

FINAL DRAFT MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") outlines a proposed transfer by the City of Tallahassee, Florida ("City") to Florida State University ("FSU") of all assets owned by the City, including all real property and personal property assets, that are leased to Tallahassee Memorial HealthCare, Inc. for the operation of Tallahassee Memorial HealthCare (the "City Assets"). This document will serve as the basis for the subsequent development of a binding Transfer of Assets Agreement (defined below) regarding the same. This MOU is non-binding and intended to guide further discussion to define the transfer and relationship between FSU and the City for the matters set forth herein.

Introduction

- A. **Purpose.** The following represents an overview of certain key terms of the proposed transfer and conveyance (the "Transfer") of the City Assets by the City to FSU.
- B. **Transfer of Assets Agreement.** The terms described in this MOU are (i) intended to guide further discussions between FSU and the City (each a "Party" and together the "Parties") and (ii) subject to the Parties' further development, agreement, execution and delivery of a Transfer of Assets Agreement ("Transfer of Assets Agreement") that will set forth the Parties' final agreement regarding the terms and conditions of the Transfer and provide for the orderly transition of the operation and management of the City Assets.

In addition to the terms set forth in this MOU, the Transfer of Assets Agreement will also include terms and conditions that are usual and customary to such agreement and/or as otherwise mutually agreed upon by the Parties.

- C. **Process.** Once this MOU is accepted by both Parties, the Parties will coordinate and cooperate with respect to the development, approval and execution of the Transfer of Assets Agreement as reasonably promptly as possible. Such coordination and cooperation by the Parties shall include, without limitation, the commitment of personnel and resources by each of the Parties as reasonably necessary to finalize the Transfer of Assets Agreement as reasonably promptly as possible, including the performance of any other acts as are reasonably necessary to negotiate, approve, execute and deliver the Transfer of Assets Agreement in a reasonably prompt manner.

1. General Structure of the Transfer

- A. **Overview of Transfer.** The proposed Transfer will constitute the transfer, conveyance and delivery by the City to FSU of the City's entire interest in the City Assets, which shall include all right, title and interest of the City in the real estate and improvements thereon and all personal property, subject to the existing Third Amended and Restated Lease Agreement, dated as of September 18, 2003, as modified by that certain First Modification to Third Amended and Restated Lease Agreement, dated as of June 24, 2009, that certain Second Modification to Third Amended and Restated Lease Agreement dated as of

November 30, 2015 and that certain Third Modification to Third Amended and Restated Lease Agreement dated as of June 2, 2017, governing the operation of the hospital located thereon (collectively, the "TMH Lease") between the City and Tallahassee Memorial HealthCare, Inc. ("TMH"). Such Transfer, however, shall be contingent on the simultaneous amendment and restatement of the TMH Lease by FSU and TMH per terms mutually acceptable to FSU and TMH for the development of an academic health center. In conjunction with the Transfer, the Parties agree to reasonably cooperate in evaluating the potential need to amend the applicable Amended and Restated Development Agreement to contemplate FSU's ownership and the overall intended and future use of the City Assets.

B. Deed Restrictions. The Parties anticipate that the Transfer will be subject to certain deed restrictions, to wit:

- a. FSU or its designee by way of lease or other form of agreement will continue to cause the operation of a full service hospital or equivalent healthcare facility to be conducted in the manner set forth in the TMH Lease and will ensure that a charity care policy consistent with or more generous than the indigent care requirements currently set forth in the TMH Lease is in place regardless of whether a lease with TMH remains in place, without payment of any amount by the City.
- b. Without written consent of the City Commission, FSU shall not (i) transfer the City Assets to any third party that is not wholly owned or controlled by FSU; or (ii) for a certain period of time to be set forth in the Transfer of Assets Agreement and absent a tenant default, lease substantially all of the City Assets to any other entity other than TMH. In either circumstance, consent of the City Commission shall not be unreasonably withheld, per terms which will be further delineated in the Transfer of Assets Agreement.
- c. FSU shall agree to, in the event the TMH Lease or any revised or substitute lease between FSU and TMH is terminated, make payments, solely from revenues derived from the City Assets, which revenues are pledged as security for City debt, to pay outstanding indebtedness of the City secured by such revenues. The purpose of the foregoing is to ensure that the revenues derived from the City Assets pledged as security of the City's outstanding debt issued for and on behalf of TMH are protected in the event the TMH Lease is terminated. FSU shall have no other obligation regarding the City's or TMH's obligations or covenants to bondholders and shall have no liability to make any payments from assets, revenues or sources other than revenues pledged as security for such debt. Any payment by FSU that may be required hereby shall be subject to and in compliance with the requirements of Section 1010.62, Florida Statutes.
- d. In the event of (i) failure by FSU to pay the Annual Payment Sum (defined below in C.a.) due to the City for the Transfer or (ii) a material violation of either a., b. or c. above or C.b below, subject to applicable notice and opportunity to cure and in the case of a material violation of a., b. or c. above or C.b. below, compliance with a dispute resolution process to be set forth in the Transfer of Assets Agreement, the

City Assets will be reconveyed to the City, pursuant to a reconveyance process that addresses debt, the current FSU Health project which is under construction (the "FSU Health Project"), government restrictions, applicable laws, rules and regulations, permitted leases and subleases and all other related matters, all of the foregoing to be outlined in the Transfer of Assets Agreement. The Parties anticipate said reconveyance process shall consist of three steps involving (i) mediation or other agreed-upon dispute resolution procedures, (ii) a court action requesting specific performance, and (iii) a court order directing conveyance if specific performance is not obtained, prior to any retransfer of the City Assets. The remedy of reconveyance shall be limited to a period of thirty years after the date of Transfer, and thus, such remedy shall not be available after said thirty-year period.

