

## SUBLEASE

**THIS SUBLEASE** ("Lease") is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2011 (the "Effective Date"), by and between Haywood Regional Medical Center (hereinafter called "Lessor"), and Haywood County (hereinafter called "Lessee").

### WITNESSETH:

**WHEREAS**, Lessee is desirous of renting from Lessor 2,484 (sq. ft.) (the "Premises") of that 18,790 gross square feet of building to be constructed ("Building"), which will be located on a portion of that parcel of land described in Exhibit "A", attached hereto and incorporated herein by reference (the "Land"). The Premises are marked and are more particularly depicted in the floor plans shown on Exhibit "A-1", attached hereto and incorporated herein by reference.

**WHEREAS**, Lessor has leased the Land and Building to be constructed from Kenneth Wilson and Deborah Wilson ("Master Landlord") under that Lease dated June 2, 2011, a copy of which is attached hereto as Exhibit B and incorporated herein by reference ("Master Lease"). This Lease is subject and subordinate to the Master Lease. Notwithstanding anything herein contained, the only services or rights to which Lessee is entitled hereunder are those to which Lessor is entitled under the Master Lease. Lessee shall assume all of the obligations of "Lessee" under the Master Lease regarding the Premises and shall be bound to comply with all such terms and provisions of the Master Lease. To the extent that this Lease is inconsistent with the provisions of the Master Lease, or in the event that such Master Lease renders the duties or obligations of the parties under this Lease practically impossible, the Master Lease shall control.

**NOW, THEREFORE**, for and in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable considerations, the receipt and sufficiency of which is hereby acknowledged, the parties do hereby covenant and agree as follows:

#### 1. Premises

A. Demise of Premises. In consideration of the rents and other covenants of this Lease, Lessor hereby leases to Lessee and Lessee hereby takes from Lessor the Premises which are more particularly described on Exhibit "A-1", attached hereto and incorporated herein by reference.

B. Parking. Subject to the other provisions of this Lease, Lessee shall have free non-exclusive use of parking facilities, driveways, parking islands and sidewalks, and all other portions of the Building and/or Land described on Exhibit C" (the "Common Areas") for Lessee, Lessee's employees, Lessee's business invitees and Lessee's agents. Such areas for non-exclusive parking spaces shall serve Lessor and all lessees, their employees, business invitees and agents; provided, however, that at no time during any day of the original or extended term of this Lease shall the aggregate number of non-exclusive parking spaces actually occupied by Lessee, Lessee's employees, business invitees and agents exceed Lessee's Percentage, described below, of the total parking spaces (which figure is a maximum number of spaces to be utilized by or for Lessee at any one time, but Lessor in no respect guarantees that such number of spaces will in fact be available at any one time for Lessee). Lessee shall not at any time park any trucks or any delivery vehicles in the parking areas or driveways, except as specifically designated by Lessor from time to time, and shall confine all truck parking, loading and unloading to times and locations specifically designated by Lessor from time to time. Lessee covenants and agrees to enforce the provisions of this Lease against Lessee's employees and business invitees. Lessor may from time to time circulate free parking stickers for the purpose of identifying motor vehicles of Lessee and Lessee's employees and/or circulate free validation tickets for the purpose of identifying Lessee's business invitees. Lessor shall have the right, but not the obligation: (a) to police said parking facilities, (b) to provide parking attendants, (c) to cause unauthorized and/or unstickered motor vehicles to be towed away at the sole risk and expense of the owner of such motor vehicles, (d) to provide for such exclusive use as Lessor may determine from time to time, for the exclusive use of the handicapped, and/or for the exclusive use of visitors, (e) to use any portion of the parking facilities from time to time and/or to

deny access to the same temporarily in order to repair, maintain or restore such facilities or to construct improvements under, over, along, across and upon the same and to grant easements therein to public and quasi public authorities and (f) to adopt and modify from time to time Rules and Regulations for parking and vehicular ingress, egress, speed, no parking, no standing, and for times and places for move-in, move-out and deliveries.

C. Signage. Lessor shall provide at Lessee's expense signage for Lessee on the monument sign. Lessee may place any signs within the Premises which it sees fit, provided that all signs, at the request of Lessor, shall be removed upon termination of this Lease, and any and all damage caused by such removal shall be repaired by Lessee at Lessee's expense.

## 2. Construction of Sub-Tenant Upfit Improvements

Improvements. Master Landlord will be responsible for upfitting the Premises, in accordance with the Final Plans described in the Master Lease (the "Improvements"). Lessee will be responsible for the cost of any change orders requested by Lessee and shall pay the cost thereof within fifteen (15) days of receipt of an invoice for the same.

## 3. Use of Premises

Permitted Use. The Premises may be used for an emergency services facility and shall not be used by anyone for any other purposes without the prior written consent of Lessor.

## 4. Term

A. Term. The initial period of this Lease shall commence on the Effective Date, but rentals from Lessee to Lessor are not due until the Rent Commencement Date, as defined below; and the initial period shall terminate on the fifteenth (15<sup>th</sup>) anniversary of the last day of the month in which the Rent Commencement Date occurred. The "Rent Commencement Date" is the first to occur of (a) the date that Lessor has delivered the Substantially Completed Improvements to Lessee or (b) the date Lessee has commenced any significant operations in the Building.

B. Option. Provided there is no uncured default, both at the time of exercise of renewal and at commencement of the renewal period, and provided that Lessor is and will remain in possession of the Building for the proposed renewal term under the Master Lease, Lessee shall have options to renew this Lease for three (3) additional, successive periods of five (5) years each on the same terms and conditions herein, except as may be set forth in Section 5 below. If Lessee elects to exercise any such option(s), written notice thereof must be given by Lessee to Lessor at least one hundred eighty three (183) days prior to the expiration of the then current period of the Term, and wherever herein the designation "Term" appears, it shall include the initial period, plus any renewal period or periods for which the aforesaid options for renewal have been exercised. Said exercise, once given, is irrevocable. Failure to properly exercise any renewal period shall be an irrevocable waiver of the rights to exercise all subsequent renewal periods.

C. Lease Year. A "Lease Year" shall be the twelve (12) month period beginning on the first day of the month following the month in which the Rent Commencement Date occurred of one (1) year, and ending on the last day of the month in which the Rent Commencement Date occurred of the following year. Notwithstanding the above, the first Lease Year shall also include the period from the Effective Date through the Rent Commencement Date (even though no rental is due until the Rent Commencement Date), regardless of its length.

## 5. Rentals and Other Expenses

A. Monthly Rental. Lessee shall pay the Monthly Rental Amounts, as set forth below, to Lessor, in advance, monthly, without demand therefor or offset therefrom, in those amounts and at such times as set forth in the Rental Schedule below. The Rental Schedule is as follows:

### Rental Schedule

<u>Period Applicable</u>	<u>Monthly Rental Amounts</u>
Rent Commencement Date – end of third (full) Lease Year	\$1,500.00
Fourth Lease Year	\$1,545.00
Fifth Lease Year	\$1,591.00
Sixth Lease Year	\$1,639.00
Seventh Lease Year	\$1,688.00
Eighth Lease Year	\$1,739.00
Ninth Lease Year	\$1,791.00
Tenth Lease Year	\$1,845.00
Eleventh Lease Year	\$1,900.00
Twelfth Lease Year	\$1,957.00
Thirteenth Lease Year	\$2,016.00
Fourteenth Lease Year	\$2,076.00
Fifteenth Lease Year	\$2,138.00

If the renewal periods, or any of them, are exercised, then the Monthly Rental Amounts due from Lessee to Lessor during such periods, for each Lease Year, shall increase by (3%) of the prior Lease Year's Monthly Rental Amount, so that the Monthly Rental Amount for the sixteenth Lease Year (if the first renewal period was exercised) is \$2,202.00.

B. Insurance Premiums. Commencing on the Rent Commencement Date and continuing thereafter during the Lease Term, Lessee agrees to obtain personal property insurance (for full replacement value), general liability and rental loss insurance on the Premises as more particularly described below, and other types of insurance which may be maintained by lessors of offices of similar size and use as the Building in such forms, in such reasonable amounts, and with such companies as shall be approved by Lessor in its reasonable discretion. Lessee agrees to list Lessor as an "Additional Insured" on any liability policy obtained by Lessee.

C. Rent Tax. If any governmental authority imposes a tax, levy or other imposition upon Lessor based upon the rent received by Lessor under this Lease, Lessee shall pay to Lessor, on or before seven (7) days after notice and without offset or deduction, the amount thereof. The tax, levy or imposition to which reference is made shall include sales, use, excise or similar tax, but shall not include capital stock, estate, or inheritance taxes imposed upon Lessor.

D. Medical and Hazardous Waste. Lessee, at Lessee's sole cost and expense, shall be responsible for medical, special and infectious waste removal from the Premises and the maintenance and storage thereof pending removal, all in accordance with all applicable laws, regulations and orders. Lessee shall not cause or permit the release or disposal of any hazardous substances, wastes or materials, or any medical, special or infectious wastes, in, on or about the Premises. "Hazardous substances" and "Medical Waste" are more particularly defined below.

## 6. Assignment or Subletting

Lessee shall not, without Lessor's prior written consent, which may be withheld in Lessor's sole and absolute discretion: (i) assign, hypothecate, mortgage, encumber, or convey this Lease or any interest under it; (ii) allow any transfer thereof of any lien upon Lessee's interest by operation of law; or (iii) sublet the Premises in whole or in part. A transfer of a controlling interest in Lessee shall be deemed an assignment of this Lease. Lessee agrees to pay to Lessor, on demand, all reasonable costs incurred by Lessor in connection with any request by Lessee for Lessor's consent to any assignment or subletting. Any assignment or subletting which is approved by Lessor shall not release Lessee of its liability under this Lease or permit any subsequent assignment, subletting or other prohibited act, unless specifically provided in such consent.

