

LEASE AGREEMENT

This Lease Agreement (“Lease Agreement”), dated June 28, 2019, is by and among Hospital Service District No. 2 of the Parish of St. Mary, a political subdivision of the State of Louisiana, as lessor (“Lessor” or, on occasion, “District”), and Ochsner Morgan City LLC, a Louisiana limited liability company as lessee (“Lessee”).

WITNESSETH:

WHEREAS, Lessor is a hospital service district located within St. Mary Parish, created under the Louisiana Hospital Service District Law, codified in Louisiana Revised Statutes Sections 46:1051 *et seq.*, the objects and purposes of which include representing the public interest in providing hospital and medical care in the District, making available facilities for the delivery of health care services in the community, caring for persons suffering from illness or disabilities which require hospital care, administering other activities relating to rendering care to the sick and injured by the promotion of health, participating in activities designed to conduct and promote the general health of the community and cooperating with other public and private institutions and agencies engaging in providing hospital and other health services to residents of the District;

WHEREAS, Lessor is authorized to enter into cooperative endeavors with other public and private institutions and agencies to provide hospital and other health services to residents of the District pursuant to Article 7, Section 14(C) of the Louisiana Constitution and the District is presumed to enter into such cooperative endeavors for the purpose of obtaining a tangible benefit and for public purpose and such endeavors are presumed not to be a donation in contravention of Article 7 Section 14(a) of the Constitution;

WHEREAS, Lessor owns the facilities now operated as Teche Regional Medical Center, a licensed 167 bed acute care general hospital located in Morgan City, Louisiana and other buildings for the delivery of care (together, the “Facilities”), and other health care related assets (the Facilities and their related assets are referred to as the Business, as more specifically defined herein);

WHEREAS, Lessor is specifically authorized to enter into lease agreements with recognized and duly constituted nonprofit associations which are primarily engaged in the operation of hospitals, and in accordance with Louisiana Revised Statutes Section 46:1074, is empowered to negotiate the lease of its hospital facility and medical office buildings, provided that the lease rental rate shall be sufficient to recoup the capital investment of the District over a 20-year period, for the purpose of making available quality health and medical care in Lessor’s service area;

WHEREAS, both Lessor and Lessee now desire to enter into a long-term cooperative endeavor lease, pursuant to the terms of this Lease Agreement, and the District has determined that, pursuant to the authorities aforementioned and consistent with its purposes, it is in the public’s interest to enter into this Lease Agreement to achieve its objects and purposes for the benefit of District residents;

WHEREAS, separate and apart from this Lease Agreement, Lessee is acquiring the operations of Teche Regional Medical Center directly from PHC-Morgan City, L.P., with the acquisition effective on the Commencement Date of this Lease Agreement (as defined below).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth in this Lease Agreement, the parties hereto agree as follows:

1. **Lease of Leased Property.** Upon the terms and conditions herein specified, including favorable review and approval by the Louisiana Attorney General, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, (i) the tracts(s) of land located in Morgan City, St. Mary Parish, Louisiana, that are described on Schedule A, Part I attached hereto and made a part hereof for all purposes (the “Real Property”); (ii) all buildings, structures, Fixtures (as hereinafter defined) and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently situated upon the Real Property as described in Schedule C attached hereto and made a part hereof for all purposes (collectively, the “Improvements”); (iii) all servitudes, rights of way, and appurtenances relating to the Real Property and the Improvements (collectively, the “Appurtenant Rights”); and (iv) all equipment, machinery, fixtures, and other items of property, including all components thereof, now and hereafter either movable, permanently affixed to, or incorporated into the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus; sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto, (collectively the “Fixtures”); and (v) all equipment, furnishings, furniture, trade fixtures and other personal property used in connection with medical-surgical hospital, psychiatric unit, urgent care and medical office building operations and businesses upon the Real Property owned by Lessor and not otherwise included in items (i)-(iv) and identified on Schedule D attached hereto and made a part hereof for all purposes (collectively the “Equipment”). The Real Property, the Improvements, the Appurtenant Rights, the Fixtures, and the Equipment are hereinafter referred to collectively as the “Leased Property.”

2. **Initial Term.** The Leased Property is leased for an initial term of ten (10) years (the “Initial Term”) commencing on the later of: (i) the 1st day of October 2019, (ii) the day Lessee acquires the operations of the Facilities from PHC-Morgan City, L.P., or (iii) the date that the Louisiana Attorney General determines that this Lease satisfies the applicable requirements under Title 46, Section 1074 and/or Title 40, Sections 2115.11-2511.23 of the Louisiana Revised Statutes or otherwise acknowledges the parties may proceed with this Lease Agreement (the “Commencement Date”) and ending on that same date in 2029, unless terminated as hereinafter provided. “Lease Year” shall mean the period beginning on the first day of the term and ending at 12:00 midnight of the day prior to the first anniversary of the commencement date of the term and each subsequent 12-month period thereafter within the term of this Lease Agreement.

3. **Renewal.** Upon the expiration of the Initial Term, and any “Successive Term” (as defined below), the Lease Agreement shall automatically renew for an additional five (5) year term (each, a “Successive Term”), as permitted by law, unless Lessee provides notice to Lessor of its intent not to renew the Lease Agreement at least 365 days prior to the expiration of the Initial Term or a Successive Term. The Lease Agreement for a Subsequent Term shall renew upon the same terms and conditions set forth herein unless Lessor and Lessee agree to any modifications to such terms and conditions in writing.

