

**OPTION TO PURCHASE AGREEMENT**  
(Coalinga Medical Center Property)

This Option to Purchase Agreement ("Agreement") is made this 19<sup>th</sup> day of February, 2019 by and between Coalinga Regional Medical Center, a California health care district ("Optionor") and Coalinga Medical Center LLC, a California limited liability company, and or its assignee ("Optionee") with respect to the following recitals of fact:

Optionor is the 100% fee owner of that certain real property located in Fresno County, California commonly known as Assessor's Parcel Nos. 071-161-37st, 070-060-63st, 070-060-65st, 070-060-66st, 070-060-67st, 070-060-73st, 070-060-74st and 070-060-70p and more particularly described on Exhibit "A" hereto, and including any and all improvements on the property ("Property").

A. Optionor and Optionee simultaneously herewith will be entering into that Lease (as defined herein), whereby Optionee will be spending a considerable sum of money to significantly improve the Property by re-opening the hospital and associated medical clinics.

B. Optionee wishes to obtain from Optionor, and Optionor wishes to grant to Optionee, an option ("Option") to acquire from Optionor the Property.

**NOW, THEREFORE**, Optionor and Optionee agree as follows:

1. Grant of Option. Optionor hereby grants to Optionee the exclusive right and option to acquire ("Option") the Property together with the building and all other improvements thereon, all easements, rights of way and appurtenances thereto, all of Optionor's right, title and interest in all public ways adjoining the Property, any and all equipment, furnishings, fixtures, on all the terms and conditions hereinafter set forth at a purchase price (the "Purchase Price") equal to the greater of One Million and 00/100 Dollars or the Market Value (as defined herein) for the Property, which will be valued in its current condition prior to the occupancy of the Optionee (or as Tenant as referenced in the Lease) and without the benefit of any improvements to be or already performed by the Optionee. All deferred maintenance shall be valued in making the Market Value determination. Within thirty (30) days of the execution of this Option Agreement, the Optionee or Optionee's lender shall order an appraisal from an appraiser of its choosing (which appraiser shall be subject to the reasonable advance approval of Optionor) to determine the fair market value of the Property ("Market Value").

2. Lease. Simultaneously herewith, Optionor (as landlord) and Optionee (as tenant) are executing that certain Lease of even date herewith pursuant to which Optionor is leasing the Property to Optionee for purposes of improving it and re-opening the hospital (the "Lease").

3. Purpose. The purpose of this Agreement is to grant to Optionee an exclusive option to purchase the Property upon the terms and conditions set forth herein.

4. Option Consideration. As consideration for this grant of option, Optionee shall pay to Optionor the non-refundable sum of One Hundred 00/100 Dollars (\$100.00) ("Option

Consideration"), which sum shall be credited toward the Purchase Price of the Property and shall be deposited with Escrow upon the execution of this Agreement. Escrow shall keep this deposit in an interest-bearing account and all interest accrued shall be for the benefit of Optionee. If Optionee does not exercise its Option, then the Option Consideration shall be forfeited to Optionor.

5. Option Term. The term of the Option ("Option Term") shall begin as of the mutual execution of this Agreement and shall expire on 5:00 p.m. Pacific Standard time on the last day of the forty-eighth (48<sup>th</sup>) month from the mutual execution of this option, unless extended or sooner terminated in accordance with the terms hereof or in the Lease ("Option Term").

6. Exercise of Option.

a. The Option shall be exercised, if at all, by Optionee giving to Optionor written notice of exercise ("Exercise Notice") at any time prior to the expiration of the Option Term.

b. In the event Optionee fails to timely exercise the Option as provided above within the Option Term, the Owner shall provide Optionee with a notice to terminate and Optionee shall have ten (10) business days to exercise the Option, failure to exercise within the ten (10) business days will result in the Option terminating.

c. Concurrently with the execution of this Agreement the parties shall each execute, in recordable form, the Memorandum of Lease and Option and Option to Repurchase ("Memorandum") in the form provided as Exhibit "B" to the Lease and have it recorded against the Property in the Official Records of Fresno County, California (the "Official Records").

d. It shall be a condition to Optionee's exercise of this Option that Optionee shall have opened and be operating an Acute Care Hospital (as defined in the Lease) on the date of the delivery of the Exercise Notice and shall not be in default under the Lease.

