

NOT RECORDED

2018-011906
Klamath County, Oregon



After Recording, Return To:

Thomas J. Wettlaufer
625 Hawthorne Ave SE, Suite 100
Salem, OR 97301

09/28/2018 03:33:24 PM

Fee: \$107.00

LEASE TERMINATION AGREEMENT

This Lease Termination Agreement (this "Termination") is entered into this September 24, 2018, by and between **Klamath Falls Intercommunity Hospital Authority**, a hospital authority formed pursuant to ORS 441 ("Lessor") and **Sky Lakes Medical Center, Inc.**, an Oregon nonprofit corporation ("Lessee").

RECITALS

A. By Restated Lease dated March 9, 2001 (the "**Original Lease**"), Lessor leased property to Merle West Medical Center, Inc. (now known as "**Sky Lakes Medical Center, Inc.**", and referred to herein as the "**Lessee**"), consisting of all of the real property located at 1401 Bryant Williams Drive, Klamath Falls, Oregon, more particularly described on the attached Exhibit A (the "**Real Property**").

B. By deed recorded September 11, 2014, Lessor conveyed all of its interest in the building improvements and fixtures to Klamath Falls SNF, LLC ("**KFalls SNF LLC**"). The deed contains a clause (the "**Reversionary Clause**") specifying that upon termination of the leasehold interest of KFalls SNF LLC in the Real Property, KFalls SNF LLC's fee ownership interest in the building improvements and fixtures reverts to Lessor and the Medical Center.

C. Lessor and Lessee have agreed to terminate the Original Lease upon KFalls SNF LLC entering into a Replacement Lease (the "**Replacement Lease**") with Lessor.

D. KFalls SNF LLC intends to enter into financing arrangements (each, a "**Secured Loan**") with lenders, including but not limited to a lender whose loan is insured by the U.S. Department of Housing and Urban Development ("**HUD**"), and which lenders will be granted security in KFalls SNF LLC's leasehold interest in the Real Property under the Replacement Lease. HUD, such lenders, and/or their successors and/or assigns may be granted the right to enter into a new lease of the Real Property in the event of the termination of the Replacement Lease (or any subsequent lease of the Real Property) due to a default by the Lessee thereunder, with any such new lease to be upon substantially the same terms and conditions as contained in the Replacement Lease and for the period of time equal to the remaining term of the Replacement Lease, all as currently provided in the Replacement Lease, including the HUD Lease Addendum incorporated therein (a "**New Lease**").

In accordance with the Recitals above and good and valuable consideration provided by the parties, Lessor and Lessee enter into the following

1074114

AGREEMENT

1. **Termination of Original Lease.** Lessor and Lessee hereby terminate the Original Lease and release each other from any and all rights or responsibilities under the Original Lease, effective as of the date written above.
2. **Building Improvements and Fixtures.** Lessor and Lessee hereby acknowledge and agree that this Termination does not trigger the Reversionary Clause discussed in Recital B above, and that such Reversionary Clause will be triggered only by the termination of the Replacement Lease, provided that a New Lease is not entered into pursuant to the rights of HUD, a lender of Lessee and/or any of their successors and/or assigns, as provided in Recital D above, in which event such Reversionary Clause will be triggered only upon termination of such New Lease (or, if applicable, any subsequent New Loan).

[Signature Pages Follow]

Lease Termination Agreement
Lessor Signature Page

Lessor:

KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY

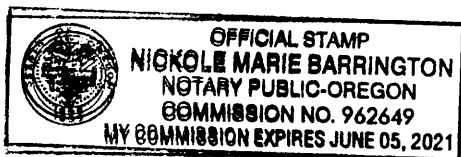
By: [Signature]

Name: Stan Gilbert

Its: Chair

STATE OF OREGON)
) ss.
County of Klamath)

On this 24th day of September, 2018, personally appeared before me the within-named Stan Gilbert, as Chair of Klamath Falls Intercommunity Hospital Authority.



Before me: Nickole Marie Barrington

NOTARY PUBLIC FOR Oregon
My Commission Expires: 6/5/2021

Lease Termination Agreement
Lessee Signature Page

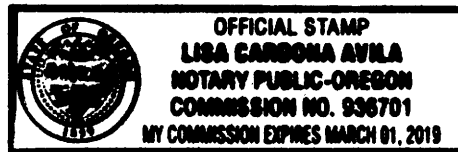
Lessee:

SKY LAKES MEDICAL CENTER, INC.
f/k/a MERLE WEST MEDICAL CENTER, INC.