4. **Rent.**

4.1 **Amount and Manner of Payment of Initial Term Rent.** During the Initial Term, Lessee will make annual lease payments (the “Initial Term Rent”) to Lessor in the amount of One Hundred Fifty Thousand Five Hundred Fifty-Seven and no/100 Dollars (\$150,557.00). The Initial Term Rent shall be payable on the Commencement Date and on each anniversary of the Commencement Date thereafter.

4.2 **Rent for Successive Terms.** During any Successive Terms, Lessee shall continue to pay rent in accordance with the schedule set forth in Section 4.1 (the “Successive Term Rent”).

5. **Covenants of Lessee and Lessor.**

5.1 **Uses of the Premises.**

(a) During the Initial Term, as well as any Successive Term, Lessee shall operate the Facilities as a business providing State licensed hospital and/or other healthcare services and shall meet Joint Commission accreditation requirements and all requirements to participate in Medicare, Medicaid and other government reimbursement programs (“Mandatory Uses”), as well as providing any incidental or ancillary services beneficial for the provision of healthcare services. The Mandatory Uses are those described on the attached Exhibit 5.1.

(b) In addition, during the first two years of the Initial Term (the “Option Period”), Lessee shall provide the services listed on Exhibit 5.1 (the “Additional Uses”) to the extent that such services were provided in the year prior to the Commencement Date and subject to Lessee’s ability to recruit and retain appropriate staff for such Additional Uses. Lessee shall use its best efforts to recruit and retain physicians and staff to provide obstetrical and orthopedic services at the Leased Property. Upon expiration of the Option Period, Lessee may, after consultation with the Advisory Board established in Section 14 of this Lease Agreement, give Lessor notice (the “Potential Discontinuation Notice”) of any Additional Use(s) that Lessee wishes to discontinue. Lessee shall consider the impact of any Additional Use(s) on Lessee’s standards for efficiency and quality of care, the materiality of the losses, the needs of the community, and other factors regarding the Additional Use(s). Lessee retains the right, in its reasonable discretion based on industry standards, to discontinue any Additional Use(s) that impact Lessee’s standards for efficiency and quality of care, are no longer needed in the community, or that Lessee determines negatively impact the delivery of health care services in a manner sufficient to warrant discontinuation of such Additional Use(s). Notwithstanding the foregoing, if Lessee elects to discontinue any Additional Use(s) after the expiration of the Option Period solely due to material losses

associated with maintaining such Additional Use(s), Lessor and Lessee agree to meet within thirty (30) days of Lessor's receipt of such notice for the purpose of discussing the Potential Discontinuation Notice ("the "Discontinuation Meeting"). At the Discontinuation Meeting, Lessee shall provide Lessor with full information on the cost of the Additional Use(s) described in the Potential Discontinuation Notice, the Lessee's financial losses from providing such Additional Use(s), and the materiality of the losses with respect to the Lessee's overall financial operations. If said Additional Use(s) cannot be delivered without adequate funding made available to Lessee to cover its financial losses, then within thirty (30) days after the Discontinuation Meeting, Lessor shall have the right to notify Lessee that it wishes Lessee to continue providing any Additional Use(s) described in the Potential Discontinuation Notice, provided that Lessor begins, within thirty (30) days after the Discontinuation Meeting, to subsidize Lessee's financial losses from the provision of such Additional Use(s).

Notwithstanding the foregoing, in the event Lessee elects to discontinue the delivery of Inpatient Medicine/Surgical Care at the Leased Property due to financial losses of both providing Inpatient Medicine/Surgical Care and financial losses for Lessee overall, the parties will discuss at a Discontinuation Meeting whether there is a financial subsidy from Lessor that will fully address Lessee's losses from the provision of Inpatient Medicine/Surgical Care such that Lessee may continue to provide quality Inpatient Medicine/Surgical Care upon receipt of the full subsidy required. In the event that Lessor does not choose to subsidize Lessee's financial losses from such Additional Use(s) as required herein, including the amount required to subsidize Inpatient Medicine/Surgical Care, Lessee may discontinue the provision of such Additional Use(s), subject to any applicable requirements of law regarding notice and patient abandonment. If Lessor elects at any time to cease its subsidy for such Additional Use(s), then, upon Lessor's ninety (90) days' written notice to Lessee thereof, Lessee may discontinue such Additional Use(s) at any time after the end of the ninety-day period, subject to any applicable requirements of law regarding notice and patient abandonment. For each specific Additional Use(s), when addressing the financial loss of providing any Additional Use(s), Lessee shall include the results of any operations of Lessee or Lessee affiliates in the District, regardless of whether provided at the Leased Property.

(c) Should Lessee elect to discontinue the delivery of Inpatient Medicine/Surgical Care and Lessor fail to subsidize the amount required to support Inpatient Medicine/Surgical Care, then Lessor shall have the right to terminate this Lease Agreement upon sixty (60) days' written notice to Lessee.

