

Lease Amendment

EXHIBIT 2.5

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Lease Amendment") is entered into by and between Grossmont Hospital Corporation, a California nonprofit public benefit corporation ("GHC") 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

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

Therefore, in consideration of the mutual covenants and agreements set forth in the Settlement Agreement, GHC and the District agree as follows:

ARTICLE I

AMENDMENTS TO LEASE

1.1 The last sentence of Section 5.2 of the Lease shall be deleted and the following shall be added to the end of the Section to read as follows:

"Tenant shall cooperate with Landlord in Landlord's obtaining the orderly transfer and assignment to Landlord of all licenses, permits and contracts with third-party payors for health care services related to the operation of the Lease Premises. One (1) year prior to the termination of the Lease (as such term may be extended), Tenant shall reasonably cooperate with Landlord's efforts to market Grossmont Hospital to other potential purchasers or lessees. Such cooperation shall include facilitating tours of Grossmont Hospital, interviews with Tenant's administrative staff and full disclosure to Landlord of Tenant's financial and operational information. Landlord's requests for cooperation pursuant to this Section 5.2 shall be made to the Chief Executive Officer of Tenant."

1.2 Section 5.3 of the Lease shall be amended in its entirety to read as follows:

"5.3 Transfer of Liabilities. As a condition to Tenant's obligations pursuant to Section 5.2 hereof, Landlord shall assume all of Tenant's liabilities pursuant to terms substantially identical to Section 4 of that certain Transfer Agreement between Landlord and Tenant dated the date of this Lease; provided that, with respect to then-outstanding Tenant Bonds (as defined below) Landlord shall either:

(a) Fully defease or redeem the Tenant Bonds in accordance with the indentures or other instruments pursuant to which the Tenant Bonds were issued; or

"In no event may the Tenant abandon, vacate or surrender the Leased Premises or the leasehold estate of Tenant prior to the termination of the Lease without first obtaining the approval of a majority (which majority must include a majority of the District Approved Directors) (as defined in Section 15.21 of the Lease) of the GHC Board of Directors of such action, at a properly noticed regular or special meeting of the GHC Board of Directors."

1.4 Subsection 8.1.1 of the Lease shall be amended by adding the following to the end of the subsection:

"5.4 Withdrawal from Obligated Group. Tenant agrees that upon the request of the District, upon surrender of the Leased Premises pursuant to Section 5.2 and compliance by Landlord with the provisions of Section 5.3, Tenant shall exercise any right that Tenant may have to withdraw from the obligated group established pursuant to that certain master indenture of trust, dated as of June 1, 1988, between SDHA and The First National Bank of Chicago, as successor master trustee (the "SDHA Obligated Group"). Landlord and Tenant acknowledge and agree that withdrawal of Tenant from the SDHA Obligated Group is a condition to the transfer of Tenant's assets (other than the Leased Premises) to Landlord as contemplated by the second sentence of Section 5.2."

1.3 Section 5.4 of the Lease shall be amended in its entirety to read as follows:

Notwithstanding any other provision of this Agreement, Landlord and Tenant acknowledge and agree that, upon satisfaction by Landlord of the provisions of this Section 5.3 and withdrawal of Tenant from the SDHA Obligated Group (as defined in and contemplated by Section 5.4), Landlord shall have no obligation with respect to any other obligations of Tenant, SDHA or any member of the SDHA Obligated Group relating to any Tenant Bonds."

For purposes of this Section 5.3, "Tenant Bonds" shall mean any long-term indebtedness (indebtedness having an original maturity greater than one year) shown on the books of Tenant and incurred by or for the benefit of Tenant or the Leased Premises.

(b) (1) execute and deliver to Tenant an installment sale agreement providing for the purchase by Landlord, on an installment basis, or the additions and improvements to the Leased Premises financed or refinanced with the proceeds of any then-outstanding Tenant Bonds with installment payments sufficient to pay the principal of and interest and premium, if any, on the Tenant Bonds as they become due and payable, (2) pledge in writing to Tenant in the installment sale agreement all of the revenues from the operation of the Leased Premises as security for the payment of all such installment payments, and (3) deliver to Tenant an opinion of counsel reasonably acceptable to Tenant to the effect that the installment sale agreement constitutes a valid and binding obligation of Landlord, subject to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, and other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion.

"15.17 Name. The name of Grossmont Hospital shall not be changed without the approval of two-thirds (2/3) plus one member (which shall include at least one (1) District Approved Director) of the Board of Directors of Tenant."

