

**LEASE AGREEMENT FOR HOSPITAL, HEALTH CENTER, AND NURSING
HOME BUILDING IN PHILIPSBURG, MONTANA**

This Lease Agreement (“Lease”) is effective on July 1, 2025, and is by and between Granite County Hospital District (GCHD), a political subdivision, of P.O. Box 729, Philipsburg, Montana 59858, hereinafter called “GCHD”, and Granite County, a political subdivision of the State of Montana, of P.O. Box 925, Philipsburg, Montana 59858, hereinafter called “County.”

WITNESSETH:

1. **Premises.** County is the owner of certain real property described as follows:

 See attached Exhibit “A”.

 This real property is called the “premises” or “rental premises”. County warrants and represents that it owns the premises free and clear of liens and encumbrances.

 In consideration of the mutual covenants, conditions and agreements contained in this Lease, County leases the premises to GCHD and GCHD leases the premises from the County.

2. **Terms.** The term of this Lease shall be for a period ending June 30, 2030 at 11:59 pm local time, and shall be renewable as set out in section 3 below.

3. **Renewal.** GCHD and County will negotiate a possible extension of this Lease in the months of April or May, 2030.

4. **Rental.** GCHD agrees to pay the sum of One Dollar (\$1.00) per year as rent during the initial term of the Lease and during any subsequent renewal. In addition to monetary rental, GCHD shall perform all terms and obligations imposed on it by this Lease executed between the parties contemporaneous with this Lease.

5. **Use of Rental Premises.** GCHD is authorized to use the rental premises which is the Health Center, Hospital, and Nursing Home Building located at 310 South Sansome Street, Philipsburg, Montana. The use of the premises by GCHD is limited in scope to the GCHD's mission statement as the GCHD is "dedicated to providing vital emergency, primary and long-term health care services to both residents and visitors of the beautiful Flint Creek Valley in Southwestern Montana. Our mission is to deliver optimal care through commitment to excellence, quality, safety and fiscal responsibility."

The parties agree that the office of the County's Health Nurse shall be located on the leased premises, with no rental fees or utilities being charged to the County.

6. **Sublease.** GCHD may not use the leased premises, for any other purpose and may not sublease, rent, assign or otherwise permit the use of all or any part of the leased premises for any other use, except with the advance, written permission of the County.

7. **Improvements.** GCHD shall not make improvements on the premises, such as remodeling, removing improvements, adding-on improvements to the premises, without the express, prior written consent of the County and such shall be done at the sole expense of the GCHD. All additions and improvements to the premises shall become County's property at the termination of this Lease. All improvements shall be promptly paid for by GCHD, and GCHD will not permit any lien to be filed upon the premises. If any lien is filed, GCHD shall cause it to be removed immediately by payment or shall provide the County with an indemnity bond providing for the ultimate discharge of the lien at no cost or expense to the County, including court costs and attorney's fees.

8. **Maintenance and Utilities.** GCHD shall maintain the premises and any improvements to be constructed in good condition, and shall make such repairs as may be

required to keep the premises and building improvements in a safe and serviceable condition. GCHD shall be solely responsible for the maintenance of the premises including care and watering of any landscaping. At the termination of this Lease, GCHD shall surrender the premises to County in good condition. GCHD shall not allow waste to occur to the property being leased.

GCHD shall be responsible and liable for all costs of utilities including but not limited to; water, sewer, heat, electric, gas, telephone, internet, and the cost of any required public improvements incurred during the term of the lease. GCHD also acknowledges its obligation and sole liability to pay all debt associated with any and all JCI contracts covering existing improvements within the premises.

