

EXECUTION COPY

LEASE AGREEMENT

Between

RBS ASSET FINANCE, INC.,  
as Lessor,

and

GROSSMONT HEALTHCARE DISTRICT,  
as Lessee

Dated as of June 1, 2012

**This instrument constitutes a security agreement  
under the California Uniform Commercial Code.**

## LEASE AGREEMENT

Lessor: RBS Asset Finance, Inc.  
71 South Wacker Drive, 28th Floor  
Chicago, IL 60606  
Telephone: (312) 777-3500  
Telecopier: (312) 777-4001  
Attention: Portfolio Management

Lessee: Grossmont Healthcare District  
9001 Wakarusa Street  
La Mesa, CA 91942  
Telephone: (619) 825-5050  
Telecopier: (619) 825-5051

THIS LEASE AGREEMENT dated as of June 1, 2012 (this "Agreement") between RBS ASSET FINANCE, INC., a New York corporation, as lessor (with its successors and assigns, "Lessor"), and Grossmont Healthcare District, a local health care district duly organized and existing pursuant to The Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code, and under the laws of the State of California, as lessee ("Lessee").

WHEREAS, Lessee is authorized and empowered under the laws of the State, including Section 32130.6(b) of the California Health and Safety Code (the "Act"), to enter into loan agreements, lease agreements, contracts and other instruments and documents necessary or convenient to obtain loans and leases for the purpose of facilitating the financing of certain projects as described in the Act; and

WHEREAS, in furtherance of the purposes of the Act, Lessee proposes to finance all or a portion of the Project (as hereinafter defined) pursuant to this Agreement by entering into this Agreement and using the proceeds thereof to pay Project Costs (as hereinafter defined);

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and in consideration of the premises contained in this Agreement, Lessor and Lessee agree as follows:

### ARTICLE I

#### DEFINITIONS AND EXHIBITS

**Section 1.01. Definitions.** The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise:

"*Affiliation Agreement*" means the Affiliation Agreement dated May 29, 1991 between Lessee and San Diego Hospital Association, as predecessor-in-interest to Sharp Healthcare.

“*Agreement*” means this Agreement, including all exhibits hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

“*Assignment*” means the Assignment of Co-Generation Agreement dated of even date herewith between Lessee and Lessor and acknowledged by Hospital, as the same may be supplemented or amended from time to time in accordance with the terms thereof.

“*Business Day*” means a day other than a Saturday or Sunday on which banks are generally open for business in New York, New York, San Diego, California and Chicago, Illinois.

“*Closing Date*” means June 29, 2012.

“*Code*” means the Internal Revenue Code of 1986, as amended, and United States Treasury regulations promulgated thereunder.

“*Co-Generation Agreement*” means the Co-Generation and Energy Equipment Purchase Agreement dated June 29, 2012 between Lessee and Hospital.

“*Collateral*” means (a) the Equipment, (b) all general intangibles, software intangibles and other property relating thereto, (c) all accessories, attachments, parts, equipment and repairs now or hereafter attached or affixed or used in connection with any of the foregoing property, (d) all warehouse receipts, bills of lading and other documents of title now or hereafter covering any of the foregoing property, (e) all securities, funds, moneys, deposits and other property at any time held in or subject to the Escrow Fund, (f) the Co-Generation Agreement (including, without limitation, all rights of Lessee to receive payments thereunder other than rights of Lessee to receive indemnification payments thereunder from Hospital), (g) all accessions to any of the foregoing property, (h) all substitutions for any of the foregoing property and (i) all products and proceeds of any of the foregoing property (including, without limitation, any property acquired by Lessee with such proceeds).

“*Damaged Collateral*” means any portion of the Collateral that is lost, stolen, destroyed or damaged beyond repair.

“*Damaged Collateral Amount*” means an amount equal to the product of (a) the then current Prepayment Amount and (b) a percentage equal to the original cost of the Damaged Collateral divided by the original cost of all of the Collateral.

“*Default*” means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article X hereof.

“*Determination of Taxability*” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by Lessor of counsel qualified in such matters, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when Lessee files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this Agreement or promulgation of any income tax regulation or ruling by the Internal Revenue Service that causes an Event of Taxability after the date of this Agreement; or

(c) if upon sale, lease or other deliberate action taken with respect to the Project within the meaning of Treas. Reg. § 1.141-2(d), the failure to receive an unqualified opinion of bond counsel to the effect that such deliberate action will not cause interest payable by Lessee hereunder to become includable in the gross income of the recipient for federal income tax purposes.

“*Environmental Laws*” has the meaning ascribed thereto in Section 4.01(r) hereof.

“*Equipment*” means the equipment, goods and other personal property financed or refinanced with the Lease Proceeds and the property identified in Exhibit A hereto to be used in connection with Lessee’s operations.

“*Escrow Agent*” means RBS Citizens, N.A., as escrow agent under the Escrow Agreement, and its successors and assigns permitted under the Escrow Agreement.

“*Escrow Agreement*” means the Escrow Agreement dated as of the date hereof among Lessor, Lessee and Escrow Agent.

“*Escrow Fund*” means the fund established and held by Escrow Agent pursuant to the Escrow Agreement.

“*Event of Taxability*” means if as the result of any act, failure to act or use of the Lease Proceeds, a change in use of the Project or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement or the Tax Regulatory Agreement by Hospital or Lessee or, for any other reason, the Interest is or becomes includable in Lessor’s gross income for federal income tax purposes.

“*GAAP*” means generally accepted accounting principles applied on a consistent basis.

“*Gross-Up Rate*” means, with respect to any Interest payment (including payments made prior to the Event of Taxability), the rate necessary to calculate a total payment in an amount sufficient such that the sum of the Interest payment plus an additional payment would, after being

reduced by the federal tax (including interest and penalties) actually payable thereon, equal the amount of such Interest payment.

*"Holdback Amount"* means the final \$6,305,000.00 of Lease Proceeds to be disbursed from the Escrow Fund.

*"Hospital"* means Grossmont Hospital Corporation, a California nonprofit corporation.

*"Hospital Lease Agreement"* means the Lease Agreement dated May 29, 1991 between Lessee and Hospital.

*"Interest"* means the portion of any payment from Lessee to Lessor designated as and comprising interest as shown in Exhibit A hereto.

*"Lease"* means the lease from Lessor to Lessee pursuant to this Agreement.

*"Lease Payments"* means the lease payments payable by Lessee pursuant to the provisions of this Agreement as specifically set forth in Exhibit A hereto. As provided in Article II hereof, Lease Payments shall be payable by Lessee to Lessor in the amounts and at the times as set forth in Exhibit A hereto.

*"Lease Proceeds"* means the total amount of money to be paid pursuant to Section 2.02 hereof by Lessor to Escrow Agent for deposit and application in accordance with the Escrow Agreement.

*"Lessee"* means Grossmont Healthcare District, a local health care district duly organized and existing under the laws of the State of California.

*"Lessee Documents"* means this Agreement, the Escrow Agreement, the Assignment, the Tax Regulatory Agreement and any other agreements, documents or certificates executed by Lessee in connection with the Lease contemplated by this Agreement.

*"Lessor"* means (i) RBS Asset Finance, Inc., acting as lessor under this Agreement, (ii) any surviving, resulting or transferee corporation of RBS Asset Finance, Inc. and (iii) except where the context requires otherwise, any assignee(s) of Lessor.

*"PATRIOT Act"* means the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

*"Premises"* means the real property where the Project will be located.

*"Prepayment Amount"* means the amount which Lessee may or must from time to time pay or cause to be paid to Lessor in order to prepay the Lease, as provided in Section 2.07 hereof, such amounts being the sum of (i) the Principal amount of the Lease to be prepaid, (ii) the applicable Prepayment Fee, (iii) accrued but unpaid Interest and (iv) all other amounts due hereunder and under the other Lessee Documents.

*“Prepayment Fee”* means (i) through and including June 29, 2013, 4% of the Principal amount being prepaid, (ii) through and including June 29, 2014, 3% of the Principal amount being prepaid, (iii) through and including June 29, 2015, 2% of the Principal amount being prepaid, (iv) through and including June 29, 2017, 1% of the Principal amount being prepaid, through and including June 29, 2019, 0.5% of the Principal amount being prepaid, and, after June 29, 2019, 0% of the Principal amount being prepaid.

*“Principal”* means the portion of any Lease Payment designated as principal in Exhibit A hereto.

*“Project”* means the acquisition and installation of the Equipment.

*“Project Consultant”* means the entity engaged to monitor the installation of the Project on behalf of Lessor at the sole cost and expense of Lessee.

*“Project Costs”* means the contract price paid or to be paid to the Vendors or reimbursed to Lessee for any portion of the Project upon Lessee’s acceptance thereof, including administrative, engineering, legal, financial, construction and other costs incurred by Lessor, Lessee, Escrow Agent and Vendors in connection with the acquisition, installation, construction and financing by Lessor of such Equipment, which Project Costs are set forth in Exhibit D hereto.

*“Purchase Agreements”* means Lessee’s purchase agreements with Vendors of the Project.

*“RBS Entity”* means RBS Asset Finance, Inc., RBS Citizens, N.A., The Royal Bank of Scotland plc or any affiliate of RBS Asset Finance, Inc., RBS Citizens, N.A. or The Royal Bank of Scotland plc.

*“Sharp”* means Sharp HealthCare, a California nonprofit corporation.

*“State”* means the State of California.

*“Tax Regulatory Agreement”* means the Tax Regulatory Agreement of even date herewith between Lessee and Hospital, as such Tax Regulatory Agreement may be amended from time to time in accordance with its terms.

*“Terrorism Laws”* means Executive Order 13224 issued by the President of the United States of America, the Terrorism Sanctions Regulations (Title 31 Part 595 of the U.S. Code of Federal Regulations), the Terrorism List Governments Sanctions Regulations (Title 31 Part 596 of the U.S. Code of Federal Regulations) and the Foreign Terrorist Organizations Sanctions Regulations (Title 31 Part 597 of the U.S. Code of Federal Regulations), and all other present and future federal, state and local laws, ordinances, regulations, policies and any other requirements of any governmental authority (including, without limitation, the United States Department of the Treasury Office of Foreign Assets Control) addressing, relating to, or attempting to eliminate, terrorist acts and acts of war, each as hereafter supplemented, amended or modified from time to time, and the present and future rules, regulations and guidance

documents promulgated under any of the foregoing, or under similar laws, ordinances, regulations, policies or requirements of other states or localities.

“*UCC*” means the Uniform Commercial Code as adopted and in effect in the State.

“*Vendor*” means the manufacturer or vendor of or contractor with respect to any portion of the Project, as well as the agents or dealers of the manufacturer, from whom Lessee has purchased or is purchasing portions of the Project.

**Section 1.02. Exhibits.** The following exhibits are attached hereto and made a part hereof:

*Exhibit A:* Schedule of Equipment and Lease Payments describing the Equipment and setting forth the Lease Payments. Lessee hereby authorizes Lessor to insert in Exhibit A the serial or other identifying numbers relating to the Equipment when available.

*Exhibit B-1:* Form of Certificate of Officer.