7. Escrow. The grant of option shall be consummated through an escrow with \_\_\_\_\_ ("Escrow"). Optionee shall open Escrow upon mutual execution of this Agreement and within three (3) days of Optionee exercising its Option. The parties shall deliver to Escrow all payments required under this Agreement and documents necessary to consummate the grant of option, including escrow instructions that are not inconsistent with this Agreement. The parties agree to comply and cooperate with Escrow and each other in closing this transaction, and sign and provide all reasonable items needed to close Escrow. Escrow shall close within three hundred and sixty-five (365) days after the Exercise Notice is delivered to the Optionor.

8. Optionee's Contingencies. Optionee's obligation to consummate this Option and the items within the Lease are subject to the satisfaction of the following contingencies. In the event these contingencies are not satisfied or waived by Optionee in writing within the time periods

specified, Optionee may elect to terminate this Agreement and upon such termination all deposits into Escrow and to Optionor (and Landlord) under the Lease shall be returned to Optionee.

a. Optionee shall obtain, review and approve a preliminary title report on the Property within ten (10) days of mutual execution of this Agreement.

b. Optionor shall deliver to Optionee within two (2) days of mutual execution of this Agreement a copy of all of the documents and materials in its possession regarding the Property.

c. Optionee shall have had reasonable amount of time to inspect the Property and perform any due diligence it deems necessary in its sole discretion.

d. Optionee, at its option, shall acquire the Property subject to the deed of trust, dated June 18, 2008, and recorded with the Fresno County Recorder's Office as Instrument No. 2008-0102735 (the "Deed of Trust").

9. Consummation of Purchase of Property.

a. Upon the execution of this Option agreement and the Exercise Notice being served, Optionee shall open escrow with the Escrow company. Upon the timely and proper exercise of the Option by Optionee in accordance with the terms hereof, Optionor agrees to sell and convey to Optionee, and Optionee hereby agrees to acquire and purchase from Optionor, the Property upon the terms and conditions set forth herein. Optionor and Optionee agree to reasonably cooperate in consummating the purchase and sale of the Property.

b. As soon as possible after the Option is exercised, the title company shall provide Optionee with an updated preliminary title report with respect to the Property, and copies of all exceptions noted therein. If Optionee disapproves of any additional exceptions not in the original preliminary title, Optionee shall notify Optionor in writing within ten (10) days of receipt of the preliminary title report and Optionor shall have fifteen (15) days thereafter to cooperate fully to correct such exceptions. If Optionor fails to remove such exceptions within the time allowed for the close of escrow, Optionee shall have the right to do any of the following (i) in the case of monetary encumbrances, to complete the purchase hereunder in which event the Purchase Price shall be reduced by an amount equal to such encumbrances, or (ii) in the case of any type of exception, to elect to take title to the Property subject to such exceptions and be reasonably compensated from Optionor for the monetary damage of such exception.

c. The escrow fees, transfer taxes, recording fees and other closing costs shall be allocated to and paid by Optionor and Optionee as is customary in Fresno County, California.

d. Rental as described in the Lease shall be prorated as of the date of the close of escrow. Optionee shall be responsible for the property taxes because it is obligated to pay under the Lease.

e. The parties agree to execute, deposit and comply with any documents or other items reasonably required to consummate the purchase of the Property.

10. Possession and Risk of Loss. Optionee will be in possession of the Property under the Lease until the close of escrow consummating the purchase of the Property and will be significantly improving the Property in order to re-open the hospital. Optionee shall maintain all reasonable insurance policies and be entitled to 100% of any insurance proceeds over the amount of the purchase price based on its possession and Option to purchase the Property, including but not limited to any and all damage and destruction to the Property or any improvements thereon, or any compensation relating to any taking/eminent domain by any governmental agency. Insurance proceeds up to the amount of the purchase price shall be paid to Optionor and shall be applied as a credit to the purchase price upon exercise of the Option. This provision shall control above any conflicts between its terms and the terms of the Lease.

11. Notices. All notices, payments, and demands shall be given in writing and shall be considered given when personally served or when delivered by mailing the same to such party by certified mail, postage prepaid, return receipt requested. Notices shall be addressed as appears below the parties' respective signatures, provided that if any party gives five (5) days prior written notice of a change in name or address, notices to the giver of such notice shall be delivered to such address.