## 7. Compliance with Legal Requirements

A. General. Lessee, at its sole cost and expense, shall promptly comply with (i) all laws, ordinances, orders, rules and regulations of state, federal, municipal or other agencies or bodies having jurisdiction relating to the use, condition and occupancy of the Premises; and (ii) any rules and regulations for the Premises and Common Areas that may be established and amended, from time to time, by Lessor, in Lessor's sole discretion. Lessee, at its

sole cost and expense, shall obtain and maintain any and all licenses and permits necessary for any use of the Premises. Lessee shall not receive, store or otherwise handle any product, material or merchandise which is explosive or highly inflammable, including, but not limited to, any "hazardous substances," as that term is defined below (other than substances customarily used in the operation of Lessee's business and which substances shall be handled in accordance with all applicable laws). The Premises shall not be used for any illegal purposes, in violation of any regulation of any governmental body or in any manner to create any nuisance. Lessee shall not use the Premises in any manner which will increase the premium rate for any kind of insurance affecting the Premises, the Building and/or the Property, and if, because of anything done or caused to be done, permitted or omitted by Lessee, the premium rate for any kind of insurance affecting the Premises, the Building, or the Property, shall be raised, then, in such event, the amount of the increase in premium which Lessor shall be thereby obligated to pay for insurance shall be deemed additional rent and shall be paid by Lessee to Lessor on demand. Lessee shall comply with all legal requirements affecting the Premises, of every nature, including those respecting any operation conducted or any equipment, installations or other property placed upon, in or about the Premises. Lessee shall neither create nor permit the creation of any nuisance upon, in or about the Premises, and Lessee shall not make any offensive use thereof.

B. Hazardous Substances. Except in the ordinary course of business, and then only in accordance with applicable law, Lessee shall not, in the Premises, make, store, use, treat, dispose of or permit any person or entity to make, store, use, treat or dispose of any (i) "hazardous substance", which is defined as any hazardous or toxic substance, material or waste, regulated or listed pursuant to any federal, state or local environmental law, including without limitation, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide, Rodenticide Act, the Safe Drinking Water Act and the Occupational Safety and Health Act, and the Comprehensive Environmental Response, Compensation and Liability Act, and the Rules and Regulations promulgated pursuant thereto, as from time to time amended (herein collectively called "CERCLA") or (ii) any other hazardous waste, contaminant, petroleum, oil, radioactive or other materials the removal of which is required or the maintenance of which is prohibited, penalized or regulated by any local, state or federal agency, authority or governmental unit.

Notwithstanding the foregoing, Lessor recognizes that Lessee may generate medical waste which shall be disposed of by Lessee in accordance with applicable law and as otherwise set forth herein. The term "Medical Waste" means any waste defined or listed as medical waste or infectious waste under the Federal Medical Waste Tracking Act of 1988 or the regulations promulgated thereunder or under any applicable environmental law. The term "medical waste" includes without limitation cultures and stocks; pathological wastes; human blood and blood products; animal wastes; isolation wastes; sharps; and unused sharps. All such handling, storage, and disposal must be conducted with the highest degree of care, following precautions at least as safe as those described in guidance documents published by the American Hospital Association and the Center for Disease Control, and must comply with all applicable federal, state, and local statutes, regulations, and ordinances.

C. Indemnity. Lessee agrees to defend, indemnify and hold Lessor harmless from and against any and all claims or demands arising out of or in any manner connected with the "release" or "threatened release" of "hazardous substances" or "Medical Waste", defined herein, and for any and all actions, suits and proceedings in connection with any such claim or demand and any and all loss, cost, damage, liability and expense incurred by Lessor in connection therewith, including, but not limited to, attorneys' fees and other costs of litigation. Notwithstanding the foregoing, however, Lessee shall not be required to defend, indemnify or hold harmless Lessor from any of the foregoing events that occur as a result of Lessor's actions. The terms of this Section shall survive the expiration or termination of this Lease.

## 8. Insurance

Lessee shall carry, at Lessee's expense, All Risk insurance with fire and extended coverage insuring against loss or damage to Lessee's furnishings, fixtures, inventory, equipment, leasehold improvements and all other property situated or placed upon, in or about the Premises to the maximum, full replacement cost, insurable value thereof, as well as interruption insurance. All insurance required hereby shall be kept in force during the entire Term. In addition, Lessee shall carry commercial liability insurance in the minimum amount of \$1,000,000.00 per person and \$3,000,000.00 in the aggregate, and Lessee shall deliver to Lessor memorandum policies or certificates of such coverage, with companies and deductibles satisfactory to Lessor, and naming Lessor as additional insured therein.

**9. Additions, Alterations, Changes and Improvements**

Except as described below, Lessee shall not make, and shall not have the right to make any structural alterations, changes or improvements, in or to the Premises without Lessor's prior written consent, provided that if such consent is given, all such alterations, changes and improvements shall be promptly made by and at Lessee's expense, in a workmanlike manner, be promptly paid for by Lessee allowing no liens to attach either to the Premises or to Lessee's interest therein, shall not be removed at any time without Lessor's permission and shall become the property of Lessor at the termination of this Lease. Lessor shall have the right to require Lessee to provide such assurances as Lessor shall reasonably require to protect Lessor against unpaid work. Lessee may make non-structural additions, alterations and changes to the Building's interior (so long as not externally visible) without Lessor's prior consent. Notwithstanding the foregoing, Lessee has absolutely no right to do anything that might reasonably be inferred as endangering or substantially altering the Building.

**10. Repairs/Alterations**

Lessee shall, at Lessee's own expense, keep, repair, and maintain the entire Premises and the entrance to the Premises, and all parts and systems of the Premises, including but not limited to, walls, windows and/or plate glass, and all utility installations and equipment, in good maintenance, replacement and repair. All repairs, maintenance and replacements shall be performed in a prompt, workmanlike manner, shall be promptly paid for by Lessee and no liens shall be allowed to attach either to the Premises or Lessee's interest therein. In the event Lessee fails to make any repairs or replacements, or perform any alteration or maintenance required to be made by Lessee hereunder after notice to Lessee and applicable cure periods expire, Lessor may, at its option and at Lessee's expense, make the repairs or replacements and perform the maintenance for and on behalf of Lessee. Lessee shall, on or before twenty (20) days after notice, pay to Lessor all cost and expense incurred by Lessor in making such repairs and replacements and performing such alterations or maintenance. Notwithstanding the above to the contrary, if immediate repairs are necessary to prevent damage or destruction to the Premises, Lessor shall have the right to immediately effect such repairs if Lessee fails to take the necessary actions. Lessor has no obligation to make any repairs or replacements or to perform any maintenance.

**11. Safe and Sanitary Condition**

Lessee shall not permit, allow or cause any act or deed to be performed upon, in or about the Premises which shall cause or be likely to cause injury to any person or to the Premises, the Building, the Land, or the Common Areas. Lessee shall not damage or cause stoppage of any utility or plumbing lines, except as reasonably required for repairs or maintenance of the utilities or the Premises. Lessee shall at all times keep the Premises and the entrance to the Premises in a neat, orderly and lawful condition and shall keep the Premises reasonably clean and free from rubbish, dirt, snow, ice, and standing water.

**12. Trade Fixtures**

Lessee shall be permitted to install trade fixtures on the Premises. In addition, Lessee shall be permitted to remove said trade fixtures from the Premises upon the termination of this Lease; provided that if Lessee does so remove such trade fixtures, Lessee shall return the Premises to the same condition as existed at the time of original entry, ordinary wear and tear excepted. This provision is not intended to allow Lessee to remove approved improvements made by Lessee to the Premises. All such improvements belong to Lessor at the termination hereof and shall not be removed nor damaged by Lessee's removal of trade fixtures. If Lessee does not remove the trade fixtures at termination, Lessor shall have the option either to declare such fixtures abandoned and Lessor the owner thereof or to demand Lessee remove same at Lessee's expense returning the Premises to the condition required herein.

**13. Lessor Not Liable for Damages or Injuries**

Lessor shall not be responsible to Lessee or to any other person or entity for damages or injuries to person or property caused by virtue of or arising out of burst water pipes, leaks from sprinkler or air conditioning systems, leaks from the roof, or by virtue of earthquakes, riots, windstorms, overflow of water from surface drainage, rains, water, fire or by the elements or Acts of God, or from theft, or by the neglect of any person or entity, or due to any other cause

whatsoever, except if such damages or injuries are caused by the gross negligence or intentional actions or omissions of Lessor or its agents. Lessee shall not be responsible to Lessor for damages or injuries to person or property caused by the gross negligence or intentional actions or omissions of Lessor or its agents.

**14. Indemnification**

Lessee shall indemnify, defend and hold harmless Lessor, its employees, agents, officers, members, partners, shareholders, attorneys, successors and assigns, from and against all claims, demands, liabilities, causes of action, suits, judgments, damages, and expenses (including attorneys' fees) and all losses and damages arising from: (1) any injury to or death of any person or the damage to or theft, destruction, loss, or loss of use of any property (a "Loss") arising from any occurrence on the Premises, the Building, the Land, and/or the Common Areas or related areas used by Lessee, its agents, officers, employees or any other person occupying the Premises with the express or implied invitation of Lessee, or (2) Lessee's failure to perform its obligations under this Lease. Lessee shall be solely liable to any other sub-tenant whose property is damaged as a result of Lessee's actions. If any proceeding is filed for which indemnity is required hereunder, Lessee agrees, upon request therefor, to defend Lessor in such proceeding at its sole cost utilizing counsel reasonably satisfactory to Lessor.

**15. Fire and Casualty/Condemnation**

No fire or other casualty shall terminate or permit the termination of this Lease, nor shall any such casualty result in any abatement of the rent, unless the Master Lease is terminated due to the casualty, in which case this Lease shall also terminate. Lessor shall be responsible for promptly rebuilding the Building and all Improvements to the condition existing prior to said fire or casualty, but Lessee will be responsible for replacing its own furnishings, fixtures, inventory, equipment, leasehold improvements and all other property situated or placed upon, in, or about the Premises. . Thus, if the insurance company pays an amount in excess of the amount necessary to replace Lessee's personal property, such excess shall be the sole property of the Lessor.

If the Premises or any part thereof is taken under the power of eminent domain (or sold under the threat of the exercise of such power), the rent shall be reduced to the extent of reduced tenantability (including parking). If the Master Lease is terminated due to the condemnation, this Lease shall also terminate. In any event, all proceeds of any awards paid by the condemning authority shall be distributed pursuant to North Carolina law.

**16. Waiver of Subrogation**

Neither Lessor nor Lessee nor anyone claiming by, through, under or in their behalf shall have any claim, right of action or right of subrogation one against the other for or based upon any loss or damage caused by fire, explosion or other insured casualty (not limited to the foregoing) relating to the Premises or to any property upon, in, or about the Premises, whether such fire, explosion or other insured casualty shall arise from the negligence of Lessor or Lessee, their respective agents, representatives or employees, or otherwise.