*Exhibit B-2:* Form of Certificate of Chief Financial Officer.

*Exhibit C:* Form of Opinion of Counsel to Lessee.

*Exhibit D:* Schedule of Project Costs.

*Exhibit E:* Form of Investor Letter

*Exhibit F:* Legal Description of Premises

**Section 1.03. Rules of Construction.**

(a) The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivision of this Agreement as originally executed. The words “hereof,” “herein,” “hereunder” and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

## ARTICLE II

### FINANCING OF EQUIPMENT AND TERMS OF LEASE

**Section 2.01. Acquisition of Project.** Lessee either has ordered or shall order the Project pursuant to one or more Purchase Agreements from one or more Vendors. Lessee shall remain liable to the Vendor or Vendors in respect of its duties and obligations in accordance with each Purchase Agreement and shall bear the risk of loss with respect to any loss or claim relating to any portion of the Project covered by any Purchase Agreement, and Lessor shall not assume any such liability or risk of loss.

**Section 2.02. Lease.** Lessor hereby agrees, subject to the terms and conditions of this Agreement, to lease the Project to Lessee; Lessee hereby agrees, subject to the terms and conditions of this Agreement, to lease the Project from Lessor and to use the Lease Proceeds to pay the Project Costs. Upon fulfillment of the conditions set forth in Section 3.01 hereof, Lessor shall (a) deposit \$17,900,000 of the Lease Proceeds in the Escrow Fund to be held, invested and disbursed as provided in the Escrow Agreement, and (b) disburse \$100,000 to pay qualified costs of issuance. Lessee's obligation to make Lease Payments, and Lessee's obligation to repay the Lease, shall commence, and Interest shall begin to accrue, on the Closing Date.

**Section 2.03. Interest.** The Principal amount of the Lease hereunder outstanding from time to time shall bear Interest (computed on the basis of 12 30-day months) at the per annum rate of two and nine one-hundredths percent (2.09%). Interest accruing on the principal balance of the Lease outstanding from time to time shall be payable as provided in Exhibit A and upon earlier demand in accordance with the terms hereof or prepayment in accordance with the terms of Section 2.07 hereof. Upon the occurrence of a Determination of Taxability, Lessee shall, with respect to future Interest payments, begin making Lease Payments calculated at the Gross-Up Rate. In addition, Lessee shall make immediately upon demand of Lessor a payment to Lessor sufficient to supplement prior Lease Payments to the Gross-Up Rate, but only to the extent that any prior Interest payments are subject to the Determination of Taxability.

#### **Section 2.04. Payments.**

(a) Lessee shall pay the Principal of, premium, if any in accordance with Section 2.07 hereof, and Interest on the Lease, in the amounts and on the dates set forth in Exhibit A hereto. Additionally, Lessee shall pay to Lessor an amount equal to the product of (i) 18% per annum and (ii) the delinquent amount of any Lease Payment not paid when due.

(b) Lessee shall cause Hospital to pay to Lessor, as assignee of Lessee, all amounts payable under the Co-Generation Agreement (unless such amounts payable have been paid by Lessee pursuant to Section 2.04(c)). As security for its obligation to pay the Principal of, premium, if any in accordance with Section 2.07 hereof, and Interest on the Lease, Lessee assigns to Lessor all of Lessee's right to receive payments from Hospital under the Co-Generation Agreement and all of Lessee's rights thereunder, and Lessee irrevocably constitutes and appoints Lessor and any present or future officer or agent of

Lessor as its lawful attorney, with full power of substitution and resubstitution, and in the name of Lessee or otherwise, to collect any payments due thereunder and to sue in any court for such payments, to exercise all rights thereunder with respect to the Co-Generation Agreement, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Co-Generation Agreement upon any terms. Such payments under Co-Generation Agreement made by Hospital directly to Lessor shall be credited against Lessee's obligations to make Lease Payments and all other payments under this Agreement.

(c) Notwithstanding the provisions of subsection (b), in lieu of Hospital making payment under the Co-Generation Agreement directly to Lessor in satisfaction of Lessee's obligations to make Lease Payments (and all other payments under this Agreement), Lessee may elect to make any such Lease Payment (and any other payments payable under this Agreement) to Lessor as follows: (i) Lessee shall give Lessor prior written notice of such election by Lessee; and (ii) any such payment shall be made not less than 15 days prior to the due date thereof.

(d) All amounts required to be paid by Lessee hereunder or by Hospital under the Co-Generation Agreement shall be paid in lawful money of the United States of America in immediately available funds.

(e) No recourse shall be had by Lessor for any claim based on this Agreement or the other Lessee Documents against any director, officer, employee or agent of Lessee alleging personal liability on the part of such person, unless such claim is based on the willful dishonesty of or intentional violation of law by such person.

**Section 2.05. *Payment on Non-Business Days.*** Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

**Section 2.06. *Lease Payments To Be Unconditional.*** The obligations of Lessee to make the Lease Payments required under this Article II and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any failure of the Project to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Project or any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between Lessee and any of Hospital, Lessor, any Vendor or any other person, Lessee shall make all Lease Payments when due and shall not withhold any Lease Payments pending final resolution of such dispute, nor shall Lessee assert any right of set-off or counterclaim against its obligation to make such payments required under this Agreement.

**Section 2.07. *Prepayments.***

(a) Lessee may, in its discretion, prepay the Lease in whole at any time after June 29, 2013 by paying the applicable Prepayment Amount.

(b) Lessee shall prepay the Lease in whole or in part at any time pursuant to Article IX hereof by paying the applicable Damaged Collateral Amount.

(c) Lessee shall prepay the Lease in full immediately upon demand of Lessor after the occurrence of an Event of Default by paying the applicable Prepayment Amount. A portion of such prepayment may be made with funds remaining in the Escrow Fund pursuant to the Escrow Agreement.

(d) Upon the request of Lessor, Lessee shall pay the Lease in full by paying the applicable Prepayment Amount immediately (i) upon failure to satisfy any of the conditions set forth in Section 3.03 within the timeframes set forth therein or (ii) if the Project is not operational and substantially completed on or prior to January 29, 2014.

(e) The amounts due hereunder shall be repaid, and the amounts shall be paid, in part with funds remaining in the Escrow Fund upon termination of the Escrow Agreement as provided in Section 2.03 of the Escrow Agreement and, if less than 80% of the amount deposited in the Escrow Fund has been disbursed pursuant to the Escrow Agreement, together with a Prepayment Fee calculated at the percentage used to determine the Prepayment Amount at the date of such prepayment.

Upon any prepayment in part of the Lease, the prepayment shall be applied to the Lease Payments and any other amounts due hereunder as determined by Lessor.

### ARTICLE III

#### CONDITIONS PRECEDENT

**Section 3.01. *Conditions to Closing.*** Lessor's agreement to deposit the Lease Proceeds in the Escrow Fund shall be subject to the condition precedent that Lessor shall have received all of the following, each in form and substance satisfactory to Lessor:

(a) This Agreement, properly executed on behalf of Lessee, and each of the Exhibits hereto properly completed.

(b) The Escrow Agreement, properly executed on behalf of Lessee and Escrow Agent.

(c) The Assignment, properly executed on behalf of Lessee and Hospital.

(d) The Tax Regulatory Agreement, properly executed on behalf of Lessee and Hospital.

(e) A certificate of the Secretary or an Assistant Secretary of Lessee, certifying as to (i) the resolutions or evidence of other official action of Lessee authorizing the execution, delivery and performance of the Lessee Documents, (ii) the resolution of the San Diego County Board of Supervisors which organized Lessee and

(iii) the signatures of the officers or agents of Lessee authorized to execute and deliver the Lessee Documents on behalf of Lessee.

(f) A certificate of the Secretary or an Assistant Secretary of Hospital, certifying as to (i) the resolutions of Hospital's board of directors authorizing the execution, delivery and performance of the Co-Generation Agreement, Assignment and any related documents, (ii) the by-laws of Hospital and (iii) the signatures of the officers or agents of Hospital authorized to execute and deliver the Assignment and other instruments, agreements and certificates on behalf of Hospital.

(g) Currently certified copies of the Articles of Incorporation of Hospital.

(h) A Certificate of Good Standing issued as to Hospital by the Secretary of State of the State not more than 30 days prior to the Closing Date.

(i) An Exemption Certificate of the Franchise Tax Board with respect to Hospital.

(j) A copy of the determination letter of the Internal Revenue Service with respect to Hospital's status as a 501(c)(3) corporation, which is currently in effect, has not been revoked, and is not being challenged.

(k) Copies of the documentation evidencing the accreditation status of Hospital.

(l) A copy of the hospital license of Hospital.

(m) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of the Treasury.

(n) Evidence that the Lease for the purpose of financing of the Project has been approved by the "applicable elected representative" after a public hearing held upon reasonable notice.

(o) A true and correct copy of any and all mortgages, deeds of trust or similar agreements (whether or not Lessee is a party to any such agreement) relating to the property where the Project will be located, together with a mortgagee's waiver with respect to each such mortgage, deed of trust or similar agreement.

(p) Financing statements authorized by Lessee as debtor, and naming Lessor as secured party, and/or the original certificate of title or manufacturer's certificate of origin and title application if any of the Equipment is subject to certificate of title laws.

(q) Current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against Lessee, (ii) no financing statements have been filed and remain in effect against Lessee relating to the Collateral except those financing statements filed by Lessor and (iii) Lessor has duly filed all

financing statements necessary to perfect the security interest created pursuant to this Agreement.

(r) An opinion of counsel to Lessee addressed to Lessor in the form attached hereto as Exhibit C.

(s) An opinion of special tax counsel addressed to Lessor and Lessee.

(t) Any other documents or items required by Lessor.

**Section 3.02. *Conditions to Disbursement.*** Lessor's agreement to consider approval of any disbursement from the Escrow Fund shall be subject to the further conditions precedent that on the date thereof:

(a) Lessor shall have received each of the items required for a disbursement pursuant to the Escrow Agreement.

(b) Project Consultant shall have approved the requested disbursement.

(c) Lessor shall have received in form and substance satisfactory to Lessor Vendor invoice(s) and/or bill(s) of sale relating to the Project and, if such invoices have been paid by Lessee, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Code;

(d) The representations and warranties contained in Section 4.01 hereof are correct on and as of the date of such disbursement as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

(e) No Default, Event of Default or Determination of Taxability has occurred.

(f) Certificates of the insurance required hereunder, containing a lessor's loss payable clause or endorsement in favor of Lessor.

**Section 3.03. *Conditions to Disbursement of Holdback Amount.*** In addition to the conditions set forth in Section 3.02, Lessor's agreement to consider approval of any disbursement of the Holdback Amount from the Escrow Fund shall be subject to the further conditions precedent that on the date thereof:

(a) No sooner than November 29, 2013 and no later than December 29, 2013, Lessor shall have determined, based on the professional opinion of Project Consultant, that:

(i) the amount remaining in the Escrow Fund, together with any other amounts contributed by the Lessee with the consent of Lessor, shall be sufficient to complete the Project in a timely manner;

(ii) Lessee shall have sufficient resources to complete the Proposition G Improvements (the "Grossmont Capital Improvement Project"); and

(iii) on or prior to January 29, 2014, the Project will be operational and substantially completed.

