
TAX REGULATORY AGREEMENT

by and between

GROSSMONT HEALTHCARE DISTRICT,
as District

and

GROSSMONT HOSPITAL CORPORATION,
as Hospital

With Respect To

\$18,000,000
Grossmont Healthcare District
Lease Agreement
Dated as of June 1, 2012

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TAX REGULATORY AGREEMENT

THIS TAX REGULATORY AGREEMENT (this "Tax Regulatory Agreement") is made and dated as of June 1, 2012 by and between the **GROSSMONT HEALTHCARE DISTRICT**, and its successor or assigns (the "District"), and **GROSSMONT HOSPITAL CORPORATION**, a California non-profit corporation, and its successors or assigns (the "Hospital Corporation").

WITNESSETH:

WHEREAS, the Lease (as hereinafter defined) is being issued to provide funds for the use and benefit of the District and the Hospital Corporation, and the District is acting as the issuer of the Lease for purposes of the financing described in this Tax Regulatory Agreement; and

WHEREAS, the facts, circumstances, estimates, representations and warranties furnished herein by or on behalf of the District are based solely on information provided by the District, and the agreements and covenants of the District are limited in all respects to those matters and actions within the direction and control of the District; and

WHEREAS, the facts, circumstances, estimates, representations and warranties furnished herein by or on behalf of the Hospital Corporation are based solely on information provided by the Hospital Corporation, and the agreements and covenants of the Hospital Corporation are limited in all respects to those matters and actions within the direction and control of the Hospital Corporation; and

WHEREAS, this Tax Regulatory Agreement has been executed by the District and the Hospital Corporation to ensure compliance with the provisions of the hereinafter defined Code, and the Regulations thereunder; and

WHEREAS, to ensure that interest paid on the Lease will be and remain excludable from gross income under the Code and the Regulations (as hereinafter defined), the restrictions contained in this Tax Regulatory Agreement must be satisfied.

NOW THEREFORE, the District and the Hospital Corporation, represent and covenant as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following words and phrases shall have the following meanings. Any capitalized word or term used herein shall have the meaning ascribed thereto in the Governing Documents.

"*Abusive Arbitrage Device*" means any action which has the effect of (a) enabling the District or the Hospital Corporation to exploit the difference between taxable and tax-exempt

interest rates to obtain a material financial advantage; and (b) overburdening the tax-exempt bond market as defined in § 1.148-10 of the Regulations.

“*Accounting Method*” means both the overall method used to account for the Gross Proceeds of the Lease (e.g., the cash method or a modified accrual method) and the method used to account for or allocate any particular item within that overall accounting method (e.g., accounting for Investments, Expenditures, allocations to and from different sources and particular items of the foregoing).

“*Average Economic Life*” means the average reasonably expected economic life of the Financed Facilities as defined in Section 147(b) of the Code.

“*Average Maturity*” means the average maturity of the Lease as defined in Section 147(b) of the Code.

“*Bona Fide Debt Service Fund*” means, as defined by the Regulations, a fund or funds or portion thereof that is used primarily to achieve a proper matching of revenues and debt service within each Bond Year, and which is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of (i) the earnings on the fund for the immediately preceding Bond Year; or (ii) one-twelfth of the principal and interest payments on the issue for the immediately preceding Bond Year.

“*Bond Counsel*” means the law firm or firms with expertise in public finance delivering their approving opinions with respect to the issuance of or the exclusion from federal income taxation of interest on the Lease.

“*Bond Year*” means the period commencing June 30 of each calendar year and terminating on June 29 of the immediately succeeding calendar year during the term of the Lease, except that the first Bond Year shall commence on the Date of Issue and end on June 29, 2013 (unless a different period is required by the Regulations or selected by the District after the Date of Issue).

“*Bond Yield*” means the Yield of the Lease calculated in accordance with § 1.148-4 of the Regulations.

“*Capital Expenditure*” means any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under § 1.150-2(c) of the Regulations) under general federal income tax principles. For example, costs incurred to acquire, construct or improve land, buildings and equipment generally are Capital Expenditures. Whether an Expenditure is a Capital Expenditure is determined at the time the Expenditure is paid with respect to the property. Future changes in law do not affect whether an Expenditure is a Capital Expenditure.

“*Capital Project*” means all Capital Expenditures, plus related working capital expenditures to which the *de minimis* rule under § 1.148-6(d)(3)(ii)(A) of the Regulations applies, that carry out the governmental purposes of an issue. For example, a Capital Project may include Capital Expenditures for one or more buildings, plus related start-up operating costs.

“*Class of Investments*” means one of the following, each of which represents a different Class of Investments:

- (a) each category of Yield restricted Purpose Investment and program investment, as defined in § 1.148-1(b) of the Regulations, that is subject to a different definition of materially higher Yield under § 1.148-2(d)(2) of the Regulations;
- (b) Yield restricted Nonpurpose Investments; and
- (c) all other Nonpurpose Investments.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Computation Date Credit*” means on the last day of each Bond Year during which there are Gross Proceeds subject to the rebate requirement of Article IV hereof, and on the Final Computation Date, the amount of \$1,550.00 (the foregoing limitation is for calendar year 2012 and is subject to an annual cost-of-living adjustment as provided for in the Regulations).

“*Computation Date*” means an Installment Computation Date or the Final Computation Date.

“*Computation Period*” means the period between Computation Dates.

“*Consistently Applied*” means applied uniformly within a fiscal period and between fiscal periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

“*Costs of Issuance*” means all costs incurred in connection with the issuance of the Lease, other than fees paid to or on behalf of credit enhancers as fees for “Qualified Guarantees” as defined in § 1.148-4(f) of the Regulations. Examples of Costs of Issuance include (but are not limited to):

- (a) underwriter’s spread (whether realized directly or derived through purchase of the Lease at a discount below the price at which a substantial number of the Lease is sold to the public), if applicable;
- (b) counsel fees (including Bond Counsel, Underwriter’s counsel, District’s Counsel, Hospital Corporation’s counsel and any other specialized counsel fees incurred in connection with the issuance of the Lease);
- (c) financial advisory fees incurred in connection with the issuance of the Lease;
- (d) rating agency fees (except for any such fee that is paid in connection with or as a part of the fee for credit enhancement of the Lease);
- (e) trustee fees incurred in connection with the issuance of the Lease;

- (f) paying agent and certifying and authenticating agent fees incurred in connection with the issuance of the Lease;
- (g) accountant fees incurred in connection with the issuance of the Lease;
- (h) printing costs (for the Lease and of the preliminary and final official statements);
- (i) costs incurred in connection with the required public approval process (e.g., publication costs for public notices generally and costs of the public hearing);
- (j) costs incurred in connection with the engineering and feasibility studies necessary to the issuance of the Lease (as opposed to such studies related solely to completion of the Financed Facilities or any property held under the Governing Instruments, and not to the financing); and
- (k) District or Hospital Corporation fees to cover administrative costs and expenses incurred in connection with the issuance of the Lease.

“*Current Outlay of Cash*” means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the Expenditure is made.

“*Date of Issue*” means June 29, 2012.

“*Discharged*” means, with respect to any Lease, the date on which all amounts due with respect to such Lease is actually and unconditionally due, if cash is available at the place of payment for such Lease, and no interest accrues with respect to such Lease after such date.

“*Economic Accrual Method*” (also known as the constant interest method or actuarial method) means the method of computing Yield that is based on the compounding of interest at the end of each compounding period.

“*Energy Purchase Agreement*” means the Co-Generation and Energy Equipment Purchase Agreement between the District and the Hospital Corporation dated as of June 29, 2012, which controls the Hospital Corporation’s purchase of energy output of the Financed Facilities.

“*Escrow Agreement*” means the Escrow Agreement among the Lessor, as lessor, the District, as lessee, and RBS Citizens, N.A., as escrow agent, dated as of June 1, 2012.

“*Escrow Fund*” means the fund of that name established pursuant to the terms of the Escrow Agreement.

“*Exempt Person*” means the State or a local governmental unit of the State established pursuant to State law.

“*Expenditure*” means a book or record entry which allocates Proceeds of the Lease in connection with a Current Outlay of Cash.

