

TRANSFER AGREEMENT

BETWEEN

GROSSMONT HOSPITAL DISTRICT

AND

GROSSMONT HOSPITAL CORPORATION

DATED MAY 29, 1991

TABLE OF CONTENTS

RECITALS	1
AGREEMENT	2
1. <u>Transfer of Assets</u>	2
2. <u>Use of Transferred Assets</u>	3
3. <u>Assignment of Contracts, Rights</u>	3
3.1 <u>General Assignment</u>	3
3.2 <u>Nonassignability</u>	3
3.3 <u>District's Obligations</u>	4
3.4 <u>If Waivers or Consents cannot be Obtained</u>	4
4. <u>Assumption of Liabilities</u>	4
5. <u>Representations and Warranties of GHC</u>	6
6. <u>Representations and Warranties of District</u>	6
6.1 <u>Restatement of Affiliation Agreement Representations and Warranties</u>	6
6.2 <u>Schedules of Information</u>	6
6.3 <u>Schedule of Nondepreciable Assets and Properties</u>	6
6.4 <u>Marketable Title; Schedule of Property</u>	6
7. <u>Possession</u>	6
8. <u>Additional Documents</u>	7
9. <u>Indemnification by GHC</u>	7
10. <u>Pension Plan</u>	8
11. <u>Continued Employment</u>	8
12. <u>Collective Bargaining</u>	9
13. <u>Attorneys' Fees</u>	9
14. <u>Descriptive Headings</u>	9

15. Definitions 9
16. Continued Existence of the District 9
17. Survival of Provisions 10
SIGNATURE PAGE 10

TRANSFER AGREEMENT

This Transfer Agreement (the "Transfer Agreement"), entered into as of May 29, 1991, by and between GROSSMONT HOSPITAL DISTRICT, a political subdivision of the State of California organized and existing pursuant to the Local Hospital District Law (Div. 23 of the Health & Safety Code) (the "District"), and GROSSMONT HOSPITAL CORPORATION, a California nonprofit public benefit corporation ("GHC"), is made with reference to the following facts:

RECITALS:

A. The District owns and operates Grossmont Hospital (the "Hospital"), a general acute care hospital located in La Mesa, California.

B. GHC's sole member is San Diego Hospital Association, a California nonprofit public benefit corporation ("SDHA"). SDHA is the parent corporation of a multi-hospital health care system consisting of three nonprofit hospitals and other health care facilities located in San Diego County, California, as well as a nonprofit hospital under development in Riverside County, California.

C. The Board of Directors of the District has determined that it will best serve the interests of the District and the communities served by the District to lease the Hospital to GHC for a term of thirty (30) years pursuant to Health & Safety Code Section 32126 pursuant to a Lease Agreement entered into by the District and GHC as of the date of this Transfer Agreement (the "Lease Agreement"). Such lease is intended to promote the District's and GHC's objectives as set forth in the Affiliation Agreement between the District and GHC dated May 29, 1991, to which this Transfer Agreement is attached as an exhibit (the "Affiliation Agreement").

D. Deeming it to be in the best interests of the District and the communities served by the District to transfer the assets

hereinafter described to GHC to operate and maintain the assets for the benefit of the communities served by the District pursuant to Health & Safety Code Section 32121(p), the Board of Directors of the District has approved this Transfer Agreement.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements contained in this Transfer Agreement, the parties to this Transfer Agreement hereby agree as follows:

1. Transfer of Assets. The District hereby assigns, grants conveys, transfers and delivers to GHC, upon the terms and conditions set forth in this Transfer Agreement, and GHC accepts and acquires from the District, subject to such terms and conditions, all of the District's right, title and interest in and to all of the nondepreciable assets and properties owned by the District, of every kind, character and description, whether tangible, intangible, personal, or mixed, and wherever located, all of which are collectively referred to as the "Transferred Assets".

The foregoing notwithstanding, the Transferred Assets do not include the following:

1.1 "Leased Premises" as described in the Lease Agreement;

1.2 The funds established pursuant to the Indentures, dated as of December 1, 1985, and November 1, 1987, between the District and Bank of America National Trust and Savings Association (the "Indentures");

1.3 The books and records of the District as they relate to the District's organization and existence as a political subdivision of the State of California; provided, however, that GHC shall have the right to inspect such books and records from time to time upon reasonable prior notice to the District;

1.4 The fee title to any of the District's real property, including improvements affixed thereto;

1.5 The funds established pursuant to the \$8,737,000 California Health Facilities Financing Authority Loan/Working Capital Loan, Series A (1986); and

1.6 The assets included in the District's compensation plan maintained under Section 457 of the Internal Revenue Code.

2. Use of Transferred Assets. GHC agrees to use, operate and maintain the Transferred Assets exclusively for the benefit of the present and future health care needs of the communities served by the District.