**17. Subordination to Deeds of Trust**

This Lease shall be deemed subject and subordinate to any mortgage which has previously been executed by Lessor or Master Landlord covering the Premises. Provided the holder of each such mortgage has executed and delivered to Lessee a Non-Disturbance Agreement reasonably acceptable to Lessee, this Lease shall also be deemed subject and subordinate to any mortgage which may hereafter be executed by Lessor or Master Landlord covering the Premises. Lessee agrees to execute estoppel certificates setting forth: the Rent Commencement Date; the termination date of its Lease; the date to which rent has been paid; whether or not (without duty of independent inquiry) Lessee has knowledge of any default or breach by Lessor; and that this Lease is in full force and effect except as to modifications or agreements thereto. Lessor represents to Lessee that as of the date of execution of this Lease there are no liens, mortgages, ground leases or other encumbrances affecting the Premises.

**18. Lessor's Entry**

Lessor shall have the right, at all reasonable times, with reasonable notice to Lessee, to enter the Premises for the purposes of inspection, display to prospective lenders, purchasers and/or tenants, and performance of any and all

repairs or other work. Notwithstanding the foregoing, should an emergency occur, Lessor may, without notice to Lessee, enter the Premises for the purposes of securing the same and seeking to minimize the damage to persons and/or property. In the event of such an entry by Lessor, Lessor shall make reasonable efforts to mitigate any interruption to Lessee's business.

#### **19. Condition of Premises Upon Termination**

Upon the termination of this Lease, Lessee shall return the Premises to Lessor substantially in the same condition as received on the Rent Commencement Date, ordinary wear and tear and approved improvements excepted. The cost and expense of any repair necessary to restore the Premises to such order, condition and repair shall be paid by Lessee; and, if Lessor undertakes to perform such restoration, after notice to Lessee and applicable cure periods expire, Lessee shall, on or before twenty (20) days after notice, reimburse Lessor for the cost thereof.

#### **20. Holding Over**

In the event Lessee holds over after the expiration or termination of this Lease with the consent of Lessor, Lessee shall be a month to month tenant, terminable upon thirty (30) days notice by either party, and all of the terms and provisions of this Lease shall be applicable during that period, except that Lessee shall pay to Lessor, as annual rent, for the first six months, an amount equal to the then-current base rent and after the first six months an amount equal to one and one half (1.5) times the annual rent which would have been payable by Lessee had the period during which Lessee is holding over been a part of the Lease Term. The rent payable during the hold over period shall be payable to Lessor on or before the first (1st) day of each month. No holding over by Lessee, whether with or without the consent of Lessor, shall operate to extend the Lease Term. In the event of holdover without Lessor's consent Lessee shall be a tenant at sufferance at two hundred percent (200%) of the previous base rent and Lessee shall indemnify Lessor from all losses due to Lessee's holdover, including lost rent or lost leases due to Lessee's holdover and Lessor's inability to access the Premises for another tenant.

#### **21. Default by Lessee**

A. Each and every one and all of the following events shall constitute an "Event of Default":

- i) if Lessee files a petition in bankruptcy or insolvency or for reorganization under any bankruptcy act or voluntarily takes advantage of any such act or makes an assignment for the benefit of creditors;
- ii) if involuntary proceedings under any bankruptcy law, insolvency or receivership action shall be instituted against Lessee, or if a receiver or trustee shall be appointed for all or substantially all of the property of Lessee and such proceedings are not dismissed, or the receivership or trusteeship vacated, within ten (10) days after the institution or appointment;
- iii) if Lessee shall become insolvent;
- iv) if Lessee fails to pay any sum due from it in strict accordance with the provisions of this Lease, and does not make the payment within ten (10) days after written notice thereof. For the purposes hereof, all sums due from Lessee shall constitute rentals whether denominated as rentals or otherwise elsewhere herein and Lessee has absolutely no right of offset, except as expressly provided herein;
- v) if Lessee fails to fully perform and comply with each and every material condition and covenant of this Lease, and such failure of performance continues for a period of thirty (30) days after notice thereof (or if Lessee has commenced to cure such failure and its cure reasonably should take more than 30 days, for such longer period);
- vi) if Lessee vacates or abandons the Premises;
- vii) if the interest of Lessee is transferred, levied upon or assigned to any other person, firm or corporation whether voluntarily or involuntarily except as herein permitted;
- viii) if Lessor, in any three (3) months in any twelve (12) month period, gives any notice to Lessee pursuant to subparagraphs iii) or iv) above, notwithstanding Lessee's cure of default within the allowable period or periods.

B. Upon the occurrence of any Event of Default as set forth above, Lessor shall have the right, at its option, to utilize any one or more of the following rights:

i) to terminate this Lease and all interests of the Lessee hereunder by giving (or having given) notice of such termination effective as of the later of the Event of Default or the giving of such notice, at Lessor's Option. Upon the effective date of termination the Lessee shall have no further rights under this Lease (but such termination shall not serve to release or discharge the damages Lessee owes to Lessor); and/or

ii) to make any payment required of Lessee herein or correct any condition required to be corrected by Lessee, and Lessor shall have the right to enter the Premises for the purpose of correcting any such condition and to remain on the Premises until the complete correction of such condition provided Lessor complies with all laws and healthcare regulations. However, no expenditure by Lessor on behalf of Lessee shall be deemed to waive or release Lessee's breach hereof and Lessor shall retain all rights to proceed against Lessee as set forth herein; and/or

iii) to relet the Premises or any part thereof for any term, with or without terminating the Lease, and at such rentals and on such other terms as Lessor may reasonably elect, and to alter and repair the Premises as Lessor deems necessary. Should Lessor relet the Premises, Lessee shall pay all expenses of reletting including brokers' or finders' fees and such reasonable attorneys' fees as Lessor may incur. Lessor shall apply the rent received from reletting in the following order: (1) to expenses of reletting; (2) to sums due from Lessee other than sums denominated in Section 5 above as rentals; (3) to sums denominated as rentals in Section 5 above previously due; and (4) to sums which were to become due in the future; and/or

iv) all other rights and remedies provided by law to a landlord with a defaulting tenant including all such money damages as such landlord shall be entitled pursuant to the law of damages.

C. Upon any breach hereof, regardless of whether such breach is, or becomes, an Event of Default, the non-breaching party shall be reimbursed by the breaching party for any reasonable attorney's fees incurred by the non-breaching party in connection with such breach.

**22. Default by Lessor**

A "Lessor Event of Default" shall occur under this Lease if (i) Lessor fails to perform any of its material obligations hereunder and said failure continues for a period of thirty (30) days after written notice thereof from Lessee to Lessor (unless such failure cannot reasonably be cured within thirty (30) days and Lessor shall have commenced to cure said failure within thirty (30) days and diligently pursues the curing of the same). If a Lessor Event of Default shall occur, Lessee shall be entitled to all rights and remedies at law or in equity.

**23. Waiver**

No failure by Lessor to exercise any rights hereunder to which Lessor may be entitled shall be deemed a waiver of Lessor's right to subsequently exercise same. Lessee shall gain no rights nor become vested with any power to remain in default under the terms hereof by virtue of Lessor's failure to timely assert his rights.

**24. Law Applicable**

This Lease is entered into in North Carolina and shall be construed under the laws, statutes and ordinances of such jurisdiction.

**25. Severability**

The provisions hereof are independent covenants and should any provision or provisions contained in this Lease be declared by a court or other tribunal of competent jurisdiction to be void, unenforceable or illegal, then such provision or provisions shall be severable and the remaining provisions hereof shall remain at Lessor's option in full force and effect.

**26. Easements, Restrictions and Rights of Way**

The Premises are demised subject to all easements, restrictions and rights of way legally affecting the Premises.

**27. Binding Effect and Complete Terms**

The terms, covenants, conditions and agreements herein contained shall be binding upon and inure to the benefit of and shall be enforceable by Lessor and Lessee and by their respective heirs, successors and assigns. All negotiations and agreements of Lessor and Lessee are merged herein. No modification hereof or other purported agreement of the parties shall be enforceable unless the same is in writing and signed by the Lessor and Lessee.

**28. Notices and Written Consents**

All notices and written consents required under this Lease shall be in writing and shall only be sent by overnight carrier, such as Federal Express, or by Certified Mail, postage prepaid, return receipt requested, addressed to the party to whom directed at the following address or at such other address as may be from time to time designated in writing:

To Lessor: Haywood Regional Medical Center  
Attn: Chief Executive Officer  
262 Leroy George Drive  
Clyde, NC 28721

with a copy to: Philip J. Smith  
Van Winkle, Buck, Wall, Starnes and Davis, P.A.  
11 North Market Street  
Asheville, NC 28801

To Lessee: Haywood County  
215 N. Main St.  
Waynesville, NC 28786

with copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notices shall be deemed served upon receipt, the day after delivery to Federal Express or other recognized commercial overnight carrier for overnight delivery or the third day after delivery to the US Postal Service for Certified Mail (return receipt requested) delivery, whichever first occurs.

**29. Covenant of Title and Quiet Enjoyment**

Lessor covenants and warrants to Lessee that Lessor has full right and lawful authority to enter into this Lease for the Term hereof and provided Lessee is not in default hereunder, Lessee's quiet and peaceable enjoyment of the Premises shall not be disturbed by anyone claiming through Lessor.

**30. Interest and Late Charges**

Except for the late charge below, any sums due to be paid by Lessee to or for the benefit of Lessor, which are not paid when due, shall bear interest from the due date to the date of payment at the rate of sixteen percent (16%) per annum. Should any rentals of any kind, howsoever denominated, not be paid within thirty days of the due date thereof, then Lessee shall pay to Lessor, no later than the fifteenth day after the due date of the overdue amount, a late charge equal to the greater of five percent (5%) of the amount overdue or \$300.

**31. Construction of Lease**

This Lease shall not be construed more strictly against either party regardless of which party is responsible for the preparation of the same.

**32. Guaranty**

**[THIS SECTION HAS BEEN INTENTIONALLY DELETED]**

**33. Lessor's Contingencies**

Lessee acknowledges and accepts that the Premises have not yet been constructed and that Lessor's obligation to provide actual possession of the Premises is subject to Master Landlord completing the construction of the Premises, the Building and the Common Areas as laid out in the Master Lease. In the event the foregoing are not satisfied within the times specified in the Master Lease and Master Landlord or Lessor elects to terminate the Master Lease, this Lease shall also automatically terminate and no party shall have any further obligations hereunder. If Master Landlord or Lessor elect to terminate the Master Lease for any other reason, this Lease shall also automatically terminate and no party shall have any further obligations hereunder.