“*Fair Market Value*” means the price at which a willing buyer would purchase an Investment from a willing seller in a bona fide, arm’s length transaction. Fair Market Value is generally determined on the date on which a contract to purchase or sell a Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided below, an Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code), is rebuttably presumed to be acquired or disposed of for a price that is not equal to its Fair Market Value. The Fair Market Value of a United States Treasury Obligation that is purchased directly from the United States Treasury is its purchase price. The following safe harbors shall apply for purposes of determining the Fair Market Value of the obligations described below:

(a) ***Certificates of Deposit.*** The purchase of certificates of deposit with fixed interest rates, fixed payment schedules and substantial penalties for early withdrawal will be deemed to be an Investment purchased at its Fair Market Value on the purchase date if the Yield on the certificate of deposit is not less than:

(i) the Yield on reasonably comparable direct obligations of the United States of America; and

(ii) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(b) ***Guaranteed Investment Contracts.*** An investment contract is a contract which is not a certificate of deposit entered into for purposes of investing Gross Proceeds of tax-exempt obligations with a party other than the issuer or District of tax-exempt obligations at an interest rate or rates specified in the contract if all obligations under the investment contract are purchased at par and retired or redeemed at par plus accrued interest. An investment contract will be deemed to be an Investment purchased at its Fair Market Value if:

(i) the District, the Hospital Corporation or an agent thereof, makes a bona fide solicitation for the purchase of the investment contract. A bona fide solicitation is a solicitation that satisfies all of the following requirements: (A) the bid specifications are in writing and are timely forwarded to potential providers; (B) the bid specifications include all material terms of the bid (a term is material if it may directly or indirectly affect the Yield or the costs of the investment); (C) the bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District, the Hospital Corporation or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the District, the Hospital Corporation or any

other person for purposes of satisfying the requirements of § 1.148-5(d)(6)(iii)(B)(1) or (2) of the Regulations; (D) the terms of the bid specifications are commercially reasonable, i.e., there is a legitimate business purpose for the term other than to increase the purchase price or reduce the Yield on the Investment; (E) the terms of the solicitation take into account the District's or the Hospital Corporation's reasonably expected deposit and drawdown schedule for the amounts to be invested; (F) all potential providers have an equal opportunity to bid; and (G) at least three reasonably competitive providers are solicited for bids (a "reasonably competitive provider" is a provider that has an established industry reputation as a competitive provider of the type of Investments being purchased);

(ii) the bids received by the District or the Hospital Corporation meet all of the following requirements: (A) the District or the Hospital Corporation (as the case may be) receives at least three bids from providers that the District or the Hospital Corporation solicited under a bona fide solicitation meeting the requirements of paragraph (i) above that do not have a material financial interest in the issue, such as a lead underwriter, financial advisor or a related party of the District or the Hospital Corporation (a lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue); any entity acting as a financial advisor with respect to the purchase of the investment contract at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue, and a provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue; (B) at least one of the three bids is from a reasonably competitive provider; and (C) if the District or Hospital Corporation uses an agent to conduct the bidding process, the agent did not bid to provide the investment contract;

(iii) the winning bid is the highest yielding bona fide bid (determined net of any broker's fees); and

(iv) the provider of the investment contract must certify the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the investment contract.

In addition, the District or the Hospital Corporation must retain the following items with the Lease documents until four years after the Lease is paid: (A) a copy of the investment contract; (B) the receipt or other record of the amount actually paid by the District or the Hospital Corporation for the investments, including a record of any administrative costs paid by the District or the Hospital Corporation, and the certification referred to in paragraph (iv) above; (C) for each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results; (D) the bid solicitation form and, if the terms of the investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement prepared by the District or the Hospital Corporation explaining the deviation and stating the purpose for the deviation.

“*Final Computation Date*” means the date the last obligation on the Lease is Discharged.

“*Financed Facilities*” or “*Project*” means the Capital Projects financed with the Proceeds of the Lease, as more fully described in Exhibit B hereto.

“*Financial Advisor*” means G.L. Hicks Financial, LLC, as the financial advisor to the District in connection with the issuance of the Lease.

“*Future Value*” means the Value of a Receipt or Payment at the end of any interval as determined by using the Economic Accrual Method and equals the Value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Bond Yield, using the same compounding interval and financial conventions used to compute the Bond Yield.

“*Governing Documents*” means, collectively, the Lease; the Escrow Agreement; the Energy Purchase Agreement; and the Assignment of Co-Generation Agreement dated as of June 1, 2012 by the District and acknowledged by the Hospital Corporation.

“*Gross Proceeds*” means the Proceeds and Replacement Proceeds of an issue.

“*Installment Computation Date*” means the last day of the fifth Bond Year and each succeeding fifth Bond Year as stated in Section 4.01 hereof.

“*Investment*” means any Purpose Investment or Nonpurpose Investment, including any other tax-exempt bond.

“*Investment Instructions*” means the letter of instructions set forth as Exhibit F to this Tax Regulatory Agreement and dated the Date of Issue.

“*Investment Proceeds*” means any amounts actually or constructively received from investing Proceeds of the Lease.

“*Investment-Type Property*” means any property, other than property described in Section 148(b)(2)(A), (B), (C) or (E) of the Code that is held principally as a passive vehicle for the production of income. Except as otherwise provided, a prepayment for property or services is Investment-Type Property if a principal purpose for prepaying is to receive an Investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if:

(a) the prepayment is made for a substantial business purpose other than Investment return and the issuer has no commercially reasonable alternative to the prepayment; or

(b) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the issuer but who are not beneficiaries of tax-exempt financing.

“Issue Price” means, except as otherwise provided, issue price as defined in Sections 1273 and 1274 of the Code. Generally, the Issue Price of bonds or debt obligations that are publicly offered is the first price at which a substantial amount of the bonds is sold to the public. Ten percent is a substantial amount. The public does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. The Issue Price does not change if part of the issue is later sold at a different price. The Issue Price of bonds or debt obligations that are not substantially identical is determined separately. The Issue Price of bonds or debt obligations for which a bona fide public offering is made is determined as of the sale date based upon reasonable expectations regarding the initial public offering price. If a bond or debt obligation is issued for property, the applicable Federal tax-exempt rate is used in lieu of the Federal rate in determining the Issue Price under Section 1274 of the Code. The Issue Price of bonds or debt obligations may not exceed their Fair Market Value as of the sale date. With respect to the Lease, the Issue Price is \$18,000,000.

“Lease” means the District’s debt obligation established pursuant to the terms of the Lease Agreement between the Lessor and the District, as borrower, dated as of June 1, 2012.

“Lease Repayment Funds” means the portion of the payments by the Hospital Corporation paid to the District pursuant to the Energy Purchase Agreement to be used to pay interest, principal of and premium, if any, on the Lease as the same becomes due and payable.

“Lessor” means RBS Asset Finance, Inc., as lessor, pursuant to the Lease.

“Net Sale Proceeds” means Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund under Section 148(d) of the Code and as part of a minor portion under Section 148(e) of the Code.

“No Arbitrage Certificate” means the District’s No Arbitrage Certificate for the Lease attached hereto as Exhibit A.

“Nonpurpose Investment” means any security, obligation, annuity contract, or Investment-Type Property as defined in Section 148(b) of the Code, including “specified private activity bonds” as defined in Section 57(a)(5) of the Code, but excluding all other obligations the interest on which is excludable from federal gross income. The term “Nonpurpose Investment” does not include the District’s obligation to make payments to the District pursuant to the provisions of the Lease.

“Payments” means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a commingled fund); (b) for a Nonpurpose Investment that is allocated to an issue on a date after it is actually acquired (e.g., an Investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the rebate requirement of the Code on a date after it is actually acquired (e.g., an Investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the three-year spending period), the Value of that Investment on that date; (c) for a Nonpurpose Investment that was allocated to an issue at the end of the preceding computation period, the Value of that Investment at the beginning of the computation period; (d) on the last day of each Bond Year during which there are amounts

allocated to Gross Proceeds of an issue that are subject to the rebate requirement of the Code, and on the final maturity date, a Computation Date Credit; and (e) Yield Reduction Payments on Nonpurpose Investments made pursuant to § 1.148-5(c) of the Regulations. For purposes of computing the Yield on an Investment (including the Value of the Investment), Payment means amounts to be actually or constructively paid to acquire the Investment; provided, however, that payments made by a conduit issuer are not treated as paid until the conduit issuer ceases to receive the benefit of earnings on those amounts. Payments on Investments other than Investments which are Purpose Investments as a part of a “governmental program” as that term is used in § 1.148-1(b) of the Regulations, including guaranteed investment contracts, are adjusted for Qualified Administrative Costs of acquiring such Investments.

“*Pre-Issuance Accrued Interest*” means amounts representing interest that accrued on an obligation for a period not greater than one year before the Date of Issue but only if those amounts are paid within one year after the Date of Issue.

“*Proceeds*” means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue. Proceeds do not include, however, amounts actually or constructively received with respect to a Purpose Investment that are properly allocable to the immaterially higher Yield under § 1.148-2(d) of the Regulations or Section 143(g) of the Code or to Qualified Administrative Costs recoverable under § 1.148-5(e) of the Regulations.

“*Purpose Investment*” means an Investment that is acquired to carry out the governmental purpose of an issue.