5.2 **Maintenance and Repair.** Lessee, at its own expense, will maintain all parts of the Leased Property in at least as good condition as they are on the Commencement Date, ordinary wear and tear excepted. Lessee will use any and all funds earmarked for repairs of the Leased Property that it receives from the prior operator of the Leased Property for the repair of the Leased Property. Thereafter, Lessee will make all necessary repairs to the Leased Property at a combined cost not to exceed Two Hundred Thousand Dollars (\$200,000) in each Lease Year. Lessee may, at its election, make additional repairs to the extent Lessee deems reasonably necessary for the safety of patients. Notwithstanding the foregoing, the Parties understand and agree that Lessor shall have no affirmative obligation to make repairs to the Facilities during the Term of this Agreement other than any obligations set forth in Section 5.4.

5.3 Taxes and Utilities. Lessee shall pay, prior to delinquency: all taxes, assessments, levies, fees, water and sewer rents and charges, and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which during the term hereof, (i) are imposed or levied upon or assessed against the Leased Property, or (ii) arise out of the operation, possession or use of the Leased Property (together the "Taxes"). If any such taxes, assessments, leases, fees, water and sewer rents and charges, and all such other governmental charges cover periods prior to the Commencement Date or extending beyond the Initial Term or a Successive Term, as the case may be, Lessee shall be liable only for such charges accruing during such term, and upon demand Lessor shall promptly reimburse Lessee for Lessor's pro rata portion of such charges. Lessee shall not be required to pay any franchise, estate, inheritance, transfer, income or similar tax of Lessor unless such tax is imposed, levied or assessed in substitution for any other tax, assessment, charge or levy which Lessee is required to pay pursuant to this Section 5.3. Lessee will furnish to Lessor, promptly after demand by Lessor therefor, proof of payment of all items referred to above which are payable by Lessee. If any such assessment may legally be paid in installments, Lessee may pay such assessment in installments; in such event, Lessee shall be liable only for installments which accrue during the term hereof, unless Lessee fails to make an installment and the failure results in the acceleration of future installments in which event Lessee shall promptly pay the entire installment.

5.4 Compliance with Laws. The Parties acknowledge that a precondition of this Lease is that it be reviewed and approved by the Louisiana Attorney General, and that all obligations hereunder will take effect only after such approval occurs. Except as hereinafter provided in this Section 5.4 and in the architectural and engineering reports Lessor provided to Lessee as part of the negotiations for this Agreement, Lessee understands and believes that the Leased Property is in compliance in all material respects with all laws, ordinances and regulations, and other governmental rules, orders and determinations now or hereafter enacted, made or issued, whether or not presently contemplated (collectively "Legal Requirements"), applicable to the Leased Property or the use thereof, and has provided Lessee with all information in Lessor's possession regarding the condition of the Leased Property. Lessor shall not cause the Leased Property to become subject to any Legal Requirements not already in effect with respect to the Leased Property on the Commencement Date. In the event that the Leased Property is not in compliance with all Legal Requirements on the Commencement Date and except for the repairs described in the reports Lessor provided to Lessee, Lessor shall be responsible for promptly causing the Leased Property to come into compliance with all Legal Requirements.

5.5 Insurance.

(a) Lessee shall maintain insurance on the Leased Property as follows:

(i) Insurance against loss by fire, flood, lightning, vandalism, malicious mischief and other risks which at the time are included under "extended coverage" endorsements with respect to the Leased Property, in an amount not less than 100% of the actual replacement value of the Improvements, exclusive of foundations, excavations, parking areas, drive and underground utilities.

(ii) Commercial general liability insurance against claims for bodily injury, death or property damage occurring on or in the Leased Property, with primary amounts of \$1,000,000 in any one occurrence and \$3,000,000 in the aggregate, and excess limits thereafter up to \$5,000,000,

(iii) Worker's compensation insurance to the extent required by the laws of the State of Louisiana and to the extent necessary to protect Lessor and the Leased Property against worker's compensation claims.

(iv) Boiler and machinery insurance coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, in an amount not less than \$5,000,000 with deductible provisions not exceeding \$100,000 per accident.

(b) Lessee will maintain professional liability insurance in the amount of at least \$1,000,000 per occurrence and \$3,000,000 in the aggregate, and participate in the Louisiana Patient Compensation Fund as a "Participating Provider."

The insurance referred to in subsections (a) and (b), above shall be written by companies legally qualified to issue such insurance and shall name Lessor and Lessee as insured parties as their interests may appear. Coverage for the items referred to in subsections (a)(ii), (a)(iii) and (b) above may be provided through a combination of self-insurance and "umbrella" policies maintained by Lessee or an Affiliate of Lessee as Lessee deems advisable. Upon Lessor's request, Lessee shall provide copies of certificates of insurance for such coverage to Lessor. Lessee shall notify Lessor of any lapse in coverage. For the purpose of this Lease Agreement, the term "Affiliate of Lessee" shall mean any person or entity that directly or indirectly controls, is controlled by, or is under common control with, Lessee, (ii) any entity of which Lessee owns ten percent (10%) or more of the outstanding voting securities, or (iii) any entity of which Lessee is a managing or controlling general partner or joint venturer. As used in this definition of "Affiliate," the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or other written agreement.