**34. Brokers**

Lessor and Lessee agree to indemnify and hold each other harmless from any and all claims of brokers, consultants or real estate agents by, through or under the indemnifying party for fees or commissions arising out of the lease of the Premises. The compensation of any broker is established by and shall be governed by separate agreements entered into between the broker, and the Lessor or the Lessee.

**35. Reciprocal Covenant on Notification of ADA Violations**

Within ten (10) days after receipt, Lessor and Lessee shall advise the other party in writing, and provide the other with copies of (as applicable), of any notices alleging violation of the Americans with Disabilities Act of 1990 ("ADA"), as may be subsequently amended, relating to any portion of the Premises any claims made or threatened in writing regarding noncompliance with the ADA and relating to any portion of the Premises; or any governmental or regulatory actions or investigations instituted or threatened regarding noncompliance with the ADA and relating to any portion of the Premises.

Except as set forth below regarding compliance of the Premises with the applicable requirements of the ADA and the implementing regulations thereto as of the Rent Commencement Date, Lessee agrees, at its own expense, to comply promptly with all requirements of any legally constituted public authority affecting the Premises, including the ADA. Lessor agrees to comply promptly with any such requirements as they affect the physical structure of the Building and/or Common Areas. Lessee acknowledges and agrees that Lessor has no other obligation or liability whatsoever to Lessee, or to anyone claiming by or through Lessee, regarding any failure of the Premises or the activities therein to comply with the applicable requirements of the ADA. Notwithstanding anything herein which may imply the contrary, all costs incurred by Lessor in complying with any maintenance or repair obligations incurred as a result of requirements of the ADA shall be considered expenses allocated to Lessee under this Lease.

**36. Health Insurance Portability and Accountability Act**

To the extent applicable, if at all, Lessor and Lessee hereby acknowledge and agree that under the Lease:

(i) Lessee is not disclosing to Lessor, nor otherwise providing Lessor access to, "protected health information", as defined in the Standards for Privacy of Individually Identifiable Health Information implementing the privacy requirements of the Administrative Simplification subtitle of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) set forth at 45 CFR Parts 160 and 164 (the "HIPAA Privacy Standards"); and

(ii) Lessor is not a "business associate", as defined in the HIPAA Privacy Standards, of Lessee, and Lessor has no obligation to enter into, and Lessee shall not request that Lessor enter into, a business associate contract under Section 164.504(e) of the HIPAA Privacy Standards.

**37. Mold**

It is generally understood that mold spores are present essentially everywhere and that mold can grow in almost any moist location. Emphasis is properly placed on prevention of moisture and on good housekeeping and ventilation practices. Lessee acknowledges the necessity of housekeeping, ventilation, and moisture control (especially in kitchens, janitor's closets, bathrooms, break rooms and around outside walls) for mold prevention. Lessee agrees to immediately give Lessor notice if Lessee observes mold, mildew, or moisture conditions (from any source, including leaks), and allow Lessor to evaluate, make recommendations and take appropriate corrective action. Notwithstanding anything herein to the contrary, Lessee waives any claim against Lessor for any bodily injury or damages to property caused by or associated with moisture or the growth of or occurrence of mold or mildew in the Building or Premises as a result of mold from Sub-Tenant Upfit Improvement water sources, except to the extent caused by or otherwise resulting from the negligence and/or willful actions or omissions of Lessor, its employees, contractors or agents. In addition, execution of this Lease constitutes acknowledgement by Lessee that control of moisture and mold prevention are integral to its Lease obligations.

**38. Anti-Terrorism Laws**

Lessee and Lessor each represent and warrant to, and covenant with, the other party that neither party, nor any of its respective constituent owners or affiliates, currently is, or shall be at any time during the Term hereof, in violation of the Anti-Terrorism Laws (as defined below).

Lessee and Lessor each covenant with the other party that neither they, nor any of their respective constituent owners or affiliates, is or shall be during the Term hereof a Prohibited Person (as defined below).

Upon a reasonable request, otherwise not more than once per calendar year, Lessee shall deliver to Lessor, within ten (10) days after receipt of a written request therefor, a written certification or such other evidence reasonably acceptable to Landlord evidencing and confirming Lessee's compliance with this Section.

As used herein, "Anti-Terrorism Laws" shall mean any laws relating to terrorism or money laundering, including the Executive Order or the USA Patriot Act; "Executive Order" shall mean Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; "Prohibited Person" shall mean (i) a person or entity that is listed in the Annex to, or is otherwise subject to, the provisions of the Executive Order; (ii) a person or entity owned or controlled by, or acting for or on behalf of, any person or entity that is listed in the Annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a person or entity with whom Lessor is prohibited from dealing with or otherwise engaging in any transaction by any Anti-Terrorism Law, including the Executive Order and the USA Patriot Act; (iv) a person or entity who commits, threatens or conspires to commit or support "terrorism" as defined in Section 3(d) of the Executive Order; (v) a person or entity that is named as a "specially designated national and blocked person" on the then-most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, which is currently located at <http://www.treas.gov/offices/eotffc/ofac/sdn/t11sdn.pdf>, or at any replacement website or other replacement official publication of such list; and (vi) a person or entity who is affiliated with a person or entity listed in items (i) through (v), above; and "USA Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56).

**39. Limitation of Lessor's Liability**

If the Lessor's interest in the Lease is sold or transferred, voluntarily or involuntarily, Lessor's obligations and liabilities accruing after the transfer shall be the sole responsibility of the new owner if the new owner expressly agrees in writing to assume Lessor's obligations.

**40. Survival**

All obligations of Lessee or Lessor hereunder which are not fully performed as of the expiration or termination of this Lease shall survive the expiration or termination of this Lease, including without limitation, all payment obligations with respect to taxes, insurance premiums, sanitary and water charges and all obligations concerning the condition of the Premises.

**41. Successors and Assigns**

This Lease shall be binding on and inure to the benefit of Lessor and Lessee and their respective heirs, personal representatives, successors and permitted assigns.

In witness whereof, the parties hereto have caused the due execution of the foregoing, effective as of the day and year above written.

**LESSOR:**  
HAYWOOD REGIONAL MEDICAL CENTER

**LESSEE:**  
HAYWOOD COUNTY

By: \_\_\_\_\_  
Print Name:  
Print Title:

By: \_\_\_\_\_  
Print Name:  
Print Title:



## EXHIBIT A

### *Land*

Lying in the County of Haywood, State of North Carolina, and being more particularly described as the 1.701 AC. Tract shown on the plat attached hereto as Exhibit A-1 (the "Land"), and being more particularly described as follows:

Lying in Beaverdam Township, Haywood County, North Carolina, being the tract of 1.701 AC. shown on the plat prepared by Lawrence Kevin Ensley, entitled "Topographic Survey for Kenneth Wilson and wife Deborah R. Wilson", dated December 9, 2010 and revised through May 12, 2011, and being more particularly described as follows: Beginning at an iron pin set in the western margin of the right of way of Buckeye Cove Road (NCSR #1582), said iron pin standing the following four courses and distances from the iron pipe which is the northeast corner of the property of William P. Burgin, Jr. described in the deed recorded in Haywood County Book 427 at page 841 and shown on the plat recorded in Haywood County Plat Cabinet C at slide 2053, to wit: South 5 deg. 18 min. 13 sec. West 77.69 feet to an iron pipe, South 89 deg. 48 min. 6 sec. East 258.22 feet to an iron pin set, South 1 deg. 19 min. 15 sec. West 13.75 feet to an iron pin set and South 85 deg. 57 min. 39 sec. East 61.16 feet to the point of beginning; and running thence from the beginning corner thus established; thence North 85 deg. 57 min. 39 sec. West 61.16 feet to an iron pin set; thence North 1 deg. 19 min. 15 sec. East 13.75 feet to an iron pin set; thence North 89 deg. 48 min. 6 sec. West 100 feet to a stake; thence leaving the existing line and running North 0 deg. 11 min. 54 sec. East 135 feet to a point; thence North 47 deg. 46 min. 58 sec. West 107.48 feet to a point; thence North 17 deg. 26 min. 26 sec. East 40 feet to a point; thence North 39 deg. 28 min. 2 sec. East 147.51 feet to a point; thence North 76 deg. 51 min. 26 sec. East 28 feet to a point in the western margin of the right of way of Buckeye Cove Road (NCSR #1582); thence with the margin of said right of way, the following thirteen courses and distances, to wit: South 35 deg. 55 min. 16 sec. East 42.34 feet to a point, South 47 deg. 35 min. 55 sec. East 89.08 feet to a point, North 40 deg. 11 min. 23 sec. East 16 feet to a point, South 47 deg. 31 min. 45 sec. East 31.2 feet to a point, South 43 deg. 20 min. 5 sec. East 27.7 feet to a point, South 37 deg. 8 min. 44 sec. East 27.84 feet to a point, South 27 deg. 29 min. 22 sec. East 31.92 feet to a point, South 14 deg. 2 min. 6 sec. East 27. feet to a point, South 2 deg. 23 min. 13 sec. East 32.66 feet to a point, South 4 deg. 54 min. 51 sec. West 33.97 feet to a point, South 12 deg. 25 min. 34 sec. West 33.14 feet to a nail set, North 78 deg. 0 min. 38 sec. West 50 feet to an iron pin set and on a curve to the left with a radius of 1,482.39 feet, a chord bearing and distance of South 9 deg. 53 min. 50 sec. West 96.96 feet, an arc length of 96.98 feet to the beginning.

**Exhibit A-1**  
*Premises*



**EXHIBIT B**

Copy of the Master Lease

**EXHIBIT C**

*Description of Common Areas*

*Parking areas, driveways, parking islands, and sidewalks.*



## LEASE

This Lease is made and entered into as of the 2<sup>nd</sup> day of June, 2011 (the "Effective Date"), by and between Kenneth Wilson and Deborah Wilson (hereinafter called "Lessor"), and Haywood Regional Medical Center (hereinafter called "Lessee").

1. Demise of Premises. Lessor leases unto Lessee, and Lessee accepts from Lessor, all of the Land (which is more particularly described in Exhibit A, attached hereto and incorporated herein by reference) and Improvements (as defined below) to be built thereon by Lessor located in Haywood County, North Carolina, (hereinafter the "Premises").