12. Optionor Representations. Each person comprising Optionor hereby makes the following affirmative representations as to itself to Optionee, which representations shall survive the close of escrow and the delivery and recordation of the Grant Deed hereunder; and any representations of such person made herein "to its knowledge" or words of similar import shall mean and be limited to the actual (but not imputed or constructive knowledge) of such person without having made any independent investigation or inquiry, and without any duty to do so:

a. Authority: Such person has all requisite power and authority to enter into, deliver and perform this Agreement, and to the extent such person is an entity, such authority is evidenced by all necessary resolutions and authorizations.

b. Binding Obligation: This Agreement and all documents to be executed by such person as contemplated herein shall, subject to the operation of any applicable bankruptcy or similar laws, be the legal, valid and binding obligations of such person and will not materially violate any provisions of any agreement or judicial order to which such person is a party or to which they or their respective interest in the Property, as applicable, is subject.

c. No Litigation/Actions. There are no pending or, to such person's knowledge threatened, suits, actions, proceedings, orders or judgments affecting such person or its interest in the Property which would materially affect such person's ability to perform its obligations under this Agreement or the documents executed by such person contemplated herein.

13. Broker's Commissions. Optionee and Optionor agree and acknowledge there are no brokers/agents involved in this transaction that are due any commissions or finder's fees.

Optionee and Optionor each agree to indemnify, defend and hold the other harmless from any claims, liability, loss, cost, expenses or damages arising in any manner whatsoever out of any breach by the representing party of its foregoing representation, warranty and covenant.

14. Optionee Assignment. In its sole and absolute discretion, Optionee may elect to assign all of its interests under this Option Agreement to an affiliated entity without the consent of Optionor.

15. Repurchase Option. In the event that Optionee ceases to operate an Acute Care Hospital (as defined in the Lease) for a period of more than three consecutive months at any time during the ten year period beginning after the delivery of the Exercise Notice, then Optionor shall have an option to repurchase the Property for its fair market value (the "Repurchase Option") on the date that Optionor delivers notice of its exercise of the repurchase option. Optionor may deliver notice of its exercise of the Repurchase Option at any time within the six month period after Optionor becomes aware that Optionee has ceased to operate an Acute Care Hospital for a period in excess of three months. Closing of the exercise of the Repurchase Option shall occur within 120 days of the date of notice of exercise of the Repurchase Option. Upon delivery of exercise of the Repurchase Option notice the parties shall negotiate for a period of 30 days to establish the amount of the fair market value of the Property. If, within such period, the parties are unable to agree upon the fair market value then the purchase price shall be determined as follows. An appraisal shall be conducted by two independent appraisers, one selected by the Optionee, one by the Optionor. Each such appraiser shall be an MAI appraiser, or if such certification agency no longer exists then its successor or another nationally recognized organization which sets standards and qualification for appraisers, and shall have not less than five years' experience in valuing medical facilities. The appraisers shall determine the fair market value of the Property and shall submit their appraisal report in writing to all parties within 90 days of the date of engagement. Any appraisal report not submitted within such 90 day period shall be disregarded for purposes of determining the fair market value. The fair market value shall be the average of the two appraisers valuations, provided that if the two appraisals differ by an amount more than 15% of the smaller of the two appraisals, then either party may elect within 15 days after receipt of the appraisers report to have a third appraiser appointed. In the event that either party elects to have a third appraiser appointed then the two appraisers shall jointly select a third appraiser. Such third appraiser shall not conduct an independent appraisal but shall determine based upon a review of the two existing appraisals and the work product to the two appraisers which of the appraisals most closely reflect the fair market value of the Property, and the value set forth in the appraisal selected by the third appraiser shall be the fair market value. Each party shall pay the fees and expenses of their own appraiser and in the event that a third appraiser is appointed the parties shall each pay half of the fees and expenses of the third appraiser. All times for making any elections hereunder shall be tolled until the date that the parties agree upon the fair market value of the date that the final appraisal reports are delivered to the parties.

16. Standard Provisions.

a. This Agreement supersedes any prior agreements and contains the entire agreement of the parties on the matters covered. No other agreement, statement or promise made by any party or agent of any party that is not in writing and signed by all the parties to this

Agreement shall be binding. Any amendments to this Agreement shall be in writing and signed by all parties hereto.

b. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but such counterparts when taken together shall constitute but one Agreement.

c. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto. Optionee may assign its rights hereunder upon written notice to Optionor, however no such assignment shall relieve Optionee of its obligations hereunder.

d. If either party institutes an action to enforce its rights under this Agreement, the losing party shall pay to the prevailing party the attorneys' fees and costs incurred by the prevailing party in such action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the dates set forth below.

