

Shareholders

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Of Counsel

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January 23, 2026

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1617 North Waterfront Parkway, Suite 400
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Via email to: mmaloney@hinklaw.com &
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Pratt Regional Medical Center Corporation
200 Commodore
Pratt, Kansas 67124
Attn: President
Via email to: tsmith@prmc.org

RE: Notice of Default and Intent to Terminate Lease

To Pratt Regional Medical Center Corporation:

This office represents the Lessor, defined below. Please be advised that this letter serves as notice of the lease default of Pratt Regional Medical Center Corporation ("**PRMC**" or "**Tenant**"), concerning its obligations under the Lease and Sublease defined below.

Background

1. PRMC is presently leasing certain hospital facilities, comprised of both real and personal property located at approximately 200 Commodore, Pratt, Kansas, and more specifically described in the Lease ("**Facilities**"), belonging to the Board of Trustees of Pratt County Hospital (the "**Hospital Board**") and Pratt County, Kansas (the "**County**"). Together, the Hospital Board and the County are referred to as the "**Lessor**."
2. The lease terms between PRMC and the Hospital Board are set forth in that certain Amended and Restated Lease Agreement, made as of October 1, 1998 ("**Amended Lease**"), as amended and supplemented by a First Supplement to Amended and Restated Lease Agreement, made as of September 15, 2007 ("**First Supplement**"), a Second Supplement to Amended and Restated Lease Agreement, made as of November 1, 2012 ("**Second Supplement**"), and a Third Supplement to Amended and Restated Lease Agreement, made as of September 15, 2016 ("**Third Supplement**" and collectively with the Amended Lease, the First Supplement, and the Second Supplement, the "**Lease**").
3. Various improvements to the Facilities have been financed or refinanced by revenue bonds ("**Bonds**") issued by the Pratt County, Kansas Public Building Commission ("**PBC**"), under a Trust Indenture, dated as of September 15, 2007, as amended and supplemented by a Supplemental Trust Indenture No. 1, dated as of October 13, 2011, a Supplemental Trust Indenture No. 2, dated as of November 1, 2012, a Supplemental Trust Indenture No. 3, dated as of December 3, 2015, a Supplemental Trust Indenture No. 4, dated as of September 15, 2016, and a Supplemental Trust Indenture No. 5, dated as of September 15,

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2021 (collectively the "**Trust Indenture**"), between the PBC and UMB Bank, Kansas City, Missouri ("**Trustee**").

4. Pursuant to the Bonds and the Trust Indenture, all as set forth in that certain Lease with Option to Purchase dated September 15, 2007, as supplemented on October 13, 2011, November 1, 2012, December 3, 2015, September 15, 2016, and September 15, 2021 (collectively the "**Master Lease**"), PBC became the owner, landlord, and master lessor of the Facilities to the Lessor (the Hospital Board and the County), in exchange for rent payments from the Lessor that satisfy the debt service requirements on such PBC Bonds.
5. In turn, the Lessor sub-leased the Facilities to PRMC pursuant to a Sublease, dated as of September 15, 2007, as amended and supplemented by a Supplemental Sublease No. 1, dated as of October 13, 2011 ("**Supplement 1**"), a Supplemental Sublease No. 2 ("**Supplement 2**"), dated as of November 1, 2012, a Supplemental Sublease No. 3 ("**Supplement 3**"), dated as of December 3, 2015, a Supplemental Sublease No. 4 ("**Supplement 4**"), dated as of September 15, 2016, and a Supplemental Sublease No. 5 ("**Supplement 5**"), dated as of September 15, 2021 (collectively, the "**Sublease**").

