

## **FACT SHEET FOR THE LEASE PURCHASE AGREEMENT WITH TENET**

- I. **The Parties.** The Parties are the Desert Healthcare District (“District”) and the Desert Regional Medical Center, Inc., a California corporation formerly known as Tenet HealthSystems Desert Inc. (“Lessee” or “Tenet”), and is a wholly owned subsidiary corporation of Tenet Healthcare Corporation.
- II. **The Property.** Tenet will lease all of the real property and improvements of the District, which includes the Desert Regional Medical Center (“DRMC” or “Hospital”) and all related Desert Businesses supporting the Hospital, and Tenet will become the owner of the real property and improvements at the end of the lease term. The real property and improvements do not include the Las Palmas Medical Plaza or the Wellness Park.
- III. **Term of the Lease Purchase Agreement (“LPA”).** The Term of the LPA begins on May 31, 2027, and ends on May 30, 2057, at which time the Hospital and the Desert Businesses will be owned and operated by the Lessee.
- IV. **The Legal Authority.** The LPA is authorized pursuant to Health & Safety Code sections 32121(p)(1) and 32126 and is subject to the approval of a majority vote of the residents of the District voting in the November 5, 2024, election.
- V. **Rent and Purchase Payments.** Tenet shall make an initial payment of \$100 million to the District on May 31, 2027. Beginning in May 2028, Tenet will make annual payments of approximately \$20 million which shall increase to approximately \$28 million by 2046. On May 31, 2057, Tenet shall make a final purchase payment of \$100 million at which time all rights, title, and interest to the Hospital and Desert Businesses shall be transferred to Tenet.
- VI. **Restrictions on Use of the Leased Assets.** Tenet must continuously operate the Hospital and the Desert Businesses for the benefit of District residents.
- VII. **Operating Covenants.** There are a series of operating covenants in the LPA that address how Tenet MUST operate the Hospital:
  - (1) Tenet will covenant to operate and maintain DRMC as an acute care hospital with a comprehensive range of health care-related services for the benefit of the community.
  - (2) Tenet is required to comply with all laws and regulations related to operating the Hospital (including state regulations related to patient care, building codes, and all environmental and seismic safety upgrades).

- (3) All major improvements shall be designed by Tenet such that the Hospital shall **maintain at least 360 acute care beds, 9 operating suites, and 29 emergency department bays.**
- (4) **Breach by Tenet.** In the event that Tenet breaches the foregoing covenant, the District shall be entitled to exercise all remedies available in law or in equity to enforce compliance including specific performance.
- (5) **Non-Discrimination in Operations.** All major decisions at DRMC must be made without discrimination against the District residents. No Core Services at DRMC may be relocated to High Desert Medical Center, for example, or to John F. Kennedy Memorial Hospital (“JFK”) in order to close or materially reduce the services at DRMC (except for temporary relocations that may be necessary during construction).
- (6) **Expansion of Care and JFK Commitments.** During the term of the LPA, Tenet shall continue to partner with the District to expand care throughout the Coachella Valley. Tenet has committed to pursue a major expansion of the Emergency Department and the admitting area at JFK.
- (7) **Termination of Core Services.** During the term of the LPA, and after consultation with the Medical Staff and the Local Governing Board, Tenet shall provide written notice of any proposed termination or material reduction of a Core Service at DRMC. The District Board shall have the right to hold public meetings and have an opportunity for the public to comment on any material reductions or termination of a core service and provide Tenet with its input and decision on the proposed reduction or termination.
- (8) **Core Services include:** (i) General Medical Services; (ii) Acute Care General Surgical Services; (iii) Intensive/Critical Care Services; (iv) Neonatal Intensive Care Services; (v) Perinatal Services; (vi) Pediatric Services; (vii) Acute Rehabilitation Services; (viii) Cardiac Services (includes Cardiovascular Surgery and Cardiac Catheterization Lab); (ix) Comprehensive Emergency Medical Services (including Trauma, Stroke and Orthopedics); and (x) Comprehensive Cancer Center Services.
- (9) **Licensing, Accreditation, and Payors:** During the term of the LPA, Tenet must use its best efforts to maintain Hospital licensure and accreditation with the Joint Commission and must use commercially reasonable efforts to participate in the Medicare, Medi-Cal, and other third-party payment programs.
- (10) **Insurance.** During the term of the LPA, Tenet at its sole cost must maintain insurance coverages that are commonly maintained by hospitals, including insurance against loss or damage by fire, comprehensive general liability, and professional liability and malpractice. Tenet must maintain

earthquake insurance on the Hospital, if it maintains similar coverage for its other Southern California hospitals. All insurance policies must name the District as an additional insured and must be reviewed by Tenet periodically after making major capital improvements.

VIII. **Governance of the Hospital**. During the term of the LPA, Tenet will maintain the current Local Governing Board to provide for community participation regarding the medical aspects of DRMC's operation and the delivery of healthcare to the community. A majority of the 13 Local Governing Board members will continue to be members of the Medical Staff and 2 of the Local Governing Board members will continue to be members of the District Board. The Local Governing Board will have authority to (i) appoint and reappoint the medical staff; (ii) review the quality of Hospital services; (iii) maintain licensure and accreditation; and (iv) provide input on operating budgets and physician contracts. The Rules and Regulations of the Local Governing Board may not be amended without mutual consent of the Parties.