“*Qualified Administrative Costs*” means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, excluding legal and accounting fees, recordkeeping, custody or similar costs. In addition, certain indirect administrative costs may be characterized as Qualified Administrative Costs with respect to Nonpurpose Investments in publicly offered regulated investment companies and certain “external commingled funds”, as defined in § 1.148-5(e)(2)(ii) of the Regulations. For a guaranteed investment contract, a broker’s commission or similar fee paid on behalf of either an issuer or the provider is a Qualified Administrative Cost to the extent that the amount of the broker’s commission or similar fee does not exceed the lesser of (i) \$37,000 and (ii) .2% of the amount of Gross Proceeds the issuer expects, as of the date the guaranteed investment contract is acquired, to be deposited into the guaranteed investment contract over the term of such guaranteed investment contract or, if such amount does not exceed \$4,000, then \$4,000. With respect to all guaranteed investment contracts and investments for Yield restricted defeasance escrows allocated to Gross Proceeds, the aggregate amount of broker’s commissions and fees which may be treated as Qualified Administrative Costs cannot exceed \$103,000 (as may be adjusted for cost-of-living as provided by the Regulations).

“*Qualified Guarantee*” means a qualified guarantee as defined in § 1.148-4(f) of the Regulations.

“*Qualified Hedging Transaction*” means a contract which meets the requirements of § 1.148-4(h)(2) of the Regulations.

“*Rebate Account*” means the Rebate Account established pursuant by the Lease or this Tax Regulatory Agreement.

“*Rebate Amount*” means the excess of the Future Value of all Receipts on Nonpurpose Investments over the Future Value of all the Payments on Nonpurpose Investments. Future Value is computed as of the Computation Date. Rebate Amount additionally includes any penalties and interest on underpayments reduced for recoveries of overpayments.

“*Rebate Analyst*” means the entity chosen by the District or the Hospital Corporation, acceptable to the District, in accordance with Section 4.08 hereof to determine the amount of required deposits to the Rebate Account, if any.

“*Receipts*” means, for purposes of computing the Rebate Amount, (a) amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a commingled fund), such as earnings and return of principal; (b) for a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (e.g., an Investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the Universal Cap under § 1.148-6 of the Regulations) or that ceases to be subject to the rebate requirement of the Code on a date earlier than its disposition or redemption date (e.g., an Investment allocated to a fund initially subject to the rebate requirement of the Code but that subsequently qualifies as a Bona Fide Debt Service Fund), the Value of that Nonpurpose Investment on that date; and (c) for a Nonpurpose Investment that is held at the end of a computation period, the Value of that Investment at the end of that period. For purposes of computing Yield on an Investment, Receipts means amounts to be actually or constructively received from the Investment, such as earnings and return of principal (including the Value of an Investment). Receipts on Investments, including Guaranteed Investment Contracts, are adjusted (reduced) for Qualified Administrative Costs.

“*Recomputation Event*” means a transfer, waiver, modification or similar transaction of any right that is part of the terms of the Lease or a Qualified Hedging Transaction is entered into, or terminated, in connection with the Lease.

“*Regulation*” or “*Regulations*” means the temporary, proposed or final Income Tax Regulations, and any amendments thereto, promulgated by the Department of the Treasury and applicable to the Lease, including §§ 1.148-0 through 1.148-11, 1.149(b)-1, 1.149(d)-1, 1.149(g)-1 and §§ 1.150-1 and 1.150-2.

“*Replacement Proceeds*” means amounts which have a sufficiently direct nexus to the Lease or to the governmental purpose of the Lease to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Lease were not used or to be used for that governmental purpose, as more fully defined in § 1.148-1(c) of the Regulations.

“*Sale Proceeds*” means any amounts actually or constructively received from the sale of the Lease, including amounts used to pay an underwriting discount or compensation and accrued interest other than Pre-Issuance Accrued Interest.

“*Sharp HealthCare*” means that California nonprofit public benefit corporation that is the sole member of the Hospital Corporation and the parent of a multi-hospital health care system that is affiliated with the District.

“*SLGS*” means United States Treasury Certificates of Indebtedness, Notes and Bonds—State and Local Government Series.

“*State*” means the State of California.

“*Transferred Proceeds*” means Proceeds of a refunded issue which become Transferred Proceeds of a refunding issue and cease to be Proceeds of a prior issue when Proceeds of the refunding issue discharge any of the outstanding principal amount of the prior issue. The amount of Proceeds of the prior issue that become Transferred Proceeds of the refunding issue is an amount equal to the Proceeds of the prior issue on the date of that discharge multiplied by a fraction:

(a) the numerator of which is the principal amount of the prior issue discharged with Proceeds of the refunding issue on the date of that discharge; and

(b) the denominator of which is the total outstanding principal amount of the prior issue on the date immediately before the date of that discharge.

“*Universal Cap*” means the Value of all outstanding Lease.

“*Value*” means Value as determined under § 1.148-4(e) of the Regulations for a bond or debt obligation and Value determined under § 1.148-5(d) of the Regulations for an Investment.

“*Yield*” means, for purposes of determining the Yield on the Lease, the Yield computed under the Economic Accrual Method using consistently applied compounding intervals of not more than one year. A short first compounding interval and a short last compounding interval may be used. Yield is expressed as an annual percentage rate that is calculated to at least four decimal places (e.g., 5.2525%). Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing Yield but must be consistently applied. The Yield on an issue that would be a Purpose Investment (absent Section 148(b)(3)(A) of the Code) is equal to the Yield on the conduit financing issue that financed that Purpose Investment. The Yield on a fixed yield issue is the discount rate that, when used in computing the present Value as of the issue date of all unconditionally payable payments of principal, interest and fees for qualified guarantees on the issue and amounts reasonably expected to be paid as fees for qualified guarantees on the issue, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of bonds of the issue as of the issue date. In the case of obligations purchased or sold at a substantial discount or premium, the Regulations prescribe certain special Yield calculation rules. For purposes of determining the Yield on an Investment, the Yield is computed under the Economic Accrual Method, using the same compounding interval and financial conventions used to compute the Yield on the Lease.

The Yield on an Investment allocated to the Lease is the discount rate that, when used in computing the present value as of the date the Investment is first allocated to the issue of all unconditionally payable receipts from the Investment, produces an amount equal to the present

Value of all unconditionally payable payments for the Investment. The Yield on an Investment shall not be adjusted by any hedging transaction entered into in connection with such Investment unless the District and the Hospital Corporation have received an opinion of Bond Counsel that such an adjustment is permitted by the Regulations. Yield shall be calculated separately for each Class of Investments.

“*Yield Reduction Payment*” means a payment to the United States of America with respect to an Investment which is treated as a Payment for that Investment that reduces the Yield on that Investment in accordance with § 1.148-5(c) of the Regulations. Yield Reduction Payments include Rebate Amounts paid to the United States of America.

Section 1.02. Reliance on Information Provided by the District and Hospital Corporation. Bond Counsel shall be permitted to rely upon the contents of any certification, document or instructions provided pursuant to this Tax Regulatory Agreement and shall not be responsible or liable in any way for the accuracy of their contents or the failure of the District or Hospital Corporation to deliver any required information.

ARTICLE II

CERTAIN REPRESENTATIONS

Section 2.01. Representations as to Status of District and the Lease.

(a) As of the date of this Tax Regulatory Agreement, the District represents that it a governmental unit of the State with a substantial power of eminent domain, power to tax and/or police power.

(b) The District and the Hospital Corporation each hereby represents that: (i) the Hospital Corporation leases and operates the District’s acute care hospital in La Mesa, California pursuant to the terms of a Lease Agreement entered into by the District and the Hospital as of May 29, 1991; (ii) the Financed Facilities will constitute a portion of the property leased to and operated by the Hospital Corporation; (iii) the Hospital Corporation will purchase the energy output of the Financed Facilities pursuant to the terms of the Energy Purchase Agreement. As set forth in Section 2.02 hereof, the Hospital Corporation represents that the Hospital Corporation is an organization described in Section 501(c)(3) of the Code. Consequently, the District and the Hospital Corporation each hereby represents that the Lease will be treated by the District and the Hospital Corporation as a qualified 501(c)(3) bond within the meaning of Section 145 of the Code.

Section 2.02. Representations as to 501(c)(3) Status of the Hospital Corporation and Sharp HealthCare. As of the date of this Tax Regulatory Agreement, the Hospital Corporation represents that (a) Sharp HealthCare is the sole member of the Hospital Corporation, (b) Sharp HealthCare is an organization described in Section 501(c)(3) of the Code, which is not a “private foundation” as defined in Section 509(a) of the Code; (b) Sharp HealthCare has received a letter from the Internal Revenue Service to that effect; (c) such letter has not been modified, limited or revoked; (d) Sharp HealthCare and the Hospital Corporation each have complied with and is in

compliance with all terms, conditions, and limitations, if any, contained in such letter; (e) the facts and circumstances which form the basis of such letter as represented to the Internal Revenue Service continue substantially to exist; (f) Sharp HealthCare and the Hospital Corporation are each exempt from federal income taxation under Section 501(a) and Section 501(c)(3) of the Code; (g) none of the income or profit of Sharp HealthCare or the Hospital Corporation has or will inure to the benefit of any private parties; and (h) control of the Hospital Corporation is vested entirely within Sharp HealthCare. The Hospital Corporation on its own behalf and on behalf of Sharp HealthCare represents that each of the Hospital Corporation and Sharp HealthCare shall not perform any acts or enter into any agreement which shall adversely affect such Federal income tax status, nor shall the Hospital Corporation or Sharp HealthCare carry on or permit to be carried on with respect to the Financed Facilities any trade or business by any person if such activity would adversely affect the Federal income tax status of interest on the Lease.