2. Construction of Improvements.

(a) Master Site Plan. Lessee has, at the sole cost and expense of Lessee, and with Lessor's approval, prepared and delivered to Lessor prior to the Effective Date of this Lease, a proposed site plan, construction documents and specifications for the development of the Premises (the "Final Plans") which Final Plans are attached hereto as Exhibit B and incorporated herein by reference, and which include, without limitation, plans, drawings and specifications for (1) Site preparation and grading, 2) existing or to-be-constructed locations of utility lines (including electric, gas, water and sewer lines); (3) the construction of paving and curbing of all parking areas and roadways, parking lot lighting, storm drainage systems (including allowable storm water runoff), sanitary systems and water mains; (4) Site boundaries; (5) existing and to-be-constructed finished grades; (6) landscape construction; (7) the Building envelope for the Building (the "Building") to be constructed within the Land; (collectively, the "Improvements"). The Final Plans are the property of Lessee and Lessor shall not use the Final Plans for any future construction on the Premises. While Lessor has carefully reviewed the Final Plans, has resolved to Lessor's satisfaction all ambiguities or questions Lessor has with respect to the Final Plans, and approves the Final Plans for construction, Lessor does not represent or comment upon the efficacy (or lack thereof) of the Final Plans. Before starting each portion of the work necessary to build the Improvements, Lessor shall make a good faith effort to cause Lessor's contractor to carefully study the Final Plans related to the next portion of the work to be done, and to take such steps as are reasonably necessary, in such contractor's judgment. These obligations are for the purpose of facilitating construction of the Improvements and are not for the purpose of discovering errors, omissions, or inconsistencies in the Final Plans; however, any errors, inconsistencies, or omissions discovered by Lessor or Lessor's contractor shall be reported promptly to Lessee and Lessee's architect for them to remedy the same without delay. The Final Plans shall not be changed by Lessor or Lessee without the prior written consent of the other party.

(b) Construction of Improvements. Lessor shall construct the Improvements, all conforming in all material respects with the Final Plans. Lessor is solely responsible to obtain all required permits for it to construct the Improvements.

(c) Governmental Approvals. If any governmental consent, permission, license, permit and/or other approval (individually and collectively, "Governmental Approvals") shall be required under applicable laws, ordinances, regulations or requirements governing the Premises in order for the Improvements to be lawfully constructed and thereafter used by the Lessee as contemplated in this Lease, then Lessor shall cause to be prepared and shall submit to the applicable governmental authorities such applications therefor as Lessor shall deem necessary or appropriate, and Lessee shall provide reasonable cooperation and assistance to Lessor in pursuing such applications and obtaining the Governmental Approvals. All costs and expenses in connection with the Governmental Approvals shall be the responsibility of Lessor. If Lessor fails to obtain any such Governmental Approval which prevents Lessee from lawfully entering and using the Premises for the purposes contemplated in this Lease, and

such Governmental Approval is not obtained by Lessor by the Outside Date, defined below, the Lessee shall, so long as Lessor has been notified in writing of the issue and failed to resolve the same within thirty (30) days of Lessor having been so notified, have the right to terminate the Lease and Lessee shall have no further duties or obligations under the Lease. Lessor has absolutely no responsibility regarding any permits or approvals regarding the Lessee's subsequent operations on the Premises. Notwithstanding the above, Lessor shall be responsible for obtaining zoning approval for the use and occupancy of the premises for an emergency medical services facility, urgent care, and physician offices. Should Lessee wish to use the Premises for any additional purpose, Lessee shall be responsible for ensuring zoning compliance with the new use.

(d) Construction Start. The "Construction Start Date" shall be fifteen (15) calendar days after the date that Lessor receives a Building permit for construction of Improvements, but not later than forty-five (45) calendar days from the Effective Date of this Lease, unless delayed by matters beyond Lessor's reasonable control (the "Construction Start Date"). "Construction of the Improvements" shall be deemed commenced when Lessor begins and thereafter diligently pursues the grading of the Premises. Nothing contained above shall serve to delay Lessor's start of construction (it may occur prior to the Construction Start Date), but Lessor shall commence construction of the Improvements no later than said forty-fifth (45<sup>th</sup>) day.

(e) Completion of Construction. Once the Lessor's work is commenced, Lessor shall with reasonable diligence cause the prosecution to completion of the construction of all Improvements in accordance with the terms hereof. All work shall be performed in a reasonably good and workmanlike manner, shall substantially comply with Final Plans, and all Governmental Approvals. "Substantial Completion" shall be deemed to have occurred upon the issuance of a Certificate of Compliance for the second floor of the Building and a Certificate of Occupancy for the first floor by the applicable governmental authorities for the Building, and the paving and striping of the roadways and parking spaces. Notwithstanding that the Improvements are Substantially Complete, Lessor shall diligently proceed to full completion of the Improvements thereafter in accordance with the Final Plans and the terms of this Lease. The Improvements shall be Substantially Completed within twelve (12) months after the Construction Start Date (the "Outside Date"), subject, however, to *force majeure* (defined below) and delays which are solely caused by Lessee, its employees or agents. *Force majeure* shall occur if either party shall be delayed or prevented from the performance of any act required by this Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws, or regulations or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), and performance of such act shall be excused for the period of the delay; and the period for performance of any such act shall be extended for a period equivalent to the period of such delay. If, by the Outside Date, Lessor has not delivered the Substantially Completed Premises to Lessee, subject to *force majeure* and delays which are primarily caused by Lessee, its employees, or agents, Lessee may, by written notice given to Lessor at any time after the Outside Date, but prior to the Rent Commencement Date, terminate this Lease by giving such notice to Lessor and Lessee shall have no further duties or obligations under this Lease; provided, however, that Lessee may not terminate the Lease for Lessor's failure to achieve Substantial Completion of the Improvements by the Outside Date once the Rent Commencement Date has occurred. Once the Rent Commencement Date has occurred, Lessee has no right to terminate this Lease except as otherwise described in this Lease.

(f) Acceptance of Premises. Lessee acknowledges that the act of taking possession of the Premises shall constitute acceptance thereof and, conclusive evidence that Lessee has reviewed the entire Premises as Substantially Completed, including the Improvements and utility installations, and that the same are, in good and satisfactory condition. At all reasonable times during Construction of the Improvements, Lessee, including Lessee's architects, engineers, and/or inspectors, shall have the right to inspect the work of the Lessor and Lessor's contractors and sub-contractors. Notwithstanding the foregoing, not later than the tenth (10<sup>th</sup>) calendar day following the "Delivery Date",

which is the day that Lessor has delivered the Premises to Lessee with the Improvements Substantially Complete, Lessee shall provide Lessor with a list (the "Punch List") setting forth any items which Lessee believes to not be in accord with the Final Plans. Lessor shall correct or complete all Punch List items that are not in accord with the Final Plans within thirty (30) days of Lessor's receipt of the Punch List, unless the reasonable time necessary to correct the same exceeds thirty (30) days, in which event Lessor shall commence correction within such period and diligently pursue the same thereafter until completed. Should Lessor fail to complete the Punch List items within said period of time, Lessee may complete the Punch List items itself and bill Lessor for the reasonable costs of the same. Lessor warrants to Lessee that the Premises and all systems thereof shall, for a period of the longer of (i) one (1) year following the Rent Commencement Date or (ii) the applicable manufacturer's warranty to Lessor for any particular component, be free of defects in manufacture and construction, and that Lessor shall cause, at Lessor's expense, the restoration to full working order of the improperly working items within thirty (30) days (or longer if the restoration reasonably takes longer, so long as Lessor commences work within said thirty (30) day period and diligently pursues the same thereafter) of receipt of notice from the Lessee regarding any such item, but if the need for such work is the result of the negligent or willful act of the Lessee, then Lessor shall have no obligation to repair or restore the same.

(g) Construction of Upfit Improvements. Lessor shall not be obligated to do any upfit. While Lessor may negotiate with Lessee for Lessor to complete upfit work, Lessor has no obligation whatsoever to build anything which is not in the Final Plans. If Lessor and Lessee enter into an agreement whereby Lessor agrees to construct upfits, then the Rental Schedule, below, may be amended by the mutual written consent of the parties. If Lessor and Lessee are unable to reach agreement on Lessor's doing an upfit, and Lessee wishes to use its retained contractor to do the upfit, then the Lessee's selected contractor may not commence the work on the Premises or any part thereof until the Rent Commencement Date.

3. Use of Premises. The Premises may be used for any purpose related to healthcare, including but not limited to an emergency services facility, urgent care, or physician offices, and for any other lawful purpose that is not generally considered as adult entertainment, illegal drug use (or the sale of materials in connection therewith) or obscene in nature; and shall not be used by anyone for any other purposes without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Any such request by Lessee for Lessor's consent that is not denied, in writing, within forty-five (45) days of Lessor's receipt of the request shall be deemed approved.

4. Term. The initial period of this Lease shall commence on the Effective Date, but rentals from Lessee to Lessor are not due until the Rent Commencement Date, as defined below; and the initial period shall terminate on the fifteenth (15<sup>th</sup>) anniversary of the last day of the month in which the Rent Commencement Date occurred. The "Rent Commencement Date" is the first to occur of (a) the date that Lessor has delivered the Substantially Completed Improvements to Lessee or (b) the date Lessee has commenced any significant operations in the Building. Provided Lessee complies with all material terms and conditions of this Lease, Lessee shall have options to renew this Lease for three (3) additional, successive periods of five (5) years each on the same terms and conditions herein, except as may be set forth in Section 5 below. If Lessee elects to exercise any such option(s), written notice thereof must be given by Lessee to Lessor at least one hundred eighty three (183) days prior to the expiration of the then current period of the Term, and wherever herein the designation "Term" appears, it shall include the initial period, plus any renewal period or periods for which the aforesaid options for renewal have been exercised. Said exercise, once given, is irrevocable. Failure to properly exercise any renewal period shall be an irrevocable waiver of the rights to exercise all subsequent renewal periods. A "Lease Year" shall be the twelve (12) month period beginning on the first day of the month following the month in which the Rent Commencement Date occurred of one (1) year, and ending on the last day of the month in which the Rent Commencement Date occurred of the following year. Notwithstanding the above, the first Lease

Year shall also include the period from the Effective Date through the Rent Commencement Date (even though no rental is due until the Rent Commencement Date), regardless of its length.