5.6 Surrender of Leased Property. Upon the expiration or termination of this Lease Agreement, Lessee shall surrender the Leased Property to Lessor in the condition in which the Leased Property were at the Commencement Date, except as repaired, rebuilt, restored, altered, added to; except for ordinary wear and tear, normal deterioration, and damage due to causes reasonably beyond Lessee's control and, if this Lease Agreement shall be terminated by Lessee pursuant to Section 10.1, except any damage resulting from any fire or other casualty.

5.7 Indemnification. Lessee shall defend and indemnify Lessor from and against any and all claims, liabilities, damages or losses from physical or property damage occurring on the Premises in conjunction with the Lessee's use thereof.

5.8 Waiver of Subrogation. Lessor and Lessee on behalf of themselves and all others claiming under them, including any insurer, waive all claims against each other, including all rights of subrogation, for loss or damage to their respective property

(including, but not limited to, the Leased Property) arising from fire, smoke damage, windstorm, hail, vandalism, theft, malicious mischief and any of the other perils normally insured against in an “all risk” or physical loss policy. If either party so requests, the other party shall obtain from its insurer a written waiver of all rights of subrogation that it may have against the other party.

6. **Title and Condition of Leased Property.**

6.1 **Title to Leased Property.** Lessor covenants, represents and warrants that Lessor has full right and lawful authority to enter into this Lease Agreement for the term hereof, is lawfully seized of the Leased Property and has good and marketable fee simple title thereto, free and clear of all liens and encumbrances except those set forth on Schedule A, Part II (the “Permitted Encumbrances”).

6.2 **Condition of the Leased Property.** As set forth on Schedule B, deferred maintenance items are as stated in the engineering and architectural reports provided to Lessee during the negotiations of this Lease Agreement, and funds in an amount to be finally determined will be provided to help defray certain costs associated with the repair of these items.

6.3 **Quiet Enjoyment; No Alienation of the Improvements.** So long as no Event of Default (as hereinafter defined) has occurred and is continuing, Lessee shall peaceably and quietly have, hold, occupy and enjoy the Real Property and Improvements and all the appurtenances thereto, without hindrance or interruption from Lessor or any other persons and other entities whatsoever, subject only to the Permitted Encumbrances and Lessor’s right of entry set forth in Section 11. During the term of this Lease Agreement, Lessor shall not transfer, assign, convey or otherwise alienate the Leased Property or any interest therein to any person or entity except Lessee.

7. **Alterations, Additions and Removal.** Lessee is hereby authorized to make additions to and alterations of the Improvements, and construct additional Improvements, at its expense, provided that: (i) such work shall be completed in a good and workmanlike manner, subject to Lessor's reasonable supervision, and in compliance with all applicable Legal Requirements and the requirements of all insurance policies required to be maintained by Lessee hereunder; and (ii) no material part of the Improvements shall be demolished, without Lessor’s consent, unless the same are replaced by other improvements which are required by Lessee in connection with its intended use of the Improvements. All such additions and alterations shall be and remain part of the realty and become the property of Lessor, free and clear of any liens or adverse claims, at the expiration or earlier termination of this Lease Agreement. Lessee shall, during the Initial Term and any Successive Term, make capital improvements to the Leased Property and/or capitalized informational system expenditures, at a cost to Lessee, up to an annual average of Five Hundred Thousand and no/100 Dollars (\$500,000.00) (“Lessee’s Capital Improvement Threshold”), provided that a maximum of Two Hundred Fifty Thousand and no/100 Dollars (\$250,000.00) of Lessee’s Capital Improvement Threshold can be met through capitalized informational system expenditures in any Lease Year. Further, Lessee, in its sole discretion, may make any capital improvements in excess of Lessee’s Capital Improvement Threshold in any Lease Year that it deems necessary. Capital improvements in any Lease Year in excess of Lessee’s Capital Improvement Threshold, and any discretionary repair expenses Lessee makes under Section

5.2, shall apply against Lessee's Capital Improvement Threshold for any prior or subsequent Lease Year. For any "Material Capital Improvement," Lessee shall notify Lessor of the proposed expenditure and address reasonable questions regarding the need for the Material Capital Improvement, where the cost of a Material Capital Improvement is in excess of Five Hundred Thousand Dollars (\$500,000). Notwithstanding the foregoing or Section 5.6, at the expiration or termination of this Lease Agreement, Lessor shall reimburse Lessee for the current fair market value of all alterations, additions or other changes to the Leased Property made by Lessee during the Term of this Lease Agreement. Lessee shall provide Lessor with a copy of Lessee's budget for Improvements during the upcoming year.

8. **Assignments and Subleases.** Lessee may not assign, transfer or delegate in whole or in part its obligations and interest under this Lease Agreement without the prior written consent of Lessor; provided, however, Lessee may assign, transfer or delegate the Leased Property in whole or in part to an affiliate of Lessee or an affiliate of Ochsner Clinic Foundation without the prior consent of Lessor. Lessor may only assign its interest in this Lease Agreement in accordance with Louisiana law if Lessor first provides notice and a right to acquire the Leased Property to Lessee on comparable terms. Lessee may sublet any portion of the Leased Property to a third party without the prior written consent of Lessor. Lessee shall provide copies of any such subleases to Lessor within ten (10) business days of execution.