9. **Fire and Destruction of Premises.** If during the term of this Lease the premises or any portion thereof shall be damaged or destroyed by fire or any other cause, the GCHD shall do one of the following:

A. Restore and build the premises if GCHD in its sole discretion determines to do so, utilizing the insurance proceeds available. GCHD shall have a period of one (1) year to make a determination whether or not rebuilding of the premises is feasible for GCHD. If GCHD determines that rebuilding is feasible, GCHD shall rebuild the improvements using a configuration then approved by County and by the Montana Department of Public Health & Human Services, or such other state entity having supervisory control over the health facility. Rebuilding of the improvements shall be completed within three (3) years after the damage to the premises;

B. GCHD may terminate the lease, and assign to County all available insurance proceeds for use in reconstruction of the premises and replacement of equipment and supplies; or

C. Take such other actions as the parties shall agree under the circumstances as then known by the parties.

10. **Taxes, Assessments and Depreciation.** Both County and GCHD are exempt from payment of real property taxes, and shall take such actions as are necessary in order to keep the premises tax exempt. Lessee shall pay any special assessment levied against the premises. Any subtenant who is not tax exempt shall be responsible for payment of any taxes associated with its occupancy.

It is understood that the owner of the leased facility may retain the sole right to claim depreciation expense for tax purposes or other business reimbursement claims.

However, it is understood that this lease agreement also transfers to GCHD the unfettered right to claim depreciation expense on the subject premises for tax purposes and/or Medicare/Medicaid Cost Report purposes.

11. **Insurance Policies Required.** From and after the effective date of this Lease, GCHD, at its sole expense, shall maintain such general commercial liability insurance coverage as the County deems reasonably appropriate, but in no event may such be less than \$1.00 million per occurrence and \$3.00 million in aggregate liability insurance coverage for both professional and liability insurance coverage. GCHD, at its sole expense, shall maintain property and casualty insurance coverage sufficient to cover all real and personal property covered under this lease. County shall be named as an additional insured on all said insurance policies.

12. **Holding Over.** The parties agree that in the event GCHD holds over after the termination of this Lease, the tenancy shall thereafter be from month to month in the absence of a written agreement to the contrary.
13. **Surrender at Termination.** At the termination of this Lease either for default or upon expiration of this Lease or any nonrenewal of it, GCHD shall vacate and peaceably surrender the premises to County.
14. **Waiver.** The failure of County or GCHD to insist upon strict performance of any of the covenants of this Lease shall not be construed as a waiver or relinquishment for the future enforcement of such covenants with respect to a subsequent breach.
15. **Ownership and Quiet Enjoyment.** County covenants and agrees with GCHD that upon GCHD's paying the rent and performing all the covenants and conditions contained in this agreement, GCHD shall be entitled to peaceably and quietly hold and enjoy the premises for the term set forth in this agreement.
16. **Events of Default.** GCHD shall be deemed in default of this Lease upon the happening of any one or more of the following events:
- A. GCHD loses its tax exempt or non-profit status under either state or federal law.
 - B. GCHD terminates being a hospital district in good standing with the State of Montana either voluntarily or involuntarily.
 - C. GCHD abandons the premises or makes use of the premises for any purpose not expressly authorized by this Lease.
 - D. GCHD fails to maintain the premises and improvements as required.
 - E. GCHD violates any other term or condition of this Lease.

Upon such default, County shall give GCHD written notice specifying the default and the acts required by GCHD in order to cure such default. GCHD shall have a period of thirty (30) days after written notice is received by GCHD within which to cure the default. If the default shall not be cured, County may cancel this Lease and retake possession of the premises, provided, however, that in the event of termination of the Lease GCHD shall have thirty (30) days from the expiration of the thirty (30) day default notice period or other termination of the Lease within which to remove all of its furnishings, equipment and other personal property from the premises.

17. **Right to Cure Default.** The parties agree that each party shall have the right to cure a default of any of the terms, conditions or covenants of this agreement to be performed by the other party after notice has been given as provided in this agreement. The parties further agree that the non-defaulting party shall have the right to charge the defaulting party with the full cost and expense of such cure of default, which shall be paid promptly upon demand.

18. **Termination of Lease; Vacate Rental Premises.** Unless otherwise renewed in writing, this Lease terminates as of June 30, 2030 at 11:59 pm MDT, and the GCHD will fully vacate the rental premises on or before that termination date and time.