3. Assignment of Contracts, Rights.

3.1 General Assignment. Except as set forth in Schedule 3(a) and except for the items listed in Subsections 1.1, 1.2, 1.3, and 1.4 hereof, the District hereby assigns to GHC, and GHC hereby accepts such assignment, all of the District's right, title and interest in and to all leases, the right to collect rents under leases in which the District is the lessor, contracts, limited partnerships, promissory notes, evidences of indebtedness, deeds of trust, mortgages, indentures, purchase orders, copyrights, service marks, trademarks, trade names, licenses, royalty rights, deposits, and rights and claims to refunds and adjustments of any kind whatsoever (collectively, "Contracts and Rights"). A schedule of all material Contracts and Rights is attached hereto as Schedule 3(b).

3.2 Nonassignability. Notwithstanding anything to the contrary in this Transfer Agreement, to the extent that any of the Contracts and Rights are not capable of being validly assigned, transferred, or conveyed ("Assigned" or, when used in the present tense, "Assign") without the consent or waiver of the issuer thereof or the other party thereto or any governmental authority or other person or such assignment, transfer, or conveyance (collectively, "Assignment") or attempted Assignment would constitute a breach thereof or a violation of law, this Transfer Agreement shall not constitute an Assignment thereof and the District shall not be obligated to Assign to GHC any such Contracts and Rights or other interest or right hereunder (collectively,

"Nonassignable Assets") without first having obtained all such necessary consents and waivers.

3.3 District's Obligations. Promptly after the Closing, the District shall use all reasonable efforts, and GHC shall cooperate with the District, to obtain all such necessary consents and waivers as are referred to in Section 3.2 hereof.

3.4 If Waivers or Consents cannot be Obtained. To the extent that the consents and waivers referred to in Section 3.2 hereof are not obtained by the District, the District and GHC shall during the term of the Lease Agreement (but, as to any particular Nonassignable Asset, not longer than the current term thereof), use best efforts to (a) provide to GHC the benefits of any Nonassignable Asset, if and to the extent that it otherwise would constitute a Transferred of Asset or assigned Contracts and Rights, (b) cooperate to reach a reasonable and lawful arrangement designed to provide such benefits to GHC during the Term of the Lease Agreement, and (c) enforce, at the request of GHC, any rights of the District under any such Nonassignable Asset against such issuer or the other party or parties thereto (including the right to elect or terminate any of the foregoing in accordance with the terms thereof upon the advice of GHC); provided, however, that all reasonable costs and expenses of the District incurred with respect to any of the actions contemplated under clauses (a), (b), or (c) of this section 3.5 shall be promptly paid or reimbursed by GHC to the District.

4. Assumption of Liabilities. Except as set forth in Schedule 4 attached hereto, and except for the District's obligation to pay debt service on the Bonds (as defined herein) or on any other of the District's tax-exempt indebtedness, GHC hereby expressly assumes, and agrees to fully perform, effective as of the Closing Date, all debts, liabilities, obligations, contracts, duties and loss contingencies of the District of every kind, character or description, whether accrued, absolute, contingent, or otherwise, existing at the Closing Date or thereafter arising, including without limitation: (i) the full performance of all of