Section 2.03. Representations as to Financed Facilities.

(a) The District represents that the public approval requirement of Section 147(f) of the Code has been satisfied with respect to the Financed Facilities and the issuance of the Lease. The issuance of the Lease was approved by the Board President on May 18, 2012 after a public hearing was held on May 18, 2012, following reasonable public notice published in the San Diego Union-Tribune on May 4, 2012. All of the Financed Facilities are located on the properties described in the public approval requirement set forth in this subparagraph.

(b) The District represents that at least 95% of the Proceeds of the Lease are expected be used to finance Capital Project costs of the Financed Facilities.

(c) In the event that 95% of Proceeds of the Lease are not used to finance Capital Project costs of the Financed Facilities, the District represents that in all events 100% of the Proceeds of the Lease not used to pay Costs of Issuance will be used for Capital Projects, which Capital Projects are to be owned by the District and which are covered by the scope of the District's public approval of the Lease pursuant to Section 147(f) of the Code.

(d) The District represents that any Proceeds used in an "unrelated trade or business" (within the meaning of Section 513(a) of the Code) of the Hospital Corporation or any other person, or by any nongovernmental person in any "private business," as that term is used in Section 141 of the Code, shall not be considered in determining whether the 95% and 100% tests in this Section has been met.

(e) Each of the District and the Hospital Corporation represents that no portion of the Financed Facilities will be used pursuant to a lease, sublease or other contractual arrangement that results in a private business use by other than the Hospital Corporation unless the District and the Hospital Corporation receive an opinion of Bond Counsel that such use or arrangement will not adversely affect the exclusion from federal income taxation of interest on the Lease.

(f) Each of the District and the Hospital represents that the Financed Facilities do not include any airplanes, skybox or private luxury box, facilities primarily used for gambling or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

Section 2.04. Management or Service Contracts. The District and the Hospital Corporation each acknowledge that in determining whether all or a portion of the Proceeds of the Lease are used, directly or indirectly, in the trade or business of a nongovernmental person for purposes of the “private business use test” under Section 141(b)(1) of the Code, use by a nongovernmental person pursuant to a management or other service contract or research agreement may be included unless permitted by the Regulations, Rev. Proc. 97-13 or Rev. Proc. 97-14. Thus, for example, any contract with a nongovernmental person to manage or conduct research in the Financed Facilities must be examined in order to determine whether it gives rise to an impermissible private business use.

Section 2.05. All Energy Sales to Any Persons to be Reviewed.

(a) Each of the District and the Hospital ^{COMPLIANT} acknowledges that (i) the Financed Facilities are comprised of electric and steam generation, transmission, distribution or related facilities and (ii) as a result, the Financed Facilities are defined as “output facilities” within the meaning of Code Sections 141 and 145 and Regulations §§ 1.141-0 through 1.141-16 and § 1.145-2.

(b) Each of the District and the Hospital ^{COMPLIANT} acknowledges that the Code Sections and Regulations cited in the immediately preceding subsection require that the District and the Hospital Corporation not arrange for any sales of the energy output of the Financed Facilities to any other person (whether or not an Exempt Person) without first undertaking a determination satisfactory to the District, the Hospital Corporation and Bond Counsel as to whether such sales will give rise to an impermissible private business use of the Financed Facilities.

Section 2.06. Effect of Change in Use of the Financed Facilities. The District and Hospital Corporation each represent that all of the Financed Facilities are expected to be used in pursuit of the District’s or Hospital Corporation’s respective exempt purposes and are or will continue to be so used as long as the Lease is outstanding. The District and the Hospital Corporation acknowledge that a change in use of the Financed Facilities, within the meaning of Section 150 of the Code, may result in the Hospital Corporation being treated as engaged in an “unrelated trade or business” within the meaning of Section 513 of the Code from the date on which the change in use occurs. Under Section 150 of the Code, the amount of such unrelated trade or business income is equal to the fair rental value of the property, with interest on the Lease being nondeductible against the unrelated trade or business income. If ownership of the Financed Facilities is transferred (other than to a governmental unit or another qualifying 501(c)(3) organization upon an approving opinion of Bond Counsel), the new owner may be denied an interest deduction (including the interest component of rent or other user charges) incurred in connection with the acquisition of the Financed Facilities.

Section 2.07. 120% Maturity Limitation. The District represents that the weighted average maturity of the Lease is 4.6825 years which does not exceed 120% of the weighted average reasonably expected economic lives of the assets comprising the Financed Facilities as evidenced by Exhibit B hereto.

Section 2.08. Federal Guarantee. The District represents that the Lease is not and shall not become directly or indirectly “federally guaranteed.” Unless otherwise excepted under Section 149(b) of the Code, the Lease will be considered “federally guaranteed” if (a) the payment of principal or interest with respect to the Lease is guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof), (b) 5% or more of the Proceeds of the Lease are (i) to be used in making Lease, the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the United States of America (or any agency instrumentality thereof) or (ii) to be invested (directly or indirectly) in federally insured deposits or accounts or (c) the payment of principal or interest on the Lease is otherwise indirectly guaranteed (in whole or in part) by the United States of America (or any agency or instrumentality thereof).

Section 2.09. No Hedge Bonds. The District represents that, on the Date of Issue, it is reasonably expected that 85% of the spendable proceeds of the Lease will be used to carry out the governmental purposes of the Lease within the three-year period beginning on the Date of Issue and not more than 50% of the Proceeds of the Lease will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four or more years.

Section 2.10. Representations by the District and the Hospital Corporation for Purposes of IRS Form 8038. Section 149(e) of the Code requires as a condition to qualification for tax-exemption that the District provide to the Secretary of the Treasury certain information with respect to the Lease and the application of the Proceeds derived therefrom. The following representations of the District and the Hospital Corporation will be relied upon by the District and Bond Counsel in satisfying this information reporting requirement. Accordingly, the District and the Hospital Corporation hereby represents, covenants and warrants to the best of its knowledge, for the benefit of the District, Bond Counsel and the registered owners of the Lease, the truth accuracy of (a) through (n) below:

- (a) (i) District’s employee identification number..... 95-6005130
- (ii) Hospital Corporation’s employee identification number..... 33-0449527
- (iii) Sharp HealthCare’s employee identification number 95-6077327
- (b) Issue price of the Lease exclusive of accrued interest\$18,000,000
- (c) Proceeds used for Accrued Interest.....\$-0-
- (d) Costs of Issuance (including any underwriting discount).....\$100,000
- (e) Proceeds used for Credit Enhancement \$-0-
- (f) Reasonably Required Reserve Fund Deposits \$-0-
- (g) Nonrefunding Proceeds.....\$17,900,000

- (h) Date of final maturity of the Lease June 29, 2021
- (i) Stated redemption price at maturity of the entire issue
of the Lease\$18,000,000
- (j) Weighted average maturity of the entire issue of the Lease 4.6825 years
- (k) Yield on the entire issue of the Lease 2.090000%
- (l) Proceeds used to current refund prior issue \$-0-
- (m) Proceeds used to advance refund prior issue \$-0-
- (n) Amount of Lease designated under Section 265(b)(3)(B)(i) \$-0-

Section 2.11. Written Post-Issuance Compliance and Remediation Procedures. The District hereby accepts the obligation to adopt post-issuance compliance and remediation procedures with respect to the Lease set forth in Exhibit H hereto. The District hereby agrees to comply with the written procedures set forth in Exhibit H hereto.

ARTICLE III

USE AND INVESTMENT OF BOND PROCEEDS

Section 3.01. Anticipated Use of Proceeds. The District's expected sources and uses of Sale Proceeds and expected schedule for drawing down Proceeds are set forth in Exhibit D hereof. Any Investment Proceeds derived from the investment of Sale Proceeds of the Lease will be either expended on costs of the Financed Facilities or to pay interest on the Lease.

Section 3.02. Anticipated Investment of Proceeds. The District covenants, represents and warrants for the benefit of Bond Counsel and the registered owners of the Lease that the Gross Proceeds of the Lease will be invested in accordance with the Investment Instructions until expended. See, also, Section 4.01 hereof.

Section 3.03. Payment of Costs of Issuance. Proceeds of the Lease expected to be expended to pay Costs of Issuance Account will be allocated to Expenditures incurred to finance Costs of Issuance of the Lease within 180 days of the Date of Issue of the Lease. If any such monies remain 180 after the Date of Issue, the District agrees to contact Bond Counsel to discuss restrictions on the expenditure and investment thereof.

Section 3.04. 2% Costs of Issuance Limit. The District represents that no portion of the Proceeds of the Lease in excess of 2% of the Sales Proceeds of the Lease (or the face amount of the Lease if higher than the Sales Proceeds) will be used to pay issuance costs for the Lease.