## ARTICLE IV

### REPRESENTATIONS, WARRANTIES AND COVENANTS OF LESSEE

**Section 4.01. *Representations, Warranties and Covenants of Lessee.*** Lessee represents, warrants and covenants for the benefit of Lessor, as follows:

(a) Lessee is a local health care district duly created and validly existing under the Constitution and laws of the State.

(b) Lessee will exercise its best efforts to preserve and keep in full force and effect its existence as a local health care district.

(c) Lessee is authorized under the Constitution and laws of the State to enter into the Lessee Documents and the transactions contemplated hereby and to perform all of its obligations hereunder and thereunder.

(d) Lessee has duly authorized the execution and delivery of the Lessee Documents under the terms and provisions of the resolution of its governing body or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability of the Lessee Documents against Lessee, and Lessee has complied with such public bidding requirements as may be applicable to the Lessee Documents and the Project. Lessee has taken all necessary action and has complied with all provisions of the Act, including but not limited to the making of the findings required by the Act, required to make the Lessee Documents the valid and binding obligations of Lessee.

(e) The officer of Lessee executing the Lessee Documents and any related documents has been duly authorized to execute and deliver the Lessee Documents and such related documents under the terms and provisions of a resolution of Lessee's governing body, or by other appropriate official action.

(f) The Lessee Documents are legal, valid and binding obligations of Lessee, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(g) Lessee has assigned to Lessor all of Lessee's rights in the Co-Generation Agreement other than Lessee's right to indemnification under Section 11 thereof.

(h) Lessee will not pledge, mortgage or assign this Agreement, its duties and obligations hereunder or the Collateral to any person, firm or corporation, except as provided under the terms hereof.

(i) None of the issuance or the execution and delivery of any of the Lessee Documents, the consummation of the transactions contemplated hereby or the fulfillment of or compliance with the terms and conditions of any of the Lessee Documents (i) violates any law, rule, regulation or order that could reasonably be expected to result in a material adverse effect on (A) the business, assets, operations, properties or condition (financial or otherwise) of Lessee or Hospital, (B) the ability of Lessee or Hospital to perform or pay its obligations in accordance with the terms thereof, (C) Lessor's Lien on the Collateral or the priority of such Lien or (D) the validity or enforceability of any Lessee Document or the rights and remedies available to Lessor under any Lessee Document, (ii) conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessee is now a party or by which it is bound or constitutes a default under any of the foregoing or (iii) results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Lessee under the terms of any instrument or agreement.

(j) The authorization, execution, delivery and performance of the Lessee Documents by Lessee do not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to this Agreement has not been taken and which is final and nonappealable.

(k) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessee's knowledge, threatened against Lessee, challenging Lessee's authority to enter into any of the Lessee Documents or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of any of the Lessee Documents, or the exclusion of the Interest from gross income for federal income tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(l) Lessee will submit or cause to be submitted to the Secretary of the Treasury a Form 8038 (or other information reporting statement) at the time and in the form required by the Code.

(m) The Lease for the purpose of financing the Project has been approved by Deborah McElravy, R.Ph., Board President, an elected representative of Lessee.

(n) Lessee will comply fully at all times with the Tax Regulatory Agreement, and Lessee will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Tax Regulatory Agreement.

(o) The Project is of the type authorized and permitted to be financed with the proceeds of the Lease pursuant to the Act.

(p) Lessee owns or will own the Project and intends to operate the Project, or cause the Project to be operated, as a "project," within the meaning of the Act, until the date on which all of the Lease Payments have been fully paid or the applicable Prepayment Amount has been fully paid.

(q) Lessee will take no action that would cause the Interest to become includable in gross income for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or consenting to a deliberate action within the meaning of Treas. Reg. § 1.141-2(d)), and Lessee will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

(r) The property at which the Project is located is properly zoned for its current and anticipated use and the use of the Project will not violate any applicable zoning, land use, environmental or similar law or restriction. Either Lessee or Hospital has all licenses and permits to use the Project. Lessee or Hospital has obtained or, at or prior to the time required by federal, state and local laws, will obtain or will cause Hospital to obtain, all permits, licenses and other authorizations which are required under federal, state and local laws relating to emissions, discharges, releases of pollutants, contaminants, hazardous or toxic materials, or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes ("Environmental Laws") at Lessee's facilities or in connection with the operation of the Project. Except as previously disclosed to Lessor in writing, Lessee and all activities of the Lessee at its facilities comply with all Environmental Laws and with all terms and conditions of any required permits, licenses and authorizations applicable to Lessee with respect thereto. Except as previously disclosed to Lessor in writing, Lessee is also in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws or contained in any plan, order, decree, judgment or notice of which Lessee is aware. Except as previously disclosed to Lessor in writing, Lessee is not aware of, nor has Lessee received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent continued compliance with, or which may give rise to any liability under, any Environmental Laws.

(s) Lessee has heretofore furnished to Lessor the audited financial statement of Lessee for its fiscal years ended June 30, 2009, June 30, 2010 and June 30, 2011, and those statements fairly present the financial condition of Lessee on the dates thereof and the balance sheet of Lessee as at the end of such fiscal years and the related statement of

changes in net assets of Lessee for the fiscal years then ended, all in reasonable detail and prepared in accordance with prepared in accordance with GAAP. Since the date of the most recent financial statements, there has been no material adverse change in the business, properties or condition (financial or otherwise) of Lessee.

(t) Lessee has or will have good and absolute title to all Collateral and all proceeds thereof, free and clear of all mortgages, security interests, liens and encumbrances except for the security interest created pursuant to this Agreement.

(u) All financial and other information provided to Lessor by or on behalf of Lessee in connection with Lessee's request for the Lease contemplated hereby is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(v) Lessee has authorized Lessor to file financing statements, and such financing statements when filed will be sufficient to perfect the security interest created pursuant to this Agreement (to the extent such security interest may be perfected by the filing of financing statements under Article 9 of the UCC). When such financing statements are filed in the offices noted therein, Lessor will have a valid and perfected security interest in the Equipment, subject to no other security interest, assignment, lien or encumbrance (to the extent such security interest may be perfected by the filing of financing statements under Article 9 of the UCC). None of the Equipment constitutes a replacement of, substitution for or accessory to any property of Lessee subject to a lien of any kind. Lessee owns the Premises subject to no liens or encumbrances of any kind.

(w) Expenses for work done by officers or employees of Lessee in connection with the Project will be included as a Project Cost, if at all, only to the extent (i) such persons were specifically employed for such particular purpose, (ii) the expenses do not exceed the actual cost thereof and (iii) such expenses are treated or capable of being treated (whether or not so treated) on the books of Lessee as a capital expenditure in conformity with GAAP.

(x) Any costs incurred with respect to that part of the Project paid from the Lease Proceeds shall be treated or capable of being treated on the books of Lessee as capital expenditures in conformity with GAAP.

(y) No part of the Lease Proceeds will be used to finance inventory or rolling stock or will be used for working capital or to finance any other cost not constituting a Project Cost.

(z) The Project is property of the character subject to the allowance for depreciation under Section 167 of the Code.

(aa) No person other than Lessee or Hospital or Hospital-contracted personnel is in occupancy or possession of any portion of the Premises.

(bb) None of Lessee, Hospital nor any individual or entity owning directly or indirectly any interest in Hospital, is an individual or entity whose property or interests are subject to being “blocked” under any of the Terrorism Laws or is otherwise in violation of any of the Terrorism Laws.

## ARTICLE V

### TITLE TO EQUIPMENT; SECURITY INTEREST

**Section 5.01. *Title to Collateral.*** Legal title to the Collateral and any and all repairs, replacements, substitutions and modifications to such Collateral shall be in Lessee. Lessee will at all times protect and defend, at its own cost and expense, its title from and against all claims, liens and legal processes of creditors of Lessee (other than Lessor), and keep all Collateral free and clear of all such claims, liens and processes (other than the liens created hereby).

**Section 5.02. *Security Interest in Collateral.*** This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for Lessee’s payment to Lessor of Lease Payments and all other amounts payable to Lessor hereunder, and, so long as Lessor is an RBS Entity, as security for all other obligations of Lessee to any RBS Entity, whether direct or indirect and whether now existing or hereafter arising, Lessee hereby grants to Lessor a security interest constituting a first lien on the Collateral. To the extent that the same entity (or an affiliate thereof) is the lessor under this Agreement and the lender or the lessor any other document or agreement with Lessee, the security interest in the Collateral shall secure all of Lessee’s obligations under all such agreements, but shall not secure Lessee’s obligations under any such agreements under which a different entity is the lender or the lessor. Lessee ratifies its previous authorization for Lessor to pre-file UCC financing statements and any amendments thereto describing the Collateral and containing any other information required by the applicable UCC. Lessee authorizes Lessor, and hereby grants Lessor a power of attorney (which is coupled with an interest), to file financing statements and amendments thereto describing the Collateral and containing any other information required by the applicable UCC and all proper terminations of the filings of other secured parties with respect to the Equipment, in such form and substance as Lessor, in its sole discretion, may determine. Lessee agrees to execute such additional documents, including demands for terminations, assignments, affidavits, notices and similar instruments, in form satisfactory to Lessor, and take such other actions that Lessor deems necessary or appropriate to establish and maintain the security interest created by this Section, and Lessee hereby designates and appoints Lessor as its agent, and grants to Lessor a power of attorney (which is coupled with an interest), to execute on behalf of Lessee such additional documents and to take such other actions. Lessee hereby waives any right that Lessee may have to file with the applicable filing officer any financing statement, amendment, termination or other record pertaining to the Collateral and/or Lessor’s interest therein. If requested by Lessor, Lessee shall obtain a landlord and/or mortgagee’s consent and waiver with respect to the property where the Collateral is located. If requested by Lessor, Lessee shall conspicuously mark the Project with appropriate lettering, labels or tags, and maintain such markings, so as clearly to disclose Lessor’s security interest in the Collateral.

**Section 5.03. *Change in Name or Corporate Structure of Lessee; Change in Location of Lessee's Chief Executive Office or Principal Executive Office.*** Lessee's chief executive office and principal executive office are located at the address set forth above, and all of Lessee's records relating to its business and the Collateral are kept at such location. Lessee hereby agrees to provide written notice to Lessor of any change or proposed change in its name, corporate structure, chief executive office or principal executive office or change or proposed change in the location of the Collateral. Such notice shall be provided 30 days in advance of the date that such change or proposed change is planned to take effect.

**Section 5.04. *Liens and Encumbrances to Title.*** Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance or claim (together, "Liens") on or with respect to the Collateral (other than as created by this Agreement) or on or with respect to the Premises other than the respective rights of Lessor as herein provided; *provided, however*, Lessee may create, incur, assume or suffer to exist a mortgage, deed of trust or similar lien on the Premises if Lessee provides Lessor with a mortgagee's waiver or similar waiver in form and substance acceptable to Lessor. Lessee shall promptly, at its own expense, take such action as may be necessary to discharge or remove any such Lien or to provide Lessor with a mortgagee's waiver or similar waiver. Lessee shall reimburse Lessor for any expenses incurred by Lessor to discharge or remove any Lien or for obtaining such waiver.

