of this Agreement for a period of months (the "TA Extension
23 Period") equal to (i) the fair market value or net book value, whichever is less, of the Termination

1 Assets upon such expiration or termination, divided by (ii) the original Prepaid Rent amount
2 divided by 360 (which latter figure shall be confirmed by the parties in the addendum to be
3 attached hereto as provided in Paragraph 2.1 above). The consideration for such TA Extension
4 Period is, and the Prepaid Rent during such TA Extension Period shall be deemed to be, an
5 amount equal to the fair market value or net book value, whichever is less, of the Termination
6 Assets, and the District shall thereafter have no obligation to pay for those Termination Assets
7 at the end of the TA Extension Period; provided, however, that any additional Termination
8 Assets made or acquired during the TA Extension Period shall be subject to purchase under
9 Paragraph 15.5(a) or lease under Paragraph 15.5(b) at the end of the TA Extension Period.
10 Notwithstanding the foregoing, as to any Termination Assets which are not located on the Leased
11 Premises, Lessee shall have the option to elect to (i) include them within the option to extend the
12 term of this Agreement for purposes of and as calculated under this Paragraph 15.5(c), or (ii)
13 exclude them from the operation of this Paragraph 15.5(c) and thereby require Lessor to purchase
14 such off-campus improvements under Paragraph 15.5(a) or to lease them under Paragraph 15.5(b)
15 at the end of the TA Extension Period.

16 15.6 Inventory and Prepays. Upon the expiration or earlier termination of this
17 Agreement for any reason whatsoever, the Inventory and Prepays shall be transferred to Lessor;
18 provided, however, that within sixty (60) days after such expiration or termination, Lessor shall
19 pay Lessee a sum equal to the net book value of the Inventory and the book value of the Prepays
20 at the time of such expiration or termination. Unless the parties otherwise agree, a physical
21 inventory of the Inventory shall be conducted on such expiration or termination date in the same
22 manner as provided in the Pre-Lease Agreement with respect to the sale of the existing Inventory
23 of the Hospital to Lessee at the commencement of this Agreement.

1 15.7 Rebate of Unearned Prepaid Rent upon Certain Terminations. Upon the
2 termination of this Agreement under Paragraph 3.2(c), 6.1, 6.2, or 8.5, or Article VII, where
3 Lessor is liable for reimbursement and rebate to Lessee of the Unearned Prepaid Rent
4 attributable to the portion of the original lease term after the termination date, Lessor shall either
5 (i) reimburse and rebate such amount in immediately available funds on or prior to the
6 termination date, or (ii) if Lessor so elects in writing at least sixty (60) days prior thereto,
7 reimburse and rebate such amount under and pursuant to a negotiable promissory note of Lessor.
8 Such promissory note shall (i) have a term of five (5) years, (ii) bear interest at a rate equal to the
9 "prime rate" reported by The Wall Street Journal under "Money Rates" from time to time during
10 the term of such promissory note, plus one percent (1%) per annum; (iii) require principal and
11 interest payments in sixty (60) consecutive monthly payments calculated upon a 15-year
12 amortization, with the unpaid balance all due and payable on or before the fifth (5th) anniversary
13 of the termination date; (iv) provide for a late charge of 5% on any payment overdue by thirty
14 (30) or more days; (v) provide for acceleration at the holder's option and payment in full if any
15 payment is remains unpaid more than 30 days after written notice that such payment is overdue;
16 (vi) permit optional prepayment at any time; and (vii) be secured by a first-priority lien upon and
17 security interest in all of the Leased Premises, Termination Assets, and any other real or personal
18 property assets, tangible or intangible, constituting or used in connection with the Desert
19 Businesses, all in form and substance satisfactory to Lessee and its counsel. The "**Unearned**
20 **Prepaid Rent**" shall mean that amount determined by adding up all of the annual Prepaid
21 Rent amounts on Schedule "2.1" attributable to the portion of the original lease term (as such
22 term has been extended under Paragraph 3.2(d), 6.3, and/or 15.5(c), if applicable) after the
23 termination date (prorating on a daily basis the Prepaid Rent on such Schedule attributable to

1 the current year in which the termination date occurs, with such prorated amount after the
2 termination date being included in the Unearned Prepaid Rent hereunder).

3 ARTICLE XVI

4 MISCELLANEOUS

5 16.1 Modification or Amendment. This Agreement may not be modified or amended
6 except pursuant to an instrument in writing executed and delivered on behalf of each of the
7 parties to this Agreement.

8 16.2 Waiver of Conditions. The conditions to each of the party's obligations to
9 consummate this Agreement are for the sole benefit of such party and may be waived by such
10 party in whole or in part to the extent permitted by applicable law.

11 16.3 Indemnification.

12 16.3(a) Lessee shall defend, indemnify and hold Lessor harmless from, and
13 reimburse Lessor for, any loss, cost, expense, liability or damage (including, without limitation,
14 reasonable attorneys' fees and costs with a reasonable estimate of the allocable cost of in-house
15 legal counsel and staff) in connection with or in any way related to, any breach or default in the
16 performance of any obligation to be performed by Lessee under the terms of this Agreement, or
17 any intentional misconduct or negligence of Lessee, or any officer, agent, employee, guest, or
18 invitee of Lessee or of any sublessee of Lessee, regardless of whether such intentional misconduct
19 or negligence was active or passive.

20 16.3(b) Lessor shall defend, indemnify and hold Lessee harmless from, and
21 reimburse Lessor for, any cost, expense, liability or damage (including, without limitation,
22 reasonable attorneys' fees and costs with a reasonable estimate of the allocable cost of in-house
23 legal counsel and staff), in connection with or in any way related to any breach or default in the

1 performance of any obligation to be performed by Lessor under the terms of this Agreement
2 during the term hereof or any intentional misconduct or negligence of Lessor, or any officer,
3 agent, employee, guest or invitee of Lessor, regardless of whether such intentional misconduct or
4 negligence was active or passive.

5 16.3(c) In the event of the occurrence of any event which a party asserts
6 is an indemnifiable event pursuant to this Paragraph, such party shall notify the other party
7 promptly and, if such event involves the claim of any third person, the notified party shall have
8 sole control over, and shall assume all expense with respect to, the defense, settlement, adjustment
9 or compromise of any claim as to which this Paragraph requires it to indemnify the other,
10 provided that (i) the other may, if it so desires, employ counsel at its own expense to assist in the
11 handling of such claim, and (ii) the indemnifying party shall obtain the prior written approval of
12 the other party, which shall not be unreasonably withheld, before entering into any settlement,
13 adjustment or compromise of such claim or ceasing to defend against such claim, if pursuant
14 thereto or as a result thereof there would be imposed injunctive or other similar relief against the
15 other party. All indemnification obligations hereunder shall survive the expiration or earlier
16 termination of this Lease.

17 16.3(d) In the event of any termination of this Agreement as to which Lessee
18 is not entitled to a reimbursement and rebate of Unearned Prepaid Rent under Paragraph 15.7
19 above, Lessee will instead be entitled to a credit against any indemnity obligations hereunder in
20 the maximum amount of such Unearned Prepaid Rent.

21 16.4 Trade Secrets. At all times during this Agreement and following the expiration
22 or earlier termination of this Agreement, except as may be required by law, neither party hereto
23 shall, without the prior consent of the other party, use, disclose or knowingly permit any other

1 person or entity to disclose or use any trade secrets or proprietary information belonging or
2 pertaining to the other party.

3 16.5 Governing Law. This Agreement shall be governed by and construed in
4 accordance with the laws of the State of California.

5 16.6 Invalidity. In the event that any one or more of the provisions contained in this
6 Agreement shall be invalid, illegal or unenforceable in any respect, the validity, legality and
7 enforceability of the remaining provisions contained in this Agreement shall not in any way be
8 affected or impaired thereby. To the extent permitted by applicable law, each party to this
9 Agreement waives any provision of law which renders any provision of this Agreement invalid,
10 illegal or unenforceable in any respect. In the event any provision of this Agreement shall be held
11 invalid, illegal or unenforceable, the parties shall use all reasonable efforts to substitute a valid,
12 legal and enforceable provision which implements the purposes and intents of this Agreement.