9. **Permitted Contests.** Notwithstanding any provision of this Lease Agreement to the contrary, Lessee shall not be required, nor shall Lessor have the right, to pay, discharge or remove any tax, assessment, levy, fee, rent (except the Base Rent or the Successive Term Rent, as the case may be, and any other sums due hereunder payable to or for the benefit of Lessor), charge, lien or encumbrance, or to comply with any Legal Requirement applicable to the Leased Property or the use thereof, as long as Lessee shall contest the existence, amount or validity thereof by appropriate proceedings which shall prevent the collection of or other realization upon the tax, assessment, levy, fee, rent, charge, lien or encumbrance so contested, and which also shall prevent the sale, forfeiture or loss of the Leased Property or the Base Rent or the Successive Term Rent, as the case may be, or to satisfy the same or Legal Requirements, and which shall not affect the payment of the Base Rent or the Successive Term Rent, as the case may be, provided that such contest shall not subject Lessor to the risk of any criminal liability or any material civil liability. Lessee shall give such reasonable security as may be demanded by Lessor, or any mortgagee, to insure ultimate payment of such tax, assessment, levy, fee, rent, charge, lien, or encumbrance and compliance with Legal Requirements and to prevent any sale or forfeiture of the Leased Property, the Base Rent or the Successive Term Rent, as the case may be, or any other sum required to be paid by Lessee hereunder.

10. **Casualty and Condemnation.**

10.1 **Casualty.**

(a) Except as hereinafter provided, if any of the Improvements shall be damaged or destroyed by fire or any other casualty covered by a standard policy of fire and extended coverage insurance, as required pursuant to Section 5.5 hereof, Lessee shall thereafter commence and diligently prosecute to completion the repair or rebuilding of the Improvements or portion thereof which was damaged, in a good and workmanlike manner,

in accordance with plans and specifications satisfactory to Lessee and Lessor, which Lessor shall not unreasonably disapprove. If Lessee has obtained a standard policy of fire and extended coverage insurance with respect to the Improvements in an amount equal to 100% of the actual replacement value of the Improvements, then the Improvements upon completion of such repair or rebuilding shall have a value which is not substantially less than the value of the Improvements immediately prior to the damage or destruction. All proceeds remaining after payment of the costs of collection and recovery, including any proceeds received from a prior tenant of the Leased Property resulting from open claims against third parties that arise out of the operation of the Facilities, including any open claims or proceeds of insurance policies related to physical damage and/or repairs to the Improvements, if any ("Net Proceeds") shall be paid over to Lessee to fund the costs of repair and rebuilding.

(b) In the event that either (i) the damage or destruction with respect to any building ("Building") which is a part of the Improvements is so extensive that it cannot be rebuilt, restored or repaired as required in Section 10.1(a) within 120 days after such occurrence, as determined by Lessee in its reasonable judgment, or (ii) any such damage or destruction occurs during the last two years of the term of this Lease Agreement, then Lessee shall have the right to terminate this Lease Agreement with respect to the damaged or destroyed Building, but no other part of the Leased Property, by giving written notice thereof to Lessor within 60 days after the occurrence of such damage or destruction and such termination will be effective retroactively as of the date of such damage or destruction; provided that, if the Building which suffered such damage or destruction is Teche Regional Medical Center then Lessee shall have the right to terminate this Lease Agreement by giving written notice thereof to Lessor within 60 days after the occurrence of such damage or destruction and such termination will be effective retroactively as of the date of such damage or destruction. In addition, if any Building is materially damaged or destroyed by any casualty not covered by the standard policy of fire and extended coverage insurance, then Lessee may terminate this Lease Agreement effective as of the date of such damage or destruction by giving Lessor written notice thereof within 60 days after the occurrence of such damage or destruction. However, notwithstanding the foregoing, if any Building is materially damaged or destroyed by any casualty not covered by a policy of fire and extended coverage insurance and such coverage is customarily obtained with respect to similarly situated facilities, then Lessee may not terminate this Lease Agreement.

(c) If Lessee exercises its option to terminate this Lease Agreement in part on account of damage or destruction to a Building, the parties shall promptly thereafter execute an amendment to this Lease Agreement which shall provide that such Building will be excised from the Leased Property, and that any rent owing hereunder will be proportionately and equitably reduced. Any balance due to Lessee under Section 7 must be returned by Lessor within thirty (30) days of termination.

(d) In the event of a termination under this Section 10.1, all insurance proceeds covering any Building or the Facilities' physical premises shall, to the extent not payable to Lessor, be assigned to Lessor. Furthermore, in the event of termination of this Lease Agreement under this subsection, neither party shall owe any amount of rent as described under Section 4 (including reimbursement of any shortfalls, etc. as described therein) to one another after the effective date of such termination. Notwithstanding the foregoing, all rent due to either Party attributable to periods prior to termination under this Section 10 shall be paid within thirty (30) days of termination.