the District's obligations under Articles VI and VII of the December 1, 1985, Indenture pertaining to the \$9,605,000 Grossmont Hospital District, Refunding Revenue Bonds, Series A (1985), and Articles VI and VII of the November 1, 1987, Indenture pertaining to the \$35,000,000 Grossmont Hospital District, Revenue Bonds, Series 1987A (collectively, the "Bonds"), (ii) any disallowances arising out of the District's participation in the Medicare or Medi-Cal programs, (iii) all of the District's obligations relative to the payment of all salary, wages, bonuses, employer pension plan contributions and sums due under the Retirement Plan of Grossmont Hospital (excluding the deferred compensation plan maintained by the District under Section 457 of the Internal Revenue Code (the "Section 457 Plan")), (iv) all of the District's obligations under the contracts, leases, agreements, indentures, deeds of trust, mortgages and any other similar agreements to which the District is a party as of the Closing Date, and (v) any sales or use tax imposed on the District, whether as a result of the transactions hereunder or otherwise. To the extent that the District may be indemnified or reimbursed by an insurer for any of such debts, liabilities, obligations, contracts, duties or loss contingencies, or for costs or expenses incurred in connection with them, they shall not be assumed by GHC unless the insurer shall, on or before the Closing Date, agree that this assumption will not create by right of subrogation any cause of action in its favor against GHC; provided, however, if the District diligently and properly asserts and attempts to enforce its rights to be indemnified or reimbursed by an insurer for any debt, liability, obligation, cost, or expense, including prosecuting appropriate legal proceedings against the insurer to the extent that the District is not so indemnified or reimbursed, GHC assumes and agrees to pay the debt, liability, obligation, cost, or expense. GHC shall have the right, at its election, to participate in any legal proceedings through its own counsel and at its own cost and expense. GHC shall pay all costs and expenses of the District in connection with the prosecution of any claim against any insurer. The foregoing

notwithstanding, GHC shall not assume the debts, liabilities, obligations and duties of the District arising out of activities undertaken or contracts, leases or agreements entered into by the District after the Closing Date which are for the benefit of the District and are not expressly assumed or approved by GHC.

5. Representations and Warranties of GHC. GHC hereby makes for the benefit of the District each of the representations and warranties made by GHC in Article 13 of the Lease Agreement as of the date of this Transfer Agreement.

6. Representations and Warranties of District. The District represents and warrants to GHC that each of the following representations and warranties is true and correct as of the date of this Transfer Agreement:

6.1 Restatement of Affiliation Agreement Representations and Warranties. The District hereby makes for the benefit of GHC each of the representations and warranties made by the District in the Affiliation Agreement, as of the date of this Transfer Agreement.

6.2 Schedules of Information. The schedules included in the District's March 31, 1991 unaudited balance sheet previously delivered to GHC are true and correct.

6.3 Schedule of Nondepreciable Assets and Properties. A schedule of all nondepreciable assets and properties owned by the District and used in the operation of the Hospital is maintained by the District, and may be reviewed upon reasonable request by GHC.

6.4 Marketable Title; Schedule of Property. The District has good and marketable title to the Transferred Assets. This Transfer Agreement vests in GHC good and marketable title to the Transferred Assets. No one other than the District has any ownership interest, direct or indirect, in any of the Transferred Assets.

7. Possession. Upon the Closing Date of this Transfer Agreement, the District, through its officers, agents and employees, shall put GHC into full possession and enjoyment of the Transferred Assets.

8. Additional Documents. The District shall hereafter execute, acknowledge, and deliver any further deeds, assignments, conveyances, and other assurances, documents, and instruments of transfer, reasonably required by GHC and will take any other action consistent with the terms of this Transfer Agreement which may be reasonably requested by the District for the purpose of assigning, transferring, granting, conveying, and conferring to GHC, or reducing to possession, any or all of the Transferred Assets and the Contracts and Rights. If requested by GHC, the District agrees to prosecute or otherwise enforce in its own name the benefits that are transferred to GHC by this Transfer Agreement and that require prosecution or enforcement in the District's name. Any prosecution or enforcement of claims, rights, or benefits under this paragraph shall be solely at GHC's expense, unless the prosecution or enforcement is made necessary by breach of this Agreement by the District.

9. Indemnification by GHC.

9.1 GHC shall indemnify and hold the District (which, for the purpose of this Section, shall also include the directors, officers, employees, and agents of the District) harmless from, and reimburse the District for, any loss, cost, expense, liability or damage existing as of the Closing Date or thereafter arising, in connection with or in any way related to the Contracts and Rights assigned pursuant to Section 3 hereof or the liabilities assumed pursuant to Section 4 hereof.

9.2 GHC shall protect, indemnify and hold harmless the District (which, for purposes of this Section, shall include directors, officers, employees, and agents of the District) and upon the District's request defend the District from and against any and all claims, actions, suits, demands, judgments, penalties, liabilities, damages, costs, expenses and losses of any kind whatsoever asserted, brought or recovered by any third person (including, without limitation, reasonable attorneys' fees and costs of defense) resulting from, arising out of or relating to the

District's approval, execution, and implementation of the Transfer Agreement, the Lease Agreement, and the Affiliation Agreement.