13 16.7 Notices. All notices, requests, demands, waivers, consents and other
14 communications hereunder shall be in writing, shall be delivered either in person, by telegraphic,
15 facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to
16 have been duly given and to have become effective (a) upon receipt if delivered in person or by
17 telegraphic, facsimile or other electronic means calculated to arrive on any business day prior to
18 6:00 p.m. local time at the address of the addressee, or on the next succeeding business day if
19 delivered on a non-business day or after 6:00 p.m. local time, (b) one business day after having
20 been delivered to an air courier for overnight delivery or (c) three business days after having been
21 deposited in the mails as certified or registered mail, return receipt requested, all fees prepaid,
22 directed to the parties or their assignees at the following addresses (or at such other address as
23 shall be given in writing by a party hereto):

1 If to Lessee, addressed to:
2

3 TENET HEALTHSYSTEM DESERT, INC.
4 c/o Tenet HealthSystem
5 14001 Dallas Parkway, Suite 105
6 Dallas, TX 75240
7 Attn: Donald W. Thayer
8 Facsimile: (214) 789-2318
9

10 with a copy to counsel for Lessee:
11

12 Tenet HealthSystem
13 14001 Dallas Parkway, Suite 200
14 Dallas, TX 75240
15 Attn: General Counsel
16 Facsimile: (214) 789-2370
17

18 and
19

20 Gary Q. Michel, Esq. and
21 John A. Meyers, Esq.
22 Ervin, Cohen & Jessup
23 9401 Wilshire Blvd., 9th Floor
24 Beverly Hills, CA 90212-2974
25 Facsimile: (310) 859-2325
26

27 If to Lessor, addressed to:
28

29 DESERT HOSPITAL DISTRICT
30 1150 North Indian Canyon Drive
31 Palm Springs, CA 92262
32 Attn: President of Board
33 Facsimile: (619) 864-9577
34

35 with a copy to counsel for Lessor:
36

37 Jeffrey G. Scott, Esq.
38 16935 W. Bernardo Drive, Suite 236
39 San Diego, CA 92127
40 Facsimile: (619) 675-9897
41

42 16.8 Entire Agreement. This Agreement (including any exhibits and Related
43 Agreements) (i) constitutes the entire agreement, supersedes all other prior agreements and

1 understandings, both written and oral, among the parties, or any of them, with respect to the
2 subject matter of this Agreement; (ii) is not intended to confer upon any person other than the
3 parties to this Agreement any rights or remedies under this Agreement; and (iii) shall not be
4 assignable by operation of law or otherwise, except as provided in Paragraph 14.3.

5 16.9 Captions. The article and Paragraph captions in this Agreement are for
6 convenient reference only, do not constitute part of this Agreement and shall not limit or
7 otherwise affect any of the provisions of this Agreement.

8 16.10 Additional Documents. In addition to the documents and instruments to be
9 delivered as provided in this Agreement, each of the parties shall, from time to time at the request
10 of the other party, execute and deliver to the other party such other documents and shall take
11 such other actions as may be reasonably required to carry out more effectively the terms of this
12 Agreement.

13 16.11 Time is of the Essence. Time is hereby made of the essence with respect to each
14 and every term of this Agreement, including the delivery of rent and all other time constraints
15 and deadlines imposed under the terms of this Agreement.

16 16.12 Dispute Resolution. In the event any disagreement, dispute or claim (collectively,
17 a "**Dispute**") arises between Lessor and Lessee with respect to the enforcement or interpretation
18 of any term or provision of this Agreement or whether an alleged default or breach hereof has
19 or has not occurred, or with respect to any indemnity claim or right or any other matter related
20 to or arising out of this Agreement or the relationship or transactions contemplated hereby, such
21 Dispute shall be resolved in accordance with the following procedures:

22 (a) Meet-and-Confer. In the event of a Dispute between Lessor and Lessee,
23 either party may give written notice to the other party setting forth the nature of such Dispute

1 ("Dispute Notice"). The parties shall meet and confer to discuss the Dispute in good faith
2 within thirty (30) days of the other party's receipt of the Dispute Notice in an attempt to resolve
3 the Dispute (unless the parties have already engaged in a meet-and-confer process with respect
4 to such matter under another provision of this Agreement, in which event they may proceed
5 directly to arbitration upon receipt of the Dispute Notice hereunder). All representatives shall
6 meet at such date(s) and time(s) as are mutually convenient to the representatives of each party
7 within such 30-day period.

8 (b) Arbitration of Disputes. Except as set forth below, any Dispute which
9 cannot be resolved by Lessor and Lessee within thirty (30) days after either party's receipt of a
10 Dispute Notice may be submitted at the option of either party to binding arbitration, which
11 arbitration shall be conducted in accordance with the following provisions:

12 (1) Venue. The arbitration shall be conducted in Riverside County, California,
13 unless the parties mutually determine that another venue would be more convenient for
14 the parties.

15 (2) Law. The governing law shall be the law of the State of California.

16 (3) Selection. A single disinterested third party arbitrator shall be selected by
17 mutual agreement of the parties, or if they are unable to mutually select an arbitrator
18 within fifteen (15) days after either party notifies the other of its desire to arbitrate the
19 Dispute, then by JAMS/Endispute (JAMS) in accordance with its then-current Rules of
20 Practice and Procedure.

21 (4) Administration. The arbitration shall be administered by JAMS.

22 (5) Rules. The rules of arbitration shall be the Rules of Practice and
23 Procedure of JAMS as may be modified by the parties to the arbitration by mutual

1 agreement at the time of the arbitration, except that the provisions of California Code of
2 Civil Procedure Section 1283.05 are incorporated into and made applicable to this
3 agreement to arbitrate, unless the parties agree otherwise at such time. For good cause
4 shown and on order of the arbitrator, depositions may be taken and discovery may be
5 obtained in accordance with California Code of Civil Procedure Section 1283.05.

6 (6) Award. The decision of the arbitrator shall be final and binding upon the
7 parties hereto, and judgment upon the award may be entered in any court of competent
8 jurisdiction in the United States. The award shall include written findings of fact, a
9 summary of the evidence and reasons underlying the decision and conclusions of law.
10 The arbitrator shall have the power to award equitable relief, including specific
11 performance of the terms and conditions of this Agreement and/or injunctive relief.
12 However, the arbitrator shall not have the right or power to issue an award which
13 terminates this Agreement, approves any such termination by action of Lessor, or
14 otherwise affects Lessee's right to occupy the Leased Premises without disturbance, unless
15 and until (a) the arbitrator shall have first issued a final, binding award requiring specific
16 performance of this Agreement or enjoining a violation of this Agreement by Lessee, and
17 (b) Lessee shall have failed to comply with such prior award within thirty (30) days
18 thereafter (or if such compliance cannot reasonably be accomplished within such 30-day
19 period, Lessee shall have failed to commence such compliance within such 30-day period
20 and thereafter diligently prosecuted it to completion). Furthermore, the arbitrator shall
21 not have the right or power to award punitive or exemplary damages.

22 (7) Fees and Costs. As part of the award, the arbitrator may award reasonable
23 and necessary costs actually incurred by the prevailing party, as determined by the

1 arbitrator in his or her award, including that party's share of the arbitrators' fees, costs and
2 expenses, as well as any administration fees. The arbitrator may also include reasonable
3 attorneys' fees in an award of costs if the arbitrator finds that the party against whom the
4 fees are assessed acted frivolously or in bad faith in its demand for, or participation in, the
5 arbitration.

6 NOTICE: By initialing the space below Lessor and Lessee are agreeing to have any Dispute arising out of the
7 matters included in this "arbitration of disputes" provision decided by neutral arbitration as provided by
8 California law (provided that such Dispute has not been resolved through the meet-and-confer discussions
9 described above) and the parties are giving up any rights they might possess to have the Dispute litigated in a
10 court or jury trial. By initialing the space below Lessor and Lessee hereby agree to give up their judicial rights
11 to discovery and appeal, unless those rights are specifically included in this "arbitration of disputes" provision.
12 If Lessor or Lessee refuses to submit to arbitration after agreeing to this provision, such party may be compelled
13 to arbitrate under the authority of the California Code of Civil Procedure.
14

15 
16 _____
17 Lessor

_____ Lessee

18 (c) Injunctive Relief. Nothing in this Agreement shall be interpreted to limit
19 either party's right to pursue preliminary or provisional equitable relief pending the
20 arbitration award, including, without limitation, specific performance or a temporary
21 restraining order or preliminary injunctive relief, from a court of competent jurisdiction
22 at any time. By way of example, the foregoing provisions of this Paragraph shall not be
23 interpreted to require either party to submit to meet-and-confer or arbitration prior to
24 exercising such party's right to pursue preliminary equitable relief to protect trade secrets
25 or prevent irreparable harm.

26 (d) Selection of Alternative Arbitrator. In the event that JAMS is not in
27 existence at the time of commencement of the arbitration proceeding, as applicable, then
28 the Commercial Panel of the American Arbitration Association ("AAA") shall administer
29 such proceeding. In such case, all references to JAMS in this Agreement shall instead

1 arbitrator in his or her award, including that party's share of the arbitrators' fees, costs and
 2 expenses, as well as any administration fees. The arbitrator may also include reasonable
 3 attorneys' fees in an award of costs if the arbitrator finds that the party against whom the
 4 fees are assessed acted frivolously or in bad faith in its demand for, or participation in, the
 5 arbitration.

6 NOTICE: By initialing the space below Lessor and Lessee are agreeing to have any Dispute arising out of the
 7 matters included in this "arbitration of disputes" provision decided by neutral arbitration as provided by
 8 California law (provided that such Dispute has not been resolved through the meet-and-confer discussions
 9 described above) and the parties are giving up any rights they might possess to have the Dispute litigated in a
 10 court or jury trial. By initialing the space below Lessor and Lessee hereby agree to give up their judicial rights
 11 to discovery and appeal, unless those rights are specifically included in this "arbitration of disputes" provision.
 12 If Lessor or Lessee refuses to submit to arbitration after agreeing to this provision, such party may be compelled
 13 to arbitrate under the authority of the California Code of Civil Procedure.