ARTICLE IV

ARBITRAGE MATTERS

Section 4.01. Arbitrage Representations and Elections. In connection with the issuance of the Lease, the District represents, certifies and warrants as follows:

(a) All funds and accounts established pursuant to the Governing Documents will be invested pursuant to the No Arbitrage Certificate executed by the District and acknowledged by the Hospital Corporation on the Date of Issue and the Investment Instructions delivered to the District on the Date of Issue. Such No Arbitrage Certificate is attached hereto as Exhibit A and such Investment Instructions is attached as Exhibit F to this Tax Regulatory Agreement.

(b) (i) The District agrees to use a reasonable, Consistently Applied Accounting Method to account for Gross Proceeds, Investments and Expenditures for the Lease. Additionally, the District agrees to use a Consistently Applied Accounting Method for allocating Proceeds of the Lease to Expenditures, subject to the Current Outlay of Cash rule. The District agrees not to commingle Proceeds of the Lease with any other funds. Unless otherwise expressly provided by the District in its books and records for the Lease, moneys will be accounted for in each fund or account described herein on a "first-in, first-out" accounting basis.

(ii) All reimbursement Expenditures shall be made pursuant to § 1.150-2 of the Regulations. With respect to reimbursement, the District shall make all allocations of reimbursement Expenditures pursuant to its reimbursement documentation dated June 29, 2012.

(c) In connection with the Lease, there has not been created or established and the District does not expect that there will be created or established, any sinking fund, pledged fund or similar fund other than as specifically identified in this Tax Regulatory Agreement, including without limitation any arrangement under which money, securities or obligations are pledged directly or indirectly to secure the Lease or any contract securing the Lease or any arrangement providing for compensating or minimum balances to be maintained by the District with any owner or credit enhancer of the Lease. To the extent that any such fund or account is created, or to the extent that control over any account or fund is taken for the benefit of any owner or credit enhancer of the Lease pursuant to the exercise of remedies following an event of default under any document relating to the Lease or otherwise, the District will consult with Bond Counsel as to any applicable restrictions that may apply thereto.

(d) The District will not enter into or engage in any Abusive Arbitrage Devices. If the District invests any of the Gross Proceeds pursuant to an investment contract or a certificate of deposit, the District will obtain and provide to the District certifications in the form attached hereto as Exhibits C-1 through C-4.

(e) The District hereby makes, and the Hospital Corporation hereby accepts, the following elections and other choices pursuant to the Regulations with respect to the Lease:

(i) The District elects the bond year stated in the definition of Bond Year.

(ii) The District elects to avail itself of all unrestricted Yield investments granted in the Regulations for temporary period, reasonably required reserve fund and minor portion investments.

(iii) The District elects to treat the last day of the fifth Bond Year as the initial Installment Computation Date and the initial rebate payment date. The District elects to treat the last day of each subsequent fifth Bond Year as subsequent Installment Computation Dates and subsequent rebate payment dates. The District may change or adjust such dates as permitted by the Regulations.

(iv) With respect to the Universal Cap, the District as of the Date of Issue does not expect that the operation of the Universal Cap will result in a reduction or reallocation of Gross Proceeds of the Lease and the District (A) does not expect to pledge funds (other than those described in the Governing Documents) to the payment of the Lease; (B) expects to expend Sale Proceeds of the Lease within the expected temporary periods; and (C) does not expect to retire any of the Lease earlier than shown in the Bond Yield computations.

(f) For purposes of the Lease, the Bond Yield is, and shall be calculated as set forth in § 1.148-4 of the Regulations and Section 148(b) of the Code. Thus, generally, Yield means that percentage rate which when used in computing the present value of all payments of principal or "expected redemption price" of and interest on the Lease, and all payments for a Qualified Guarantee on the Lease (including letter of credit fees), and all payments paid on a Qualified Hedging Transaction, produces an amount equal to the Issue Price. As shown in Exhibit A hereto, the Issue Price of the Lease is \$18,000,000 and the Bond Yield is 2.090000%.

Section 4.02. Arbitrage Compliance.

(a) The District and the Hospital Corporation acknowledge that the continued exclusion of interest on the Lease from the gross income of the recipients thereof for purposes of federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirements described in this Article IV. The District agrees and covenants that they will not permit at any time or times any of the Gross Proceeds of the Lease or other funds of the District to be used, directly or indirectly, to acquire any asset or obligation, the acquisition of which would cause the Lease to become an "arbitrage bond" for purposes of Section 148 of the Code.

(b) The District further agrees and covenants that it shall do and perform all acts and things necessary in order to ensure that the requirements of Section 148 of the

Code and the Regulations are met. To that end, the District will take the actions described in Sections 4.03 through 4.09 below with respect to the investment of Gross Proceeds.

Section 4.03. Investments—General. The purchase price of all Investments in connection with the Lease must be the market price of the Investment on an established market or the investment must be in tax-exempt bonds, as defined in the Regulations. This means that the District cannot pay a premium to adjust the Yield and can accept a lower interest rate than is usually paid. Currently, if an obligation cannot be purchased on an established market or a bona fide bid price cannot be established at a Yield which does not exceed the target restricted Yield, the District is limited to the acquisition of SLGs which Yield no more than the target restricted Yield. Alternatively, Yield Reduction Payments, as defined in § 1.148-5(c) of the Regulations, may be made in the same manner as rebate payments as provided in Section 4.05 of this Tax Regulatory Agreement to reduce the Yield on any Nonpurpose Investment allocated to Gross Proceeds of the Lease.

Section 4.04. Creation of Rebate Account.

(a) Section 148(f) of the Code requires the payment to the United States of America of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such Investments had the amount so invested been invested at a rate equal to the Bond Yield, together with any income attributable to such excess.

(b) (i) Pursuant to the Governing Documents and this Tax Regulatory Agreement, the District hereby establishes the Rebate Account to be held by the District.

(ii) On or before 45 days following each Computation Date, the District shall transfer for deposit in the Rebate Account, an amount such that the balance held in the Rebate Account equals the aggregate Rebate Amount due as of the rebate payment date following such Computation Date. The moneys so deposited may be derived from the District's own funds, or from funds or accounts created by the Governing Documents (to the extent that such transfers are permitted under the Governing Documents), at the option of the District.

Section 4.05. Calculation of Rebate Amount. To meet the rebate requirements of Section 148(f) of the Code, the District agrees, covenants or elects, as applicable:

(a) For each investment of amounts held with respect to the Lease in the (i) Lease Repayment Funds, (ii) Escrow Fund, (iii) Rebate Account, together with (iv) any other moneys held by or for the District that are Gross Proceeds, the District shall record, or cause to be recorded, the information on Exhibit G.

(b) For each Installment Computation Date, the Rebate Analyst described in Section 4.09 hereof shall compute the Bond Yield as required by the Regulations based on the definition of issue price contained in Section 148(h) of the Code and the Regulations.

(c) Subject to the special rules set forth in paragraphs (d) and (e) below, the Rebate Analyst described in Section 4.08 hereof shall determine the amount of earnings received on all Nonpurpose Investments described in paragraph (a) above, for each Computation Date. In addition, where Nonpurpose Investments are retained after retirement of the Lease, any unrealized gains or losses as of the date of retirement of the Lease must be taken into account in calculating the earnings on such Nonpurpose Investments to the extent required by the Regulations.

(d) In determining the amount of any rebate computed pursuant to this section, all earnings on Bona Fide Debt Service Funds (including the portion of the Lease Repayment Funds allocable to the Lease), provided such earnings do not exceed \$100,000 in the aggregate for a Bond Year, shall not be taken into account. An issue with an average annual debt service that is not in excess of \$2,500,000 may be treated as satisfying the \$100,000 limitation in the preceding sentence. All spending exceptions met by the District shall be taken into account.

(e) For each Computation Date, the District or a Rebate Analyst shall calculate for each Investment described in paragraphs (a) and (c) above, an amount equal to the earnings which would have been received on such Investment at an interest rate equal to the Bond Yield as described in paragraph (b) above. The method of calculation shall follow that set forth in the Regulations.

(f) For each Computation Date, the District or a Rebate Analyst shall determine the amount of earnings received on all Investments during the Computation Period. The method of calculation shall follow that set forth in the Regulations.

(g) For each Computation Date, the District or a Rebate Analyst shall calculate the Rebate Amount by any appropriate method to be described in the Code and Regulations applicable or which become applicable to the Lease.

(h) The District shall cause any Rebate Analyst to deliver to the District for retention all appropriate records of rebate calculations made in respect of the Lease promptly upon completion of each calculation under this Section.

Section 4.06. Payment to United States of America.

(a) Within 45 days after each Installment Computation Date, the District will pay, and within 60 days after each Installment Computation Date the District shall pay, from the Rebate Account to the United States of America 90% of the Rebate Amount required to be on deposit in the Rebate Account as of such payment date. The District shall pay to the United States of America, not later than 60 days after the Final Computation Date, 100% of the balance remaining in the Rebate Account or such lesser amount as shall be sufficient, in the opinion of Bond Counsel, to satisfy the obligation of the District under Section 148 of the Code with respect to the Lease.