9.3 In the event of the occurrence of any event which any party asserts is an indemnifiable event pursuant to this Section, such party shall notify the indemnifying party promptly and, if such event involves the claim of any third person, the indemnifying party shall have sole control over, and shall assume all expense with respect to, the defense, settlement, adjustment or compromise of any claim as to which this Section requires it to indemnify the other party, provided that (i) the indemnified party may, if it so desires, employ counsel at its own expense to assist in the handling of such claim; and, (ii) the indemnifying party shall obtain the prior written approval of the indemnified party, which shall not be unreasonably withheld, before entering into any settlement, adjustment or compromise of such claims or ceasing to defend against such claim, if pursuant thereto or as a result thereof there would be imposed injunctive or other similar relief against the indemnified party.

10. Pension Plan. The Transferred Assets shall include the District's Restated Pension Plan, which as assumed by GHC is hereinafter referred to as "GHC's Pension Plan". GHC's Pension Plan shall comply or be amended to comply with applicable requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "Code"), including (i) the minimum funding standards of Part 3 of Subtitle B of Title I of ERISA and Section 412 of the Code, and (ii) Section 6059 of the Code (which requires GHC annually to obtain an actuarial report from an independent enrolled actuary on the funding status of the Plan). GHC's Pension Plan shall be administered in substantial compliance with the foregoing requirements and shall not be terminated or merged with any other pension plan without the prior written consent of the District, which consent shall not be unreasonably withheld.

11. Continued Employment. GHC shall employ all District employees in the same job classification as held at the time of the

transfer of assets under this Transfer Agreement. Terms of such employment shall include an initial rate of pay and initial employer-sponsored fringe benefits which are substantially the same as held by the employee at the time of the transfer of assets under this Transfer Agreement, subject to any changes which may be mandated by law. All accrued benefits and dates of hire of District employees shall be assumed and honored by GHC. Nothing herein shall preclude GHC from implementing, at any later date, such modifications in wages, benefits and other conditions of employment as it may deem appropriate.

12. Collective Bargaining. GHC shall not assume nor be bound by (i) any of the provisions of the District's Employer-Employee Relations Resolution, (ii) any Memorandum of Understanding negotiated pursuant to the provisions of such Resolution, or (iii) any other agreement between any collective bargaining representative or the District.

13. Attorneys' Fees. In the event that any claim or contest regarding this Transfer Agreement is brought by one party to this Transfer Agreement against another party, the party against whose favor such claim or contest is resolved shall pay all reasonable attorneys' fees and other costs incurred by both parties as a result of such claim or contest (including attorneys' fees and costs incurred in collecting any judgment), together with interest on any amount recovered (other than attorneys' fees) from the date of judgment or award at the maximum rate permitted by applicable law.

14. Descriptive Headings. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provisions of this Transfer Agreement.

15. Definitions. All capitalized terms not otherwise defined herein shall have the definitions contained in the Affiliation Agreement or the Lease.

16. Continued Existence of the District. The District does not intend by the transfer of assets pursuant to this Transfer Agreement to dissolve Grossmont Hospital District, de facto or

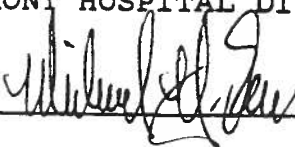
otherwise, and the District intends to maintain its existence as a local hospital district organized under the Local Hospital District Law of the State of California. The District shall continue to exercise all of its rights and powers under the Local Hospital District Law and does not hereby grant or delegate any of such rights or powers. This Transfer Agreement does not vest in the District any right to control or govern the activities or operations of GHC.

17. Survival of Provisions. All of the provisions set forth in this Transfer Agreement shall remain in full force and effect after the closing of the affiliation transaction and the consummation of this Transfer Agreement and shall survive the closing and consummation.

IN WITNESS WHEREOF, the parties have signed this Transfer Agreement or caused this Transfer Agreement to be signed in their names by officers thereunto duly authorized, all on the date first above written.

