

**CO-GENERATION AND ENERGY EQUIPMENT  
PURCHASE AGREEMENT**

This Co-Generation and Energy Equipment Purchase Agreement (“Co-Generation Agreement”) is entered into by and between the Grossmont Healthcare District (“District”), a California Healthcare District, organized and operating pursuant to Health & Safety Code Section 32000 et seq., and Grossmont Hospital Corporation (“Corporation”), a California non-profit public benefit corporation and subsidiary corporation of Sharp HealthCare, a California non-profit public benefit corporation and is effective as of June 29, 2012. This Agreement memorializes the terms and conditions in connection with the purchase, installation and sale of a co-generation unit and replacement energy equipment which are being financed and installed by the District in a new Central Energy Plant (“Plant”) for use at and by Sharp Grossmont Hospital (“Hospital”).

RECITALS

A. The District is the owner of the 536 bed, acute-care Hospital located in La Mesa, California. On May 30, 1991, the District entered into a 30-year Lease Agreement (“1991 Lease”) and Transfer Agreement (“Transfer Agreement”) with the Corporation pursuant to which the Hospital’s real property and improvements were leased to the Corporation and the District’s equipment and other tangible assets were transferred to the Corporation.

B. Since May 30, 1991, the Corporation has been operating the Hospital as an acute-care facility and maintaining the property, plant and equipment at the Hospital. On June 6, 2006, the resident voters of the District passed a \$247 Million General Obligation Bond to be used to pay for the construction of various new improvements and the remodel and repair of certain portions of the Hospital (“Proposition G Improvements”).

C. Part of the Proposition G Improvements being constructed by the District includes the new Plant which will provide the energy and power necessary to run the operations of the Hospital until ultimate build-out. As a component of the new Plant, the District is separately financing a loan (“the Loan”) through a Lease Agreement dated June 1, 2012 (“the Lease Agreement”), with the RBS Asset Finance, Inc. (“RBS”), for the purchase and installation of (i) a new state-of-the-art Co-Generation Unit (“Co-Gen Unit”), (ii) two (2) new 950-ton chillers and related cooling towers, a new 800 hp boiler, a heat recovery steam generator (together the “New Replacement Equipment”), and (iii) the relocation of one (1) existing 950-ton chiller currently owned by the Corporation and located at the Hospital’s existing central energy plant (“Existing Chiller”). The actions and tasks identified in (i), (ii) and (iii) above are hereinafter referred to as the “Project.”

D. The principal amount of the Loan is \$18 Million and shall be payable in 108 monthly installments of principal and interest over a period of nine (9) years. The interest rate is 2.09 % and the monthly installment payments shall be \$182,977.46.

E. Upon completion of construction, the new Plant (excluding the Co-Gen Unit and New Replacement Equipment) shall be transferred to the Corporation as part of the “Leasehold Improvements” as that term is defined in the 1991 Lease. The Corporation shall operate and

maintain the completed Plant including the Co-Gen Unit, the New Replacement Equipment and the Existing Chiller.

F. In accordance with the terms and conditions of this Co-Generation Agreement and in consideration of the District undertaking and completing the Project, the Corporation agrees to pay RBS directly an amount equal to the principal and interest amount the District is obligated to pay on the Loan and in accordance with the installment payment schedule set forth in the Lease Agreement between RBS and the District.

G. Upon payment of all amounts due pursuant to the terms of the Loan, the Co-Gen Unit and New Replacement Equipment shall be transferred to the Corporation as part of the Leasehold Improvements pursuant to the 1991 Lease.