**OPTIONOR:**

COALINGA REGIONAL MEDICAL CENTER,  
a local health care district of the State of California

By: *Bill Lewis*  
Its: President, Board of Trustees

Date: 2-19-2019

Address: 1191 Phelps ave, Coalinga, CA 93210

**OPTIONEE:**

COALINGA MEDICAL CENTER LLC,  
a California limited liability company

By: *Z King*  
Its: Manager

Date: 02/18/19

Address: 700 17<sup>th</sup> Street  
Modesto Ca 95354

**EXHIBIT "A"**  
Legal Description

For APN/Parcel ID(s): 071-161-37st, 070-060-63st, 070-060-65st, 070-060-66st, 070-060-67st, 070-060-73st,  
070-060-74st and 070-060-70p

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THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF COALINGA, COUNTY OF FRESNO, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

**PARCEL A:** APN: 070-060-63

Parcel 3 of Parcel Map No. 031, in the City of Coalinga, County of Fresno, State of California, according to the map thereof recorded August 7, 1992 in Book 53, Pages 30 and 31 of Parcel Maps, Fresno County Records.

Excepting therefrom all oil, gas and other hydrocarbons underlying said land, together with the sole and exclusive right to produce, extract, take and remove said substances (and water for Grantor's operations on said land) from and to store the same upon the said land with the right of entry by Grantor thereon at all times for said purposes, together with the right to drill wells thereon for said purposes and to construct, erect, maintain, operate, use, repair and replace thereon and remove therefrom all pipe lines, telephone and telegraph lines, derricks, tanks, machinery, buildings and other structures which may be reasonably necessary or convenient for such purposes, together with right of ways for passage over, upon and across, and ingress and egress to and from said land for such purposes, as reserved in deed dated September 11, 1940, executed by The Texas Company, a corporation, to Genevieve Morshead and Dorothy Allen, recorded September 19, 1940 in Book 1861, Page 274 of Official Records.

**PARCEL B:** APN: 070-060-65, 070-060-66, 070-060-67, and 070-060-70P

Parcels 1, 2, and 3 of Parcel Map No. 036, in the City of Coalinga, County of Fresno, State of California, according to the map thereof recorded September 9, 1992 in Book 53, Pages 47 and 48 of Parcel Maps, Fresno County Records.

Excepting therefrom all oil, gas and other hydrocarbons underlying said land, together with the sole and exclusive right to produce, extract, take and remove said substances (and water for Grantor's operations on said land) from and to store the same upon the said land with the right of entry by Grantor thereon at all times for said purposes, together with the right to drill wells thereon for said purposes and to construct, erect, maintain, operate, use, repair and replace thereon and remove therefrom all pipe lines, telephone and telegraph lines, derricks, tanks, machinery, buildings and other structures which may be reasonably necessary or convenient for such purposes, together with right of ways for passage over, upon and across, and ingress and egress to and from said land for such purposes, as reserved in deed dated September 11, 1940, executed by The Texas Company, a corporation, to Genevieve Morshead and Dorothy Allen, recorded September 19, 1940 in Book 1861, Page 274 of Official Records.

**PARCEL C:** APN: 070-060-73 and 070-060-74

Parcels 2 and 3 of Parcel Map No. 037, in the City of Coalinga, County of Fresno, State of California, according to the map thereof recorded April 5, 1996 in Book 57, Pages 16 and 17 of Parcel Maps, Fresno County Records.

Excepting therefrom all oil, gas and other hydrocarbons underlying said land, together with the sole and exclusive right to produce, extract, take and remove said substances (and water for Grantor's operations on said land) from and to store the same upon the said land with the right of entry by Grantor thereon at all times for said purposes, together with the right to drill wells thereon for said purposes and to construct, erect, maintain, operate, use, repair and replace thereon and remove therefrom all pipe lines, telephone and telegraph lines, derricks, tanks, machinery, buildings and other structures which may be reasonably necessary or convenient for such purposes, together with right of ways for passage over, upon and across, and ingress and egress to and from said land for such purposes, as reserved in deed dated September 11, 1940, executed by The Texas Company, a corporation, to Genevieve Morshead and Dorothy Allen, recorded September 19, 1940 in Book 1861, Page 274 of Official Records.

**EXHIBIT "A"**  
Legal Description

**PARCEL D: APN: 071-161-37**

That portion of Section 33, Township 20 South, Range 15 East, Mount Diablo Base and Meridian, in the City of Coalinga, County of Fresno, State of California, according to the Official Plat thereof, described as follows:

Commencing at a point on the North line of said Section 33, distant thereon North 89° 38' 30" East 420.2 feet from the Northwest corner of said Section; thence South 00° 15' East 434.11 feet to the true point of beginning; thence South 00° 15' East 145.0 feet; thence North 89° 45' East 300.0 feet; thence North 00° 15' West 145.0 feet; thence South 89° 45' West 300.0 feet to the true point of beginning.