**Section 5.05. *Personal Property.*** The parties hereby agree that the Collateral is, and during the period this Agreement is in force will remain, personal property and, when subjected to use by Lessee hereunder, will not be or become fixtures; *provided, however*, that if contrary to the parties' intent any of the Collateral is or may be deemed to be a fixture, Lessee shall cause filings to be made with the applicable government officials or filing offices to create and preserve for Lessor a perfected first priority security interest in the Collateral.

**Section 5.06. *Assignment of Insurance.*** As additional security for the payment and performance of Lessee's obligations hereunder, Lessee hereby assigns to Lessor any and all moneys (including, without limitation, proceeds of insurance and refunds of unearned premiums) due or to become due under, and all other rights of Lessee with respect to, any and all policies of insurance now or at any time hereafter covering the Collateral or any evidence thereof or any business records or valuable papers pertaining thereto, and Lessee hereby directs the issuer of any such policy to pay all such moneys directly to Lessor. Lessee hereby assigns to Lessor any and all moneys due or to become due with respect to any condemnation proceeding affecting the Collateral. At any time, whether before or after the occurrence of any Event of Default, Lessor may (but need not), in Lessor's name or in Lessee's name, execute and deliver proof of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the issuer of any such policy or party in any condemnation proceeding, but only to the extent that the same relates to the Collateral.

**Section 5.07. Occupancy.** To the extent permitted under the Hospital Lease Agreement:

(a) Lessee hereby irrevocably grants to Lessor the right to occupy the Premises at any time after the occurrence and during the continuance of an Event of Default.

(b) Lessor may occupy the Premises only to hold, sell, store, liquidate, realize upon or otherwise dispose of the Collateral and for other purposes that Lessor may in good faith deem to be related or incidental purposes.

(c) The right of Lessor to occupy the Premises shall cease and terminate upon the earlier of (i) payment in full and discharge of all obligations of Lessee hereunder, and (ii) final sale or disposition of all of the Collateral and delivery of all such Collateral to purchasers.

(d) Lessor shall not be obligated to pay or account for any rent or other compensation for the occupancy of the Premises. Lessee will pay, or reimburse Lessor for, all taxes, fees, duties, levies, charges and expenses at any time incurred by or imposed upon Lessor by reason of the execution, delivery, existence, recordation, performance or enforcement of this Section.

## ARTICLE VI

### AFFIRMATIVE COVENANTS OF LESSEE

So long as the Lease shall remain unpaid, Lessee will comply with the following requirements:

**Section 6.01. Reporting Requirements.** Lessee will deliver, or cause to be delivered, to Lessor each of the following, which shall be in form and detail acceptable to Lessor:

(a) as soon as available, and in any event within 120 days after the end of each fiscal year of Lessee, audited financial statements of Lessee with the unqualified opinion of independent certified public accountants selected by Lessee and reasonably acceptable to Lessor, which annual financial statements shall include the balance sheet of Lessee as at the end of such fiscal year and the related statement of changes in net assets of Lessee for the fiscal year then ended, all in reasonable detail and prepared in accordance with GAAP, together with (i) a report signed by such accountants stating that in making the investigations necessary for said opinion they obtained no knowledge, except as specifically stated, of any Default or Event of Default hereunder and all relevant facts in reasonable detail to evidence, and the computations as to, whether or not Lessee is in compliance with the requirements set forth in Section 6.09 hereof; and (ii) a certificate of the responsible officer of Lessee in the form of Exhibit B hereto stating that such financial statements have been prepared in accordance with GAAP and whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder and, if so, stating in reasonable detail the facts with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each fiscal quarter of Lessee, an unaudited/internal general fund balance sheet and statement of changes in net assets of Lessee as at the end of and for such quarter and for the year to date period then ended, in reasonable detail and stating in comparative form the figures for the corresponding date and periods in the previous year, all prepared in accordance with GAAP and certified by the responsible officer of Lessee, subject to year-end audit adjustments; and accompanied by a certificate of that officer in the form of Exhibit B hereto stating (i) that such financial statements have been prepared in accordance with GAAP, (ii) whether or not such officer has knowledge of the occurrence of any Default or Event of Default hereunder not theretofore reported and remedied and, if so, stating in reasonable detail the facts with respect thereto, and (iii) all relevant facts in reasonable detail to evidence, and the computations as to, whether or not Lessee is in compliance with the requirements set forth in Section 6.09 hereof;

(c) as soon as available, and in any event within 120 days after the end of each fiscal year of Hospital, audited consolidated financial statements of Sharp, including a breakout for Hospital, with the unqualified opinion of independent certified public accountants selected by Sharp and reasonably acceptable to Lessor (including Ernst and Young or such other nationally-recognized auditing firm), which annual financial statements shall include the consolidated balance sheet of Sharp, including a breakout for Hospital, as at the end of such fiscal year and the related consolidated statement of changes in net assets of Sharp, including a breakout for Hospital, for the fiscal year then ended, all in reasonable detail and prepared in accordance with GAAP, together with a certificate of the responsible officer of Sharp substantially in the form of Exhibit B hereto stating that such financial statements have been prepared in accordance with GAAP;

(d) as soon as available and in any event within 60 days after the end of each fiscal quarter of Hospital, an unaudited/internal general fund balance sheet and statement of changes in net assets of Sharp, including a breakout for Hospital, as at the end of and for such quarter and for the year to date period then ended, in reasonable detail and stating in comparative form the figures for the corresponding date and periods in the previous year, all prepared in accordance with GAAP and certified by the responsible officer of Sharp, subject to year-end audit adjustments; and accompanied by a certificate of that officer in the form of Exhibit B hereto stating that such financial statements have been prepared in accordance with GAAP;

(e) immediately after the commencement thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting Lessee of the type described in Section 4.01 hereof or which seek a monetary recovery against Lessee in excess of \$100,000;

(f) as promptly as practicable (but in any event not later than five Business Days) after an officer of Lessee obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of Lessee of the steps being taken by Lessee to cure the effect of such Default or Event of Default;

(g) promptly upon knowledge thereof, notice of any loss or destruction of or damage to any Collateral or of any material adverse change in any Collateral;

(h) promptly upon knowledge thereof, notice of the violation by Lessee of any law, rule or regulation, the noncompliance with which could reasonably be expected to cause a material adverse effect on its financial condition, operations, business or prospects;

(i) promptly upon receipt thereof, a copy of any notice of audit from the Internal Revenue Service; and

(j) promptly upon knowledge thereof, notice of any material adverse change in the financial or operating condition of Lessee.

**Section 6.02. Books and Records; Inspection and Examination.** Lessee will keep accurate books of record and account for itself pertaining to the Collateral and pertaining to Lessee's business and financial condition and such other matters as Lessor may from time to time request in which true and complete entries will be made in accordance with GAAP and, upon request and 48-hours' notice of Lessor, will permit any officer, employee, attorney or accountant for Lessor to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of Lessee at all reasonable times during ordinary business hours, and to discuss the affairs of Lessee with any of its directors, officers, employees or agents. Lessee will permit Lessor, or its employees, accountants, attorneys or agents, to examine and copy any or all of its records and to examine and inspect the Project at any time during Lessee's business hours upon 48-hours' notice; *provided, however* if a Default or Event of Default shall exist, no prior notice or other limitation shall apply to Lessor's inspection rights.

**Section 6.03. Compliance With Laws; Environmental Indemnity.** Lessee will (a) comply with the requirements of applicable laws and regulations, the noncompliance with which could reasonably be expected to have a material adverse effect on its financial condition, operations, business or prospects, (b) comply with all applicable Environmental Laws and regulations and obtain any permits, licenses or similar approvals required by any such laws or regulations and (c) use and keep the Collateral, and will require that others use and keep the Collateral, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. Lessee shall secure all permits and licenses, if any, necessary for the installation and operation of the Collateral. Lessee shall comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Collateral) with all laws of the jurisdictions in which its operations involving any portion of the Collateral may extend and of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the portions of the Project or its interest or rights under this Agreement. Lessee will indemnify, defend and hold Lessor harmless from and against any claims, loss or damage to which Lessor may be subjected as a result of any past, present or future existence, use, handling, storage, transportation or disposal of any hazardous waste or substance or toxic substance by Lessee or on property owned, leased or controlled by Lessee. This indemnification shall survive the termination of this Agreement and payment of the indebtedness hereunder.

**Section 6.04. *Payment of Taxes and Other Claims.*** Lessee will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including, without limitation, the Collateral) or upon or against the creation, perfection or continuance of the security interest created pursuant to this Agreement, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon any properties of Lessee; provided, that Lessee shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is diligently being contested in good faith by appropriate proceedings. Lessee will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Collateral, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Collateral.

**Section 6.05. *Maintenance of Collateral.*** Lessee shall, or shall cause Hospital to, at Lessee's or Hospital's own expense, maintain, preserve and keep the Collateral in good repair, working order and condition, and shall from time to time make or cause to be made all repairs and replacements necessary to keep the Collateral in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted. Lessee shall, or shall cause Hospital to, maintain the Collateral in a condition suitable for certification by the manufacturer thereof (if certification is available) and in conformance with all manufacturer's recommended maintenance requirements. In the event that any parts or accessories forming part of any portion or portions of the Collateral become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, Lessee, at its own expense and expeditiously, will replace or will cause Hospital, at Lessee's or Hospital's expense, to replace such parts or accessories with replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Collateral and, as such, shall be subject to the terms of this Agreement. Lessor shall have no responsibility in any of these matters, or for the making of improvements or additions to the Collateral.

**Section 6.06. *Insurance.***

(a) Lessee shall, at its own expense, or shall require Hospital to, at Lessee's or Hospital's expense, procure and maintain continuously in effect: (i) public liability insurance for personal injuries, death or damage to or loss of property arising out of or in any way relating to the Equipment sufficient to protect Lessor from liability in all events, with a coverage limit of not less than \$1,000,000 per occurrence unless a different coverage minimum with respect to particular collateral is required by Lessor, and (ii) insurance against such hazards as Lessor may require, including, but not limited to, all-risk casualty and property insurance, in an amount equal to the greater of the full replacement cost of the Collateral with new collateral having substantially similar specifications or the applicable Prepayment Amount.

(b) If required by State law, Lessee shall, or shall require Hospital to, carry workers' compensation insurance covering all employees on, in, near or about the Collateral, and upon request, shall furnish to Lessor certificates evidencing such coverage.

(c) All insurance policies required by this Article shall be taken out and maintained be in a form and amount reasonably satisfactory to Lessor and written by insurers of recognized reputation and responsibility reasonably satisfactory to Lessor; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least 30 days before the cancellation or revision becomes effective. No insurance shall be subject to any co-insurance clause. Each insurance policy required by this Article shall name Lessor as an additional insured party and loss payee without regard to any breach of warranty or other act or omission of Lessee and shall include a lender's loss payable endorsement for the benefit of Lessor. Prior to the delivery of the Collateral, Lessee shall deposit with Lessor evidence satisfactory to Lessor of such insurance and, prior to the expiration thereof, shall provide Lessor evidence of all renewals or replacements thereof.