(b) Each payment of an installment shall be mailed to the Internal Revenue Service, Ogden Submission Processing Center, Ogden, Utah 84201. Each payment shall

be accompanied by (i) a copy of IRS Form 8038-T, and (ii) the CUSIP number for the Lease with the latest maturity.

(c) If on the rebate payment date the balance on deposit in the Rebate Account is in excess of the Rebate Amount attributable to the Lease, such excess may be transferred pursuant to the provisions of the Governing Documents to any other fund or account created by the Governing Documents or, to the extent that such excess is attributable to amounts provided by the District and not derived from any funds or accounts held under the Governing Documents, such excess may be withdrawn from the Rebate Account. The District may direct that any overpayment of rebate may be recovered from any rebate payment previously made to the United States of America under any procedure that may, after the date of this Tax Regulatory Agreement, be permitted by the Code or the Regulations.

Section 4.07. Recordkeeping. The District shall maintain (or cause to be maintained) the following records for a period of four years following the later of (i) the retirement of the Lease or (ii) any obligation issued to subsequently refund the Lease:

(a) The District shall retain records of all amounts paid to the United States of America pursuant to Section 4.06 hereof for the Lease. The District shall retain copies of any materials filed with the Internal Revenue Service pertaining thereto.

(b) The District shall retain records of all rebate calculations for the Lease.

(c) The District shall retain documentation evidencing the Expenditure of Proceeds of the Lease in sufficient detail to determine the date of each Expenditure and the purpose of the Expenditure.

(d) The District shall retain documentation evidencing all sources of payment or security for the Lease.

Section 4.08. Rebate Analyst.

(a) The District may appoint a Rebate Analyst to perform the calculations as required herein. The Rebate Analyst and each successor Rebate Analyst shall signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the District under which such Rebate Analyst will agree to discharge its duties pursuant to this Tax Regulatory Agreement in a manner consistent with prudent industry practice.

(b) The District rely conclusively upon and shall be fully protected from all liability in relying upon the opinions, calculations, determinations, directions and advice of the Rebate Analyst. The charges and fees for such Rebate Analyst shall be paid by the District upon presentation of an invoice for services rendered in connection therewith. The District hereby agrees to pay the fees of the Rebate Analyst.

Section 4.09. Spending Exceptions from Rebate Requirement.

(a) Section 148(f)(4) of the Code and § 1.148-7 of the Regulations provide for spending exceptions (the “Spending Exceptions”) to the rebate requirement. These exceptions are the six-month exception (the “Six-Month Exception”), the eighteen-month exception (the “Eighteen-Month Exception”), and the two-year exception (the “Two-Year Exception”). To the extent that Gross Proceeds of the Lease are determined to have been allocated to Expenditures in a manner which satisfies any of the Spending Exceptions, investment earnings allocable to such Proceeds need not be rebated to the United States of America. For purposes of the spending exceptions, Gross Proceeds does not include amounts in a Bona Fide Debt Service Fund; in a reasonably required reserve or replacement fund; that as of the Date of Issue are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month spending period; amounts representing Sale Proceeds or Investment Proceeds derived from Payments under any Purpose Investment of the Lease; and amounts representing repayments of grants financed by the Lease.

(b) Use of the Spending Exceptions is not mandatory.

(c) Any failure to satisfy the final spending requirement of the Eighteen-Month Exception or the Two-Year Exception may be disregarded if the District exercises due diligence to spend Gross Proceeds to complete the Financed Facilities and the amount of the failure does not exceed the lesser of 3% of the Issue Price of the Lease or \$250,000.

(d) The Six-Month Exception requires that Gross Proceeds of the Lease be allocated to Expenditures for the Financed Facilities within the six-month period, beginning on the Date of Issue, and that the rebate requirement is met for amounts not required to be spent within the six-month spending period (excluding earnings on a Bona Fide Debt Service Fund).

(e) In accordance with § 1.148-7 of the Regulations, the Lease may be treated as meeting the rebate requirements by virtue of the Eighteen-Month Exception if Gross Proceeds of the Lease are expended in accordance with the following schedule: at least 15% within 6 months of the Date of Issue; at least 60% within 12 months of the Date of Issue; and the remaining Gross Proceeds (100%) within 18 months of the Date of Issue.

(f) In accordance with § 1.148-7 of the Regulations, the Lease may be treated as meeting the rebate requirements by virtue of the Two-Year Exception if the following requirements are met:

(i) The Lease is a qualified “construction issue” because seventy-five percent of “available construction proceeds” of the Lease is expected to be expended on construction. The face amount of Lease qualifying for a “construction issue” is an amount equal to a 100% portion of the Issue Price. There is no reasonably required reserve fund for the Lease.

(ii) A “construction issue” is treated as meeting the rebate requirement for “available construction proceeds” if those construction proceeds are actually allocated to Expenditures for the Financed Facilities in accordance with the following two-year expenditure schedule measured from the Date of Issue:

- (A) at least 10% within six months;
- (B) at least 45% within one year;
- (C) at least 75% within 18 months; and
- (D) 100% within two years, with an exception for reasonable retainage expended within three years.

(iii) The Two-Year Exception is further described in § 1.148-7(e) of the Regulations. In particular, there are restrictions on what constitutes a “construction issue,” “construction expenditures,” “available construction proceeds” and the ability to bifurcate an issue. The District shall seek the advice of Bond Counsel or the Rebate Analyst in determining whether the requirements of the Two-Year Exception have been satisfied.

(g) The Lease will not fail to satisfy the Two-Year Exception as a result of a failure of the District to spend a reasonable retainage in the final spending period if the reasonable retainage is allocated to Expenditures within 30 months of the Date of Issue. Reasonable retainage means an amount, not to exceed 5% of the Gross Proceeds that is retained for reasonable business purposes relating to the property financed with the proceeds of the issue. For example, a reasonable retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the District reasonably determines that a dispute exists regarding completion or payment.

(h) Should a spending target or targets not be met for any of the spending exceptions, then the District agrees that the District will cause to be calculated and will pay or cause to be paid the appropriate Rebate Amounts, if any, at the times and in the manner provided by this Tax Regulatory Agreement, the Code or the Regulations.

ARTICLE V

COMPLIANCE WITH CODE

In order to ensure that interest on the Lease is and remains excludable from the gross income of the recipients thereof for purposes of federal income taxation:

(a) The District and the Hospital Corporation each hereby represents and covenants that the District and the Hospital Corporation each will comply with, and make all filings required by, all effective rules, rulings or regulations promulgated by the Department of the Treasury or the Internal Revenue Service with respect to obligations described in Section 103 of the Code, such as the Lease.

(b) The District and the Hospital Corporation each hereby represents and covenants that the District and the Hospital Corporation each will each continue to conduct its respective operations and make all filings required by the Department of the Treasury or the Internal Revenue Service in a manner that will result in each continuing to maintain its exempt status described under Sections 2.01 and 2.02 hereof.

(c) The District hereby represents and covenants that any Sale Proceeds of the Lease and any Investment Proceeds will be expended solely for the purposes set forth in the Lease and in the Governing Documents.

(d) The District hereby represents and covenants that the District has not sold and shall not sell any other tax-exempt obligations for which the District is an obligor within 15 days of the sale date of the Lease pursuant to the same plan of financing with the Lease and payable from substantially the same source of funds, determined without regard to any Qualified Guarantees from unrelated parties and used to pay the Lease.

(e) The District hereby represents and covenants that the Lease meets registration requirements of Section 149(a) of the Code.

ARTICLE VI

TERM OF TAX REGULATORY AGREEMENT

This Tax Regulatory Agreement shall be effective from the Date of Issue through the date that the Lease is redeemed, paid or deemed paid pursuant to the terms of the Governing Documents, except that the requirements of Article IV hereof shall survive until four years after the retirement of the last payment obligation on the Lease.

ARTICLE VII

AMENDMENTS

Any provision of this Tax Regulatory Agreement may be deleted or modified at any time at the option of the District and the Hospital Corporation if the District and Hospital Corporation have provided an opinion of Bond Counsel satisfactory to the District and the Hospital Corporation that such deletion or modification will not adversely affect the exclusion of interest on the Lease from the gross income of the recipients thereof for purposes of federal income taxation.

ARTICLE VIII

EVENTS OF DEFAULT, REMEDIES

Section 8.01. Events of Default. If either of the District or the Hospital Corporation fails to perform any of its required duties or obligations under any provision hereof or if any representation or warranty of the District proves to be false or misleading when made, such event shall constitute an Event of Default under this Tax Regulatory Agreement.

Section 8.02. Remedies for an Event of Default. Upon an occurrence of an Event of Default under Section 8.01 hereof, the District may, in its discretion, upon receipt of satisfactory indemnification, proceed to protect and enforce the rights of the owners of the Lease by pursuing any available remedy under the Governing Documents or by pursuing any other available remedy, including, but not limited to, a suit at law or in equity.