Excepting and reserving therefrom all petroleum, asphalt, gas and other minerals within or underlying, or that may be produced from said land, together with the exclusive right to mine for and remove them from said land, as reserved by Standard Oil Company of California, in Deed recorded January 15, 1947 in Book 2492, Page 188 of Official Records.

**PARCEL D2:**

A right of way for ingress and egress between Parcel D and the State Highway over a strip of land 60 feet in width, the Westerly and Northerly boundary line of which is described as follows:

Commencing at a point on the North line of said Section 33, distant thereon North 89° 38' 30" East 360.2 feet from the Northwest corner of said Section; thence South 00° 15' East 434.11 feet to the true point of beginning; thence South 00° 15' East 290.0 feet; thence South 89° 45' West 300.0 feet, more or less, to a point on the Easterly boundary of the State Highway, and over a strip of land 40 feet in width, lying Southerly of, parallel with, and immediately adjacent to the Southerly boundary line of the property conveyed by G.C. Shortes and Mary L. Shortes, his wife to Andrew W. Brodersen and Maude F. Brodersen, his wife, as joint tenants, dated March 11, 1960 and recorded March 21, 1960 in Book 4361, Page 546 of Official Records, and extending from the Southerly prolongation of the Easterly boundary line of said Brodersen Deed Westerly to intersect the above described strip 60 feet in width, said last mentioned 40 foot strip of land being now shown as part of Walnut Avenue, dedicated for street purposes on the map of Tract No. 1888, Pearson Addition No. 1, according to the map thereof recorded in Book 21, Page 9 of Plats, Fresno County Records.

Excepting and reserving therefrom all petroleum, asphalt, gas and other minerals within or underlying, or that may be produced from said land, together with the exclusive right to mine for and remove them from said land, as reserved by Standard Oil Company of California, in Deed recorded January 15, 1947 in Book 2492, Page 188 of Official Records.

**PARCEL D3:**

That portion of Section 33, Township 20 South, Range 15 East, Mount Diablo Base and Meridian, in the City of Coalinga, County of Fresno, State of California, according to the Official Plat thereof, described as follows:

Beginning at a point on the North line of said Section 33, distant thereon North 89° 38' 30" East 420.2 feet from the Northwest corner thereof; thence South 00° 15' East a distance of 289.11 feet to the true point of beginning; thence continuing South 00° 15' East, a distance of 145 feet; thence North 89° 45' East, a distance of 300 feet; thence North 00° 15' West a distance of 145 feet; thence South 89° 45' West a distance of 300 feet to the true point of beginning.

Excepting therefrom that portion described as follows:

Beginning at a point on the North line of said Section 33, distant thereon North 89° 38' 30" East 420.2 feet from the Northwest corner of said Section; thence South 00° 15' East, a distance of 289.11 feet to the true point of beginning; thence continuing South 00° 15' East, a distance of 74 feet; thence North 89° 45' East, a distance of 150 feet; thence North 00° 15' West a distance of 74 feet; thence South 89° 45' West a distance of 150 feet to the true point of beginning.



**EXHIBIT "A"**  
Legal Description

Also Excepting therefrom all petroleum, asphaltum, gas and other minerals within or underlying, or that may be produced from said land, together with the exclusive right to mine for and remove them from said land, as reserved by Standard Oil Company of California, in Deed recorded January 15, 1947 in Book 2492, Page 188 of Official Records.

**PARCEL D4:**

A right of way for ingress and egress between Parcel D3 and the State Highway over a strip of land 60 feet in width, the Westerly and Northerly boundary line of which is described as follows:

Beginning at a point on the North line of said Section 33, distant thereon North 89° 38' 30" East 360.2 feet from the Northwest corner of said Section, thence South 00° 15' East 289.11 feet to the true point of beginning; thence South 00° 15' East 435.0 feet; thence South 89° 45' West 300 feet, more or less, to a point on the Easterly boundary line of the State Highway.

Excepting therefrom all petroleum, asphaltum, gas and other minerals within or underlying, or that may be produced from said land, together with the exclusive right to mine for and remove them from said land, as reserved by Standard Oil Company of California, in Deed recorded January 15, 1947 in Book 2492, Page 188 of Official Records.