(d) As between Lessor and Lessee, Lessee assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to any of the Collateral and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others. Whether or not covered by insurance, Lessee hereby assumes responsibility for and agrees to reimburse Lessor for and will indemnify, defend and hold Lessor harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of this Agreement, the transactions contemplated hereby and the Project and the Collateral, including but not limited to, (i) the selection, manufacture, purchase, acceptance or rejection of Collateral or the ownership of the Collateral, (ii) the delivery, lease, possession, maintenance, use, condition, return or operation of the Collateral, (iii) the condition of the Collateral sold or otherwise disposed of after possession by Lessee, (iv) any patent or copyright infringement, (v) the conduct of Lessee, its officers, employees and agents, (vi) a breach of Lessee of any of its covenants or obligations hereunder and (vii) any claim, loss, cost or expense involving alleged damage to the environment relating to the Collateral, including, but not limited to investigation, removal, cleanup and remedial costs. All amounts payable by Lessee pursuant to the immediately preceding sentence shall be paid immediately upon demand of Lessor. This provision shall survive the termination of this Agreement.

**Section 6.07. *Preservation of Existence.*** Lessee will preserve and maintain its existence as a local health care district and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; and shall conduct its business in an orderly, efficient and regular manner.

**Section 6.08. Performance by Lessor.** If Lessee at any time fails to perform or observe any of the covenants or agreements contained in any Lessee Document, and if such failure shall continue for a period of 30 calendar days after Lessor gives Lessee written notice thereof (or in the case of the agreements contained in Sections 6.05 and 6.06 hereof, immediately upon the occurrence of such failure, without notice or lapse of time), Lessor may, but need not, perform or observe such covenant on behalf and in the name, place and stead of Lessee (or, at Lessor's option, in Lessor's name) and may, but need not, take any and all other actions which Lessor may reasonably deem necessary to cure or correct such failure (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances, the performance of obligations owed to account debtors or other obligors, the procurement and maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments); and Lessee shall thereupon pay to Lessor on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by Lessor in connection with or as a result of the performance or observance of such agreements or the taking of such action by Lessor, together with interest thereon from the date expended or incurred at the lesser of 18% per annum or the highest rate permitted by law. To facilitate the performance or observance by Lessor of such covenants of Lessee, Lessee hereby irrevocably appoints Lessor, or the delegate of Lessor, acting alone, as the attorney in fact of Lessee with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of Lessee any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings required to be obtained, executed, delivered or endorsed by Lessee under this Agreement.

**Section 6.09. Liquidity Ratio.** Lessee will maintain for each fiscal year from and after its fiscal year ending June 30, 2012 its Liquidity Ratio (as defined below) at not less than 1.00 to 1.00. "Liquidity Ratio" means the ratio of (a) the difference between (i) Lessee's annual Tax Revenues minus (ii) Lessee's annual non-discretionary expenses (including, but not limited to, administrative expenses, library expenses and facility expenses) to (b) Lessee's annual Lease Payments hereunder.

## ARTICLE VII

### NEGATIVE COVENANTS OF LESSEE

So long as the Lease shall remain unpaid, Lessee agrees that:

**Section 7.01. Sale of Assets.** Lessee will not sell, lease, assign, transfer or otherwise dispose of all or a substantial part of its assets or of any of the Collateral or any interest therein (whether in one transaction or in a series of transactions).

**Section 7.02. Consolidation and Merger.** Lessee will not consolidate with or merge into any person, or permit any other person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other person.

**Section 7.03. Accounting.** Lessee will not adopt, permit or consent to any material change in accounting principles other than as required by GAAP. Lessee will not adopt, permit or consent to any change in its fiscal year (unless approved by Lessor in Lessor's sole discretion).

**Section 7.04. Modifications and Substitutions.** Subject to Section 6.03, Lessee shall not make any material alterations, modifications or additions to the Collateral which materially damages the functional capabilities or economic value of the Collateral. Lessee shall provide such documents or assurances as Lessor may reasonably request to maintain or confirm the Lien in favor of Lessor on the Collateral as so altered, modified or substituted.

## ARTICLE VIII

### DAMAGE AND DESTRUCTION; USE OF NET PROCEEDS

**Section 8.01. Damage and Destruction; Use of Net Proceeds.** Lessee shall provide a complete written report to Lessor immediately upon any loss, theft, damage or destruction of any Collateral and of any accident involving any Collateral. If all or any part of the Collateral is lost, stolen, destroyed or damaged beyond repair ("Damaged Collateral"), Lessee shall as soon as practicable after such event either: (a) replace the same at Lessee's sole cost and expense with equipment having substantially similar specifications and of equal or greater value to the Damaged Collateral immediately prior to the time of the loss occurrence, such replacement collateral to be subject to Lessor's approval, whereupon such replacement collateral shall be substituted in this Agreement and the other related documents by appropriate endorsement or amendment; or (b) pay the applicable Damaged Collateral Amount of the Damaged Collateral. Lessee shall notify Lessor of which course of action it will take within 15 calendar days after the loss occurrence. If, within 45 calendar days of the loss occurrence, (x) Lessee fails to notify Lessor; (y) Lessee and Lessor fail to execute an amendment to this Agreement to delete the Damaged Collateral and add the replacement collateral or (z) Lessee fails to pay the applicable Damaged Collateral Amount, then Lessor may, at its sole discretion, declare the applicable Damaged Collateral Amount to be immediately due and payable, and Lessee is required to pay the same. The Net Proceeds of insurance with respect to the Damaged Collateral shall be made available by Lessor to be applied to discharge Lessee's obligation under this Article. The payment of the Damaged Collateral Amount and the termination of Lessor's interest in the Damaged Collateral is subject to the terms of Section 2.07 hereof. For purposes of this Article, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including reasonable attorneys' fees) incurred in the collection of such claim or award.

## ARTICLE IX

### ASSIGNMENT, SUBLEASING AND SELLING

**Section 9.01. Assignment by Lessor.**

(a) This Agreement, and the obligations of Lessee to make payments hereunder, may be transferred by Lessor (i) only to a person that is either (A) a Qualified

Institutional Buyer that is purchasing Lessor's interests in such Agreement for not more than one account for investment purposes and not with a present intention of distributing such Agreement or interests therein or (B) an Institutional Accredited Investor that is purchasing Lessor's interests in such Agreement for not more than one account for investment purposes and not with a present intention of distributing such Agreement or interests therein and (ii) only if such Qualified Institutional Buyer or Institutional Accredited Investor, as applicable, delivers to the Lessee a completed and duly executed investor letter substantially in the form attached hereto as Exhibit E (the "Investor Letter"). The Lessee may rely conclusively upon the information contained in any Investor Letter.

(b) Neither Lessor nor any transferee of this Agreement shall transfer this Agreement to any person that the Lessor or such transferee, as applicable, does not reasonably believe is either (i) a Qualified Institutional Buyer that is purchasing the transferor's interests in this Agreement for not more than one account for investment purposes and not with a present intention of distributing such interests in this Agreement or (ii) an Institutional Accredited Investor that is purchasing the transferor's interests in this Agreement for not more than one account for investment purposes and not with a present intention of distributing such interests in this Agreement. Each of Lessor and each transferee effecting a transfer of this Agreement shall, and does hereby agree to, indemnify Lessee against any liability that may result if such transfer is not made in accordance with this Section. The transferor of ownership of the interests in this Agreement agrees to provide notice to any proposed transferee of this Agreement of the restrictions on transfer described herein.

(c) Each person to whom ownership of the interests in this Agreement is transferred pursuant hereto shall be deemed by the acceptance of such ownership to have agreed to be bound by the provisions of this Section.

**Section 9.02. *No Sale or Assignment by Lessee.*** This Agreement and the interest of Lessee in the Collateral may not be sold, assumed, assigned or encumbered by Lessee.

## ARTICLE X

### EVENTS OF DEFAULT AND REMEDIES

**Section 10.01. *Events of Default.*** The following constitute "Events of Default" under this Agreement:

(a) failure by Lessee to pay to Lessor when due any Lease Payment or to pay any other payment required to be paid hereunder (including any payment of interest at the Gross-Up Rate, where applicable) and the continuation of such failure for a period of 10 days, or failure by Hospital to pay to Lessor, as assignee of Lessee, when due any payment required to be paid under the Co-Generation Agreement; *provided* that, notwithstanding the foregoing, it shall not be an Event of Default if, upon Hospital's failure to make any timely payment under the Co-Generation Agreement and the

Assignment, Lessor shall provide notice of nonpayment to Lessee (in accordance with Section 11.03) and Lessee shall cure such failure within 10 days of receipt of such notice; *provided further* that Lessor shall not be obligated to give Lessee more than one such notice in any 12-month period of Hospital's failure to make any such timely payment;

(b) failure by Lessee to maintain, or to cause Hospital to maintain, insurance on the Equipment in accordance with Section 6.06 hereof;

(c) failure by Lessee to comply with the provisions of Sections 6.01, 6.09, 7.01 or 7.02 hereof;

(d) failure by Lessee to observe and perform any other covenant, condition or agreement contained herein or in any other Lessee Document on its part to be observed or performed for a period of 30 days after written notice is given to Lessee specifying such failure and directing that it be remedied; *provided, however*, that, if the failure stated in such notice cannot be corrected within such 30-day period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected;

(e) Lessee or Hospital shall be or become insolvent, or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or Lessee or Hospital shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of Lessee or Hospital, as the case may be; or Lessee or Hospital shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against Lessee or Hospital; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of Lessee or Hospital;

(f) determination by Lessor that any representation or warranty made by Lessee or Hospital herein, in any other Lessee Document or in any other document executed in connection herewith was untrue in any material respect when made;

(g) an amendment or termination relating to a filed financing statement describing any of the Collateral is improperly filed;

(h) so long as the Lessor is an RBS Entity, the occurrence of a default or an event of default under any instrument, agreement or other document between or among Lessee and any RBS Entity;

(i) the occurrence of a default or an event of default under any instrument, agreement or other document evidencing or relating to any indebtedness or other monetary obligation of Lessee in excess of \$100,000;

(j) the occurrence of a default or an event of default (however defined) under any of the Co-Generation Agreement, the Affiliation Agreement or the Hospital Lease Agreement, or any of the Co-Generation Agreement, the Affiliation Agreement or the Hospital Lease Agreement shall terminate while the Lease remains outstanding, which default or event of default could reasonably be expected to result in a material adverse effect on (a) the business, assets, operations, properties or condition (financial or otherwise) of Lessee or Hospital, (b) the ability of Lessee or Hospital to perform or pay its obligations in accordance with the terms thereof, (c) Lessor's Lien on the Collateral or the priority of such Lien or (d) the validity or enforceability of any Lessee Document or the rights and remedies available to Lessor under any Lessee Document; or

(k) Lessee ceases to be a local health care district.