Section 8.03. No Pecuniary Liability of District. The obligations under this Tax Regulatory Agreement shall never constitute nor give rise to any pecuniary liability of, or a charge against the general credit or taxing powers of, the District, the State or any county, municipality or political subdivision of the State and shall not constitute a “multiple fiscal year direct or indirect debt or other financial obligation” of the District.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Governing Law. This Tax Regulatory Agreement shall be governed by the laws of the State.

Section 9.02. The Parties. The Parties hereto shall be afforded the same rights, protections, indemnities and immunities hereunder as accorded to it under the Governing Documents and the Lease.

[Signatures appear on following page]



IN WITNESS WHEREOF, the District and the Hospital Corporation have caused this Tax Regulatory Agreement to be executed in their respective names and by their proper officers thereunto duly authorized, all as of the day and year first written above.

[SEAL]

GROSSMONT HEALTHCARE DISTRICT

By Robert Aynes
Name ROBERT AYNES
Title SECRETARY / TREASURER

GROSSMONT HOSPITAL CORPORATION

By _____
Name _____
Title _____

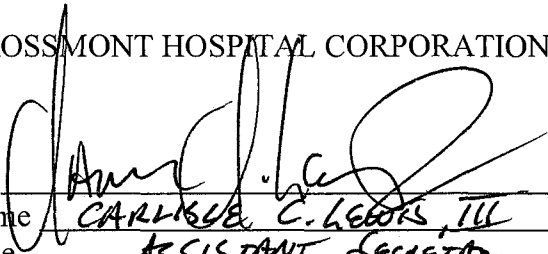
IN WITNESS WHEREOF, the District and the Hospital Corporation have caused this Tax Regulatory Agreement to be executed in their respective names and by their proper officers thereunto duly authorized, all as of the day and year first written above.

[SEAL]

GROSSMONT HEALTHCARE DISTRICT

By _____
Name _____
Title _____

GROSSMONT HOSPITAL CORPORATION

By 
Name CARLISLE C. LEOKS, III
Title ASSISTANT SECRETARY

[EXECUTION PAGE OF TAX REGULATORY AGREEMENT]

EXHIBIT A
DISTRICT'S NO ARBITRAGE CERTIFICATE

NO ARBITRAGE CERTIFICATE

June 29, 2012

\$18,000,000
Grossmont Healthcare District
Lease Agreement
Dated as of June 1, 2012

1. In General.

1.1 The undersigned is the Secretary/Treasurer of the Board of Grossmont Healthcare District (the "District") and hereby certifies to the statements contained herein.

1.2 This No Arbitrage Certificate (the "No Arbitrage Certificate") is executed for the purpose of establishing the reasonable expectations of the District as to future events regarding the issuance of the District's above-captioned lease (the "Lease"). The District has not been notified of any listing or proposed listing of the District by the Internal Revenue Service as an issuer that may not certify its obligations.

1.3 The undersigned is an officer of the District to whom the responsibility of executing this No Arbitrage Certificate in connection with the issuance of the Lease has been delegated.

1.4 The facts and estimates in this No Arbitrage Certificate relating to the price and yield calculations referenced herein are based in part on the representations of RBS Asset Finance, Inc., as the Lessor with respect to the Lease, and G.L. Hicks Financial, LLC, as the District's Financial Advisor, contained in Exhibit E to the Tax Regulatory Agreement for the Lease between the District and Grossmont Hospital Corporation, dated as of June 1, 2012 (the "Tax Regulatory Agreement"). The District is not aware of any facts or circumstances that would cause it to question the accuracy of the representations made by the Lessor or the Financial Advisor. Based on such representations of the Lessor and the Borrower, the factual representations contained in this No Arbitrage Certificate are true and correct and, to the best of the knowledge, information and belief of the undersigned, the expectations contained in this No Arbitrage Certificate are reasonable.

1.5 The terms used herein and not otherwise defined shall have the same meanings as defined in the Tax Regulatory Agreement and the Lease.

1.6 The District's reasonable expectation that the Lease is not an "arbitrage bond" is also based upon Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (the "Regulations") and upon the advice of Bond Counsel.

2. **The Purpose of the Lease.** The Proceeds of the Lease will be disbursed by the Lessor to or on behalf of the District pursuant to the Lease Agreement as defined in the Tax Regulatory Agreement to finance the costs of the Financed Facilities.

3. **Source and Disbursement of Funds.**

3.1 The Lease will be placed with the Lessor at a purchase price equal to \$18,000,000 (representing the par amount of the Lease less Costs of Issuance paid directly by the Lessor of \$100,000). The \$18,000,000 of moneys available and described above are expected to be needed and fully expended as follows:

(a) \$100,000 of Sale Proceeds of the Lease to enable the District/will be expended directly by the District to pay the Costs of Issuance of the Lease; and

(b) \$17,900,000 of Sale Proceeds of the Lease will be deposited in the Escrow Fund to pay costs of the Financed Facilities pursuant to the terms of the Lease Agreement and the Escrow Fund.

3.2 There is no reserve fund established for the Lease.

4. **Investment of Escrow Fund.**

4.1 The District expects to expend at least 85% of the Proceeds of the Lease within three (3) years of the Date of Issue. In addition, within six (6) months of the Date of Issue the District will incur a substantial binding obligation to a third party to expend at least 5% of the Proceeds of the Lease on costs of the Financed Facilities and will actually expend at 5% of such Proceeds within such six-month period. The District will proceed with due diligence to complete the Financed Facilities and to allocate Proceeds to costs of the Financed Facilities.

4.2 The Sale Proceeds of the Lease deposited into the Escrow Fund may be invested without regard to Investment Yield limitation until three years after the Date of Issue, and thereafter at a Yield no greater than one-eighth percent (1/8%) above the Bond Yield. Any interest earnings or investment gains realized from the investment of Proceeds of the Lease on deposit in the Escrow Fund may be reinvested pending disbursement in obligations that bear a yield in excess of the Bond Yield. The period of unrestricted investment of such earnings will not exceed the longer of (i) a one-year period beginning on the date of receipt of such investment income or (ii) the period ending on the date which is three years from the Date of Issue. After the period of unrestricted reinvestment of investment earnings described in this subsection, such earnings will not be invested in obligations that bear a yield in excess of one-eighth of one percent (.125%) above the Bond Yield (after giving effect to any permitted payment of Yield Reduction Payments).

5. **Lease Repayment Funds.**

5.1 **General.**

(a) The Lease Repayment Funds will be held by or on behalf of the District as payments by the Hospital Corporation under the Energy Purchase Agreement to the

Lessor, as assignee of the District, in amounts sufficient to pay the principal of and interest on the Lease on each principal and interest payment date.

(b) For purposes of this No Arbitrage Certificate, the term “bona fide debt service fund” means a fund, which may include proceeds of the Lease, that (i) is used primarily to achieve a proper matching of revenues and principal and interest payments within each Bond Year; and (ii) is depleted at least once each Bond Year, except for a reasonable carryover amount not to exceed the greater of: (A) the earnings on such fund for the immediately preceding Bond Year, or (B) one-twelfth of the annual debt service on the Lease for the immediately preceding Bond Year. In the event that the amount of money deposited in the Lease Repayment Funds and allocable to the Lease exceeds the limited amount allowed by the Regulations as a “bona fide debt service fund,” only the portion of the Lease Repayment Funds that the District determines to be a “bona fide debt service fund” shall be eligible to be treated as such.

5.2 Moneys held in the Lease Repayment Funds to pay debt service on the Lease are expected to be invested, collectively, as a “bona debt service fund” for the Lease and, thus, may be invested as a in obligations that bear a yield that is in excess of the Bond Yield. Moneys in the Lease Repayment funds are subject to rebate requirements under Section 148 of the Code to the extent that earnings on such funds exceed \$100,000 in any Bond Year.

6. Price of the Lease. The Lessor has represented that the initial offering price of the Lease is \$18,000,000, which is the par amount of the Lease. The Bond Yield has been calculated by the Underwriter to be not less than 2.090000%.

7. Rebate Requirement and Letter of Instructions.

7.1 Rebate (and any future required Bond Yield) calculations shall be performed in accordance with the provisions of the Tax Regulatory Agreement. The provisions of the Tax Regulatory Agreement are by this reference expressly incorporated herein.

7.2 The District has received and reviewed the Letter of Instructions prepared by Bond Counsel with respect to the investment and disposition of moneys on deposit in the various funds and accounts created under the Lease Agreement and the Escrow Agreement. The Letter of Instructions has been prepared to comply with Section 148 of the Code including the rebate requirements of Section 148(f) of the Code. The Letter of Instructions is attached to the Tax Regulatory Agreement as Exhibit F and, by this reference, expressly incorporated herein. The District has covenanted in the Tax Regulatory Agreement that it will comply with the Letter of Instructions and the District expects that it will so comply.