14 _____
 15 Lessor

14 _____
 15 Lessee

16
 17
 18 (c) Injunctive Relief. Nothing in this Agreement shall be interpreted to limit
 19 either party's right to pursue preliminary or provisional equitable relief pending the
 20 arbitration award, including, without limitation, specific performance or a temporary
 21 restraining order or preliminary injunctive relief, from a court of competent jurisdiction
 22 at any time. By way of example, the foregoing provisions of this Paragraph shall not be
 23 interpreted to require either party to submit to meet-and-confer or arbitration prior to
 24 exercising such party's right to pursue preliminary equitable relief to protect trade secrets
 25 or prevent irreparable harm:

26 (d) Selection of Alternative Arbitrator. In the event that JAMS is not in
 27 existence at the time of commencement of the arbitration proceeding, as applicable, then
 28 the Commercial Panel of the American Arbitration Association ("AAA") shall administer
 29 such proceeding. In such case, all references to JAMS in this Agreement shall instead

1 refer to the AAA, and all references to the Rules of Practice and Procedure of JAMS in
2 this Agreement shall instead refer to the then-current commercial arbitration rules of the
3 AAA.

4 16.13 Relationship of Lessor and Lessee. Nothing contained herein shall be deemed or
5 construed as creating the relationship of principal and agent or of partnership or of joint venture
6 by the parties hereto, it being understood and agreed that no provision contained in this
7 Agreement nor any acts of the parties hereto shall be deemed to create any relationship other
8 than the relationship of lessor and lessee.

9 16.14 Consents Not Unreasonably Withheld. Wherever the consent or approval of any
10 parties is required under this Agreement, such consent or approval shall not be unreasonably
11 withheld, delayed or conditioned, unless such consent or approval is to be given by such party
12 at the sole and absolute discretion of such party or is otherwise similarly qualified.

13 16.15 Table of Defined Terms. Certain terms are used herein as defined in the Pre-
14 Lease Agreement, and reference should be made to the Pre-Lease Agreement for such definitions.
15 The terms listed below are defined elsewhere in this Agreement and, for ease of reference, the
16 Paragraph containing the definition of each such term is set forth opposite such term:

<u>Term</u>	<u>Paragraph</u>
Bond Document	4.1
Core Services	14.2
Corporation	B
Desert Businesses	A
Dispute	16.12
Dispute Notice	16.12(a)
Foundation	XIII
Hospital	A
Index	3.5
JCAHO	14.6

1	JFK	14.1
2	Leased Premises	1.1
3	Lien	12.1
4	Local Governing Board	14.11
5	Local Health Care District Law	C
6	Permitted Transfer	14.3
7	Permitted Transferee	14.3
8	Personal Property	1.1(b)
9	Pre-Lease Agreement	G
10	Prepaid Rent	2.1
11	Real Property	1.1(a)
12	Responsible Parties	XI
13	Tenet	14.3
14	Termination Assets	15.5
15	Unearned Prepaid Rent	15.7
16	Upgrade Cost	3.2(b)
17	Upgrade Extension Period	3.2(d)
18		
19		

20 16.16 No Third Party Beneficiaries. This Agreement is being entered into solely for the
21 benefit of the parties hereto and their respective successors and assigns, and is not intended to
22 benefit any third party or other Person, and only the parties hereto and their respective successors
23 and assigns shall have the right to enforce the terms hereof.


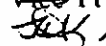
24 16.17 Calculation of Lease Extensions. Whenever in this Agreement it is provided that
25 the term hereof shall or may be extended, if the length of the extension would exceed the then
26 legally permissible period for which such an extension may be entered into between Lessor and
27 Lessee, the parties shall use best efforts to restructure the transaction so as to bring it within such
28 legal requirements (for instance, by entering into a new lease on the same terms and provisions),
29 if legally possible. If no such legally permissible restructuring can be mutually agreed upon, then
30 such extension shall instead be deemed to be for the maximum legally permissible period and,
31 if applicable, the balance of the value of the Termination Assets which would have provided the
32 basis for the additional extension period under Paragraph 15.5(c) which has been legally

1 prohibited shall instead be paid to Lessee as provided in Paragraph 15.5(a) or 15.5(b) above. as
2 applicable, at the end of the TA Extension Period. Furthermore, whenever this Agreement refers
3 to the original lease term, if such term has previously been extended pursuant to Paragraph
4 3.2(d), 6.3, and/or 15.5(c), if applicable, such extended lease term shall be used, in lieu of the
5 original lease term, for purposes of such reference.



6 16.18 Short Form Agreement. This Agreement shall not be recorded, but the parties
7 agree, at the request of either of them, to execute a short form agreement for recording,
8 containing the names of the parties, a description of the Leased Premises and the lease term.

9 IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed
10 as of the date first written above.

11
12 DESERT HOSPITAL DISTRICT

13
14
15 By: 
16 S. DUKE KOSSLYN
17 Vice President
18 

19
20 TENET HEALTHSYSTEM DESERT, INC.

21
22
23 By: 
24 DONALD W. THAYER
25 Authorized Signatory
26 



SCHEDULE 1.1(a)

EXHIBIT "A"

DESCRIPTION

DIVISION I

PARCEL A-1

LOT 1 OF TRACT NO. 27039 AS SHOWN BY MAP ON FILE IN BOOK 261 PAGES 17 AND 18 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY.

PARCEL A-2

THAT PORTION OF PARCEL 2 OF PARCEL MAP NO. 23597 ON FILE IN BOOK 163, PAGES 79 AND 80 OF PARCEL MAPS, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 1 OF TRACT NO. 27039 AS SHOWN BY MAP ON FILE IN BOOK 261 PAGES 17 AND 18 OF MAPS, RIVERSIDE COUNTY RECORDS;

THENCE NORTH 89° 59' 00" EAST 335.55 FEET;
THENCE SOUTH 00° 02' 00" EAST, A DISTANCE OF 478.51 FEET;

THENCE SOUTH 89° 56' 26" WEST, A DISTANCE OF 315.54 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHEASTERLY AND HAVING A RADIUS OF 20.00 FEET;

THENCE NORTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 90° 01' 34", AN ARC DISTANCE OF 31.43 FEET;

THENCE TANGENT TO SAID CURVE NORTH 00° 02' 00" WEST, A DISTANCE OF 35.97 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE EASTERLY AND HAVING A RADIUS OF 48.00 FEET;

THENCE NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 15° 17' 28", AN ARC DISTANCE OF 12.81 FEET;

THENCE TANGENT TO SAID CURVE NORTH 15° 15' 28" EAST, A DISTANCE OF 29.39 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE WESTERLY AND HAVING A RADIUS OF 72.00 FEET;

THENCE NORTHERLY ALONG SAID CRUVE THROUGH A CENTRAL ANGLE OF 15° 17' 28", AN ARC DISTANCE OF 19.22 FEET;

THENCE TANGENT TO SAID CURVE NORTH 00° 02' 00" WEST, A DISTANCE OF 95.71 FEET;

THENCE SOUTH 89° 58' 00" WEST, A DISTANCE OF 12.00 FEET;

THENCE NORTH 00° 02' 00" WEST, A DISTANCE OF 266.98 FEET TO THE POINT OF BEGINNING.

A LOT LINE ADJUSTMENT NO. 96-09 WAS RECORDED SEPTEMBER 9, 1996 AS INSTRUMENT NO. 340036 OFFICIAL RECORDS.

PARCEL B:

1

IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, THAT PORTION OF THE NORTHWEST QUARTER OF SECTION 11, TOWNSHIP 4 SOUTH, RANGE 4 EAST, S.B.M., DESCRIBED AS PORTIONS OF PARCELS "A" AND "B" OF LOT LINE ADJUSTMENT NO. 90-08, APPROVED BY THE CITY OF PALM SPRINGS AND RECORDED JUNE 24, 1993, AS INSTRUMENT NOS. 242380 AND 242381, RECORDS OF SAID RIVERSIDE COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID PARCEL "B" OF LLA NO. 90-08;

THENCE ALONG THE BOUNDARY LINES OF SAID PARCEL "B" THE FOLLOWING SIX (6) COURSES:

NORTH 89° 58' 26" EAST, A DISTANCE OF 871.58 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 20.00 FEET;
 THENCE NORTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 89° 57' 38", AN ARC DISTANCE OF 31.40 FEET;

THENCE TANGENT TO SAID CURVE NORTH 00° 01' 12" WEST, A DISTANCE OF 760.95 FEET;

THENCE SOUTH 89° 58' 31" WEST, A DISTANCE OF 616.66 FEET;

THENCE SOUTH 89° 59' 46" WEST, A DISTANCE OF 118.00 FEET TO A POINT ON A NON-TANGENT CURVE, CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 104.50 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 31° 41' 41" EAST;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 16° 53' 58", AN ARC DISTANCE OF 30.82 FEET;

THENCE CONTINUING ALONG THE BOUNDARY LINE OF SAID PARCEL "B" AND THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 48° 35' 39" WEST, A DISTANCE OF 25.50 FEET TO A POINT ON A NON-TANGENT CURVE, CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 79.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 48° 35' 39" EAST;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 6° 56' 24", AN ARC DISTANCE OF 9.57 FEET;

THENCE TANGENT TO SAID CURVE SOUTH 34° 27' 57" EAST, A DISTANCE OF 14.48 FEET TO THE BEGINNING OF A TANGENT CURVE, CONCAVE WESTERLY AND HAVING A RADIUS OF 9.00 FEET;

THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 66° 25' 19", AN ARC DISTANCE OF 10.43 FEET TO A POINT ON A REVERSE CURVE, CONCAVE EASTERLY AND HAVING A RADIUS OF 41.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 58° 02' 38" WEST;

THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 9° 48' 24" AN ARC DISTANCE OF 7.02 FEET;

THENCE NON-TANGENT TO SAID CURVE NORTH 89° 58' 00" EAST, A DISTANCE OF 27.26 FEET;

THENCE SOUTH 00° 02' 00" EAST, A DISTANCE OF 56.59 FEET TO A POINT ON A NON-TANGENT CURVE, CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 9.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 54° 31' 24" EAST;

THENCE SOUTHEASTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 20° 35' 03" AN ARC DISTANCE OF 3.23 FEET TO THE BEGINNING OF A COMPOUND CURVE, CONCAVE WESTERLY AND HAVING A RADIUS OF 155.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 75° 06' 27" EAST;

THENCE SOUTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 44° 42' 08", AN ARC DISTANCE OF 120.93 FEET TO THE BEGINNING OF A COMPOUND CURVE, CONCAVE NORTHWESTERLY AND HAVING A RADIUS OF 65.00 FEET, A RADIAL LINE TO SAID POINT BEARS SOUTH 60° 11' 25" EAST;

THENCE SOUTHWESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 38° 22' 01" AN ARC DISTANCE OF 43.53 FEET TO THE BEGINNING OF A COMPOUND CURVE, CONCAVE NORTHERLY AND HAVING A RADIUS OF 9.00 FEET, A RADIAL LINE TO SAID POINT BEARS SOUTH 21° 49' 24" EAST;

THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 33° 49' 11", AN ARC DISTANCE OF 5.31 FEET TO THE BEGINNING OF A REVERSE CURVE, CONCAVE SOUTHERLY AND HAVING A RADIUS OF 32.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 11° 59' 47" EAST;

THENCE WESTERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 51° 03' 07", AN ARC DISTANCE OF 28.51 FEET TO A POINT ON AFOREMENTIONED BOUNDARY LINES OF PARCEL "B" OF LOT LINE ADJUSTMENT NO. 92-08;

THENCE ALONG SAID BOUNDARY LINES THROUGH THE FOLLOWING THREE (3) COURSES:

SOUTH 00° 02' 00" EAST, A DISTANCE OF 19.15 FEET;
 THENCE SOUTH 89° 58' 00" WEST, A DISTANCE OF 121.45 FEET;
 THENCE SOUTH 00° 02' 00" EAST, A DISTANCE OF 478.51 FEET TO THE POINT OF BEGINNING.

A LOT LINE ADJUSTMENT NO. 96-09 WAS RECORDED SEPTEMBER 9, 1996 AS INSTRUMENT NO. 340036 OFFICIAL RECORDS.

DIVISION II

PARCEL 1:

PARCEL 1 OF PARCEL MAP NO. 26805 AS SHOWN BY MAP ON FILE IN BOOK 188 PAGES 91 AND 92 OF PARCEL MAPS, RIVERSIDE COUNTY RECORDS.

PARCEL 2:

PARCEL 2 OF PARCEL MAP NO. 26805 AS SHOWN BY MAP ON FILE IN BOOK 188 PAGES 91 AND 92 OF PARCEL MAPS, RIVERSIDE COUNTY RECORDS.

PARCEL 3:

IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS:

LOTS 74, 75, 76 AND 77 OF THE JOHN MEL TRACT AS PER MAP ON FILE IN BOOK 13 PAGE 18 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF RIVERSIDE COUNTY.

PARCEL 4:

IN THE CITY OF PALM SPRINGS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA DESCRIBED
AS:

LOTS 17 AND 18 OF THE JOYCE TRACT AS PER MAP RECORDED IN BOOK 13 PAGE 18 OF
MAPS, RIVERSIDE COUNTY RECORDS.

PARCEL 5:

DELETED

SCHEDULE 1.1(b)

Personal Property

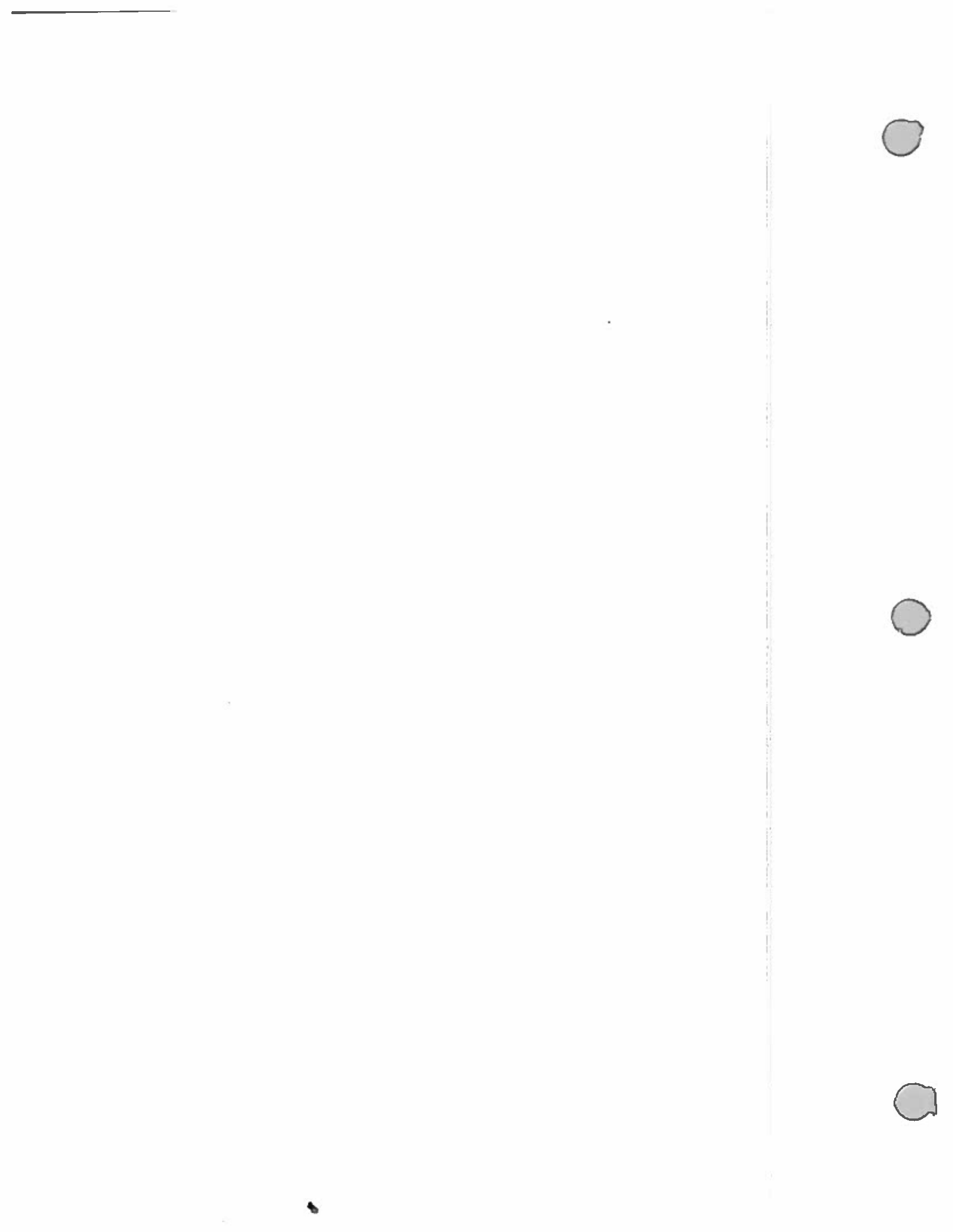
A schedule of personal property is provided in Schedule 1.1(b) of the Disclosure Statement delivered to Tenet HealthSystem Desert, Inc. by Desert Hospital District pursuant to Paragraph 4 of the Pre-Lease Agreement.



SCHEDULE 2.1

Schedule of Prepaid Rent

To be appended to this Agreement by Addendum in accordance with the provisions of Section 2.1 of the Lease.



SCHEDULE "14.2"

CORE SERVICES

- General Medical Services
- General Surgical Services
- Intensive/Critical Care Services
- Emergency Room Services (including Trauma Program)
- Pediatric Services (including Neonatal Services)
- Obstetrical Services (including Perinatal Services)
- Orthopedic Services (including surgery)
- Cardiac Services (including surgery)
- Oncology Services
- Special Services (including HIV Services)
- Hospice Program



SCHEDULE "14.9"

CAPITAL PROJECTS

The Hospital management is currently in the process of updating the list of potential future capital projects for upcoming fiscal years. This list shall be delivered to Lessee within thirty (30) days after the Closing Date for consideration and review with the Local Governing Board as to the feasibility and desirability of such potential projects.



SCHEDULE 14.11(a)

RULES AND REGULATIONS OF THE LOCAL GOVERNING BOARD OF

DESERT HOSPITAL

The Local Governing Board of DESERT HOSPITAL (the "Hospital") hereby adopts the following Rules and Regulations.

STRUCTURE

The Hospital is owned by DESERT HOSPITAL DISTRICT, a political subdivision of the State of California (the "District") and is leased to and is operated by TENET HEALTHSYSTEM DESERT, INC., a California corporation (the "Lessee"), which is an affiliate of Tenet Healthcare Corporation, a Nevada corporation ("Tenet").