NOW, THEREFORE, on the basis of the foregoing recitals, and in consideration of the mutual promises and obligations of the parties set forth herein, and for other good and valuable consideration, the parties agree as follows:

1. Facility and New Replacement Equipment Description. The District agrees to purchase and install the Co-Gen Unit as part of the "Bid Package 002, Central Energy Plant Improvements," consisting of the *Mercury 50* Gas Turbine Generator Package described in the attached **Exhibit "A"** Solar Inquiry No. SD08 -1025 document dated February 12, 2012, which is incorporated herein by reference. The District further agrees to purchase and install into the Plant the New Replacement Equipment described in the attached **Exhibit "B"** Summary List of New Replacement Equipment, which is also incorporated herein by reference, and to relocate and install into the Plant the Existing Chiller.

2. RBS Financing. The District agrees to enter into a nine (9) year tax-exempt Lease Agreement with RBS for the Loan in the amount of \$18 Million. The proceeds of said Loan shall be used to complete the Project and the Loan shall be fully amortized and payable in 108 monthly installments of \$182,977.46. At the time the Loan is paid off (which shall be on or prior to May 15, 2021), no amounts shall be due to RBS to provide for ownership of the Co-Gen Unit and New Replacement Equipment by the District. The District agrees to make all financing documents with RBS ("Financing Documents") available for review by the Corporation and shall not modify or amend the Financing Documents without the prior written consent of the Corporation.

3. Estimated Purchase and Installation Costs. The District has estimated that the amount of the Loan will not exceed the amount which will be necessary to complete the Project. A copy of the Statement of Probable Costs for the Project, prepared by Cumming and dated June 4, 2010, is attached hereto as **Exhibit "C"** and incorporated herein by reference. All payments by the Corporation and/or District related to the Project will be tracked and documented and available for inspection by the Corporation. In the event there are excess Loan proceeds that have not been expended for the Project, such proceeds shall only be used to reduce the amounts owed under the Loan.

4. Corporation Payment. In consideration for the beneficial use by the Hospital of the Co-Gen Unit and New Replacement Equipment, the Corporation agrees to pay RBS directly, 108 monthly installments in the amount of \$182,977.46 which will enable the District to pay all principal

and interest on the Loan. In the event the District advances any payments to RBS, and the Corporation has received notice of such payments from RBS, the Corporation will make payments directly to the District. All amounts paid by the Corporation to RBS and/or to the District pursuant to this Agreement shall be used to pay principal and interest amounts due pursuant to the Lease Agreement and shall not be used by the District for any other purpose. The Corporation shall not be liable for any "Prepayment Fees" as defined in the Lease Agreement. Upon payment of all amounts due pursuant to the Loan (including any Prepayment Fees paid by the District), the Co-Gen Unit and New Replacement Equipment shall be transferred to the Corporation free and clear of any liens and encumbrances as part of the Leasehold Improvements as defined in the 1991 Lease. All right, title and interest to the monthly installment payments from the Corporation may be assigned by the District to RBS pursuant to the Assignment of Co-Generation Agreement dated June 1, 2012. The Corporation's obligation to make the monthly installments pursuant to this Agreement shall cease upon the payment of all principal and interest due on the Loan.

5. Non-Cancellable Agreement. This Agreement is non-cancellable by the Corporation and the Corporation's obligation to pay payments and otherwise to perform its obligations under or with respect to this Agreement is and shall be absolute and unconditional and shall not be affected by any circumstances whatsoever, including any right of setoff, counterclaim, recoupment, deduction, defense or other right which the Corporation may have against the District or any other person for any other reason whatsoever.

6. Use of Credits, Grants and Sells. As a new, renewable energy facility, it is estimated that the Co-Gen Unit will reduce nitrogen oxide (NOx) emissions by ninety percent (90%) or thirty (30) tons per year. Consequently, the District expects to be eligible for banking NOx emission reduction credits through the San Diego Air Pollution Control District as a result of replacing a higher NOx emitting unit with a more efficient and cleaner unit. The District may also be eligible for a California State Energy Grant and the parties may be able to sell the existing Saturn co-gen unit at the Hospital to a third party. Any excess funds received by the District from NOx emissions credits, the California State Energy Grant, or by the Corporation from the sale of the existing Saturn co-gen unit shall be applied to paying down the Loan with RBS and shall be a credit of amounts due from the Corporation to the District pursuant to this Agreement. Notwithstanding the foregoing, the parties agree to work cooperatively to maximize the use of funds received from credits, grants and the sale of the Saturn co-gen unit to promote the best interests of patient care.