19. **Notices.** Any notices to be given under this Lease may be personally delivered or sent by United States Mail, first class postage prepaid, certified, return receipt requested. Notices shall be given as follows:

County:

Chair, Board of County Commissioners
P.O. Box 925
Philipsburg, Montana 59858

GCHD:

Granite County Hospital District
c/o Granite County Medical Center Administrator
P.O. Box 729
Philipsburg, Montana 59858

20. **Mediation.** The parties agree that mediation offers an alternative to the expense and time required to resolve disputes by litigation. Mediation is therefore the parties preferred dispute resolution procedure when circumstances do not require the parties to seek immediate injunctive relief from the courts. In the event of any dispute between the parties over the meaning, requirements, interpretation, or implementation of the Lease, the GCHD or County may refer the dispute to mediation by written request served upon the other party. The non-requesting party shall have ten (10) days after receipt of a mediation request to consent thereto or to refuse to mediate the dispute.

A. Within ten (10) days after the parties agree to mediation of a dispute, the parties shall mutually agree upon a mediator. Mediation shall remain informal, with each party being permitted to present such facts and evidence as it may reasonably believe supports that party's position. At the conclusion of the mediation hearing, or within a reasonable time thereafter, the mediator shall recommend a resolution to the conflict or dispute that represents in the opinion of the mediator the most fair, just and equitable solution, based upon the purposes of the Lease, the positions of both parties, and the evidence presented. Costs and expenses of mediation shall be divided equally between the parties.

B. Notwithstanding any provision to the contrary, the mediation procedure set forth herein shall in no way be construed to deprive the parties from any judicial

remedies provided at law, or by agreement herein, and is intended solely as an informal dispute resolution mechanism. Neither party shall have the right to compel performance of the mediator's recommended solutions, unless such solutions are reduced to a binding written agreement between GCHD and County at the conclusion of the mediation process. The parties hereto intend that each conflict and dispute submitted to mediation shall be unique, with facts, circumstances, and recommended resolutions to be determined on a case-by-case basis, without reference to prior conflicts, disputes, or the resolutions of the disputes.

21. **Attorney's Fees.** The parties agree that in the event of any litigation or collection efforts undertaken by either party, the prevailing party shall be entitled to recover in addition to the damages reasonable attorney's fees and costs associated with the litigation or collection effort in any appeal related thereof.

22. **Applicable Law; Venue.** The parties agree that this Lease shall be construed pursuant to the laws of the State of Montana. Venue is only proper in Granite County.

23. **Authority.** The parties represent to each other and agree that each of them is authorized to enter into this Agreement and to perform all acts necessary to implement the terms of this Agreement.

24. **Entire Agreement; Severability.** This document represents the entire agreement of the parties regarding the lease of the property described above and may not be modified or amended except by subsequent written instrument duly authorized and signed by both parties. If any part of this lease is voided by a court, the remaining provisions of this lease remain in full force and effect.

IN WITNESS WHEREOF, the parties execute this Agreement on the date and
year first stated above.

BOARD OF COUNTY COMMISSIONERS OF
GRANITE COUNTY:

Scott C. Adler, Chair
Granite County Commissioner

Blanche McLure,
Granite County Commissioner

Paul G. Kulaski,
Granite County Commissioner

ATTEST

Sarah Graham, Clerk & Recorder

STATE OF MONTANA)
 :ss.
County of Granite)

This instrument was acknowledged before me on _____, 2025
by Scott C. Adler, Blanche McLure, and Paul G. Kulaski, Granite County
Commissioners.

[notary]

BOARD OF TRUSTEES FOR
GRANITE COUNTY HOSPITAL DISTRICT:

By: _____
Printed Name: _____
Title: Chair of Board of Trustees for Hospital District

ATTEST:

Printed Name: _____
Title: Clerk of Granite County Hospital District Board

STATE OF MONTANA)
 :ss.
County of Granite)

This instrument was acknowledged before me on _____, 2025 by
_____, Chair of the Board of
Trustees, Granite County Hospital District.

[notary]

EXHIBIT "A"

Granite County Medical Center and Nursing Home
310 S. Sansome Street
Philipsburg, MT 59858

The land and buildings situated thereon lying in Section 25, Township 7 North,
Range 14 West, P.M.M., to wit:

Lots One (1) through Twenty (20) of Block Two (2) of the Doe and Morse
Addition to the Town of Philipsburg, Granite County, Montana, according to the
official map and plat thereof on file and of record in the office of the Granite
County Clerk and Recorder

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