IX. **Non-Competition Clause**

- (1) In general, the District cannot make any grants for projects that support a competing business OR that create substantial revenues/save substantial expenses for another acute care hospital WITHIN THE DISTRICT. Competing businesses include: General Acute Care Hospitals, Medical Office Buildings, Comprehensive Cancer Centers, Imaging Centers, Ambulatory Surgery Centers, Physician Joint Ventures, Primary and Specialty Care Foundation Practices, Weight Management Centers, Maternal Fetal Medicine Centers, and Advanced Wound Healing and Amputation Prevention Centers.
- (2) The District is still allowed make grants for any project that is **not** on the competing businesses list so long as it is not owned by an acute care hospital IN THE DISTRICT.
- (3) The District can fund any project not involved in the competing businesses list that are owned by an FQHC, by any community service organization, or by an acute care hospital OUTSIDE THE DISTRICT. This would include urgent care centers, psychiatric facilities, skilled nursing facilities, and drug treatment/rehab programs.
- (4) The LPA makes an exception to this clause for the District's property taxes. The District can make grants to projects owned by Riverside County, up to the amount of the property taxes it receives in any year, less District administrative costs.

- (5) The District cannot own, operate, or manage any business on the competing businesses list, except for the existing medical office building that the District owns.
- (6) There are special provisions for situations where the District wants to act as a landlord (e.g., owns a building and leases it to healthcare service providers).
- (7) The LPA provides different rules for areas with highest healthcare needs, which are defined as the government identified Medically Underserved Areas and a number of other designated areas including: MUA 10-218, MUA 109-2958, MUA 84-312; Desert Hot Springs, Palm Springs – North of I-10; Cathedral City – North of I-10; Indio – North of I-10; Coachella; and the unincorporated areas of Garnet, Desert Edge, Sky Valley, Indio Hills, Thousand Palms, Desert Palms, Bernardo Dunes, Thermal, Mecca, Oasis, Vista Santa Rosa, and North Shore.
- (8) There are NO restrictions as to whom the District can rent in these highest need areas, even an acute care hospital in the District. Outside the highest need areas, the District can own property but shall not be permitted to lease it to anyone who is in a competing business on the list or if they generate revenues for an acute care hospital IN THE DISTRICT.

X. **Restrictions on Subletting, Assignment, and Transfers.**

- (1) Tenet may not sublet any space in the Hospital where patient care is provided without the District's consent except to an "Affiliate" of Tenet. However, Tenet may sublet other portions of the Hospital not related to patient care including other medical office buildings on the Hospital campus.
- (2) **Full Transfer.** Tenet may transfer its interest to another entity that is not an "Affiliate" of Tenet without the District's consent (which consent cannot be unreasonably withheld) after notice to the District, **provided Tenet may not consummate a Full Transfer if the new entity** (1) does not operate another acute care hospital at the time of transfer, or (2) has been refused a hospital license in California, or (3) is subject to a non-prosecution agreement with Medicare regarding criminal charges. The District can also withhold its consent if the new entity refuses, based on religious grounds, that the services then offered at the Hospital would not be diminished in any way.
- (3) As a condition of the Full Transfer, the District may require that the new entity: (1) furnish evidence of its capacity to meet its financial obligations under the LPA, and (2) deliver an executed agreement, assuming all of the terms and conditions of the LPA.

- (4) **For the First 10 Years:** The District may refuse to grant consent if the new entity has not provided evidence of its capacity to pay the rent or purchase price. In which case Tenet can consummate the transaction by providing an escrow which will secure the funding of all of the future rent and purchase payments.
- (5) The District can also object on any other grounds including that the new entity does not have the financial ability to fund the remaining seismic improvements to the Hospital.
- (6) All disputes with respect to whether the District's objections or refusal to grant consent to a Full Transfer is commercially reasonable shall be resolved in accordance with the dispute resolution provisions of Section 15.12 of the LPA.
- (7) **After 10 Years:** The District may refuse to grant consent if the new entity has not provided evidence of its capacity to pay the rent or purchase price. In which case Tenet can consummate the transaction by providing an escrow which will fund the future payments. If the bonds or security for the escrow are not available, then Tenet can exercise a "Transfer Buyout Option" by paying a premium of 8% of the net present value of the lease and purchase payments. Exercising the Transfer Buyout Option means that title to Hospital will transfer to Tenet.
- (8) The District can also object on commercially reasonable grounds if the new entity does not have the financial ability to fund the remaining seismic improvements to the Hospital.
- (9) The District may also object or refuse to grant consent to the Full Transfer on **any other** commercially reasonable grounds. In such a case, Lessee may exercise its "Transfer Buyout Option" by paying a premium of 8% of the net present value of the lease and purchase payments.
- (10) All disputes with respect to whether the District's objections or refusal to grant consent to a Full Transfer is commercially reasonable shall be resolved in accordance with the dispute resolution provisions of the LPA.

XI. **Default.** Subject to notice and opportunity to cure, the following events shall be considered a default by Tenet:

- (a) The failure to pay when due any sums required to be paid.
- (b) The subjection of any material right or interest of Tenet to attachment, execution, or other levy.
- (c) The appointment of a receiver to take possession of the leased premises or improvements or Tenet's interest in the leasehold estate.

- (d) An assignment by Tenet for the benefit of creditors or the filing of any type of bankruptcy.
  - (e) The failure to perform any other covenant or condition in the LPA that directly causes Tenet to be unable to operate the Hospital as an acute care hospital and related health care institutions.
  - (f) The failure to perform any other material covenant or condition of the LPA.
- If any default by Tenet continues uncured for items (a) through (e) following notice of default under the terms of the LPA, the District has the right to terminate the LPA and take back the Hospital.
  - If any default by Tenet continues uncured for item (f) following notice of default, the District has the right to exercise all remedies available by law or equity including specific performance and injunctive relief.

## XII. **Termination**.

- The LPA may be terminated at any time by mutual agreement of the District and Tenet.
- As noted above, the LPA may be terminated for a number of reasons by the District if Tenet has defaulted and the default has not been cured.