7. Excess Energy. It is anticipated that the Co-Gen Unit will produce more electricity than will be used by the Hospital, which excess energy potentially could be sold to San Diego Gas and Electric ("SDG&E") through a Power Purchase Agreement. Provided it does not violate any state or federal law or regulation, or any Loan covenant, the parties agree to work in good faith to qualify the Co-Gen Unit as a "Qualifying Facility" in accordance with the Public Utility Regulatory Policy Act of 1978 which allows for the sale of excess electricity. In the event the District is able to enter into a Power Purchase Agreement with SDG&E for the sale of excess electricity during the remaining term of the 1991 Lease, all proceeds shall be applied to paying down the loan with RBS and shall be a credit of amounts due from the Corporation to the District pursuant to this Agreement.

8. Lease Extension. In the event the 1991 Lease is extended, and/or a new lease is entered into by and between the District and Corporation, and provided that the Corporation makes all the payments to RBS or the District as required under this Agreement, the parties agree that the

Co-Gen Unit and the New Replacement Equipment will be included in those assets that are transferred to the Corporation under an extended or new lease (including any related transfer agreement) free and clear of any liens or encumbrances and that the extended lease shall not impose upon the Corporation any obligation to make any payments to the District in connection with or related to the Co-Gen Unit or the New Replacement Equipment. Provided however, if allowed by law, the revenues from the sale of excess energy may be subject to negotiation of the parties in an extended or new lease.

9. Operation and Maintenance. During the term of this Agreement, the Corporation shall be responsible for the ongoing operation and maintenance of the Plant, including the Co-Gen Unit, the New Replacement Equipment and the Existing Chiller, and all of the costs associated with such operation and maintenance.

10. Insurance. The Corporation shall procure and maintain, at its sole cost and expense at all times, policies of insurance (or a program of self-insurance) providing coverage in the amounts and types required by the 1991 Lease, insuring against property damages or claims for injuries to persons and/or damages to property which may arise out of or in connection with the operation and maintenance of the Plant, including the Co-Gen Unit, the New Replacement Equipment and the Existing Chiller. The policies of insurance shall remain in effect from and through the termination or expiration date of the 1991 Lease.

11. Indemnification. The Corporation agrees to indemnify, defend, and hold the District, its directors, officers, employees, representatives, successors and assigns (collectively, the "District Indemnitees"), harmless from and against any and all losses, liabilities, claims, causes of action or proceedings in any court or administrative forum, judgments, penalties, costs and expenses of every nature, kind, and description (including reasonable attorney's fees and costs of defense) incurred or suffered by the District Indemnitees, or any of them, by reason of any personal injury (including without limitation, disease or death) of any person or property loss, loss of use, or damage, arising out of or in connection with the negligent act(s) or omissions(s), recklessness, or willful misconduct of the Corporation, its officers, employees, subconsultants, representatives, or agents, on, in, or about the Project site or in the operation of the Plant, including the Co-Gen Unit and New Replacement Equipment. District shall promptly notify the Corporation of its receipt of any claim made against the District by a third party relevant to this section and or this Agreement.

The District agrees to indemnify, defend, and hold the Corporation, its directors, officers, employees, affiliated organizations, representatives, successors and assigns (collectively, the "Corporation Indemnitees"), harmless from and against any and all losses, liabilities, claims, causes of action or proceedings in any court or administrative forum, judgments, penalties, costs and expenses of every nature, kind, and description (including reasonable attorney's fees and costs of defense) incurred or suffered by the Corporation Indemnitees, or any of them, by reason of any personal injury (including without limitation, disease or death) of any person or property loss, loss of use, or damage, arising out of or in connection with the negligent act(s) or omissions(s), recklessness, or willful misconduct of the District, its officers, employees, subconsultants, representatives, or agents, on, in, or about the Project site. Corporation shall promptly notify the District of its receipt of any claim made against the Corporation by a third party relevant to this section and or this Agreement.