1.8 Section 15.17 of the Lease shall be amended in its entirety to read as follows:

"15.15 Long-Term Indebtedness. If Tenant joins SDHA's Obligated Group for bond financing purposes, Landlord shall become obligated to pay Tenant's Bonds (as defined in Section 5.3 hereof) in the event of termination of this Lease pursuant to Sections 5.3 and 8.4.1 hereof. For purposes of this Section 15.15, "Tenant's Bonds" shall not include obligations issued by or for the benefit of an obligated group for which Tenant is not the primary obligor. Therefore, Tenant shall not incur Tenant Bonds without the approval of two-thirds (2/3) plus one (1) member (which shall include at least one (1) District Approved Director) of the Tenant's Board of Directors."

1.7 Section 15.15 of the Lease (together with all subsections there under) shall be deleted and replaced in its entirety with the following:

The parties agree that effective with the date of this Lease Amendment, Exhibit 7.3.2 [Bylaws] of the Lease shall be in the form attached hereto as Attachment #1.

"15.11 Amendment of Tenant's Articles of Incorporation and Bylaws. Tenant shall not, during the term of this Lease, amend: (i) subparagraph (b)(5) of Article Second or subparagraph (b) of Article Fifth of Tenant's Articles of Incorporation, in the form attached to the Affiliation Agreement as Exhibit 7.1; or (ii) Section 1c (Membership Issuance) and Section 5 (Distributions to Member) of Article IV, Sections 1b (Capital Expenditure 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, Section 1 or Article IX (Committees-Creation) and Sections 1 (Bylaw Amendments) and 3 (Name) of Article XIII of Tenant's Bylaws in the form attached hereto as Exhibit 7.3.2."

1.6 Section 15.11 of the Lease shall be amended in its entirety to read as follows:

"15.5 License; Accreditation. Tenant shall continuously maintain a valid license issued by the Department of Health Services of the State of California. Tenant shall use its best efforts to maintain any accreditation which may be necessary for Tenant to continue to operate the Leased Premises in accordance with its license (including but not limited to an accreditation from the Joint Commission on Accreditation of Healthcare Organizations or "JCAHO")."

1.5 Section 15.5 of the Lease shall be amended in its entirety to read as follows:

No payment under this Paragraph 16.14 shall be due from Tenant to the District for the District's fiscal year which includes any portion of the 2021 Calendar Year. For purposes of this Section 16.14, District's fiscal year shall be from July 1st to June 30th.

District Fiscal Years	Maximum Annual Payment Amount
2000 through 2005	\$250,000
2006 through 2010	\$300,000
2010 through 2020	\$500,000

"16.14 "Loss of Tax Revenues by District: Payment to District. In the event that the District's lawful ability to collect tax revenues pursuant to California law is terminated and the District continues to exist as a political subdivision of the State of California, then Tenant agrees that it shall pay to District, within thirty (30) days following the end of each fiscal year of the District during the term of this Lease, an amount which is equal to the difference between the tax revenues collected by the District in such fiscal year and the following maximum payment amount for such fiscal year as set forth below:

1.12 Add the following new Section 16.14 to the Lease:

"To permit the orderly development of long-range plans for the future growth of the Hospital, as well as, the means of financing major capital projects, Landlord and Tenant agree to meet annually to discuss the current status of the Hospital and not less often than once every three (3) years for purposes of reviewing Tenant's long range plans, methods of financing major capital projects, and negotiating in good faith such extensions of the Lease as may be permissible by law and necessary or appropriate, from time to time, to achieve the Hospital's goals; provided however, that neither party shall be required to agree to an extension of this Lease."

1.11 The last sentence of Section 16.13 of the Lease shall be amended in its entirety to read as follows:

"The number of voting members of the Board of Directors of the Tenant shall not exceed twenty (20) without the consent of the Landlord."

1.10 The last sentence of Section 15.21 of the Lease shall be amended in its entirety to read as follows:

"Emergency department, pathology/laboratory, and radiology contracts in existence as of May 29, 1991 shall not be terminated prior to their scheduled expiration date without the approval of two-thirds (2/3) plus one (1) member (which shall include at least one (1) District Approved Director) of the Board of Directors of Tenant unless termination is recommended for quality reasons by the Grossmont Hospital Medical Staff Executive Committee, in which event a majority of the Board of Directors of Tenant may approve Termination."

1.9 The last sentence of Section 15.18 of the Lease shall be amended in its entirety to read as follows:

1.13 Add the following new Section 16.15 to the Lease:

"16.15 Cooperation in Developing Healthier Communities. During the term of the Lease, Landlord and Tenant shall work collaboratively with one another to develop initiatives to improve the health of the communities they serve. Landlord agrees that during the term of the Lease, a Tenant designated representative (which representative shall be subject to the reasonable approval of Landlord) shall be entitled to participate in the Landlord's process for evaluating and commenting upon grant requests received by the Landlord."

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.

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

Grossmont Hospital Corporation ("GHC")

By: Michele Tarbet
Name: Michele Tarbet
Its: CEO

Grossmont Healthcare District ("District")

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