

EXHIBIT 2.4

Affiliation Amendment

FIRST AMENDMENT TO AFFILIATION AGREEMENT

This First Amendment to Affiliation Agreement ("Affiliation Amendment") is entered into by and between **San Diego Hospital Association**, a California nonprofit public benefit corporation ("SDHA") and **Grossmont Healthcare District** (formerly known as "Grossmont Hospital District"), a political subdivision of the State of California, organized and existing pursuant to the Local Health Care District Law (Div. 23 of the California Health & Safety Code) (the "District") and shall be effective as of January 3, 2001.

RECITALS

SDHA and the District entered into that certain Affiliation Agreement dated May 29, 1991 (the "Affiliation Agreement"). For the reasons set forth in that certain Settlement and Release Agreement dated January 3, 2001, entered into among SDHA, the District and Grossmont Hospital Corporation, a California nonprofit public benefit corporation of which SDHA is the sole member ("GHC") (the "Settlement Agreement"), SDHA and the District desire to amend the Affiliation Agreement in the manner set forth in this Affiliation Amendment.

Therefore, in consideration of the mutual covenants and agreements set forth herein, SDHA and the District agree as follows:

ARTICLE I

AMENDMENTS TO AFFILIATION AGREEMENT

1.1 Section 7.4 of the Affiliation Agreement shall be amended in its entirety to read as follows:

"7.4 SDHA Finance Committee Representation. During the term of the Lease Agreement (as such term may be extended from time to time), unless otherwise consented to in writing by the District, the Bylaws of SDHA shall provide that the Finance Committee of SDHA shall include one (1) member chosen from the five (5) District Approved Directors of GHC."

1.2 Section 10.1 of the Affiliation Agreement shall be amended in its entirety to read as follows:

"10.1 Amendment of GHC's Articles of Incorporation and Bylaws. SDHA covenants that during the term of the Lease Agreement and any extension thereof, it shall not, as the sole member of GHC, permit or cause GHC, without the prior written consent of the District, to amend: (i) subparagraph (b)(5) of Article Second or subparagraph (b) of Article Fifth of GHC's Articles of Incorporation, in the form attached hereto as **Exhibit 7.1**; or (ii) Section 1c (Membership Issuance) and Section 5 (Distributions to Member) of Article IV, Sections 1b (Capital Expenditures Approvals) and 1c (Abandonment/Surrender of Lease) of Article V, the last three sentences of Section 2a (Election of Board) of Article V, Section 2b (i) and (ii) (Election of Board) of Article V, Section 9 (Removal of Directors) of Article VI, Section 7 (Chief Executive Officer) of Article VII and Sections 1 (Bylaw Amendments) and 3 (Name) of Article XIII of GHC's Bylaws in the form attached hereto as **Exhibit 7.3.2**."

1.3 Section 10.4 of the Affiliation Agreement shall be amended in its entirety to read as follows:

"10.4 District Approved Directors; Size of Board. The method of selecting District Approved Directors (as defined in Section 2(b)(i) of Article V of the GHC Bylaws) shall not be changed without the consent of the District. The number of voting members of the Board of Directors of GHC shall not exceed twenty (20) without the consent of the District."

1.4 Section 10.9 of the Affiliation Agreement shall be amended in its entirety to read as follows:

"10.9 Amendment of SDHA Master Indenture. SDHA agrees not to amend the provisions of Sections 3.07 and 3.11 of the SDHA Master Indenture (relating to withdrawal from the SDHA Obligated Group) without the prior written consent of the District."

1.5 A new Section 10.12 shall be added to the Affiliation Agreement that shall read as follows:

"10.12 Grossmont Hospital Administration Team. SDHA agrees that during the term of the Lease Agreement, Grossmont Hospital shall have a management and administration team in place that is consistent with the management and administration teams that are then in place at other hospitals affiliated with SDHA."