Certain Terms of the Leases

6. The Lease (Section 3, Second Supplement) and Sublease (Section 4, Supplement 2) currently provide that PRMC will pay annual rent for the use of Facilities equal to \$1,000,000, as increased by 1.5% on each July 1st, from and after July 1, 2014, plus such additional rent as are required under the Master Lease ("**Rent**").
7. The Lease (Section 2, Third Supplement (modifying Lease Section 3) and Section 3, Second Supplement) further provides that PRMC shall maintain a "**Debt Service Coverage Ratio**" of 3.0 (EBIDA, less nonrecurring losses and gains, divided by debt service payments on the Lease).
8. The Lease (Section 2, Third Supplement (modifying Lease Section 3) and Section 3, Second Supplement) further provides that PRMC will maintain a cash on hand balance of not less than 75 days average operating expense ("**Cash on Hand Test**").
9. The Lease (Section 2, Third Supplement (modifying Lease Section 3) and Section 3, Second Supplement) further provides, in that if, at any time, PRMC's current operating results cause it to be out of compliance with the Debt Service Coverage Ratio or the Cash on Hand Test, then PRMC will receive a payment from the County, or will receive a Rent credit, from a "**Surplus Sales Tax Reserve Fund**" established in the Trust Indenture, in an amount sufficient to make the Rent payment.



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10. The Lease (Section 2, Third Supplement (modifying Lease Section 3) and Section 3, Second Supplement) further provides that PRMC will replenish any such amounts paid from the Surplus Sales Tax Reserve Fund, if possible from its operating accounts.
11. The Sublease (Section 4) provides that PRMC assumed all obligations of the County and the Hospital Board under the Master Lease and covenanted to timely perform all such obligations.
12. The Sublease (Section 13(a)(i, ii)) provides that the failure of PRMC to pay Rent as and when due is an Event of Default.
13. The Sublease (Section 13(a)(vii)) provides that any Event of Default under the Lease is also a default under the Sublease.
14. The Lease (Section 3, First Supplement (modifying Lease Section 24(C)) provides that any Event of Default under a Bond Lease (which includes the Master Lease) is also a default under the Lease.
15. The Master Lease (Section 1.1) provides that any inability by the Tenant to pay its debts as they become due, or written admission of such inability, constitutes an Event of Default (subsection (e)(ii)).
16. The Sublease (Section 13(a)(iii)) provides that the failure of PRMC to observe any other term of the Sublease is an Event of Default if not cured within 30 days of written notice thereof.
17. The Lease (Section 24) provides that in the event of a default, Lessor may provide written notice of default, and if such default is not cured within 30 days thereafter, the Lessor shall have the right to terminate the Lease.
18. The Sublease (Section 13(b)(i)) provides that an Event of Default occurs, the Sublease may be terminated ten days following the date of the notice if the defaults are not then cured.

Defaults

19. To date, PRMC has received Rent Credits from the Surplus Sales Tax Reserve Fund in a cumulative amount of \$1,580,905.64 for the periods of October 1, 2024 through January 1, 2026. PRMC has failed to replenish the Rent Credits from the Surplus Sales Tax Reserve Fund described above. This is an Event of Default under the Lease.
20. The failure by PRMC to make the required payments of Rent, as described above, is a payment Event of Default under the Lease, the Master Lease, and the Sublease (collectively the "Leases").

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21. PRMC's current operating results cause it to be out of compliance with the Debt Service Coverage Ratio. This is an Event of Default under the Lease.
22. PRMC's current operating results cause it to be out of compliance with the Cash on Hand Test. This is an Event of Default under the Lease.
23. Lessor received a letter from PRMC dated November 3, 2025, which stated, *inter alia*, as follows: "A donation/gift, with no expected pay back; would need to be \$8 million to allow us to pay the existing AP balance, stay current, and implement the plan..." The letter also identified PRMC's existing -7% operating margin, referred to the option of bankruptcy, and set forth the need for financial recovery. This is an Event of Default under the Leases.
24. PRMC is presently unable to pay its debts as they come due. This is an Event of Default Leases.

Demand for Cure

Lessor hereby notifies you of each of the Events of Default set forth above (collectively "**Defaults**"). As of January 1, 2026, Tenant's Rent payment arrearage amounted to no less than \$1,580,905.64 ("**Cure Amount**"). Lessor hereby demands that Tenant forthwith pay the Cure Amount within 30 days of the date of this notice, such date being February 23, 2026 ("**Cure Deadline**"), together with all other Rent coming due between now and such Cure Deadline (Rent of \$99,634.85 comes due on February 1, 2026). Lessor further demands that all Defaults be cured by the Cure Deadline, and that PRMC provide proof of such cure by the Cure Deadline. The foregoing are collectively the "**Demands**."