By: Richard E. Rico

Name: *[Signature]*

Its: Vice President / CFO



STATE OF OREGON)
) ss.
County of Klamath)

On this 28 day of September, 2018, personally appeared before me the within-named Richard E. Rico, as Vice President / CFO of Sky Lakes Medical Center, Inc.

Before me: *[Signature: Lisa Cardona Avila]*

NOTARY PUBLIC FOR State of Oregon
My Commission Expires: March 1, 2019

EXHIBIT A
REAL PROPERTY DESCRIPTION

A tract of land situated in the SW 1/4 of the NE 1/4 of Section 20, Township 38 South, Range 9 East, Willamette Meridian, Klamath County, Oregon, being a portion of Blocks 7 and 8 and vacated Hilltop Street, McLoughlin Heights Subdivision, more particularly described as follows: Commencing at the Northeast corner of McLoughlin Heights; thence South 0°46'00" West, along the East boundary of McLoughlin Heights, 100.0 feet to the true point of beginning of this description; thence South 0°46'00" West, along the East boundary of McLoughlin Heights 572.30 feet to the North boundary of Foothills Boulevard; thence 40.57 feet along the arc of a 20.00 foot radius curve to the right (the long chord of which bears South 58°53' West, 33.97 feet); thence North 63°00'00" West, along the North boundary of Foothills Boulevard, 104.35 feet; thence 482.81 feet along the arc of a 774.83 foot radius curve to the left (the long chord of which bears North 80°51'03" West, 475.03 feet); thence leaving said road boundary North 20°39'40" East, 504.11 feet; thence South 89°21'00" East, 420.87 feet to the true point of beginning. TOGETHER WITH the Northerly one-half of vacated Foothill Boulevard abutting the Southerly boundary of the above described parcel.

Also Including Lots 8, 9, 10, 11, 12, 13, 14 and 15 of Block 6 of McLoughlin Heights subdivision, Together with the Southerly one-half of vacated Foothill Boulevard abutting the northerly boundary of said Lots 8, 9, 10, 11, 12, 13, 14 and 15 of Block 6;

Excepting therefrom Lots 8, 9, 10, 11, 12, 13, 14 and 15 of Block 6 of McLoughlin heights Subdivision, Together with the southerly one-half of vacated Foothill Boulevard abutting the northerly boundary of said lots 8, 9, 10, 11, 12, 13, 14 and 15 of Block 6;

Also Excepting therefrom the following described parcel: Commencing at the NE 1/16 corner of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being the northeast corner of McLoughlin Heights subdivision; thence along the east boundary of said McLoughlin Heights and the east line of the SW 1/4 NE 1/4 of said Section 20 South 0°46'00" West 100.00 feet to the northeast corner of that parcel described as Parcel 1 in deed Volume M91, Page 13596, records of Klamath County, Oregon: thence along the northerly boundary of said parcel North 89°21'00" West 420.87 feet to the northwest corner of said parcel; thence South 20°39'40" West 504.11 feet to the southwest corner of that parcel described in deed Volume M75, Page 8321, records of Klamath County,

Oregon and the True Point of Beginning for this description; thence South 08°42'06" East 25.00 feet to the centerline of vacated Foothill Boulevard; thence following said centerline along the arc of a 749.83 foot radius non-tangent curve to the right 82.06 feet, the long chord of which bears South 84°26'01"

West 82.02 feet; thence leaving said centerline North 09°10'20" West 12.82 feet; thence South 80°17'48" West 17.62 feet; thence North 09°32'02" West 17.40 feet; thence South 80°54'52" West 63.92 feet to the point of beginning:

Also Excepting Therefrom the following described portion of Parcel 1 of Deed Volume M91, Page 13596, records of Klamath County, Oregon: Beginning at a point on the East boundary of McLoughlin Heights which bears South 0°46'00" West 100.00 feet from the northeast corner thereof, said point being the

northeast corner of said Parcel 1 of deed Volume M91, Page 13596; thence North 89°21'00" West along the north line of said parcel 420.87 feet to the northwest corner thereof; thence South 20°39'40" West along the westerly line of said parcel 173.00 feet to a point; thence along the southerly line of said parcel South 86°54'35" East 274.87 feet; thence leaving said southerly line North 15°01'01" East 28.90 feet; thence North 72°20'55" East 13.09 feet; thence South 69°41'02" East 99.96 feet; thence South 4°30'18" East 3.74 feet to the southerly line of said Parcel 1; thence South 86°54'35" East to a point on the east line of said parcel; thence North 0°46'00" East along said east line 183.00 feet to the point of beginning.