5. Rentals. Lessee shall pay the Monthly Rental Amounts, as set forth below, to Lessor, in advance, monthly, without demand therefor or offset therefrom, in those amounts and at such times as set forth in the Rental Schedule below. This Lease is, and is intended to be, one that is totally and completely net to the Lessor, once the Rent Commencement Date has occurred. Subsequent to the Rent Commencement Date, Lessor has absolutely no obligation or liability for any taxes, insurance, repairs, maintenance, replacements, or any other cost items relating to the Premises, including the Improvements, as all the same are the sole responsibility of Lessee, except as otherwise described in this Lease. The Rental Schedule is as follows:

Rental Schedule

<u>Period Applicable</u>	<u>Monthly Rental Amounts</u>
Rent Commencement Date - end of third (full) Lease Year	\$28,590.00
Fourth Lease Year	\$29,304.75
Fifth Lease Year	\$30,037.37
Sixth Lease Year	\$30,788.30
Seventh Lease Year	\$31,558.01
Eighth Lease Year	\$32,346.96
Ninth Lease Year	\$33,155.63
Tenth Lease Year	\$33,984.53
Eleventh Lease Year	\$34,834.14
Twelfth Lease Year	\$35,704.99
Thirteenth Lease Year	\$36,597.62
Fourteenth Lease Year	\$37,512.56
Fifteenth Lease Year	\$38,450.37

If the renewal periods, or any of them, are exercised, then the Monthly Rental Amounts due from Lessee to Lessor during such periods, for each Lease Year, shall increase by two and one-half percent (2 ½%) of the prior Lease Year's Monthly Rental Amount, so that the Monthly Rental Amount for the sixteenth Lease Year (if the first renewal period was exercised) is \$39,411.63 etc.

The foregoing amounts assume that Lessor has not completed any upfits for the Lessee. If any upfits are agreed upon by Lessor and Lessee hereafter, then the Monthly Rental Amount shall be increased by 0.7833 percent (.007833) of the agreed upon upfit amount between Lessor and Lessee, per month, unless the amendment states otherwise. Thus, if an upfit cost was agreed by Lessor and Lessee to be One Hundred Thousand (\$100,000), the monthly rental increase would be Seven Hundred Eighty-Three and 30/100 Dollars (\$783.30). Each and every upfit shall require an amendment to this Lease confirming what is to be done and the agreed cost thereof. One amendment may serve more than one upfit, if the parties agree upon multiple upfits at the same time.

6. Assignment or Subletting.

(a) Lessee may not assign this Lease or its rights therein without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. Any such request by Lessee for Lessor's consent that is not denied, in writing, within forty-five (45) days of Lessor's receipt of the request shall be deemed approved. Notwithstanding the above, Lessee may sublet the Premises and any part thereof without Lessor's consent, but only as set forth below. So long as the use of the portion of the Premises proposed to be sublet is a permitted use, Lessee may sublet the same, but no subletting shall relieve Lessee named herein of its obligations hereunder. Lessee must provide Lessor with copies of all

subleases of any part of the Premises no later than the third (3<sup>rd</sup>) business day following Lessee's subletting thereof.

(b) Lessor may not sell, assign, sublease, convey or transfer Lessor's interest in this Lease and the leasehold estate created hereby, or more than forty-nine percent (49%) of the direct ownership interests in Lessor, for purposes of security or otherwise, other than as expressly permitted in this Lease, to (1) a party whose principal business is the direct operation of a hospital or a healthcare practice located within sixty (60) miles of any property (a) owned or leased by The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Healthcare System ("CHS") or (b) upon which an entity affiliated with CHS, through a delegation of board authority or integration, affiliation or similar agreement, directly operates a hospital or healthcare practice (collectively, a "CHS Facility") or (2) a party who is controlled by or under common control with a party whose principal business is the direct operation of a hospital or healthcare practice located within sixty (60) miles of a CHS Facility, without Lessee's prior written consent (the foregoing limitations, (1) and (2) above in this Section 6(b), are the "CHS Limitation").

Other than the above limitations and those set forth in Section 35 below, Lessor may freely sell, assign, exchange and/or lease any of the Premises and the Additional Property, as defined below.

7. Compliance with Legal Requirements. Lessee shall comply with all legal requirements affecting the Premises, of every nature, including those respecting any operation conducted or any equipment, installations or other property placed upon, in or about the Premises. Lessee shall neither create nor permit the creation of any nuisance upon, in or about the Premises, and Lessee shall not make any offensive use thereof. Lessee shall cause all trash, refuse and garbage to be removed from the Premises in a timely and sanitary manner.

8. Insurance. Lessee shall carry, at Lessee's expense, All Risk insurance with fire and extended coverage insuring against loss or damage to the Building and/or other Improvements on the Premises in amounts and in companies approved in writing by Lessor, which approval will not be unreasonably withheld; and Lessor shall be named as an additional insured therein. Lessee shall carry, at Lessee's expense, All Risk insurance with fire and extended coverage insuring against loss or damage to Lessee's furnishings, fixtures, inventory, equipment, leasehold improvements and all other property situated or placed upon, in or about the Premises to the maximum, full replacement cost, insurable value thereof. All insurance required hereby shall be kept in force during the entire Term. In addition, Lessee shall carry commercial liability insurance in the minimum amount of \$1,000,000 per person and \$3,000,000 in the aggregate, and Lessee shall deliver to Lessor memorandum policies or certificates of such coverage, with companies and deductibles satisfactory to Lessor, and naming Lessor as additional insured therein. Lessor has no right to retain any portion of insurance proceeds paid to Lessee that exceed the cost of repair or replacement of casualty damaged Premises. Thus, if the insurance company pays an amount in excess of the amount necessary to restore the Premises, such excess shall be the sole property of the Lessee.

9. Taxes and Assessments. From and after the Rent Commencement Date, Lessor shall timely list the Premises for taxes, and Lessor shall forward all tax bills to Lessee, so long as Lessor has received the same, at least thirty (30) days prior to any such bill's due date. Lessee shall pay all tax assessments of whatever kind or nature assessed against the Premises on or prior to the due date of such bill. Lessee shall provide Lessor with a "Paid" tax receipt for each such bill no later than the later to occur of fifteen (15) days prior to the bill's due date, or the fifteenth (15<sup>th</sup>) day following Lessor's furnishing of the bill to Lessee. Upon reasonable notice to Lessor, Lessee shall have the right to protest any tax assessments in the name of the Lessor and as Lessor's agent, but without expense to Lessor. All taxes shall be paid as set forth above.

10. Utilities. Lessee shall pay for all electricity, gas, water, heat and other utilities consumed or used on the Premises. All utilities must be operational before the Rent Commencement Date. Without limiting the Lessee's obligations, Lessee shall not cause there to be no heat in the Building during any period of freezing temperatures outside.

11. Additions, Alterations, Changes and Improvements. Except as described below, Lessee shall not make, and shall not have the right to make any structural alterations, changes or improvements, in or to the Premises without Lessor's prior written consent, provided that if such consent is given, all such alterations, changes and improvements shall be promptly made by and at Lessee's expense, in a workmanlike manner, be promptly paid for by Lessee allowing no liens to attach either to the Premises or to Lessee's interest therein, shall not be removed at any time without Lessor's permission and shall become the property of Lessor at the termination of this Lease. Lessor shall have the right to require Lessee to provide such assurances as Lessor shall reasonably require (such as bonds, escrows, etc.) to protect Lessor against unpaid work. Lessee may make non-structural additions, alterations and changes to the Building's interior (so long as not externally visible) without Lessor's prior consent. Notwithstanding the foregoing, Lessee has absolutely no right to do anything that might reasonably be inferred as endangering or substantially altering the Building.

Notwithstanding the above, Lessee shall have the right to upfit the Building in accordance with Section 1(g) above.

12. Repairs. Except for those repairs described in Section 2(f) above to be completed by Lessor, Lessee shall, at Lessee's own expense, keep and maintain the entire Premises and all parts and systems thereof, including outside walls, windows and/or plate glass, the roof, and all utility installations and equipment, in good maintenance, replacement and repair. All repairs, maintenance and replacements shall be performed in a prompt, workmanlike manner, shall be promptly paid for by Lessee and no liens shall be allowed to attach either to the Premises or Lessee's interest therein. Lessor has no obligation to make any repairs or replacements or to perform any maintenance except as described in Section 2(f) above.

13. Safe and Sanitary Condition. Lessee shall not permit, allow or cause any act or deed to be performed upon, in or about the Premises which shall cause or be likely to cause injury to any person or to the Premises, the Improvements thereon, or to any adjoining property. Lessee shall not damage or cause stoppage of any utility or plumbing lines, except as reasonably required for repairs or maintenance of the utilities or the Improvements. Lessee shall at all times keep the Premises in a neat, orderly and lawful condition and shall keep the Premises and the entryways, parking areas, sidewalks and delivery areas (if any) adjoining the Premises reasonably clean and free from rubbish, dirt, snow, standing water and ice.

14. Trade Fixtures. Lessee shall be permitted to install trade fixtures on the Premises. In addition, Lessee shall be permitted to remove said trade fixtures from the Premises upon the termination of this Lease; provided that if Lessee does so remove such trade fixtures, Lessee shall return the Premises to the same condition as existed at the time of original entry, ordinary wear and tear excepted. This provision is not intended to allow Lessee to remove approved improvements made by Lessee to the Premises. All such improvements belong to Lessor at the termination hereof and shall not be removed nor damaged by Lessee's removal of trade fixtures. If Lessee does not remove the trade fixtures at termination, Lessor shall have the option either to declare such fixtures abandoned and Lessor the owner thereof or to demand Lessee remove same at Lessee's expense returning the Premises to the condition required herein.

15. Lessor Not Liable for Damages or Injuries. Lessor shall not be responsible to Lessee or to any other person or entity for damages or injuries to person or property caused by virtue of or arising out of burst water pipes, leaks from sprinkler or air conditioning systems, leaks from the roof, or by virtue of earthquakes, riots, windstorms, overflow of water from surface drainage, rains, water, fire or by the elements

or Acts of God, or from theft, or by the neglect of any person or entity, except if such damages or injuries are caused by the gross negligence or intentional actions or omissions of Lessor or its agents. Lessee shall not be responsible to Lessor for damages or injuries to person or property caused by the gross negligence or intentional actions or omissions of Lessor or its agents.

16. Indemnification. Lessee covenants to indemnify and hold Lessor harmless from the claims of any and all persons and entities for personal injury or damage to property or both arising out of or in connection with Lessee's use and/or occupancy of the Premises, unless such damages or injuries are caused by the gross negligence or intentional actions or omissions of Lessor or its agents. Lessor covenants to indemnify and hold Lessee harmless from the claims of any and all persons and entities for personal injury or damage to property or both arising out of or in connection with the Premises, unless such damages or injuries are caused by the gross negligence or intentional actions or omissions of Lessee or its agents.