(e) In the event of a termination of this Lease Agreement, either in whole or in part, pursuant to Section 10.1(b), the Net Proceeds of insurance shall be paid over to Lessee, except that Lessor shall be entitled to first receive such portion of such proceeds which represents the value of Lessor's reversionary interest in the Leased Property; provided, however, in the event of a casualty described under Section 10.1(b) that occurs within the first 10 years of the Initial Term which would otherwise permit Lessee to terminate the Lease Agreement and; provided further, the Net Proceeds are sufficient to rebuild the Buildings or Improvements in the manner described herein; then, Lessee shall not be entitled to terminate this Lease Agreement but shall be obligated to rebuild such Buildings or Improvements in a good and workmanlike manner, in accordance with plans and specifications satisfactory to Lessee and Lessor, which Lessor shall not unreasonably disapprove, provided that the Buildings or Improvements upon completion of such repair or rebuilding shall have a value which is not substantially less than the value of the Buildings or Improvements immediately prior to the damage or destruction.

10.2 **Condemnation.**

(a) If (i) the Improvements or Real Property are taken by an entity with the power of eminent domain ("Condemning Authority") or if the Improvements or Real Property are conveyed to a Condemning Authority by a negotiated sale, or if part of the Real Property is so taken or conveyed such that any of the Improvements cannot be rebuilt so that upon completion Lessee may again use the Improvements without substantial interference, or (ii) due to any such taking or conveyances, access to the Improvements or any part thereof by motor vehicles and trucks as operated by Lessee, its contractors, employees, patients and invitees in the course of Lessee's business as theretofore conducted, is substantially impaired or terminated; then in any such event, Lessee may terminate this Lease Agreement by giving Lessor written notice any time after the occurrence of any of the foregoing and such termination shall be effective 60 days from the date possession is taken by the Condemning Authority.

(b) If part of the Improvements, Real Property, or any Building or a substantial part thereof is so taken or conveyed without substantially interfering with the use of the Leased Property as a whole, but only one or more of the Buildings thereon, this Lease Agreement shall not terminate, except to the extent hereinafter provided. In such event, however, (i) Lessee shall have the option to terminate this Lease Agreement with respect to any Building which is subject to such taking or conveyance by notifying within 60 days after the title is transferred to the Condemning Authority, and Lessor shall be entitled to all awards and payments made or to be made by the Condemning Authority, and (ii) if Lessee exercises such termination option, Lessor shall apply such portions of any award or payment made to Lessor for such taking or conveyance as is necessary to pay the cost of restoring the Building and/or the Improvements to a complete architectural unit, including restoration of leasehold improvements previously made by Lessee, suitable for Lessee's use and business on the Real Property; provided, however, that Lessor shall be obligated to restore the Building and/or the Improvements only to the extent that it receives any awards or payments from the Condemning Authority. If Lessee does not exercise its option to terminate this Lease Agreement in part on account of a taking or conveyance of a Building or any substantial part thereof as provided in clause (b)(i) above, the parties shall promptly thereafter execute an amendment to this Lease Agreement which shall provide that the

Building will be excised from the Leased Property, and that any rent owing hereunder will be proportionately and equitably reduced.

(c) Except as provided below and in Section 10.2(b), all payments made for any such taking or conveyance shall be the property of Lessor; provided, however, Lessee shall be entitled to receive the portion of any such award or payment attributable to any leasehold improvements made by Lessee since the Commencement Date, all of which shall be paid to Lessee.

(d) If this Lease Agreement is terminated pursuant to this Section 10.1, Lessor and Lessee shall be released and discharged from all liabilities arising or accruing under this Lease Agreement subsequent to the effective date of termination.

11. **Right of Entry.** Lessor, its agents and contractors, may enter upon and examine the Improvements during business hours for the purpose of determining the condition of the Leased Property, and in the Lease Year may show the Leased Property to prospective purchasers or lessees as long as such examination or showing shall not unreasonably interfere with the business operations of Lessee on the Leased Property. Further, Lessee shall provide Lessor with copies of any surveys or accreditation reports it receives during the Term of this Lease Agreement.

12. **Default; Notice and Cure; Remedies.** The following events (“Events of Default”) shall be deemed to be events of default by Lessee under this Lease Agreement:

(a) if Lessee shall default in the performance of any covenants or agreements hereunder and such default shall continue for 60 days after written notice thereof, or, if the default is of such a nature that it could not reasonably be cured within such 60 day period and Lessee does not, within said 60 day period commence to cure it and thereafter proceed, with due diligence, to cure it;

(b) if a decree or order by a court of competent jurisdiction shall have been entered adjudging Lessee or Ochsner Clinic Foundation as bankrupt or insolvent or appointing a receiver or trustee or assignee in bankruptcy or insolvency of all or substantially all of its property, and any such decree or order shall have continued in force undischarged or unstayed for a period of 60 days;

(c) if Lessee or Ochsner ceases doing business as a going concern;

(d) any assignment of this Lease or sublease of the Leased Property, or any other Transfer, in violation of Section 8; or

(e) if Lessee abandons or vacates the Leased Property during the term of this Lease Agreement.

Upon the occurrence of any such Event of Default, Lessor shall have, in addition to any and all other legal remedies and rights, the right to terminate this Lease Agreement or retake possession of the Leased Property by eviction, re-entry or otherwise. Where the Lessee fails to make any payment or cure any default timely under this Lease Agreement, Lessor

may remedy such default on behalf of Lessee; and in such event, Lessee must pay Lessor all costs including reasonable attorneys' fees incurred by Lessor in remediating such default.