**Section 10.02. Remedies on Default.** Whenever an Event of Default described in Section 10.01(e) hereof shall have occurred, the Prepayment Amount automatically shall be due and payable, whereupon the Prepayment Amount automatically shall become and be forthwith due and payable without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by Lessee. Whenever any other Event of Default shall have occurred, Lessor shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial steps insofar as the same are available to secured parties under Article 9 of the UCC in effect in the State from time to time and which are otherwise accorded to Lessor by applicable law:

(a) by notice to Lessee, declare the Prepayment Amount to be forthwith due and payable, whereupon the Prepayment Amount shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by Lessee;

(b) take possession of the Collateral wherever situated, without any court order or other process of law and without liability for entering the premises, and lease, sublease or make other disposition of the Collateral for use over a term in a commercially reasonable manner, all for the account of Lessor, provided that Lessee shall remain directly liable for the deficiency, if any, between the rent or other amounts paid by a lessee or sublessee of the Collateral pursuant to such lease or sublease during the same period of time, after deducting all costs and expenses, including reasonable attorneys' fees and expenses, incurred with respect to the recovery, repair and storage of the Collateral during such period of time;

(c) take possession of the Collateral wherever situated, without any court order or other process of law and without liability for entering the premises, and sell the Collateral in a commercially reasonable manner. All proceeds from such sale shall be applied in the following manner:

FIRST, to pay all proper and reasonable costs and expenses associated with the recovery, repair, storage and sale of the Collateral, including reasonable attorneys' fees and expenses;

SECOND, to pay (i) Lessor the amount of all unpaid Lease Payments or other obligations (whether direct or indirect owed by Lessee to Lessor), if any, which are then due and owing, together with interest and late charges thereon, (ii) Lessor the then applicable Prepayment Amount (taking into account the payment of past-due Lease Payments as aforesaid), plus a pro rata allocation of interest, at the rate utilized to calculate the Lease Payments, from the next preceding due date of a Lease Payment until the date of payment by the buyer, and (iii) any other amounts due hereunder, including indemnity payments, taxes, charges, reimbursement of any advances and other amounts payable to Lessor hereunder; and

THIRD, to pay the remainder of the sale proceeds, purchase moneys or other amounts paid by a buyer of the Collateral to Lessee;

(d) proceed by appropriate court action to enforce specific performance by Lessee of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from Lessee. Lessee shall pay or repay to Lessor all costs of such action or court action, including, without limitation, reasonable attorneys' fees; and

(e) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights with respect to the Collateral. Lessee shall pay or repay to Lessor all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

Notwithstanding any other remedy exercised hereunder, Lessee shall remain obligated to pay to Lessor any unpaid portion of the Prepayment Amount.

**Section 10.03. Return of Collateral.** Upon an Event of Default, Lessee shall within 10 calendar days after notice from Lessor, at its own cost and expense: (a) perform any testing and repairs required to place the Collateral in the condition required by Article VI; (b) if deinstallation, disassembly or crating is required, cause the Collateral to be deinstalled, disassembled and crated by an authorized manufacturer's representative or such other service person as is satisfactory to Lessor; and (c) deliver the Collateral to a location specified by Lessor, freight and insurance prepaid by Lessee. If Lessee refuses to deliver the Equipment in the manner designated, Lessor may enter upon Lessee's premises where the Collateral is kept and take possession of the Collateral and charge to Lessee the costs of such taking. Lessee hereby expressly waives any damages occasioned by such taking.

**Section 10.04. No Remedy Exclusive.** No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Lessor to exercise any remedy reserved to it in this Article, it shall

not be necessary to give any notice other than such notice as may be required by this Article. All remedies herein conferred upon or reserved to Lessor shall survive the termination of this Agreement.

**Section 10.05. Late Charge.** Any Lease Payment not paid by Lessee on the due date thereof shall, to the extent permissible by law, bear a late charge equal to the lesser of five cents (\$.05) per dollar of the delinquent amount or the lawful maximum, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Costs and Expenses of Lessor.** Lessee shall pay to Lessor, in addition to the Lease Payments payable by Lessee hereunder, such amounts in each year as shall be required by Lessor in payment of any reasonable costs and expenses incurred by Lessor in connection with the execution, performance or enforcement of this Agreement, including but not limited to payment of all reasonable fees, costs and expenses and all administrative costs of Lessor in connection with the Collateral, expenses (including, without limitation, reasonable attorneys' fees and disbursements), fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other direct and necessary administrative costs of Lessor or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, this Agreement. Such costs and expenses shall be billed to Lessee by Lessor from time to time, together with a statement certifying that the amount so billed has been paid by Lessor for one or more of the items above described, or that such amount is then payable by Lessor for such items. Amounts so billed shall be due and payable by Lessee within 30 days after receipt of the bill by Lessee.

**Section 11.02. Disclaimer of Warranties.** LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE COLLATERAL, OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT THERETO. In no event shall Lessor be liable for any loss or damage in connection with or arising out of this Agreement, the Collateral or the existence, furnishing, functioning or Lessee's use of any item or products or services provided for in this Agreement.

**Section 11.03. Notices.** All notices, certificates, requests, demands and other communications provided for hereunder or under any other Lessee Document shall be in writing and shall be (a) personally delivered, (b) sent by first-class United States mail, (c) sent by overnight courier of national reputation or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth above and, if telecopied, transmitted to that party at its telecopier number set forth above or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (w) the date received if personally delivered, (x) when deposited in the mail if delivered by mail, (y) the date

sent if sent by overnight courier or (z) the date of transmission if delivered by telecopy. If notice to Lessee of any intended disposition of the Collateral or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least 10 calendar days prior to the date of intended disposition or other action.

**Section 11.04. *Further Assurance and Corrective Instruments.*** Lessee hereby agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as Lessor reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of any Lessee Document and any rights of Lessor hereunder or thereunder.

**Section 11.05. *Binding Effect; Time of the Essence.*** This Agreement shall inure to the benefit of and shall be binding upon Lessor, Lessee and their respective successors and assigns. Time is of the essence.

**Section 11.06. *Severability.*** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 11.07. *Amendments.*** To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Lessee and Lessor agree to amend Exhibit A to this Agreement to more specifically identify the Collateral at such time as such identification is possible. Such amendment shall be effected by written instrument signed by Lessee and Lessor. Such amendment may take the form of a Payment Request Form in the form attached to the Escrow Agreement as Exhibit A executed by Lessee and Lessor.

**Section 11.08. *Execution in Counterparts.*** This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart, provided that only the original marked “**ORIGINAL: 1 OF 2**” on the execution page thereof shall constitute chattel paper under the UCC.

**Section 11.09. *Applicable Law.*** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD TO THE CONFLICT-OF-LAWS PRINCIPLES THEREOF).

**Section 11.10. Captions.** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

**Section 11.11. Entire Agreement.** The Lessee Documents and the exhibits hereto and thereto constitute the entire agreement among Lessor, Lessee and Escrow Agent. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or in such documents regarding this Agreement or the Project financed hereby.

**Section 11.12. Usury.** It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

**Section 11.13. Limitations of Liability.** In no event, whether as a result of breach of contract, warranty, tort (including negligence or strict liability), indemnity or otherwise, shall Lessor, its assignees, if any, or Issuer be liable for any special, consequential, incidental, punitive or penal damages, including, but not limited to, loss of profit or revenue, loss of use of the Collateral, service materials or software, damage to associated equipment, service materials or software, cost of capital, cost of substitute property, service materials or software, facilities, services or replacement power or downtime costs.

**Section 11.14. PATRIOT Act.** Lessor hereby notifies Lessee that, pursuant to the requirements of the PATRIOT Act, Lessor is required to obtain, verify and record information that identifies Lessee, which information includes the name and address of Lessee and other information that will allow Lessor to identify Lessee in accordance with the PATRIOT Act.

**Section 11.15. Tax Advice.** Lessee acknowledges and agrees that Lessor is an independent contractor and does not act in the capacity of a fiduciary of Lessee and that Lessee will obtain tax and accounting advice from its own professionals. LESSEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED ANY TAX, FINANCIAL OR ACCOUNTING ADVICE FROM ANY OF LESSOR, RBS CITIZENS, N.A., THE ROYAL BANK OF SCOTLAND PLC OR ANY DIVISION OR AFFILIATE OF ANY OF THEM.

**Section 11.16. Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, LESSOR AND LESSEE HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN LESSOR AND LESSEE RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN LESSOR AND LESSEE. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND

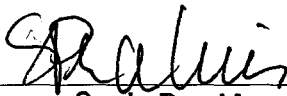
STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[REMAINDER OF PAGE INTENTIONALLY BLANK; EXECUTION PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

LESSOR:

RBS ASSET FINANCE, INC.

By:   
Name: Soula Perakis  
Title: Vice President

LESSEE:

GROSSMONT HEALTHCARE DISTRICT

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ORIGINAL 1 OF 2**

[EXECUTION PAGE OF LEASE AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

LESSOR:

RBS ASSET FINANCE, INC.

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

LESSEE:

GROSSMONT HEALTHCARE DISTRICT

By: Rob Ayres

Name: ROBERT AYRES

Title: SECRETARY/TREASURER

**ORIGINAL 1 OF 2**

[EXECUTION PAGE OF LEASE AGREEMENT]

## EXHIBIT A

### SCHEDULE OF EQUIPMENT AND LEASE PAYMENTS

#### Description of Equipment

The following Equipment is the subject of the Lease Agreement dated as of June 1, 2012 between RBS Asset Finance, Inc. ("Lessor") and Grossmont Healthcare District ("Lessee"):

<u>Quantity</u>	<u>Description of Equipment</u>	<u>Manufacturer or Vendor</u>	<u>Serial Number</u>
1	Mercury 50 Gas Turbine Generator Package	Solar Turbines	
	Boilers	TBD	
2	950-Ton Cooling Towers	TBD	
2	950-Ton Chillers	TBD	
1	Heat Recovery Steam Generator	Rentech	

