



KOBERLEIN LAW OFFICES

FRED KOBERLEIN JR., B.C.S. | MEAGAN STANDARD | FRED KOBERLEIN SR.

Reply to: Lake City Office

March 8, 2017

Chairman and Board of Trustees
Lake Shore Hospital Authority
259 NE Franklin Street, Suite 102
Lake City, FL 32055
Via Email

RE: Lessee's Obligations Pursuant to Lease Agreement

Dear Chairman and Trustees:

The question of which party, to the Lease Agreement that covers the Hospital Facility, is obligated to maintain the Hospital Facilities and incur the expenses of such maintenance has been asked. The Lake Shore Hospital Authority (hereinafter referred to as the "Authority") and HMA Lake Shore, Inc., entered into the "Second Amended and Restated Lease Agreement and Assignment of Original Restated Lease" (hereinafter referred to as the "Lease") during calendar 2010. Section 3.1, of the Lease is titled "Management, Operation, Maintenance and Repair of the Hospital Facilities" and this section answers the question of which party is responsible for the maintenance, repair, and improvements of the Hospital Facilities as well as incurring the related expenses.

Section 3.1(e)(ii) provides, in pertinent part, as follows:

"Throughout the entire Lease Term, Lessee shall at its own expense keep and maintain the Hospital Facilities in good repair and operating condition, reasonable wear and depreciation excepted and shall from time to time make all necessary and proper repairs, renewals and replacements to the Hospital Facilities, including all ordinary, extraordinary, structural and non-structural repairs, replacements and maintenance. ..."

Therefore, section 3.1.(e)(ii) obligates the lessee to maintain the Hospital Facilities throughout the term of the Lease at its own expense.

LAKE CITY
855 SW BAYA DRIVE
LAKE CITY, FL 32025
(386) 269-9802
FAX: 888-908-8699

GAINESVILLE SATELLITE OFFICE
9727 SW 52ND LANE
GAINESVILLE, FL 32608
(352) 519-4357
FAX: 888-908-8699

Section 3.1(e)(iii) provides,

“Lessor shall serve in an advisory capacity and shall make recommendations to Lessee throughout the entire Lease Term to the making of such repairs and replacements, including ordinary, extraordinary, structural and non-structural repairs, replacements and maintenance, and capital improvements. Lessee shall make the final determination as to the same. On an annual basis Lessee shall provide Lessor with reasonably detailed documentation demonstrating the costs of repairs, replacement and maintenance as well as capital improvements performed at the Hospital Facilities by Lessee.”

Therefore, section 3.1(e)(iii) allows the Authority to recommend to the Lessee what is in need of repair, maintenance, and improvement. Additionally, the Lessee must provide the Authority with documentation that shows the costs of the repairs, maintenance, and improvements to the Hospital Facilities made during the previous year. This documentation must be provided to the Authority annually.

In conclusion, the Lessee is entirely responsible for the repairs, maintenance, and improvements of the Hospital Facilities during the term of the Lease. The Authority may recommend needed repairs, maintenance, and improvements. The Lessee must provide documentation to the Authority showing the costs the Lessee has expended on repairs, maintenance, and improvements to the Hospital Facilities during the previous year and the Lessee must continue to provide this documentation to the Authority on an annual basis.

As always, should you need to discuss this matter further please feel free to call at any time.

Respectfully,



Frederick L. Koberlein, Jr.

Cc:

Dir. J. Berry via email.

Auditor R. Powell via email.