17. Fire or Casualty/Condemnation. No fire or other casualty shall terminate or permit the termination of this Lease, nor shall any such casualty result in any abatement of the rent. Lessee shall promptly rebuild the Building and Improvements to the condition existing prior to said fire or casualty, but Lessor must provide Lessee with any insurance proceeds which Lessor has actually received. Lessor has no right to retain any portion of insurance proceeds paid to Lessor that exceed the cost of repair or replacement of casualty damaged Premises. Thus, if the insurance company pays an amount in excess of the amount necessary to restore the Premises, such excess shall be the sole property of the Lessee.

If the Premises or any part thereof is taken under the power of eminent domain (or sold under the threat of the exercise of such power), the rent shall be reduced to the extent of reduced tenantability (including parking). If in the reasonable opinion of Lessee, however, such taking or sale materially impairs Lessee's operations or use of the Premises (which shall include, but not be limited to, a taking or sale of more than 25% of the parking for the Premises which is not replaced by other substantially similar parking, or a taking of access such that ingress or egress is substantially impaired and alternative access is not provided), Lessee may, at its option, terminate this Lease within thirty (30) days of Lessee's being notified of the taking, and Lessee shall have no further obligations under this Lease, except for obligations accruing prior to the termination. In any event, all proceeds of any awards paid by the condemning authority shall be distributed pursuant to North Carolina law.

18. Waiver of Subrogation. Neither Lessor nor Lessee nor anyone claiming by, through, under or in their behalf shall have any claim, right of action or right of subrogation one against the other for or based upon any loss or damage caused by fire, explosion or other insured casualty (not limited to the foregoing) relating to the Premises or to any property upon, in, or about the Premises, whether such fire, explosion or other insured casualty shall arise from the negligence of Lessor or Lessee, their respective agents, representatives or employees, or otherwise.

19. Subordination to Deeds of Trust. Provided the holder of each such mortgage has executed and delivered to Lessee a Non-Disturbance Agreement reasonably acceptable to Lessee, this Lease shall be subject and subordinate to any mortgage which may prior or subsequent thereto be executed by Lessor encumbering the Premises. Lessee shall upon Lessor's request, from time to time, to execute estoppel certificates setting forth: the Rent Commencement Date; the termination date of its Lease; the date to which rent has been paid; whether or not (without duty of independent inquiry) Lessee has knowledge of any default or breach by Lessor; and that this Lease is in full force and effect except as to modifications or agreements thereto. Lessor represents to Lessee that as of the date of execution of this Lease there are no liens, mortgages, ground leases or other encumbrances affecting the Premises.

20. Lessor's Entry. Lessor shall have the right, at all reasonable times, with reasonable notice to Lessee, to enter the Premises for the purposes of inspection, display to prospective lenders, purchasers and/or tenants, and performance of any and all work required hereunder of Lessor. Notwithstanding the

foregoing, should an emergency occur, Lessor may (but is not obligated to), without notice to Lessee, enter the Premises for the purposes of securing the same and seeking to minimize the damage to persons and/or property, but Lessor has no duty to do anything. Notwithstanding anything herein to the contrary, except in case of emergency, Lessor may only enter the Premises with an escort and in compliance with all applicable laws and health care regulations.

21. Condition of Premises Upon Termination. Upon the termination of this Lease, Lessee shall return the Premises to Lessor substantially in the same condition as received on the Rent Commencement Date, ordinary wear and tear and approved improvements excepted.

22. Holding Over. In the event Lessee remains in possession of the Premises after the expiration of the Term without the execution of a new lease, Lessee shall not acquire any right, title or interest in or to the Premises. In such event, Lessee shall occupy the Premises as a tenant from month-to-month and shall otherwise be subject to all of the conditions, provisions and obligations of this Lease insofar as the same shall be applicable. The provisions of this Section are in limitation of Lessee's rights, and do not, in any way, entitle Lessee to occupy the Premises after the Term or to extend the Term in any manner.

23. Default by Lessee.

(a) Each and every one and all of the following events shall constitute an "Event of Default":

i) if Lessee files a petition in bankruptcy or insolvency or for reorganization under any bankruptcy act or voluntarily takes advantage of any such act or makes an assignment for the benefit of creditors;

ii) if involuntary proceedings under any bankruptcy law, insolvency or receivership action shall be instituted against Lessee, or if a receiver or trustee shall be appointed for all or substantially all of the property of Lessee and such proceedings are not dismissed, or the receivership or trusteeship vacated, within ten (10) days after the institution or appointment;

iii) if Lessee fails to pay any sum due from it in strict accordance with the provisions of this Lease, and does not make the payment within ten (10) days after written notice thereof. For the purposes hereof, all sums due from Lessee shall constitute rentals whether denominated as rentals or otherwise elsewhere herein and Lessee has absolutely no right of offset, except as expressly provided herein;

iv) if Lessee fails to fully perform and comply with each and every material condition and covenant of this Lease, and such failure of performance continues for a period of thirty (30) days after notice thereof (or if Lessee has commenced to cure such failure and its cure reasonably should take more than 30 days, for such longer period);

v) if Lessee vacates or abandons the Premises;

vi) if the interest of Lessee is transferred, levied upon or assigned to any other person, firm or corporation whether voluntarily or involuntarily except as herein permitted;

vii) if Lessor, in any three (3) months in any twelve (12) month period, gives any notice to Lessee pursuant to subparagraphs iii) or iv) above, notwithstanding Lessee's cure of default within the allowable period or periods.

(b) Upon the occurrence of any Event of Default as set forth above, Lessor shall have the right, at its option, to utilize any one or more of the following rights:

i) to terminate this Lease and all interests of the Lessee hereunder by giving (or having given) notice of such termination effective as of the later of the Event of Default or the giving of such notice, at Lessor's Option. Upon the effective date of termination the Lessee shall have no further rights under this Lease (but such termination shall not serve to release or discharge the damages Lessee owes to Lessor); and/or

ii) to make any payment required of Lessee herein or correct any condition required to be corrected by Lessee, and Lessor shall have the right to enter the Premises for the purpose of correcting any such condition and to remain on the Premises until the complete correction of such condition provided Lessor complies with all laws and healthcare regulations. However, no expenditure by Lessor on behalf of Lessee shall be deemed to waive or release Lessee's breach hereof and Lessor shall retain all rights to proceed against Lessee as set forth herein; and/or

iii) to relet the Premises or any part thereof for any term, with or without terminating the Lease, and at such rentals and on such other terms as Lessor may reasonably elect, and to alter and repair the Premises as Lessor deems necessary. Should Lessor relet the Premises, Lessee shall pay all expenses of reletting including brokers' or finders' fees and such reasonable attorneys' fees as Lessor may incur. Lessor shall apply the rent received from reletting in the following order: (1) to expenses of reletting; (2) to sums due from Lessee other than sums denominated in Section 5 above as rentals; (3) to sums denominated as rentals in Section 5 above previously due; and (4) to sums which were to become due in the future; and/or

iv) all other rights and remedies provided by law to a landlord with a defaulting tenant including all such money damages as such landlord shall be entitled pursuant to the law of damages.

(c) Upon any breach hereof, regardless of whether such breach is, or becomes, an Event of Default, the non-breaching party shall be reimbursed by the breaching party for any reasonable attorney's fees incurred by the non-breaching party in connection with such breach.

24. Lessor Default. A "Lessor Event of Default" shall occur under this Lease if (i) Lessor fails to perform any of its material obligations hereunder and said failure continues for a period of thirty (30) days after written notice thereof from Lessee to Lessor (unless such failure cannot reasonably be cured within thirty (30) days and Lessor shall have commenced to cure said failure within thirty (30) days and diligently pursues the curing of the same) or (ii) if Lessee, in any three (3) months in any twelve (12) month period, gives any notice to Lessor pursuant to this paragraph, notwithstanding Lessor's cure of default within the allowable period or periods. If a Lessor Event of Default shall occur, Lessee shall be entitled to all rights and remedies at law or in equity, including the right to specific performance and the right to terminate this Lease with the Lessee having no further duties or obligations under this Lease.

25. Waiver. No failure by Lessor or Lessee to exercise any rights hereunder to which Lessor or Lessee may be entitled shall be deemed a waiver of Lessor's or Lessee's right to subsequently exercise same. Neither Lessee nor Lessor shall gain any rights or become vested with any power to remain in default under the terms hereof by virtue of Lessee's or Lessor's failure to timely assert his rights.

26. Law Applicable. This Lease is entered into in North Carolina and shall be construed under the laws, statutes and ordinances of such jurisdiction.

27. Severability. The provisions hereof are independent covenants and should any provision or provisions contained in this Lease be declared by a court or other tribunal of competent jurisdiction to be void, unenforceable or illegal, then such provision or provisions shall be severable and the remaining provisions hereof shall remain at Lessor's option in full force and effect.

28. Easements, Restrictions and Rights of Way. The Premises are demised subject to all easements, restrictions and rights of way legally affecting the Premises.

29. Binding Effect and Complete Terms. The terms, covenants, conditions and agreements herein contained shall be binding upon and inure to the benefit of and shall be enforceable by Lessor and Lessee and by their respective heirs, successors and assigns. All negotiations and agreements of Lessor and Lessee are merged herein. No modification hereof or other purported agreement of the parties shall be enforceable unless the same is in writing and signed by the Lessor and Lessee.

30. Notices and Written Consents. All notices and written consents required under this Lease shall be in writing and shall only be sent by overnight carrier, such as Federal Express, or by Certified Mail, postage prepaid, return receipt requested, addressed to the party to whom directed at the following address or at such other address as may be from time to time designated in writing:

To Lessor:

Mr. Ken Wilson  
769 Champion Drive  
Canton, NC 28716

with copy to:

Patla, Straus, Robinson & Moore, P.A.  
Post Office Box 7625  
Asheville, North Carolina 28802  
Attention: Mr. Steven I. Goldstein

To Lessee:

Haywood Regional Medical Center  
Attn: Chief Executive Officer  
262 Leroy George Drive  
Clyde, NC 28721

with a copy to:

Philip J. Smith  
Van Winkle, Buck, Wall, Starnes and Davis, P.A.  
11 North Market Street  
Asheville, NC 28801

Notices shall be deemed served upon receipt, the day after delivery to Federal Express or other recognized commercial overnight carrier for overnight delivery or the third day after delivery to the US Postal Service for Certified Mail (return receipt requested) delivery, whichever first occurs.