Automatic Termination

Lessor further notifies you pursuant that if PRMC fails to comply with the Demands and cure the Defaults by the Cure Deadline, the Leases shall terminate automatically on the thirty-first date following the date of this notice (which date shall be deemed to be the day after the Cure Deadline, February 24, 2026). **THIS IS YOUR ONLY WARNING OF LESSOR'S INTENTION TO TERMINATE THE LEASES IF TIMELY CURE OF THE DEFAULTS IS NOT PROVIDED.** No further notice shall be provided, and termination of the Leases shall automatically occur if the Defaults are not cured by the Cure Deadline. Upon termination of the Leases, no subsequent action or omission of Lessor shall be construed to reinstate the Leases, unless Lessor expressly agrees to reinstate the Leases in a writing signed by Lessor and PRMC. In the absence of a fully executed, explicit reinstatement of the Leases following the automatic termination described in this paragraph, Tenant shall have no right to occupy, use, or possess the Facilities. Furthermore, termination shall cut off all of Tenant's rights under the Leases, except such rights as expressly survive termination under the terms of the Leases.



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Reservation of Rights

Lessor reserves all of its rights and remedies under the Leases. Nothing herein shall be deemed to be an admission or waiver of any right or remedy available to Lessor. No inaction by Lessor regarding the Defaults or any other defaults or breaches of the Leases shall constitute a waiver or acquiescence by Lessor to Tenant's violations of the terms of the Leases. Lessor reserves the right to enforce all remedies at its disposal under the Leases with respect to Tenant's Defaults and other breaches of the terms, covenants, and conditions of the Leases. Lessor may enforce such rights at such times as it chooses in its sole and absolute discretion, and may refrain from enforcing one or more such rights without waiving any rights, all of which are expressly reserved.

Response Requested

Lessor is prepared to discuss alternative solutions if a prompt cure as outlined above is not feasible. If that is the case, please respond to this notice within fourteen (14) days of the date of this notice in order to provide as much opportunity to discuss alternatives as possible. As you are represented by counsel, such communication should be directed through your attorney to the undersigned. PRMC is addressed directly in this Notice of Default as required by the terms of the Lease. Any response to this Notice of Default must include the following:

- A. Verified (signed) 2024 and 2025 Year Ending Balance Sheets;
- B. Verified 2024 and 2025 Profit and Loss Statements;
- C. Detailed A/R Aging Report, together with clear identification of average contractual write downs applicable to such receivables;
- D. Detailed A/P Aging Report;
- E. Documentation and analysis sufficient to perform and reflect the required "Cash on Hand Test" as required in the Lease;
- F. A proposal for retaining a qualified financial advisor or chief restructuring officer to examine the entire structure of the hospital, including identification of the candidates considered by PRMC, the qualifications of each, the respective terms and conditions for such retention, and the proposed scope of the professional's duties, responsibilities, and authority.
- G. A proposal for retaining an investment bank or other marketing/sales agent for the purpose of engaging in market analysis, marketing, and negotiations related to the transition of the hospital and business to a financially stable entity.
- H. Optional (and not in lieu of Item G): An outline of a proposed alternative to pursuing a transition of the hospital to new ownership, which must include how the hospital will ultimately, but in the near future, be capable of meeting its financial obligations as they come due. Put differently, your proposal must illustrate a) that the hospital will become profitable, b) how it will do so (in detail), c) the timeline for doing so, d) how much capital will be required to make that happen, e) the sources and uses of that capital, and f) how that capital will be repaid.



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For the elimination of doubt, options 1-3 set forth in PRMC's letter dated November 3, 2025, are rejected as unacceptable. In addition, the options set forth in the January 15, 2026, letter from Hinkle Law Firm are deferred until all of the requested additional information is received. However, to specifically respond to item 1, PRMC has no authority to pledge Fixtures, Furniture, and Equipment, all of which are part of the Facilities and are owned by the Hospital Board.

You should in no way rely upon Lessor's willingness to discuss alternative solutions. In the absence of a written and signed document modifying the terms of this notice, the ONLY means by which you can cure the Defaults and prevent eviction and termination of the Leases is by performing all of the requirements set forth herein by the stated deadlines. Time is of the essence.

If you have any questions or concerns, please reach out to my office at your convenience. Thank you for your attention to these matters.

Very truly yours,

David Prelle Eron
Shareholder/CEO
david@eronlaw.net

cc: Tyson Eisenhauer
Client