C. **Contribution and Planning.** The Parties contemplate the following, all of which will be further delineated in the Transfer of Assets Agreement:

- a. **Annual Payment.** FSU agrees to pay the City thirty (30) annual payments of \$3,633,333.00 (the "Annual Payment Sum") for a total sum of \$109,000,000.00.
- b. **Facilities Upgrade and Enhanced Care Payments.** FSU agrees to contribute a separate amount not less than (1) \$100,000,000.00 toward upgrades of existing facilities on or adjacent to the City Assets or other assets currently owned by TMH and in excess of and assuming TMH funds annually at least its historical level of facility improvements, such amount to be consistent with maintaining its existing bond rating, over the period specified below, or such other amount as is satisfactory to the City, and (2) \$150,000,000.00 toward clinical faculty, clinical laboratory resources, research/academic operations and other costs specifically related to the City Assets and FSU's planned academic health center to be located thereon, with the intent of providing increased medical care specialization within the Tallahassee area, lessening the need for Tallahassee citizens to travel for health care and providing opportunities for others outside the region to travel to Tallahassee for health care, such contributions to be completed in full by December 31, 2034; provided, that with respect to (1) above, if FSU encounters unusual and unexpected difficulty in completing such contribution by said date, FSU may petition the City for an extension of such date, the consent to which shall not be unreasonably withheld. Amounts received by TMH derived from the City Assets or otherwise that are quantifiable and verified as not otherwise having been available to TMH but for its relationship with FSU may be applied to the financial commitments set forth in (1) and (2) above, subject to a cap of 33% of the payments required by this Section Cb. The initial \$125,000,000.00 used for the construction of the FSU Health Project may not be so applied.
- c. **Investment Payment.** FSU agrees to use its best efforts to obtain through grants, donations, appropriations and other available funding sources which may be received by FSU or TMH an amount, including the amounts required by a. and b. above, for improvements to or investments in the City Assets and healthcare directly related to the City Assets estimated to total in excess of \$1,700,000,000.00

over the period ending thirty (30) years from the transfer of the City Assets, based on its plan to help develop clinical space, laboratory facilities and research space, expand clinical research, provide academic faculty and enhance facilities and physical plant investment to create an academic health center with the City Assets as its base. Such efforts and funding resources have the potential to create jobs, fund the purchase of new equipment, and most importantly, improve healthcare and facilitate novel medical treatments that will benefit the citizens of Tallahassee and TMH patients.

- d. The performance by FSU of the matters identified in a. and b. above shall be paid from FSU sources which, except as specifically described above, shall not include revenues derived from the City Assets. The performance by FSU of the matters identified in c. above shall be subject to and contingent upon the availability of funds through grants, donations, appropriations and other available funding sources which are lawfully expendable for the purpose identified for the current and future periods, which FSU agrees to in good faith pursue. The determination of whether funds are available shall be made in the sole discretion of FSU.

2. Process

- A. **Public Hearings.** The Parties recognize that the City conducted a properly noticed public hearing on October 1, 2025 to provide interested persons an opportunity to be heard on the matter. The Parties recognize that the City conducted a second public hearing on October 22, 2025 to provide interested persons an opportunity to be heard on this matter, for which notice was published at least 15 days before the scheduled hearing in one or more newspapers of general circulation in Leon County and in the Florida Administrative Register, in addition to publication on the City's website and in the BoardDocs system.
- B. **Evaluation.** The Parties acknowledge that the City has contracted with Ankura Consulting Group, LLC, a firm that has substantial expertise in the evaluation of hospitals, which has given its report (the "Valuation Report") as to the value of the City Assets. FSU has not accepted or agreed to any particular valuations provided in the Valuation Report.
- C. **Comparison.** The City represents that it has considered public input and engaged in a comparison of the City Assets as proposed to be operated in conjunction with FSU and the current structure, and has determined, based on a number of factors, including the potential for research dollars and additional funding that can be brought to bear by FSU in a competitive marketplace and the possibility of increased specialization and travel to Tallahassee for medical care, that this is in the best interests of the community and to City taxpayers for TMH to operate the subject hospital as contemplated above and for FSU, as a governmental and academic entity, to own the City Assets, and that FSU is a qualified purchaser of the City Assets.
- D. **Public Documents.** The Parties acknowledge that the Valuation Report was made available to the public as included in the City Commission's October 22, 2025 agenda item and that this MOU has been made available to the public as included in the City Commission's

January 14, 2026 agenda item. The City represents in addition that all evaluations, summaries and other specific documents considered by the City regarding the Transfer have as of this date or will prior to the Transfer be made available to the public.

- E. **Publication and Final Public Hearing.** The Parties acknowledge that the City (a) will, upon execution, publish notice of this MOU and the findings contained herein in one or more newspapers of general circulation in Leon County and in the Florida Administrative Register, and (b) will publicly advertise the meeting at which the proposed Transfer will be considered for final approval by the City Commission in one or more newspapers of general circulation in Leon County and in the Florida Administrative Register, in addition to publication on the City's website and in the BoardDocs system.

FLORIDA STATE UNIVERSITY

CITY OF TALLAHASSEE, FLORIDA

By: _____
Richard McCullough, President

By: _____
John Dailey, Mayor

Date: _____

Date: _____