ARTICLE I THE LOCAL GOVERNING BOARD FUNCTIONS AND DUTIES

The functions and duties of the Local Governing Board shall be as directed from time to time by the Board of Directors of the Lessee (hereinafter "Board of Directors"), consistent with the standards of the Joint Commission on Accreditation of Healthcare Organizations (hereinafter "JCAHO"), and applicable laws and regulations. Such functions shall include, but not be limited to, those stated below. The Local Governing Board shall provide for community participation, particularly by persons possessing special expertise, regarding the medical aspects of the Hospital's operations and the delivery of health care to the local community.

ARTICLE II LOCAL GOVERNING BOARD - STRUCTURE AND PROCEDURES

Section 1. Composition. Subject to Section 4(e)(3) below, the Local Governing Board shall be appointed by the Board of Directors and shall be composed of no more than thirteen (13) members. A majority of the Local Governing Board members shall be physician members of the Hospital Medical Staff and shall include the President of the Medical Staff. The remaining members of the Local Governing Board shall represent the Lessee and members of the community and shall include the Hospital CEO (as defined in Article IX below) and, provided that compliance with the Brown Act is not required as a result thereof, two (2) members shall be appointed by the Board of Directors of the Desert Hospital District ("District Members"). The initial Local Governing Board shall not include more than two (2) members who were members of the Desert Hospital Corporation Board of Directors immediately prior to its dissolution, except that this limitation shall not apply to

any member of the Desert Hospital Corporation Board of Directors who was also a member of the District Board of Directors. At least one (1) other non-physician member of the Local Governing Board shall be a local community resident who is neither employed by nor does business with Lessee (or any affiliate thereof) nor is related to any officer or director of Lessee (or any affiliate thereof). The Chief Nursing Executive shall serve as an ex officio, non-voting member of the Local Governing Board.

Section 2. Appointment. Subject to Section 4 below, members of the Local Governing Board, except those members whose terms will not then be expiring, shall be appointed annually by the Board of Directors or its designee. Members shall serve until their resignation, removal or other disqualification from service or until their respective successors are appointed.

Section 3. Conflict of Interest. The Local Governing Board shall implement a written Conflict of Interest Policy (attached hereto as Appendix A) that provides for full disclosure of the ownership and control of the Hospital and of any health care delivery organizations that are corporately and functionally related to the Hospital. The policy includes guidelines for the resolution of any existing or apparent conflict of interest. All Local Governing Board members shall be required to disclose possible conflicts of interest prior to their appointment to the Local Governing Board and periodically throughout their term(s).

Section 4. Terms of Service. Service on the Local Governing Board shall be in accordance with the following provisions:

a. **Staggered Terms.** Members shall serve staggered terms so that approximately one-third of the members complete their terms as of the end of any given "Local Governing Board Year" (as defined below). Newly appointed or reappointed members shall serve three-year terms except when the appointment fills a vacancy as to which less than three years remain.

b. **Local Governing Board Year.** The Local Governing Board Year shall be the same as the calendar year.

c. **Service of Local Governing Board Year.** For purposes of this Section 4, service during any part of a Local Governing Board Year shall be deemed service for a full Local Governing Board Year, whether such partial service results from being appointed to fill out an unexpired term or from any other cause.

d. **Nominations, Recommendations and Appointment.** Prior to the first day of the new Local Governing Board Year, the Local Governing Board shall submit to the Board of Directors, or its designee, the Local Governing Board's recommendations regarding appointment or reappointment. The Board of Directors, or its designee, shall consider said recommendations and make appointments and reappointments prior to or as of the end of the term of the incumbents whose terms are then expiring.

e. **Maximum Consecutive Service.** The maximum number of Local Governing Board Years which may be served, after which the member shall be ineligible for appointment until at least one (1) year of nonmembership has elapsed, is as follows:

(1) For the Hospital CEO and the Chief Nursing Executive serving ex officio: No limit.

(2) For appointed members who also have served ex officio as President of the Medical Staff: Six (6) plus total number served ex officio.

(3) For former members of Desert Hospital Corporation Board of Directors (other than those who were also on the District Board of Directors): One (1).

(4) For all other members: Six (6).

Section 5. Resignation and Removal.

a. **Resignation.** Any member may resign by written notice to the Chairman of the Local Governing Board or the Hospital CEO effective at the time specified in the notice.

b. **Removal.** Any member of the Local Governing Board may be removed, with or without cause, at any time by the Board of Directors. Unless the Board of Directors determines in good faith that providing prior notice of removal to a member of the Local Governing Board would jeopardize the interests of the Lessee, such member shall be given not less than ten (10) days' prior written notice of such removal.

c. **Attendance at Meetings.** Each member of the Local Governing Board shall attend at least nine (9) regular Local Governing Board meetings in each Local Governing Board Year, unless excused by the Chairman for good cause. Except in emergencies, a Local Governing Board member shall notify the Chairman or his designee in advance of any meeting from which said member will be absent, to obtain an excused absence. Failure to attend three (3) or more consecutive meetings, except for excused absences, may result in the removal of the member from the Local Governing Board by the Board of Directors.

Section 6. Vacancies. All vacancies on the Local Governing Board shall be filled by the Board of Directors after considering the recommendation, if any, of the Local Governing Board, except that any vacancy on the Local Governing Board by a District Member shall be filled in accordance with the procedure described in Article II, Section 1, for appointment of District Members.

Section 7. Regular Meetings. Regular meetings of the Local Governing Board shall be held monthly at the Hospital or at such other place as may be designated by the Board of Directors or the Local Governing Board.

Section 8. Other Representation at Local Governing Board Meetings. The Local Governing Board recognizes that one or more members of the Board of Directors shall be entitled to attend each regular and special meeting of the Local Governing Board, without voting rights.

Section 9. Special Meetings. Special meetings may be called by the Chairman of the Local Governing Board at his discretion or if requested for good cause by two other Local Governing Board members. Members shall be given written or oral notice of such special meetings, as time permits.

Section 10. Waiver of Notice. The transaction of any meeting of the Local Governing Board, however called and noticed or wherever held, shall be as valid as a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the members not present signs a written waiver of notice, a consent to hold such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the Local Governing Board records or made part of the minutes of the meeting.

Section 11. Quorum. A majority of the members of the Local Governing Board shall constitute a quorum for the transaction of business, and the action of a majority of the Local Governing Board members present at any meeting at which there is a quorum, when duly assembled, is valid.

Section 12. Adjournment. If a quorum is not present at any Local Governing Board meeting, the members present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. Notice of the time and place of an adjourned meeting need not be given to absent members if the time and place is fixed at the adjourned meeting, except as provided in the next sentence. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the members who were not present at the time of the adjournment.

Section 13. Action Without Meeting. Any action required or permitted to be taken by the Local Governing Board may be taken without a meeting if all members of the Local Governing Board individually or collectively consent in writing to such action. Such written consent or consents shall have the same force and effect as a unanimous vote of the Local Governing Board and shall be filed with the minutes of the proceedings of the Local Governing Board.

Section 14. Compensation. Each member of the Local Governing Board may receive a monthly stipend as fixed from time to time by the Board of Directors in its sole discretion, except that no such stipend, gift, or compensation of any other kind shall be paid to any District Member of the Local Governing Board.

Section 15. Meetings by Telephone. Any regular or special meeting of the Local Governing Board may be held by means of telephone conference call or similar communication equipment, provided that all persons participating in the meeting can hear and communicate with each other.

**ARTICLE III
OFFICERS OF THE LOCAL GOVERNING BOARD**

Section 1. Officers. The officers of the Local Governing Board shall be nominated by the Nominating Committee at the last meeting of each Local Governing Board Year and shall include a Chairman, a Vice-Chairman and a Secretary, each of whom shall be a member of the Local Governing Board. These officers shall be elected at the first meeting of each Local Governing Board Year. The term of elected officers shall be for one (1) year, or until a successor is elected by the Local Governing Board. No more than three (3) consecutive terms in the same office may be served by the same member. The officers shall perform the duties customarily associated with their offices or as specifically assigned by the Local Governing Board.

Section 2. Resignation and Removal.

a. **Resignation.** Any officer may resign by written notice to the Chairman of the Local Governing Board or the Hospital CEO at the time specified in the notice.

b. **Removal.** The Local Governing Board or the Board of Directors may, at any time, with or without cause, remove any officer.

Section 3. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled by the Local Governing Board.

Section 4. Chairman. The Chairman shall preside at all meetings of the Local Governing Board and shall perform such other duties as may be assigned by the Local Governing Board.

Section 5. Vice Chairman. The Vice Chairman shall assist the Chairman in the conduct of the business of the Local Governing Board, shall preside at Local Governing Board meetings in the Chairman's absence, and shall perform such other duties as may be assigned by the Local Governing Board.

Section 6. Secretary. The Secretary shall keep, or cause to be kept, a book of minutes for the purpose of recording the proceedings of the Local Governing Board. The Secretary shall give, or cause to be given, notice of all special meetings of the Local Governing Board, and shall perform such other duties as may be assigned by the Local Governing Board.

**ARTICLE IV
ORGANIZATION OF THE MEDICAL STAFF**

The Local Governing Board shall organize the physicians and other practitioners granted clinical privileges at the Hospital into a Medical Staff under Medical Staff Bylaws approved by the Local Governing Board in accordance with Article VI hereof. Each member of the Medical Staff

shall have appropriate authority and responsibility for the care of his or her patients, subject to such limitations as are contained in these Rules and Regulations and in the Bylaws of the Medical Staff, and subject to any further limitations attached to his or her appointment.