Lessor shall work diligently and in good faith to transition operations of the Facilities to a new operator upon the termination or expiration of this Lease Agreement, including transition of licensure and enrollment and patient and financial information to the new operator's electronic health record and accounting system.

13. **Environmental Matters.**

13.1 **Covenant of Lessee.** Except for Hazardous Materials (defined as any substance, material, or waste, excluding medical waste, which is or will foreseeably be regulated by any governmental entity) or other toxic materials or medical waste brought, kept or used in the Leased Property in commercial quantities similar to those quantities usually kept on similar premises by others in the same business, medical specialty or profession or who operate medical facilities similar to those located in and on the Leased Property, and which are used and kept in compliance with applicable public health, safety and environmental laws, Lessee shall not allow any Hazardous Material, or other toxic material or medical waste to be located in, on or under the Leased Property or allow the Leased Property to be used for the disposal of any Hazardous Material or other toxic material and Lessee shall indemnify Lessor against any and all claims, demands, liabilities, losses and expenses, including consultant fees, court costs and reasonable attorneys' fees, arising out of any breach of the foregoing warranty.

13.2 **Compliance with Laws.** Lessee shall at all times comply in all material respects with all Legal Requirements applicable to the Leased Property or the use thereof relating to industrial hygiene, the handling, storage and disposal of medical waste, environmental protection, or the use, analysis, generation, manufacture, storage, disposal or transportation of any Hazardous Material, toxic material or medical waste.

13.3 **Remediation.** If Lessee becomes aware of the presence of any Hazardous Material in or on the Improvements or Real Property (except for those Hazardous Materials or other toxic material or medical waste brought, kept or used in the Improvements or Real Property by Lessee in commercial quantities similar to those quantities usually kept on similar premises by others in the same business, profession or medical specialty and which are used and kept in compliance with applicable public health, safety and environmental laws) or if the Improvements or Real Property become subject to any order of any federal, state or local agency to repair, close, detoxify, decontaminate or otherwise cleanup the Improvements or Real Property, Lessee shall, at its own cost and expense, carry out and complete any repair, closure, detoxification, decontamination or other cleanup of the Improvements or Real Property; provided that Lessee shall not be responsible for any of the foregoing relating to any Hazardous Material, or other toxic materials or medical waste located on, in or under the Improvements or Real Property on the Commencement Date, all of which shall be the responsibility of Lessor, and Lessor shall diligently execute and complete any required repair, closure, detoxification, decontamination or other clean-up of the Improvements or Real Property. If either Party fails to implement and diligently pursue any such repair, closure, detoxification, decontamination other cleanup of the Improvements or Real Property which it's required to do hereunder, the other Party shall have the right,

but not the obligation, to carry out such action and to recover all of the costs, expenses, penalties and fines from the other Party.

14. **Advisory Board.** To assist with assessing local St. Mary Parish needs, Lessee agrees to work with an Advisory Board composed, as hereinafter described, to meet at least quarterly, to review and make recommendations to Lessee during the Term of this Lease with respect to the healthcare needs of the community. Lessee shall report regularly to the Advisory Board on its financial operations, its recruitment and retention efforts for physicians and staff, and hospital quality metrics regarding the services Lessee provides at the Leased Property.

14.1 **Composition of the Advisory Board.** The Advisory Board will consist of eight (8) members, with four (4) members designated by Lessee and four (4) members designated by Lessor. The members designated by Lessor shall be community member residents of St. Mary Parish, and one shall be the chairman of the Hospital Service District No. 2 of the Parish of St. Mary, who shall serve as an *ex officio* member, members of the Advisory Board will be appointed to serve for one year terms; provided that no person other than the chairman of the Hospital Service District No. 2 of the Parish of St. Mary may serve more than three (3) one-year terms during the Term without Lessee's prior written consent. At least ninety (90) days prior to the expiration of a community member's term or within thirty (30) days after resignation of a community member, Lessee shall notify Lessor to request designation of replacement members.

14.2 **Authority of the Advisory Board.** Notwithstanding any other provision in this Section 14, Lessee will retain all final authority with respect to the management of the Leased Property (and all decisions in connection therewith) consistent with the terms of this Lease.

15. **Notices.** All notices hereunder must be in writing and shall be deemed to have been given upon delivery by (a) a personal delivery to the designated address, (b) certified or registered mail, postage prepaid, return receipt requested, or (c) a nationally recognized overnight courier services (against a receipt therefor). All such notices must be addressed as follows or to such other address as to which any party hereto may have notified the other in writing:

If to Lessor: Hospital Service District No. 2 of the Parish of St. Mary
1125 Marguerite Street
Morgan City, LA 70381
Attn: Chairman, Board of Commissioners

With a copy to: William E. Bourgeois
BOURGEOIS LAW, LLC
704 Front Street (70380)
PO Box 1688
Morgan City, LA 70381

If to Lessee: Ochsner Morgan City LLC
1514 Jefferson Highway
New Orleans, LA 70121
Attn: Chief Executive Officer

With a copy to: Office of General Counsel
Ochsner Clinic Foundation
1450 Poydras St., Ste. 2250
New Orleans, LA 70112