1.6 A new Section 10.13 shall be added to the Affiliation Agreement that shall read as follows:

"10.13 Disclosure of Lease Terms. SDHA agrees that, during the term of the Lease Agreement, any official statement or disclosure issued by it in connection with the sale or issuance of any long-term indebtedness secured by or issued under the SDHA Master Indenture, as that term is defined in the Lease Agreement, shall contain (i) a statement that upon termination of the Lease Agreement (as it may be lawfully extended) and the District's satisfaction of certain obligations under the Lease Agreement, GHC is required to transfer its assets (including the Grossmont Hospital facility, the property and equipment that is the subject of the Lease) to the District and, if requested by the District, GHC is required to exercise any right it may have to withdraw from the SDHA Obligated Group (as that term is defined in Section 5.4 of the Lease), (ii) a statement that GHC's obligation described in (i) above to transfer the Grossmont Hospital facility, property and equipment that is the subject of the Lease exists regardless of whether or not GHC withdraws from the Obligated Group, and (iii) SDHA's estimation of the impact on the SDHA Obligated Group of GHC's withdrawal from the SDHA Obligated Group and the transfer of its assets to the District upon the termination of the Lease Agreement. SDHA agrees to provide the District with a copy of any such statements or disclosures at least twenty (20) days in advance of the issuance of any preliminary official statement or disclosure and to incorporate any comments of the District into the official statement or disclosure that SDHA reasonably determines to be accurate and relevant."

1.7 A new Section 10.14 shall be added to the Affiliation Agreement that shall read as follows:

"10.14. Advance Refunding. SDHA agrees that during the term of the Lease Agreement, it shall not, without the consent of the District, permit any long-term indebtedness incurred for the benefit of GHC under an Indenture (as that term is defined in Section 16.10 of the Lease Agreement) to be refinanced or refunded such that the District would be precluded as a result of such refunding or refinancing from obtaining tax-exempt financing for Tenant Bonds (as that term is defined in Section 5.3 of the Lease Agreement) it may be required to assume pursuant to Section 5.3 of the Lease Agreement."

ARTICLE II

MISCELLANEOUS PROVISIONS

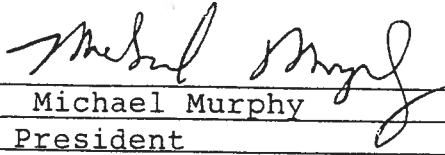
2.1 Definitions. Capitalized terms used herein shall have the meaning ascribed to them in the Affiliation Agreement unless otherwise specifically defined herein.

2.2 Form of Bylaws. SDHA and the District agree that effective with the date of this Affiliation Amendment, the form of GHC's Bylaws that SDHA shall have approved for adoption by GHC shall be in the form attached hereto as **Schedule A** that shall replace former Exhibit 7.3.2 to the Affiliation Agreement.

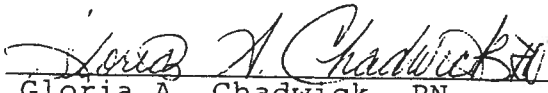
2.3 Number of Board of Directors. SDHA agrees that after the execution of this Agreement, SDHA shall endeavor to cause the size of the GHC Board of Directors to be reduced to fifteen (15) members. Between the date of this Agreement and May 30, 2004, SDHA agrees that it shall not approve the appointment of any person to fill a vacancy on the GHC Board of Directors or elect an individual to serve on the GHC Board of Directors that is not a member of the GHC Board of Directors as of the date of this Agreement if such appointment or election would cause the GHC Board of Directors to have more than fifteen (15) members. However, nothing in the previous sentence shall prohibit SDHA from re-electing to the GHC Board of Directors any person serving on the GHC Board of Directors as of the date of this Agreement. If on May 30, 2004, the size of the GHC Board of Directors is greater than fifteen (15), then the District shall have the option (which option must be exercised by the District no later than July 31, 2004 in the manner described below) to require SDHA to cause GHC within sixty (60) days of the District exercising its option to amend its bylaws to provide that the number of District Approved Directors be increased such that the number of District Approved Directors shall constitute at least one-third (1/3) of the GHC Board of Directors. In the event that the District exercises the foregoing option, the District shall be deemed to have consented to a change in the GHC Bylaws authorizing an increase in the number of GHC directors or the number of District Approved Directors. In order to exercise the option described in this Section 2.3, the District must deliver to GHC's Chief Executive Officer a written notice stating that the District has elected to exercise its option as provided in this Section 2.3 of this Agreement (the "Option Notice"). The Option Notice must be so delivered after May 30, 2004 but no later than 5:00 p.m. (Pacific Daylight Time) on July 31, 2004. In the event the District fails to exercise the option described in this Section 2.3 in the manner provided herein, the District's option shall expire and be of no further force and effect.

IN WITNESS WHEREOF, SDHA and the District have caused this Affiliation Amendment to Affiliation Agreement to be executed as of the date first written above.

San Diego Hospital Association ("SDHA")

By: 
Name: Michael Murphy
Its: President

Grossmont Healthcare District ("District")

By: 
Name: Gloria A. Chadwick, RN
Its: President