ARTICLE V MEDICAL STAFF APPOINTMENTS

Section 1. Local Governing Board Authority. The Local Governing Board shall have authority and responsibility for all appointments and reappointments of Medical Staff members and assignment of clinical privileges in accordance with the Medical Staff Bylaws.

Section 2. Standards and Procedures for Consideration of Applications. The standards and procedures adopted by the Local Governing Board shall be applied by the Hospital and its Medical Staff in considering and acting upon applications for staff membership and clinical privileges.

Section 3. General Policy. The Local Governing Board shall consider the Medical Staff recommendations in the exercise of the Local Governing Board's authority to appoint members of the Medical Staff. Whenever a Local Governing Board decision is not in accordance with the last recommendation or action of the Medical Staff, the matter shall be resolved as follows:

a. In matters involving membership and/or clinical privileges of Medical Staff members, or clinical privileges of other health care professionals, the Local Governing Board shall submit the matter to a joint committee for review and recommendation. Such committee, unless otherwise required by law or the Medical Staff Bylaws, shall consist of two Medical Staff members (who are not Local Governing Board members) chosen by the Chief of the Medical Staff and three Local Governing Board members chosen by the Chairman of the Local Governing Board. The committee shall make its review and recommendation to the Local Governing Board within forty-five (45) days of submission of the matter to the committee from the Local Governing Board. Thereafter the Local Governing Board shall render its final decision in the matter and shall communicate this final decision to the Medical Staff Executive Committee and any directly affected practitioner, consistent with the Medical Staff Bylaws (including, if applicable, providing the directly affected practitioner written notice of a tentative adverse decision and the procedural rights set forth in Article 8 thereof prior to a final decision by the Local Governing Board).

b. In all other matters; the Local Governing Board may, in its sole discretion, either (i) refer the matter, on terms as it may direct, to a joint committee such as described above or to the Local Governing Board Planning Committee, if any, as specified under Article VIII Section 4 hereinbelow, or (ii) decide the matter otherwise as it deems best. If the matter is referred to a committee, such committee shall report back within such time specified by the Local Governing Board, after which time the Local Governing Board may render its final decision.

Section 4. Hearing Procedures; Health Practice Matters; Final Decision. The Local Governing Board shall be the official body to render final decisions in Medical Staff hearing and appeal procedures at the Hospital, and in all other decisions affecting staff membership, privileges.

categories of other health professionals allowed to practice in the Hospital, enforcement of these Rules and Regulations, the Medical Staff Bylaws and the policies of the Local Governing Board, and establishment of overall policies in operating the Hospital.

Section 5. Medico-Administrative Officials. From time to time, the Hospital may engage one or more physicians as medico-administrative officials under such terms and conditions as are specified in an engagement agreement. The engagement agreement shall require that any such medico-administrative official be a member of the Medical Staff.

ARTICLE VI MEDICAL STAFF BYLAWS

There shall be Bylaws for the Medical Staff which set forth its organization and government. Any proposals for new Bylaws, or any amendment, revision or repeal of existing Bylaws, shall be considered and, if approved, adopted by the Medical Staff (or its Medical Executive Committee) in accordance with any provisions in the Bylaws regarding such adoption procedures, and subject to the approval of the Local Governing Board (which approval shall not be unreasonably withheld). The Local Governing Board may, at any time, initiate proposals for Bylaws, or amendments thereto, and the Local Governing Board shall present these proposals to the Medical Staff (or its Medical Executive Committee) for its consideration.

ARTICLE VII QUALITY OF PROFESSIONAL SERVICES AND PATIENT CARE EVALUATION

Section 1. General Policy. The Local Governing Board shall, in the exercise of its overall responsibility, assign to the Medical Staff reasonable authority to ensure appropriate professional care to Hospital patients. Subject to limitations of these Rules and Regulations and the Bylaws of the Medical Staff, and subject further to any limitations attached to an individual's appointment or engagement, only an individual permitted by law to provide patient care services independently and without direction or supervision, or a member of the house staff or other allied health professionals acting under the supervision of a licensed practitioner with clinical privileges, may provide direct medical care to patients. Local Governing Board ratification is required prior to the delegation to allied health professionals of the responsibility for performance of certain practices related to medicine.

Section 2. Medical Care Evaluation Reports. The Local Governing Board shall require, consider, and if necessary act upon, Medical Staff reports of medical care evaluation, utilization review and other matters relating to the quality of care rendered in the Hospital. The executive committee of the Medical Staff shall, through its chairman or his designee, cause the preparation and presentation of such required reports to the Local Governing Board at each Local Governing Board meeting or otherwise. The Hospital CEO shall provide the Medical Staff with the necessary administrative assistance to facilitate such reporting, regular analysis of the clinical practice, and utilization review activities within the Hospital.

Section 3. JCAHO and Legal Requirements. The Local Governing Board shall direct that all reasonable and necessary steps be taken by the Medical Staff and Hospital administration for meeting JCAHO accreditation standards and complying with applicable laws and regulations. If requested by the Hospital CEO, Local Governing Board members shall participate in JCAHO summation conferences unless excused for good cause. The Local Governing Board shall take all reasonable steps to comply with all applicable federal, state and local laws and regulations.

ARTICLE VIII LOCAL GOVERNING BOARD OPERATION

Section 1. General Functions. The Local Governing Board shall have responsibility for the business and affairs of the Hospital to the extent delegated by the Board of Directors. The Local Governing Board shall delegate responsibility and authority for the day-to-day management of the Hospital to the Hospital CEO.

Section 2. Committees.

a. **Designation.** The Local Governing Board, at its discretion, may designate one (1) or more committees, each of which shall be composed of two (2) or more members, to serve at the pleasure of the Local Governing Board. The Local Governing Board may designate one (1) or more members as alternate members of any committee. With respect to any committees that review issues affecting the discharge of Medical Staff responsibilities, those committees must include Medical Staff members.

b. **Delegation.** The Local Governing Board may delegate to any such committee any of the Local Governing Board's powers and authority except for amending these Rules and Regulations.

c. **Proceedings.** The Local Governing Board may prescribe appropriate rules, not inconsistent with these Rules and Regulations, by which proceedings of any such committee shall be conducted. The provisions of these Rules and Regulations relating to notice of meetings of the Local Governing Board and waiver of such notice, adjournments of meetings of the Local Governing Board, written consents to Local Governing Board meetings and approval of minutes, action by the Local Governing Board by consent in writing without a meeting, the place of holding meetings, the quorum for meetings, the vote required at such meetings, and the withdrawal of members after commencement of a meeting shall apply to committees of the Local Governing Board and action by such committees. In addition, any member of the Local Governing Board acting as the Chairman or as Secretary of the committee or any two (2) members of the committee may call meetings of the committee. Regular meetings of any committee may be held without notice if the time and place of such meetings are fixed by the Local Governing Board or the committee.

Section 3. Medico-Administrative Liaison. The Hospital CEO shall function as a liaison between the Local Governing Board and the Medical Staff.

Section 4. Planning Function. The Local Governing Board shall participate in and support an institutional planning process to periodically evaluate the Hospital's goals, policies and programs. At the Local Governing Board's discretion, this planning function may be performed by a committee (the "Local Governing Board Planning Committee") which includes representatives of the Local Governing Board, administration, nursing, other appropriate advisers, and the Medical Staff.

Section 5. Performance Improvement (PI). The Local Governing Board shall require the Medical Staff and staffs of the Hospital departments/services to implement and report on the activities and mechanisms for monitoring and evaluating the quality of patient care, for identifying opportunities to improve patient care, and for identifying and resolving problems. The Local Governing Board, through the Hospital CEO, shall support these activities and mechanisms. The Local Governing Board shall provide for resources and support systems for the quality assessment and improvement and risk management functions related to patient care and safety. The Local Governing Board shall consider and, if necessary, act upon the results reported from PI activities, which activities shall strive to satisfy the following objectives: (i) quality patient care provided by members of the medical and allied professional staffs, employees of the Hospital and all others who provide patient care services at this Hospital, (ii) use of planned and systematic procedures to objectively assess the quality of care provided, (iii) implementation of corrective action when problems or opportunities for improvement are identified, and (iv) the provision of one level of patient care throughout the Hospital.

Section 6. Patient Care. The Local Governing Board shall participate in and support an institutional process to periodically review, evaluate, and revise key Hospital policies and procedures to address integrated patient care.

Section 7. Orientation and Continuing Education. All members of the Local Governing Board shall participate in an initial orientation and continuing education programs as part of membership responsibilities. These programs will be provided through the Hospital CEO as needed, but no less than annually. Initial orientation shall include an explanation of the functions and responsibilities of the Local Governing Board. Relevant topics for continuing education include the Local Governing Board's responsibility for the PI program and its effectiveness, and appointment, reappointment and granting privileges to medical and allied professional staff members. If requested by the Chairman of the Local Governing Board, all or any members of the Local Governing Board from the prior year may be called upon to attend the first Local Governing Board meeting of the new Local Governing Board Year as non-voting members for the sole purpose of orienting the new Local Governing Board members to their responsibilities.

Section 8. Facility Plans and Budgets. The Local Governing Board, together with the Hospital CEO, shall develop and adopt short-term and long-term plans including annual capital and operating budgets, and a long-range master plan, to the end that the Hospital may effectively serve its community. Such plans shall be submitted to the Board of Directors or its designee for review and approval.