## Schedule of Lease Payments

Interest Rate: 2.09%

Payment No.	Payment Date	Total Payment	Principal Component	Interest Component	Balance
	6/29/2012				18,000,000.00
1	7/29/2012	182,977.46	151,627.46	31,350.00	17,848,372.54
2	8/29/2012	182,977.46	151,891.54	31,085.92	17,696,481.00
3	9/29/2012	182,977.46	152,156.09	30,821.37	17,544,324.91
4	10/29/2012	182,977.46	152,421.09	30,556.37	17,391,903.82
5	11/29/2012	182,977.46	152,686.56	30,290.90	17,239,217.26
6	12/29/2012	182,977.46	152,952.49	30,024.97	17,086,264.77
7	1/29/2013	182,977.46	153,218.88	29,758.58	16,933,045.89
8	2/28/2013	182,977.46	153,485.74	29,491.72	16,779,560.15
9	3/29/2013	182,977.46	153,753.06	29,224.40	16,625,807.10
10	4/29/2013	182,977.46	154,020.84	28,956.61	16,471,786.25
11	5/29/2013	182,977.46	154,289.10	28,688.36	16,317,497.15
12	6/29/2013	182,977.46	154,557.82	28,419.64	16,162,939.34
13	7/29/2013	182,977.46	154,827.01	28,150.45	16,008,112.33
14	8/29/2013	182,977.46	155,096.66	27,880.80	15,853,015.67
15	9/29/2013	182,977.46	155,366.79	27,610.67	15,697,648.88
16	10/29/2013	182,977.46	155,637.39	27,340.07	15,542,011.49
17	11/29/2013	182,977.46	155,908.46	27,069.00	15,386,103.04
18	12/29/2013	182,977.46	156,180.00	26,797.46	15,229,923.04
19	1/29/2014	182,977.46	156,452.01	26,525.45	15,073,471.03
20	2/28/2014	182,977.46	156,724.50	26,252.96	14,916,746.53
21	3/29/2014	182,977.46	156,997.46	25,980.00	14,759,749.08
22	4/29/2014	182,977.46	157,270.90	25,706.56	14,602,478.18
23	5/29/2014	182,977.46	157,544.81	25,432.65	14,444,933.37
24	6/29/2014	182,977.46	157,819.20	25,158.26	14,287,114.17
25	7/29/2014	182,977.46	158,094.07	24,883.39	14,129,020.10
26	8/29/2014	182,977.46	158,369.42	24,608.04	13,970,650.69
27	9/29/2014	182,977.46	158,645.24	24,332.22	13,812,005.45
28	10/29/2014	182,977.46	158,921.55	24,055.91	13,653,083.90
29	11/29/2014	182,977.46	159,198.34	23,779.12	13,493,885.56
30	12/29/2014	182,977.46	159,475.61	23,501.85	13,334,409.95
31	1/29/2015	182,977.46	159,753.36	23,224.10	13,174,656.59
32	2/28/2015	182,977.46	160,031.60	22,945.86	13,014,624.99
33	3/29/2015	182,977.46	160,310.32	22,667.14	12,854,314.67
34	4/29/2015	182,977.46	160,589.53	22,387.93	12,693,725.15
35	5/29/2015	182,977.46	160,869.22	22,108.24	12,532,855.93
36	6/29/2015	182,977.46	161,149.40	21,828.06	12,371,706.52
37	7/29/2015	182,977.46	161,430.07	21,547.39	12,210,276.46
38	8/29/2015	182,977.46	161,711.23	21,266.23	12,048,565.23

39	9/29/2015	182,977.46	161,992.87	20,984.58	11,886,572.35
40	10/29/2015	182,977.46	162,275.01	20,702.45	11,724,297.34
41	11/29/2015	182,977.46	162,557.64	20,419.82	11,561,739.70
42	12/29/2015	182,977.46	162,840.76	20,136.70	11,398,898.94
43	1/29/2016	182,977.46	163,124.38	19,853.08	11,235,774.56
44	2/29/2016	182,977.46	163,408.48	19,568.97	11,072,366.08
45	3/29/2016	182,977.46	163,693.09	19,284.37	10,908,672.99
46	4/29/2016	182,977.46	163,978.19	18,999.27	10,744,694.81
47	5/29/2016	182,977.46	164,263.78	18,713.68	10,580,431.02
48	6/29/2016	182,977.46	164,549.87	18,427.58	10,415,881.15
49	7/29/2016	182,977.46	164,836.47	18,140.99	10,251,044.68
50	8/29/2016	182,977.46	165,123.56	17,853.90	10,085,921.13
51	9/29/2016	182,977.46	165,411.15	17,566.31	9,920,509.98
52	10/29/2016	182,977.46	165,699.24	17,278.22	9,754,810.75
53	11/29/2016	182,977.46	165,987.83	16,989.63	9,588,822.92
54	12/29/2016	182,977.46	166,276.93	16,700.53	9,422,545.99
55	1/29/2017	182,977.46	166,566.52	16,410.93	9,255,979.47
56	2/28/2017	182,977.46	166,856.63	16,120.83	9,089,122.84
57	3/29/2017	182,977.46	167,147.24	15,830.22	8,921,975.60
58	4/29/2017	182,977.46	167,438.35	15,539.11	8,754,537.25
59	5/29/2017	182,977.46	167,729.97	15,247.49	8,586,807.28
60	6/29/2017	182,977.46	168,022.10	14,955.36	8,418,785.18
61	7/29/2017	182,977.46	168,314.74	14,662.72	8,250,470.44
62	8/29/2017	182,977.46	168,607.89	14,369.57	8,081,862.55
63	9/29/2017	182,977.46	168,901.55	14,075.91	7,912,961.00
64	10/29/2017	182,977.46	169,195.72	13,781.74	7,743,765.28
65	11/29/2017	182,977.46	169,490.40	13,487.06	7,574,274.88
66	12/29/2017	182,977.46	169,785.60	13,191.86	7,404,489.28
67	1/29/2018	182,977.46	170,081.31	12,896.15	7,234,407.98
68	2/28/2018	182,977.46	170,377.53	12,599.93	7,064,030.45
69	3/29/2018	182,977.46	170,674.27	12,303.19	6,893,356.17
70	4/29/2018	182,977.46	170,971.53	12,005.93	6,722,384.64
71	5/29/2018	182,977.46	171,269.31	11,708.15	6,551,115.34
72	6/29/2018	182,977.46	171,567.60	11,409.86	6,379,547.74
73	7/29/2018	182,977.46	171,866.41	11,111.05	6,207,681.33
74	8/29/2018	182,977.46	172,165.75	10,811.71	6,035,515.58
75	9/29/2018	182,977.46	172,465.60	10,511.86	5,863,049.98
76	10/29/2018	182,977.46	172,765.98	10,211.48	5,690,284.00
77	11/29/2018	182,977.46	173,066.88	9,910.58	5,517,217.12
78	12/29/2018	182,977.46	173,368.31	9,609.15	5,343,848.81
79	1/29/2019	182,977.46	173,670.26	9,307.20	5,170,178.56
80	2/28/2019	182,977.46	173,972.73	9,004.73	4,996,205.83
81	3/29/2019	182,977.46	174,275.73	8,701.73	4,821,930.09
82	4/29/2019	182,977.46	174,579.26	8,398.19	4,647,350.83
83	5/29/2019	182,977.46	174,883.32	8,094.14	4,472,467.51

84	6/29/2019	182,977.46	175,187.91	7,789.55	4,297,279.60
85	7/29/2019	182,977.46	175,493.03	7,484.43	4,121,786.57
86	8/29/2019	182,977.46	175,798.68	7,178.78	3,945,987.89
87	9/29/2019	182,977.46	176,104.86	6,872.60	3,769,883.02
88	10/29/2019	182,977.46	176,411.58	6,565.88	3,593,471.44
89	11/29/2019	182,977.46	176,718.83	6,258.63	3,416,752.61
90	12/29/2019	182,977.46	177,026.61	5,950.84	3,239,726.00
91	1/29/2020	182,977.46	177,334.94	5,642.52	3,062,391.06
92	2/29/2020	182,977.46	177,643.79	5,333.66	2,884,747.27
93	3/29/2020	182,977.46	177,953.19	5,024.27	2,706,794.08
94	4/29/2020	182,977.46	178,263.13	4,714.33	2,528,530.95
95	5/29/2020	182,977.46	178,573.60	4,403.86	2,349,957.35
96	6/29/2020	182,977.46	178,884.62	4,092.84	2,171,072.74
97	7/29/2020	182,977.46	179,196.17	3,781.29	1,991,876.56
98	8/29/2020	182,977.46	179,508.27	3,469.19	1,812,368.29
99	9/29/2020	182,977.46	179,820.92	3,156.54	1,632,547.37
100	10/29/2020	182,977.46	180,134.11	2,843.35	1,452,413.27
101	11/29/2020	182,977.46	180,447.84	2,529.62	1,271,965.43
102	12/29/2020	182,977.46	180,762.12	2,215.34	1,091,203.31
103	1/29/2021	182,977.46	181,076.95	1,900.51	910,126.37
104	2/28/2021	182,977.46	181,392.32	1,585.14	728,734.04
105	3/29/2021	182,977.46	181,708.25	1,269.21	547,025.80
106	4/29/2021	182,977.46	182,024.72	952.74	365,001.08
107	5/29/2021	182,977.46	182,341.75	635.71	182,659.33
108	6/29/2021	182,977.46	182,659.33	318.13	0.00

**EXHIBIT B-1**

**FORM OF CERTIFICATE OF OFFICER**

I, the undersigned, hereby certify that I am the duly qualified and acting \_\_\_\_\_ of Grossmont Healthcare District (“Lessee”) and, with respect to Section [6.01(a)/6.01(b)] of the Lease Agreement dated as of June 1, 2012 (the “Agreement”) by and between Lessee and RBS Asset Finance, Inc., that:

1. The attached financial statements have been prepared in accordance with GAAP.
2. I have no knowledge of any Default or Event of Default under the Agreement.
- [3. Section 6.09 of the Agreement requires Lessee to maintain its Liquidity Ratio at not less than 1.00 to 1.00. The calculation of such ratio is set forth below:

]

Dated: \_\_\_\_\_, 20\_\_\_\_.

Lessee:

**GROSSMONT HEALTHCARE DISTRICT**

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B-2**

**FORM OF CERTIFICATE OF CHIEF FINANCIAL OFFICER**

I, the undersigned, hereby certify that I am the duly qualified and acting Chief Financial Officer of Sharp HealthCare (“Sharp”) and, with respect to Section [6.01(c)/6.01(d)] of the Lease Agreement dated as of June 1, 2012 (the “Agreement”) by and between Grossmont Healthcare District and RBS Asset Finance, Inc., that the attached financial statements have been prepared in accordance with GAAP (as defined in the Agreement).

Dated: \_\_\_\_\_, 20\_\_.

Sharp:

SHARP HEALTHCARE

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

Name: \_\_\_\_\_

Title: Chief Financial Officer

## EXHIBIT C

### FORM OF OPINION OF COUNSEL TO LESSEE

June 29, 2012

RBS Asset Finance, Inc.  
71 South Wacker Drive, 28th Floor  
Chicago, IL 60606

Grossmont Healthcare District  
9001 Wakarusa Street  
La Mesa, CA 91942

Kutak Rock LLP  
The Omaha Building  
1650 Farnam Street  
Omaha, NE 68102

Ladies and Gentlemen:

We have acted as counsel to Grossmont Healthcare District (“Lessee”) with respect to the Lease Agreement dated as of June 1, 2012 (the “Lease Agreement”) between RBS Asset Finance, Inc. (“Lessor”) and Lessee and the other Lessee Documents (as defined in the Lease Agreement) and various related matters and, in this capacity, have reviewed a duplicate original or certified copy of each of the Lessee Documents. Based upon the examination of these and such other documents as we deem relevant, it is our opinion that:

1. Lessee is a local healthcare district and a political subdivision of the State of California (the “State”) under the Internal Revenue Code of 1986, as amended, duly organized, existing and operating under the Constitution and laws of the State.
2. Lessee is authorized and has power under applicable law to enter into the Lessee Documents and to carry out its obligations thereunder and the transactions contemplated thereby.
3. No consent, authorization, approval or other action by, and no notice to, or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Lessee of the Lessee Documents, except for such action which has been duly obtained or taken and is in full force and effect.
4. The Lessee Documents and the transactions contemplated thereby have been duly authorized, approved, executed and delivered by and on behalf of Lessee and are legal, valid and binding contracts of Lessee enforceable in accordance with their terms, except to the extent limited by state and federal laws affecting remedies or by actions of the state legislature or vote of the taxpayers of the District and by bankruptcy,

reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

5. The authorization, approval and execution of the Lessee Documents and all other proceedings of Lessee relating to the transactions contemplated thereby have been performed in accordance with all open meeting, public bidding and other laws, rules and regulations of the State.