GROSSMONT HOSPITAL DISTRICT

By



Its

Chief Executive Officer

GROSSMONT HOSPITAL CORPORATION

By



Its

President

TRANSFER AGREEMENT SCHEDULE 3(A)

- (1) 1% Interest as General Partner and 210 Units as Limited Partner in GROSSMONT MRI/CT, a Limited Partnership.*
- (2) 50% Interest at General Partner in GROSSMONT DIALYSIS SERVICE, a California Limited Partnership.*
- (3) Cash and/or investments in an amount sufficient to repay in full the California Health Facilities Financing Authority Loan described as item (3) in Schedule 4 attached to the Transfer Agreement.
- (4) Cash and/or investments in an amount sufficient to fully fund the deferred compensation plan maintained by the District under Section 457 of the Internal Revenue Code.

*The District will use its best efforts to effect the transfer to GHC of these interests.

Schedule 3(a)

Grossmont Hospital District

Transfer Agreement

Schedule 3 (b)

3.b Material Contracts and Rights

- Contracts with Assignment clauses (excludes HMO/PPO insurance and material management contracts)

Abbott Laboratories (Abbottbase)
Alpine Fire Protection District
Anso's (Software Maintenance & Support)
BFI Medical Waste Systems
Bostonia Fire Protection District
Broadway Plaza (Lease)
Businessland
California Special Care Center
Cerner Corporation
City of La Mesa
Com-Aid
Dr. Prabaker (Sublease)
Grossmont Medical Arts Village (Lease)
GTEL
Hamann Investment (Lease)
Hewlett Packard
Information Builders, Inc.
Inforum
IPA Outpatient Services
Konica Royal Copiers
Lakeside Fire Protection District
Limited Partnership Agreement - Dialysis
Motorola
Prudential Overall Supply
Rancho San Diego Business Park (Lease)
Rural Fire Protection District
San Miguel Consolidated Fire Protection District
Santee Fire Department
Sycuan Fire Department

Grossmont Hospital District

Transfer Agreement

Schedule 3 (b)

Contracts without assignment clauses (excludes HMO/PPO insurance and material management contracts)

Abbott Laboratories
Allergan Pharmaceuticals
American Regent Laboratories
Antimite
Applied Business Systems
Baxter
Baxter HealthCare Corporation
Beckman Instruments, Inc.
Becton Dickinson
Bergen Brunswig Drug Co.
Biomedicus
California State University - Fresno
California State University - Long Beach
California State University - Northridge
Carl Zeiss, Inc.
Ceo Software
Children's Hospital of Los Angeles
Clean Systems of Southern California
Cobe Laboratories
Columbia University
Coulter Electronics
Creighton University
Datascope
Desert Rehab Institute, El Centro
Diasonics
Digital
DuPont Company
Dy A Sayd Consultation
Edco Disposal
Electronic Communications Systems
Eli Lilly and Company
Emergency Response Systems, Inc.
Fisher Medical Division
Glaxo, Inc.
G.E. Medical Systems

Grossmont Hospital District

Transfer Agreement

Schedule 3 (b)

Haemonetics
Hahneman University
Hospital Council of S.D.
IBM
International Remote Imaging Systems
Johnson & Johnson IO Lab
Kay Grenier (Exercise Instructor)
Lanier
Lederle Laboratories
Liquid Asset Management
Loma Linda University
Marquette Electronics
Mesa College
Mesa Communications
Mt. St. Mary's College
Murer Consultants - CARF
Optical Radiation Corp.
Pharmacia Intermedics Intraocular
Pinkerton's Security
PPG Bio-Medical
Quad Pharmaceuticals, Inc.
Radiation Detection
Resources'n'Rehabilitation
San Diego Window Cleaning
Sarns, 3M
Shared Medical Systems
Sharplan Lasers
Simmons College
Solar Turbines, Inc.
Sprint
Stat Therapy
Stryker
Trane Company
Triad Medical, Inc.
Trident Technologies Inc.
Tri-Anim Health Services, Inc.
University of Alberta
University of Southern California
Valley Medical Center
Winfield

TRANSFER AGREEMENT SCHEDULE 4

- (1) \$9,605,000 Grossmont Hospital District Refunding Revenue Bonds, Series A, dated as of December 1, 1985.
- (2) \$35,000,000 Grossmont Hospital District Revenue Bonds, Series 1987A, dated as of November 1, 1987.
- (3) \$8,737,000 California Health Facilities Financing Authority Floating Rate Weekly Demand Revenue Bonds (Public Hospital Short-Term Loan Program), 1986 Series A, Fiscal Year 1990-1991 Loan.

Schedule 4