**ARTICLE IX
CHIEF EXECUTIVE OFFICER**

Section 1. Appointment. The Board of Directors or its designee, with the approval of the Local Governing Board, shall appoint a chief executive officer of the Hospital (referred to herein as the "Hospital CEO") in accordance with such criteria as may be adopted by the Board of Directors with approval of the Local Governing Board.

Section 2. Qualifications. The appointed Hospital CEO shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader. Among other criteria, education and relevant experience are important qualifications.

Section 3. Responsibilities. The Hospital CEO shall represent the Hospital in all aspects of its operations. He/she shall make periodic reports to the Local Governing Board, if any, but his/her line of authority shall derive from the Board of Directors. The duties of the Hospital CEO shall include but not be limited to the following:

a. **Policies.** Implementation of policies of the Board of Directors and the Local Governing Board as approved by the Board of Directors or its designee, especially those relating to the physical and financial resources of the Hospital.

b. **Liaison.** Liaison among the Board of Directors, Local Governing Board, administrative staff and the Medical Staff and between the Hospital and the local community.

c. **Management.** Organization and management of the Hospital and its services, departments and subdivisions, delegation of duties and establishment of formal means of accountability of subordinates.

d. **Compliance with Laws and Regulations.** The Hospital CEO shall review and act promptly upon the reports of authorized planning, regulatory and inspection agencies and shall report to the Local Governing Board on the overall activities of, and developments and inspections affecting, the Hospital. The Hospital CEO shall undertake corrective action for any deficiencies reported by such agencies, and documentation of such corrective action shall be made available to the JCAHO for the Hospital's accreditation survey.

**ARTICLE X
PERSONNEL**

Section 1. Policies. The Personnel Policies of the Hospital shall be reviewed periodically by the Hospital CEO and Local Governing Board, but no less often than once a year, and the date of the most recent review shall be indicated on the written policies. A procedure shall be established for notifying employees of personnel policies and changes thereto.

Section 2. Conflict Resolution Process. The Local Governing Board shall participate in and support a conflict resolution process for resolving conflicts between the Local Governing Board and the individuals under the Local Governing Board's leadership. The Local Governing Board shall periodically meet to review the effectiveness of this process and recommend any revisions to the Board of Directors.

ARTICLE XI VOLUNTEER ORGANIZATIONS

Section 1. Hospital Auxiliary. The Local Governing Board may authorize the formation and continuing operation of a volunteer auxiliary. The auxiliary shall develop and adopt an organizational structure and bylaws, rules and regulations. The auxiliary's bylaws, rules and regulations shall become effective when approved by the Local Governing Board. The Local Governing Board shall, within a reasonable time after the submission of the auxiliary's bylaws, rules and regulations to the Local Governing Board for approval, review such documents and either approve the same or notify the appropriate auxiliary personnel of deficiencies in such documents. The Local Governing Board or its representative shall submit to the auxiliary any required changes in such documents and may appoint a representative to assist the organization in the preparation of acceptable documents. Upon receipt of acceptable documents, the Local Governing Board shall, within a reasonable time, grant approval of the auxiliary's bylaws, rules and regulations.

Section 2. Other Volunteer Services. The Hospital CEO or his designee shall be responsible for the establishment of a mechanism for controlling the activities of individuals or organized groups who perform volunteer services in the Hospital, but who are not in the status of Hospital auxiliary personnel.

ARTICLE XII REVIEW OF DOCUMENTS

Section 1. General. At least every two (2) years, the Local Governing Board shall review these Rules and Regulations and the Bylaws of the Medical Staff of the Hospital. Necessary changes shall be made in such documents in accordance with the amendment procedures set forth therein. Such documents shall be dated to indicate the time of the last review.

Section 2. Professional Service Contracts. The Local Governing Board shall have the right to review and approve all material hospital-based physician contracts and periodically review the quality of service rendered by hospital-based physicians and other professional service contractors. The Local Governing Board shall also review and make recommendations on any contractual matter referred to it by the Board of Directors. The Board of Directors, through the Hospital CEO or other designee, shall have final authority with respect to all contracts affecting the Hospital.

Section 3. Other Documents and Services. The Local Governing Board shall have the right to review and approve all proposed operating and capital budgets for the Hospital. The Local

Governing Board also shall have the right to review and provide recommendations to Lessee on coordination of services and shall act as a forum regarding community input of the delivery of health care to the community.

**ARTICLE XIII
CORE SERVICES**

Section 1. Termination or Reduction of Core Services. The Local Governing Board shall have the right to review and provide comments to Lessee with respect to any proposed termination or material reduction of Core Services of the Hospital set forth on Schedule 14.2 of the Agreement, before Lessee makes such proposal to the Board of Directors.

**ARTICLE XIV
PATIENTS' BILL OF RIGHTS**

The Local Governing Board hereby adopts the Statement on Patients' Rights of the JCAHO as its own statement on the rights of patients.

**ARTICLE XV
EVALUATION OF PERFORMANCE**

The Local Governing Board shall evaluate its own performance by comparing its performance to the JCAHO standards on an annual basis.

**ARTICLE XVI
INSURANCE**

The Board shall include members of the Local Governing Board as insured persons under the appropriate general and professional and/or directors and officers liability insurance coverage.

**ARTICLE XVII
AMENDMENTS AND ADOPTION**

Section 1. Amendments. The Local Governing Board may adopt amendments to these Rules and Regulations, subject to the approval of the Board of Directors and the Board of Directors of the District.

Section 2. Adoption. The foregoing rules and regulations were adopted by the Local Governing Board on _____, 1997.

Section 3. Supremacy of Hospital Lease Agreement. The District and Lessee entered into a Hospital Lease Agreement on or about May 15, 1997 (the "Agreement"). In the event of any conflict between the Agreement and these Rules and Regulations, the Agreement shall prevail.

Chairman, Local Governing Board of Desert Hospital

APPROVALS

The foregoing rules and regulations were approved by the Board of Directors of Tenet HealthSystem Desert, Inc. on _____, 1997.

Chairman, Board of Directors of Tenet HealthSystem Desert, Inc.

The foregoing rules and regulations were approved by the Desert Hospital District on _____, 1997.

Chairman, Board of Directors of Desert Hospital District

Appendix A

DESERT HOSPITAL

CONFLICT OF INTEREST POLICY AND PROCEDURES

Each member of a Governing Board of a facility owned, operated or managed, directly or indirectly, by Tenet Healthcare Corporation, or one of its subsidiary companies (such owner or operator being referred to herein as the "Company") has a responsibility to the Company to be free and to appear to be free from the influence of any interest that conflicts with that of the Company or the facility and to deal with third parties, including, without limitation, suppliers, customers, contractors and all others, solely on a basis that is in the best interest of the Company and the facility, without favor or preference to any third party based on personal or other considerations. To avoid actual and possible conflicts of interest, the Governing Board requires each Member of the Governing Board promptly to disclose to the full Governing Board and Board of Directors of the above described facility (hereinafter referred to as "Board of Directors") each interest or influence of which he or she is aware that poses an actual or possible conflict of interest between the Governing Board Member (or any Relative of that Member) and the Company or the facility.

1. DEFINITIONS.

a. **Conflict of Interest.** Any direct or indirect ownership, control, interest, employment relationship, business relationship, and/or participation in any facility, business entity or activity that directly or indirectly competes or does business with, or reasonably could be adverse to the facility or the Company constitutes a conflict of interest. The fact that a Member also serves as a member of the Board of Directors of Desert Hospital District or as an officer, employee or representative of the Company or of the Medical Staff shall not constitute a conflict of interest.

b. **Member.** Any member of a Governing Board of a facility owned, operated or managed, directly or indirectly, by the Company.

c. **Relative.** A "relative" of a Member shall include any spouse, parent, child, legal guardian or ward, brother, sister, grandparent, grandchild, nephew, niece, uncle, aunt and any of the above relatives who are in-laws or step relatives, as well as any other persons living in the same household.

d. **Substantial Interest.** Ownership shall not include an investment representing less than one percent (1%) of a class of outstanding securities of a publicly held corporation.

2. **DISCLOSURE.** Each Governing Board Member shall be required to disclose any possible or actual conflict of interest between such Member (or any Relative of such Member) and the Company or the facility prior to his or her appointment to the Governing Board and throughout his or her term(s) immediately upon becoming aware of such possible or actual conflict of interest.