16. **Rights after Termination.** In the event this Agreement is terminated, then the District shall have the following options:

(a) The District may lease or sublicense certain systems or equipment, including but not limited to an electronic health record system with billing and accounting functions substantially equivalent to, and using the same data as, the medical record and business functions, including providing financial statements, payments ledgers, and statements of account and patient invoices, as provided by the system used by Lessee during the term of this Agreement, from Lessee or Lessee's sole member for a period not to exceed three years from the date of termination (the "Transition Services"). The foregoing is subject to the parties entering into a mutually acceptable license agreement (the "Transition Agreement"), which Transition Agreement will obligate the parties to cooperate to ensure that the District retains access to all data relating to the Hospital's operations that resides on the electronic health record and ancillary business office systems, including access to data that is necessary for the Hospital to meet the requirements of meaningful use and other applicable standards with the Transition Services. In connection with the foregoing, the District will pay to Lessee or its sole member the amount of actual and/or pass-through costs incurred in providing the Transition Services to the District. Such costs shall not include any mark-up or premium. If the District is in default of the foregoing payment obligation, Lessee will provide notice and an opportunity to cure as set forth in Section 12, and, if the District fails to cure its default, Lessee will remove from the Leased Property all equipment and systems Lessee acquired at its expense for services at the Leased Property. The parties shall use their best efforts to obtain any required license or sublicense approval for the systems sold, leased, licensed, or sublicensed to the District, including any license associated with any new or alternate electronic health record system.

(b) The District may continue the use of the electronic health record software in use on the date of termination under the then-current terms and conditions offered under Lessee's member's Community Connect program (or such other electronic health record system program offered by Lessee or its member to community hospitals at such time), including, without limitation, the then current fees and on such terms and conditions (including length of term) as are then offered by Lessee or its member. The Community Connect program, or its replacement, will allow the District to access patient records and billing information in a manner that will allow the Hospital to continue to provide patient care and perform billing and collections of patient accounts. In order to exercise this option, the District must provide Lessee with written notice of its election to transition to the Community Connect offering no later than the date of termination of this Lease Agreement. The District acknowledges and agrees that exercise of this option will require the District to execute a Community Connect agreement with Lessee or its designee and that there

may be additional software that the District will have to license and implementation services and hardware that the District will have to purchase to participate in the Community Connect program.

(c) The provisions of this Section 16 shall survive termination of this Lease Agreement.

17. **Severability; Binding Effect.** If any provision hereof or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforceable to the extent permitted by law. All provisions contained in this Lease Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of Lessor and Lessee to the same extent as if each such successor and assign were named as a party hereto. This Lease Agreement may not be changed, modified or discharged except by a writing signed by Lessor and Lessee. Any such change, modification or discharge made otherwise than as expressly permitted by this paragraph shall be void. This Lease Agreement shall be governed by and interpreted in accordance with the laws of the State of Louisiana.

18. **Headings and Table of Contents.** The table of contents and the headings of the various Sections and Schedules of this Lease Agreement have been inserted for reference only and shall not to any extent have the effect of modifying, amending or changing the expressed terms and provisions of this Lease Agreement.

19. **Counterparts.** This Lease Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

20. **Memorandum of Lease.** Upon request of either party hereto, the parties shall execute and deliver to each other duplicate originals of a Memorandum of this Lease Agreement, in recordable form, containing the information required by law for recording the same.

21. **No Partnership.** The parties hereto intend the relationship created by this Lease Agreement to be that of lessor and lessee and do not intend for the arrangement between them to be a partnership.

22. **Binding Effect.** This Lease Agreement binds each of the parties and their respective heirs, successors, and assigns.

23. **Execution Warranty.** Each individual signing this Lease Agreement warrants that such execution has been duly authorized by the party for which such individual is signing, that execution and performance of this Lease Agreement by such party has been or will be duly authorized by all necessary corporate action, and that this Lease Agreement constitutes a valid and enforceable obligation of each party in accordance with the terms of this Lease Agreement.

24. **Schedules.** Exhibit 5.1 and Schedules A, B, C, and D referred to in this Lease Agreement are hereby incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first written above.

LESSOR:

**HOSPITAL SERVICE DISTRICT NO. 2
OF THE PARISH OF ST. MARY**

By: William A. Cefalu, Jr.

Name: William A. Cefalu, Jr.

Title: Chairman Board of Commissioners

LESSEE:

OCHSNER MORGAN CITY LLC

By: Ochsner Clinic Foundation, its sole member

By: 

Name: Peter C. November

Title: Exec. VP & CA

#174411

EXHIBIT 5.1

Mandatory Uses

- The provision of 24-Hour Emergency Services within an Emergency Department
- Laboratory Services
- Imaging Services
- Primary Care and Physician Clinic Services

Additional Uses

- Endoscopy and Other Ambulatory/Outpatient Surgical Services
- Specialized Surgical Services: Gynecological; Ophthalmic; Orthopedic
- Inpatient Behavioral Health
- Inpatient Medicine/Surgical Care and Progressive Care Unit
- Obstetrical and Newborn Services
- Pediatric Services
- Rehabilitation Services: Inpatient Physical Therapy; Occupational Therapy; Speech Therapy