12. Default. In the event of a default in performance of the terms and conditions of this Agreement by either party, and provided it does not interfere with the Corporation's obligation to make payments pursuant to Section 5 above, the parties reserve the right to assert any and all remedies against each other (legal and equitable) as allowed by law.

13. Notices. All notices to be given under this Agreement shall be in writing and shall be deemed effective upon receipt when personally served or two (2) days after mailing in the United States mail by certified, return receipt requested, to the following addresses:

To District: Grossmont Healthcare District  
Attention: Barry Jantz, CEO  
9001 Wakarusa Street  
La Mesa, CA 91942

To Corporation: Sharp Grossmont Hospital  
Attention: Michele Tarbet, CEO  
555 Grossmont Center Drive  
La Mesa, CA 91942

With a copy to: Sharp HealthCare  
Attention: General Counsel  
8695 Spectrum Center Blvd.  
San Diego, CA 92123

Either party may change the name and/or address of the recipients of notice on its behalf by providing the other party with written notice of such facts.

14. Disputes. District and Corporation agree that any disputes or claims that may arise under the Agreement shall be resolved by mediation prior to the filing of a lawsuit.

15. Miscellaneous Provisions.

15.1 Law; Venue. This Agreement shall be governed by the laws of the State of California. In the event of any legal or equitable proceeding to enforce or interpret the terms or conditions of this Agreement, the parties agree that venue shall lie only in the federal or state courts in or nearest to the County of San Diego, State of California.

15.2 Modification. This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.

15.3 Entire Agreement. This Agreement, together with all the schedules attached to this Agreement, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda, or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its schedules.

15.4 Construction Against Drafter. In that each of the parties has had the opportunity to negotiate the terms and conditions of this Agreement and to secure the advice of counsel; this Agreement shall not be construed more strictly against either party as the drafter.

15.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs, and assigns.

15.6 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

15.7 Representation of Capacity to Contract. Each party to this Agreement represents and warrants that he or she has the authority to execute this Agreement on behalf of the entity represented by that individual.

15.8 No Waiver. The failure of either party to enforce any term, covenant, or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant, or condition of this Agreement at any later date or as a waiver of any term, covenant, or condition of this Agreement.

15.9 Effective Date. The effective date of this Agreement shall be June 29, 2012.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates indicated below.

"District":

Dated: June 29, 2012

GROSSMONT HEALTHCARE DISTRICT

By: \_\_\_\_\_



"Corporation":

Dated: June \_\_, 2012

GROSSMONT HOSPITAL CORPORATION

By: \_\_\_\_\_

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Dated: June \_\_, 2012

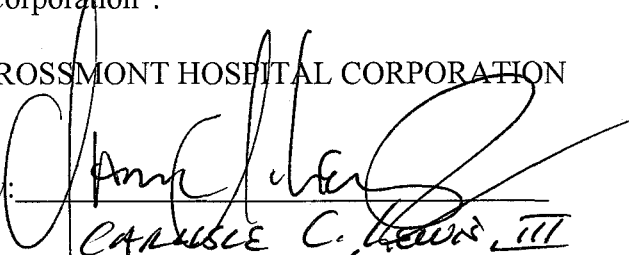
GROSSMONT HEALTHCARE DISTRICT

By: \_\_\_\_\_

"Corporation":

Dated: June 29, 2012

GROSSMONT HOSPITAL CORPORATION

By:   
CHARLES C. LEWIS, III  
ASSISTANT SECRETARY