3. POLICY.

a. No Member or any Relative of such Member shall own any Substantial Interest in or have any personal contract or arrangement with any firm or individual doing or seeking to do business with the Company or the facility, unless the Governing Board determines after full disclosure that such interest, contract or arrangement will not tend to influence the action of such Member with respect to the business of the Company or the facility, or the provision of care by the facility.

b. No Member or any Relative of such Member shall own any Substantial Interest in or have any personal contract or arrangement with any firm or individual which competes directly or indirectly with the business of the Company or the facility, unless the Governing Board determines after full disclosure that such interest, contract or arrangement will not tend to influence the action of such Member with respect to the business of the Company or the facility, or the provision of care by the facility.

c. No Member or any Relative of such Member shall seek, accept or offer any payment, service or gift from or to any firm or individual doing or seeking to do business with the Company or the facility, unless the Governing Board determines after full disclosure that such payment, service or gift will not tend to influence the action of such Member with respect to the business of the Company or the facility, or the provision of care by the facility. This paragraph shall not prohibit acceptance or provision of ordinary social amenities.

d. No Member shall do business on behalf of the Company or the facility with any Relative unless the Governing Board determines after full disclosure that such relationship will not tend to influence the action of such Member with respect to the business of the Company or the facility, or the provision of care by the facility.

e. No Member or any Relative of such Member shall divert, for personal benefit, any business opportunity which the Member has good reason to know may be useful to the Company or the facility in its ongoing businesses, unless the Governing Board determines after full disclosure that such opportunity is not of any interest to the Company or the facility, or the provision of care by the facility.

f. No Member or any Relative of such Member shall do business with or enter into any transaction with the Company or the facility, unless the Governing Board determines after full disclosure that such relationship will not tend to influence the action of such Member with respect to the business of the Company or the facility, or the provision of care by the facility.

g. No Member or spouse of such Member shall be an employee of a non-Tenet facility or entity that competes with the Tenet facility for which the Member serves as a Member.

4. **RESOLUTION OF EXISTING OR APPARENT CONFLICT OF INTEREST.** Upon being advised of a possible conflict of interest, the Governing Board and/or the Board of Directors shall fully discuss same and determine whether the matter disclosed represents a conflict of interest. Should the Board of Directors or the Governing Board determine that a conflict of interest exists, the Board of Directors or the Governing Board (subject to the approval of the Board of Directors), shall require the Member (a) to abstain from all discussions and votes on any matter to which the conflict is relevant; (b) immediately to divest himself or herself of the actual or potential conflicting ownership control, interest, employment relationship, business relationship or participation; and/or (c) to resign his or her membership on the Governing Board.

EACH GOVERNING BOARD MEMBER SHALL RECEIVE A COPY OF THIS POLICY UPON ACCEPTANCE OF GOVERNING BOARD MEMBERSHIP, SIGN AN ACKNOWLEDGMENT OF RECEIPT AND AGREE TO ABIDE BY THIS POLICY.

Schedule 14.12

CERTIFICATION OF LEASE COMPLIANCE

(Paragraph 14.12)

All capitalized terms used below have the same defined meaning as such terms are defined in the Hospital Lease or Pre-Lease Agreements. The term "Leased Premises" shall include both the Hospital and the "Desert Businesses," as of the date of the certification.

The certification of lease compliance set forth below shall be executed by the Chief Executive Officer of the Hospital to the best of his/her knowledge and shall certify compliance by Lessee for the annual period covered by the certificate. Any exceptions or clarifications to the certifications shall be stated in the certificate of lease compliance.

Paragraph Certification/Documentation

- 2.2 Certification that Lessee, during the certification period, has paid all real and personal property taxes, general and special assessments and other charges levied on or assessed the Leased Premises, the improvements or personal property located on or in the Leased Premises or the leasehold estate or any subleasehold estate, as well as any and all municipal, county, state or federal income or franchise taxes chargeable against Lessee.
- 2.5 Certification that Lessee, during the certification period, has paid for all utilities (as listed in ¶ 2.5 of the Agreement) used upon the Leased Premises.
- 3.1 Certification that the Leased Premises were used during the certification period for the purpose of Lessee operating and maintaining the Leased Premises as an acute care community hospital on a continuous basis, and for providing ancillary and other health care services (as described in ¶ 3.1 of the Agreement).
- 3.2 Certification that the Leased Premises were used during the certification period in material compliance with all Laws in force at the time of the certification in the manner described in ¶ 3.2 of the Agreement.
- 3.4 Certification that Lessee, at its cost and expense, has maintained the Leased Premises during the certification period in good condition and repair (subject to

ordinary wear and tear and obsolescence) and used the Leased Premises in accordance with all applicable Laws.

- 3.5 Certification that all alterations, additions or improvements made to the Leased Premises by Lessee during the certification period are consistent with the limitations on use described in ¶ 3.1 of the Agreement.

Certification that Lessee, without prior District consent, has not during the certification period made any alterations, additions or improvements to the Leased Premises which would have a net book value in excess of \$1 million (as adjusted for inflation) upon the expiration of the Agreement and which Lessee intends to include in the Termination Assets.

Documentation:

Submit list of capital expenditures made during the certification period which have a capitalized cost in excess of \$1 million.

- 3.6 Certification that Lessee, without prior District consent, has not during the certification period disposed of any portion of the Personal Property outside of the ordinary course of business or which was not obsolete, worn out or incapable of further use.

- Art. IV Certification that Lessee has, at its sole cost and expense, maintained at all time during the certification period in force and in effect the insurance coverages described in ¶ 4.2 of the Agreement and in accordance with the all of the conditions set forth in ¶¶ 4.3 and 4.5 of the Agreement.

Certification as to whether Lessee maintained earthquake insurance coverage during the certification period and intends to maintain earthquake insurance coverage during the forthcoming annual period.

Certification that Lessee has complied with each of the conditions set forth in ¶ 4.2 of the Agreement during the certification period.

Documentation:

Submit copies, certificates of coverage or a summary (in a mutually agreed upon format) of all policies in force during the certification period required by the Agreement.

In the event that Lessee did and/or will not maintain earthquake insurance coverage, Lessee shall identify seismic prevention programs funded by Lessee for the Hospital.

6.1 If there have any losses or damage to the Leased Premises in excess of a value of \$500,000, submit a brief description of the loss or damage, the cost of any repairs and a summary of the action taken by Lessee with respect to the loss or damage.

8.1 Certification that none of the events of default described in ¶ 8.1 have occurred during the certification period.

Art. XI Certification that Lessee, during the certification period, has (i) generated, used, kept or stored any Hazardous Materials on the Leased Premises in a manner which materially complies with all applicable Environmental Regulations; (ii) procured, maintained in effect and materially complied with all conditions and requirements of any and all permits, licenses and other governmental and regulatory approvals or authorizations required under any Environmental Regulations; (iii) not discovered any material release of Hazardous Materials which is on or about the Leased Premises or adjoining property or which is in material violation of an Environmental Regulations; and (iv) not received any notices of violations of Environmental Regulations or Environmental Claims other than such notices previously reported to the District.

14.1 Certification that Lessee, during the certification period, has made all major decisions regarding the operation of the Hospital without discrimination against the interests of the communities served by the Hospital and that no Core Service has been established or relocated to John F. Kennedy Memorial Hospital for the purpose of or with the direct effect of terminating or materially reducing such Core Service at the Hospital.

14.2 Certification that Lessee, during the certification period, has not terminated or materially reduced any Core Service, except in compliance with the process described in ¶ 14.2 of the Agreement.

Documentation.

Submission of utilization report of all Core Services during the certification period.

- 14.3 Certification that Lessee, during the certification period, has not assigned all or any part of the Agreement, or sublet any space in the Hospital except as otherwise permitted under ¶ 14.3 of the Agreement.

Documentation.

Submit a list of all subtenants and managers with respect to any portion of the Hospital.

- 14.6 Certification that Lessee has, during the certification period, used best efforts to maintain continuously any accreditation which may be necessary for Lessee to operate the Leased Premises as a health care facility.

Documentation.

Provide access by the District to review a copy of the executive summary of accreditation reports issued by JCAHO and other accrediting bodies which have surveyed the Hospital and/or services provided on the Leased Premises.

- 14.7 Certification that Lessee has, during the certification period, used best efforts to maintain valid licenses, permits and other governmental approvals for the Leased Premises as a health care facility.

Documentation.

Submit copy of the most recently issued general acute care license and any other health facility licenses (such as a surgical center or home health agency, if separately issued).

- 14.8 Certification that Lessee has, during the certification period, used commercially reasonable efforts to maintain (i) certification for participation in the Medicare Program (or any successor thereto); (ii) qualification for participation in the Medi-Cal Program (or any successor thereto); and qualification for participation in and payment under third-party payor and other governmental payment program in the manner described in ¶ 14.8 of the Agreement.

- 14.9 Certification that Lessee has, during the certification period, used commercially reasonable efforts to complete the capital projects listed on Schedule 14.9 to the Agreement as may be mutually determined by the Lessee and the District, and to spend on future capital projects over the first three years of the Agreement a

cumulative amount equal to at least the cumulative capital project expenditures of Desert Hospital Corporation during fiscal years 1995-97.

Documentation.

Submit status report on all capital projects as of the end of the certification period.

- 14.10 Certification that Lessee, during the certification period, has maintained compliance with § 32128 of the Health & Safety Code, including the self-governance of the Hospital medical staff and the preparation and maintenance of accurate and complete medical records.
- 14.11 Certification that Lessee, during the certification period, has maintained the Local Governing Board in accordance with ¶ 14.11 of the Agreement, and that the Operating Guidelines have not been amended without the mutual agreement of the parties to the Agreement.
- 14.13 Certification that Lessee, during the certification period, has maintained existing donor identification within the Hospital and generally supported the efforts of the District and others to generate additional donor support for the Hospital.
- 14.14 Certification that Lessee, during the certification period, has not (i) disposed or transferred the Leased Premises other than in the ordinary course of business or as otherwise permitted by the Agreement; (ii) made any material change in the Hospital mission statement; or (iii) made any material change in the Hospital policy regarding charity care, except (as to each of the above items) as provided in compliance with the process described in ¶ 14.14 of the Agreement.