31. Recording. This Lease shall not be recorded, but, if requested by either party, a memorandum hereof shall be prepared, signed by the parties, and recorded in the County where the Premises are located, at the expense of the party requesting the same. The aforesaid memorandum shall contain such information as is necessary to provide adequate record notice of the existence of the Lease, including the parties, the term, the property involved and whether options to renew or purchase exist.

32. Covenant of Title and Quiet Enjoyment. Lessor covenants and warrants to Lessee that Lessor has full right and lawful authority to enter into this Lease for the Term hereof and provided Lessee is not in default hereunder, Lessee's quiet and peaceable enjoyment of the Premises shall not be disturbed by anyone claiming through Lessor.

33. Interest and Late Charges. Except for the late charge below, any sums due to be paid by Lessee to or for the benefit of Lessor, which are not paid when due, shall bear interest from the due date to the date of payment at the rate of sixteen percent (16%) per annum. Should any rentals of any kind, howsoever denominated, not be paid within ten (10) days of the due date thereof, then Lessee shall pay to Lessor, no later than the fifteenth day after the due date of the overdue amount, a late charge equal to the greater of five percent (5%) of the amount overdue or \$300.

34. Construction of Lease. This Lease shall not be construed more strictly against either party regardless of which party is responsible for the preparation of the same.

35. Right of First Refusal. In the event that Lessor desires to sell, exchange or transfer all or any portion of the Premises and/or the "Additional Property", which Additional Property is more particularly described in Exhibit C attached hereto and incorporated herein by reference, (said area proposed to be sold is hereinafter called, the "Proposed for Purchase Property"), it shall first offer to sell the Proposed for Purchase Property to Lessee at the price and upon the terms Lessor intends to market it (the "Offered Price"), by written notice thereof to Lessee. Within thirty (30) days thereafter, Lessee must either accept or reject such offer by written notice to Lessor (failure to timely accept the same in writing in accord herewith is rejection). In the event the Lessee shall reject (or be deemed to have rejected) the offer to sell the Premises for the Offered Price to Lessee by Lessor, then the Lessor may sell the Proposed for Purchase Property to anyone for at least at ninety-five percent (95%) of the Offered Price for a period of one hundred eighty (180) days (the "Permitted Transfer Period"). In the event that within said Permitted Transfer Period, Lessor does not consummate (as evidenced by the recording of a deed for the Proposed for Purchase Property) a transfer, then the provisions of this section shall thereafter apply to any subsequently proposed sale of all or any portion of the Premises and/or the Additional Property. Similarly, if the price Lessor wishes to accept is less than said ninety-five percent (95%) of the Offered Price, it may do so only after reoffering the Proposed for Purchase Property to Lessee at the lower price, in the above manner. Notwithstanding the forgoing, Lessee shall have no right of first refusal to purchase the Premises or Additional Property or any part thereof in the event of a devise or conveyance of the Premises, the Additional Property or any part thereof by Lessor to a trust of which Lessor is a beneficiary, to a limited liability company of which Lessor (or the sum of the Lessors' interest) is the majority member, or to a blood relation of Lessor or to a spouse of such relation (all the forgoing, the "Family Transfers"). Should Lessor elect to transfer the Premises and/or Additional Property or any part thereof by a Family Transfer, or any other transfer allowed under this Lease, then Lessee's right of first refusal shall continue against the owners of the same for the duration of this Lease.

In addition, Lessee shall also have a right of first offer to lease the Additional Property which right shall be triggered by Lessor's offer to lease the Additional Property to any third party. In such case, the right of first offer to lease the Additional Property shall follow substantially the same procedure as the right of first refusal to purchase described in the preceding paragraph, but Lessor and Lessee shall only have sixty (60) days to mutually agree upon a lease. If Lessee chooses to use a lease that has the same terms as this lease, excepting changes necessary to reflect the factual circumstances of the lease of the Additional Property (including, but not limited, to the legal description), then the lease (boilerplate) shall be deemed "mutually agreed upon" by Lessor and Lessee (but not the rental and term length). If Lessor and Lessee do not mutually agree to a lease during the sixty (60) day period, Lessor shall be free to lease the Additional Property on substantially similar terms offered to Lessee, with the rentals to be not less than ninety-five percent (95%) of those contained in the first offer.

Regardless of what is set forth above, unless Lessee has (or is deemed to have) rejected a right of first refusal or right of first offer, as above, Lessor may not convey or transfer the Premises or the Additional Property, or any interest therein, or any interest in Lessor, or any direct or indirect interest in Lessor or any successor, to any person or entity barred by the CHS Limitation (i.e. absent such rejection by Lessee, those barred by the CHS Limitation may not acquire any interest in the Premises, the Additional Property, the Lessor, or any successor ).

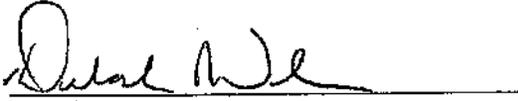
36. Signs. A monument sign and entry sign shall be designed by Lessee and provided to Lessor as part of the Final Plans, which Lessor shall be responsible for constructing in accordance with the Final Plans. No signs or other advertising material may be placed outside of the Building, without the prior written consent of Lessor, which shall not be unreasonably withheld. Notwithstanding the above, Lessee may, in its sole discretion, allow any or all of Lessee's sub-tenants to share space on the monument sign without obtaining Lessor's consent. Lessee may place any signs within the Building which it sees fit, in its sole and absolute discretion. All signs must be in compliance with all applicable ordinances.

37. Hazardous Substances. Lessee shall not manufacture, create, use, store nor otherwise deal in hazardous wastes or toxic substances of any kind on the Premises in violation of any law, rule or regulation. Should Lessor discover that Lessee has breached this Section, it may, without advance notice thereof to Lessee, commence all reasonable actions to abate such breach. Lessee is and shall be liable to Lessor for any damages or expenses incurred by Lessor as a result of Lessee's breach of this Section, including but not limited to, engineering and clean up expenses, consequential damages and liability to third parties. Lessee shall indemnify Lessor against any loss or cost arising from any breach of this Section, and such indemnity shall survive the termination of this Lease.

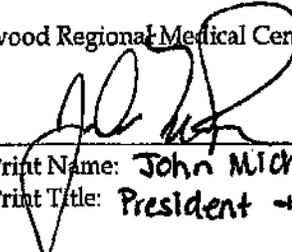
38. Brokers. Lessor and Lessee each represent that they have not dealt with any brokers or agents in connection herewith. Lessor and Lessee shall indemnify and hold each other harmless from any and all claims of brokers, consultants or real estate agents by, through or under the indemnifying party for fees or commissions arising out of the lease of the Premises.

In witness whereof, the parties hereto have caused the due execution of the foregoing, effective as of the day and year above written.

  
Kenneth Wilson

  
Deborah Wilson

Haywood Regional Medical Center

By:   
Print Name: John Michael Poore  
Print Title: President + CEO

## EXHIBIT A

### *Land*

Lying in the County of Haywood, State of North Carolina, and being more particularly described as the 1.701 AC. Tract shown on the plat attached hereto as Exhibit A-1 (the "Land"), and being more particularly described as follows:

Lying in Beaverdam Township, Haywood County, North Carolina, being the tract of 1.701 AC. shown on the plat prepared by Lawrence Kevin Ensley, entitled "Topographic Survey for Kenneth Wilson and wife Deborah R. Wilson", dated December 9, 2010 and revised through May 12, 2011, and being more particularly described as follows: Beginning at an iron pin set in the western margin of the right of way of Buckeye Cove Road (NCSR #1582), said iron pin standing the following four courses and distances from the iron pipe which is the northeast corner of the property of William P. Burgin, Jr. described in the deed recorded in Haywood County Book 427 at page 841 and shown on the plat recorded in Haywood County Plat Cabinet C at slide 2053, to wit: South 5 deg. 18 min. 13 sec. West 77.69 feet to an iron pipe, South 89 deg. 48 min. 6 sec. East 258.22 feet to an iron pin set, South 1 deg. 19 min. 15 sec. West 13.75 feet to an iron pin set and South 85 deg. 57 min. 39 sec. East 61.16 feet to the point of beginning; and running thence from the beginning corner thus established; thence North 85 deg. 57 min. 39 sec. West 61.16 feet to an iron pin set; thence North 1 deg. 19 min. 15 sec. East 13.75 feet to an iron pin set; thence North 89 deg. 48 min. 6 sec. West 100 feet to a stake; thence leaving the existing line and running North 0 deg. 11 min. 54 sec. East 135 feet to a point; thence North 47 deg. 46 min. 58 sec. West 107.48 feet to a point; thence North 17 deg. 26 min. 26 sec. East 40 feet to a point; thence North 39 deg. 28 min. 2 sec. East 147.51 feet to a point; thence North 76 deg. 51 min. 26 sec. East 28 feet to a point in the western margin of the right of way of Buckeye Cove Road (NCSR #1582); thence with the margin of said right of way, the following thirteen courses and distances, to wit: South 35 deg. 55 min. 16 sec. East 42.34 feet to a point, South 47 deg. 35 min. 55 sec. East 89.08 feet to a point, North 40 deg. 11 min. 23 sec. East 16 feet to a point, South 47 deg. 31 min. 45 sec. East 31.2 feet to a point, South 43 deg. 20 min. 5 sec. East 27.7 feet to a point, South 37 deg. 8 min. 44 sec. East 27.84 feet to a point, South 27 deg. 29 min. 22 sec. East 31.92 feet to a point, South 14 deg. 2 min. 6 sec. East 27. feet to a point, South 2 deg. 23 min. 13 sec. East 32.66 feet to a point, South 4 deg. 54 min. 51 sec. West 33.97 feet to a point, South 12 deg. 25 min. 34 sec. West 33.14 feet to a nail set, North 78 deg. 0 min. 38 sec. West 50 feet to an iron pin set and on a curve to the left with a radius of 1,482.39 feet, a chord bearing and distance of South 9 deg. 53 min. 50 sec. West 96.96 feet, an arc length of 96.98 feet to the beginning.

**EXHIBIT A-1**  
*Plat*

[See attached plat prepared by Lawrence Kevin Ensley, entitled "Topographic Survey for Kenneth Wilson and wife Deborah R. Wilson", dated December 9, 2010 and revised through May 12, 2011]