6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lessee Documents, the proper authorization, approval and/or execution of the Lessee Documents and the other documents contemplated thereby or the ability of Lessee otherwise to perform its obligations under the Lessee Documents and the transactions contemplated thereby.

7. There are no legal or governmental proceedings pending, threatened or contemplated, or any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the validity of or security for the Lessee Documents or the transactions contemplated thereby.

8. Lessee has taken all steps legally required to permit the commencement of the acquisition, installation and operation of the Project (as defined in the Lease Agreement). Lessee has made all submissions to governmental authorities and has obtained, and there are currently in full force and effect, all consents, approvals, authorizations, accreditations, licenses, permits and orders of any governmental or regulatory authority that are required to be obtained by Lessee to enable the Project to be acquired and installed in accordance with the plans and specifications therefor.

9. The provisions of the Lease Agreement are effective to create a security interest in favor of Lessor in all of Lessee's right, title and interest in and to the Collateral (as defined in the Lease Agreement) and all proceeds thereof. Such security interest has been properly perfected and is subject to no liens or encumbrances.

10. The Lease Agreement and the other Lessee Documents are not subject to revocation or cancellation by reason of any nonappropriation laws.

This opinion may be relied upon by the addressees hereto and any permitted assignee of the Lease.

Very truly yours,

## EXHIBIT D

### SCHEDULE OF PROJECT COSTS

#### Equipment

Mercury 50 Gas Turbine Generator Package

Boilers

950-Ton Cooling Towers

950-Ton Chillers

Heat Recovery Steam Generator

Installation, training, set up, etc.

SUBTOTAL

\$17,900,000

#### Issuance Costs

Kutak Rock LLP

\$50,000

G.L. Hicks Financial, LLC

\$50,000

SUBTOTAL

\$100,000

**TOTAL**

**\$18,000,000**

## EXHIBIT E

### FORM OF INVESTOR LETTER

Grossmont Healthcare District  
9001 Wakarusa Street  
La Mesa, California 91942  
Attention: CEO

Re: Lease Agreement between RBS Asset Finance, Inc. and Grossmont  
Healthcare District

Ladies and Gentlemen:

The undersigned understands that Grossmont Healthcare District (“Lessee”) and RBS Asset Finance, Inc. (“Lessor”) have entered into a Lease Agreement dated as of June 1, 2012 (the “Lease Agreement”), representing Lease Payments payable by Lessee to Lessor in the aggregate principal amount of \$18,000,000, as set forth in Exhibit A to the Lease Agreement. In connection with Lease Agreement, Lessor makes the certifications, representations, warranties, acknowledgements and covenants contained in this Investor Letter to Lessee, with the express understanding that such certifications, representations, warranties, acknowledgements and covenants will be relied upon by Lessee. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Lease Agreement.

Lessor hereby certifies, represents, warrants, acknowledges and covenants as follows:

(a) Lessor is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and is authorized to invest in the Lease Agreement. The person executing this letter on behalf of Lessor is duly authorized to do so on Lessor’s behalf.

(b) Lessor (MARK APPROPRIATELY):

\_\_\_\_\_ is a “qualified institutional buyer” (a “Qualified Institutional Buyer”) within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”), or

\_\_\_\_\_ is an “accredited investor” (an “Institutional Accredited Investor”) as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act.

(c) Lessor is not purchasing Lessor’s interests in the Lease Agreement for more than one account, is purchasing Lessor’s interests in the Lease Agreement for investment purposes and is not purchasing Lessor’s interests in the Lease Agreement with a present intention of distributing Lessor’s interests in the Lease Agreement.

(d) Lessor has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal bonds and other tax-exempt obligations similar to Lessor's interests in the Lease Agreement, to be capable of evaluating the merits and risks of an investment in Lessor's interests in the Lease Agreement, and Lessor is able to bear the economic risks of such an investment.

(e) Lessor recognizes that an investment in Lessor's interests in the Lease Agreement involves significant risks, that there is no established market for Lessor's interests in the Lease Agreement and that none is likely to develop and, accordingly, that Lessor must bear the economic risk of an investment in Lessor's interests in the Lease Agreement for an indefinite period of time.

(f) Lessor understands and agrees that ownership of Lessor's interests in the Lease Agreement may be transferred (i) only to a Person that is either (A) a Qualified Institutional Buyer that is purchasing such interests in the Lease Agreement for not more than one account for investment purposes and not with a present intention of distributing such interests in the Lease Agreement or (B) an Institutional Accredited Investor that is purchasing such interests in the Lease Agreement for not more than one account for investment purposes and not with a present intention of distributing such interests in the Lease Agreement, and (ii) only if such Qualified Institutional Buyer or Institutional Accredited Investor delivers to Lessee a completed and duly executed Investor Letter substantially in the form attached to the Lease Agreement as Exhibit E.

(g) Lessor understands and agrees that it may transfer all or any part of Lessor's interests in the Lease Agreement only to an institution that Lessor reasonably believes is either (i) a Qualified Institutional Buyer that is purchasing Lessor's interests in the Lease Agreement for not more than one account for investment purposes and not with a present intention of distributing Lessor's interests in the Lease Agreement or (ii) an Institutional Accredited Investor that is purchasing such interests in the Lease Agreement for not more than one account for investment purposes and not with a present intention of distributing such interests in the Lease Agreement.

(h) Lessor is not relying upon Lessee, or any of its affiliates, agents or employees, for advice as to the merits and risks of investment in the interests in the Lease Agreement. Lessor has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(i) Lessor has conducted its own independent examination of, and has had an opportunity to ask questions and receive answers concerning, Lessor's interests in the Lease Agreement and the security therefor and the transactions and documents related to or contemplated by the foregoing.

(j) Lessor has been furnished with all documents and information regarding Lessee and Lessor's interests in the Lease Agreement and the security therefor and the transactions and documents related to or contemplated by the foregoing, and all matters related thereto, that it has requested.

(k) Lessor understands and agrees that the offering and sale of the interests in the Lease Agreement are exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d) of said Rule. Lessor understands that the Lease Agreement is not registered under the Securities Act and that such registration is not legally required as of the date hereof; and further understands that the Lease Agreement (i) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) will not be listed in any stock or other securities exchange, (iii) will not carry a rating from any rating service and (iv) will be delivered in a form which may not be readily marketable.

(l) Lessor hereby agrees to be bound by the provisions of Section 9.01 of the Lease Agreement.

IN WITNESS WHEREOF, Lessor has executed this Investor Letter as of the date set forth below.

Dated: \_\_\_\_\_, 20\_\_

Very truly yours, :

\_\_\_\_\_,  
as Lessor

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT F

### LEGAL DESCRIPTION OF PREMISES

PARCEL 5: (490-390-13)

THAT PORTION OF LOT 4 AND LOT 7 OF SECTION 17, TOWNSHIP 16 SOUTH, RANGE 1 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, AS CONVEYED TO THE STATE OF CALIFORNIA IN DEEDS RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY FILED AS FILE NO. 182347 ON NOVEMBER 18, 1966 AS FILE NO. 61065 ON MAY 2, 1967 FILE NO. 124812 ON JULY 11, 1969, FILE NO. 133826 ON MAY 1, 1981, FILE NO. 108578 ON APRIL 6, 1983 AS FILE NO. 241071 ON JULY 15, 1983 AS FILE NO. 095403 ON FEBRUARY 24, 1987 AS FILE NO. 0954676 ON NOVEMBER 2, 1990, LYING WITHIN THE FOLLOWING DESCRIBED AREA:

BEGINNING AT A POINT ON A 200.00 FOOT RADIUS CURVE TO THE RIGHT, SAID POINT BEING THE TRUE POINT OF BEGINNING IN A DEED TO GROSSMONT HOSPITAL DISTRICT RECORDED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY AS FILE NO. 89-452218; THENCE (1) ALONG COURSE (1) OF SAID DEED, BEING THE CONTINUATION OF SAID CURVE, THROUGH A CENTRAL ANGLE OF 56°02'41" AN ARC DISTANCE 195.63 FEET TO THE WESTERLY RIGHT OF WAY OF STATE HIGHWAY 125 AS SHOWN ON STATE RIGHT OF WAY MAP NO. 14584.1 AND 14585.1; THENCE (2) SOUTH 09°36'49" EAST, 117.49 FEET ALONG SAID WESTERLY RIGHT OF WAY TO THE BEGINNING OF A CURVE TO THE RIGHT, HAVING A RADIUS OF 1980.00 FEET; THENCE (3) 168.26 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 04°52'08" ALONG SAID RIGHT OF WAY;

THENCE (4) SOUTH 04°44'41" EAST, 56.19 FEET ALONG SAID RIGHT OF WAY TO THE NORTHERLY LINE OF MURRAY DRIVE AS SHOWN ON SAID RIGHT OF WAY MAPS, BEING A POINT ON A 1539.00 FOOT RADIUS CURVE, HAVING A RADIAL BEARING OF NORTH 17°21'20" WEST; THENCE (5) ALONG THE ARC OF SAID CURVE 70.02 FEET, THROUGH A CENTRAL ANGLE OF 02°36'24" TO A POINT OF COMPOUND CURVATURE; THENCE (6) 157.03 FEET ALONG THE ARC OF A CURVE TO THE LEFT, HAVING A RADIUS OF 1239.00 FEET AND A CENTRAL ANGLE OF 07°15'42" TO THE INTERSECTION OF SAID MURRAY DRIVE AND THE NORTHWESTERLY LINE OF SAID LOT "A" OF MAP NO. 2231 FILED IN THE OFFICE OF SAID COUNTY RECORDER ON NOVEMBER 16, 1938 AS FILE NO. 61596;

THENCE (7) NORTH 14°27'02" EAST, 105.39 FEET ALONG SAID LINE TO AN ANGLE POINT IN SAID LOT "A"; THENCE (8) NORTH 27°28'26" EAST 58.44 FEET ALONG SAID LINE TO THE MOST SOUTHERLY POINT OF PARCEL 3 (22911-3) AS CONVEYED TO THE STATE OF CALIFORNIA IN A DEED RECORDED ON NOVEMBER 2, 1990 AS FILE NO. 90-0594676 IN THE OFFICE OF SAID COUNTY RECORDER; THENCE (9) NORTH

02'49'15" WEST, 79.35 FEET AS SHOWN ON SAID DEED, TO THE BEGINNING OF A 200.00 FOOT RADIUS CURVE TO THE RIGHT; THENCE (10) 41.33 FEET ALONG THE ARC OF SAID CURVE THROUGH A CENTRAL ANGLE OF 11'50'20" TO THE NORTHERLY BOUNDARY OF SAID MAP NO. 2231, ALSO BEING THE POINT OF BEGINNING.