7.3 Pursuant to the Tax Regulatory Agreement, the District will establish such accounting measures and keep all such records as are necessary to determine any Rebate Amount for a period of at least four years after the later of final retirement of the Lease or any obligations issued to refund the Lease.

8. Miscellaneous.


8.1 The Lease was placed with the Lessor pursuant to a binding commitment in writing for the placement of the Lease which was entered into on June 1, 2012. There are no other obligations of the District which are sold for the benefit of itself or the Hospital Corporation at substantially the same time as the Lease (i.e., less than 15 days apart), sold pursuant to the same plan of financing as the Lease, and which will be paid out of substantially the same source of funds as the Lease.

8.2 The Lease is not sized larger than is necessary to carry out the purposes for which the Lease is issued.

[Signatures on following page]

IN WITNESS WHEREOF, the undersigned has set her hand as of the date set forth above.

GROSSMONT HEALTHCARE DISTRICT

By 
Name ROBERT AYRES
Title SECRETARY / TREASURER

The undersigned for the Hospital Corporation hereby acknowledges that she/he has reviewed this No Arbitrage Certificate and that to the best of the undersigned's knowledge, information and belief, the facts and representations contained in this No Arbitrage Certificate are true and correct and the expectations contained in this No Arbitrage Certificate are reasonable.

IN WITNESS WHEREOF, the undersigned has set her hand as of the date set forth above.

GROSSMONT HOSPITAL CORPORATION

By _____
Name _____
Title _____

IN WITNESS WHEREOF, the undersigned has set her hand as of the date set forth above.

GROSSMONT HEALTHCARE DISTRICT

By _____
Name _____
Title _____

The undersigned for the Hospital Corporation hereby acknowledges that she/he has reviewed this No Arbitrage Certificate and that to the best of the undersigned's knowledge, information and belief, the facts and representations contained in this No Arbitrage Certificate are true and correct and the expectations contained in this No Arbitrage Certificate are reasonable.

IN WITNESS WHEREOF, the undersigned has set her hand as of the date set forth above.

GROSSMONT HOSPITAL CORPORATION

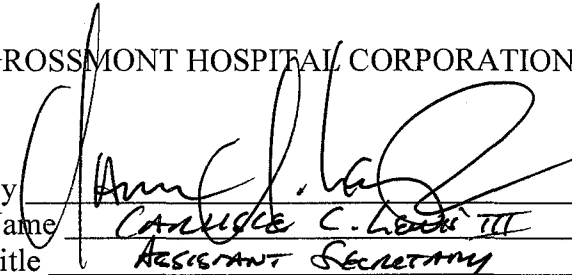
By 
Name CANDICE C. LEWIS III
Title ASSISTANT SECRETARY

EXHIBIT B
DESCRIPTION OF FINANCED FACILITIES
AND
USEFUL LIFE CALCULATIONS

The proceeds of the Lease will be used to (a) finance a portion of the costs for the purchase, construction and installation of a Mercury 50 Gas Turbine Electric Generator, two (2) new 950-ton chillers and related cooling towers, a new 800 horse power boiler, a heat recovery steam generator, the relocation of one 950-ton chiller and other ancillary improvements and equipment all to be located at 5555 Grossmont Center Drive, La Mesa, California, and (b) pay Costs of Issuance with respect to the Lease. The Financed Facilities are or will be owned by the District and leased and operated by the Corporation in conjunction with the operation of Grossmont Hospital.

The weighted average useful life of the Financed Facilities as of June 29, 2012 is not less than 4.6825 years. The estimated weighted average useful life of the Financed Facilities is at least 15 years.

EXHIBIT C-1

**FORM OF PROVIDER CERTIFICATION
FOR A CERTIFICATE OF DEPOSIT**

I, [Name], [Position], of [Entity Providing the Certificate of Deposit] (the "Provider")
HEREBY CERTIFY that the yield on the Certificate of Deposit entered into on [_____] is
not less than the highest yield that the Provider publishes or posts for comparable certificates of
deposit offered to the public and that the yield on the Certificate of Deposit is not less than the
yield available on reasonably comparable direct obligations offered by the United States
Treasury.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of
_____ 20____.

By _____
Name _____
Title _____

EXHIBIT C-2

**FORM OF PROVIDER CERTIFICATION
FOR AN INVESTMENT CONTRACT**

I, [Name], [Position], of [Entity Providing Investment Contract] (the "Provider") HEREBY CERTIFY in connection with the Investment Contract between [] and the Provider dated as of [] (the "Investment Contract") that the yield on the Investment Contract is at least equal to the yield offered on reasonably comparable Investment Contracts offered to other persons, if any, from a source of funds other than gross proceeds of an issue of tax exempt bonds and that the amount of administrative costs that are reasonably expected to be paid by the Provider to third parties in connection with the Investment Contract is \$ _____. For purposes of this certification, administrative costs include all brokerage or selling commissions paid by the Provider to third parties in connection with the Investment Contract, legal or accounting fees, Investment advisory fees, recordkeeping, safekeeping, custody and other similar costs or expenses.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____ 20__.

By _____
Name _____
Title _____

EXHIBIT C-3

**FORM OF DISTRICT CERTIFICATION FOR AN
INVESTMENT CONTRACT INVOLVING THREE BIDS**

I, [Name], [Position], on behalf of Grossmont Healthcare District (the "District"), HEREBY CERTIFY in connection with the Investment contract between the District and [Entity Providing Investment Contract] (the "Provider") dated as of _____, _____ (the "Investment Contract") that (i) at least three bids on the Investment Contract were received from unrelated persons other than those with a material financial advantage in the District's \$_____ Lease Agreement dated as of June 1, 2012, (ii) the yield on the Investment Contract purchased is at least equal to the yield offered under the highest bid received from an uninterested party, (iii) the price of the Investment Contract takes into account as a significant factor the District 's expected drawdown for the funds to be invested (other than float funds or reasonably required reserve or replacement funds) and (iv) any collateral security requirements for the Investment Contract are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____ 20____.

GROSSMONT HEALTHCARE DISTRICT

By _____
Name _____
Title _____

EXHIBIT C-4

**FORM OF BIDDING AGENT CERTIFICATION
FOR AN INVESTMENT CONTRACT**

I, [Name], [Title], of [Entity] (the "Bidding Agent") HEREBY CERTIFY in connection with the Investment Contract between [Name of District] (the "District") and [Name of Provider] (the "Provider") dated as of _____ (the "Investment Contract") that the amount of administrative costs that are reasonably expected to be paid to third parties in connection with the Investment Contract is \$ _____. For purposes of this certification, administrative costs include all brokerage or selling commissions paid by the District or the Provider to third parties in connection with the Investment Contract, but not legal or accounting fees, investment advisory fees, recordkeeping, safekeeping, custody and other similar costs or expenses. The present value of the Bidding Agent's commission and any similar fees paid on behalf of the District or the Provider is equal to \$ _____ and does not exceed the lesser of (i) \$37,000 and (ii) .2% of the amount of Gross Proceeds the District expects, as of the date the Guaranteed Investment Contract is acquired, to be deposited into the Guaranteed Investment Contract over the term of such Guaranteed Investment Contract or, if such amount does not exceed \$4,000, then \$4,000.

I further certify that, to the best of my knowledge, (i) the Provider has not been afforded the opportunity to review offers to the District from other providers before making its offer to the District, (ii) the offer of Provider was determined without regard to any other formal or informal agreement that the Provider has with the Bidding Agent (whether or not in connection with the obligations being issued by the District), and (iii) the Provider has established an industry reputation as a competitive provider of Investment Contracts such as the Investment Contract.

The Bidding Agent acknowledges that this Certificate is given as a basis for certain legal opinions with regard to the exclusion of interest on certain obligations of the District from the gross income of the owners thereof for federal income tax purposes, and law firms rendering such opinions are authorized to rely on this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____ 20__.

By _____
Name _____
Title _____

EXHIBIT D

**SOURCES AND USES OF LEASE PROCEEDS
AND
EXPECTED DRAWDOWN OF LEASE PROCEEDS**

Sources and Uses:

Sources:

Lease Proceeds payable by Lessor	\$18,000,000
TOTAL SOURCES	\$18,000,000

Uses:

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 USES \$18,000,000

Expected Drawdown Schedule:

Jul-12	\$1,457,109
Aug-12	\$703,453
Sep-12	\$703,453
Oct-12	\$703,453
Nov-12	\$2,461,985
Dec-12	\$703,453
Jan-13	\$2,461,985
Feb-13	\$703,453
Mar-13	\$703,453
Apr-13	\$703,453
May-13	\$703,453
Jun-13	\$703,453
Jul-13	\$1,457,109
Aug-13	\$703,453
Sep-13	\$703,453
Oct-13	\$703,453
Nov-13	\$703,453
Dec-13	\$703,453
Jan-14	Remainder of proceeds

EXHIBIT E

CERTIFICATES OF FINANCIAL ADVISOR AND LESSOR

ATTACHED

CERTIFICATE OF FINANCIAL ADVISOR

\$18,000,000
Grossmont Healthcare District
Lease Agreement
Dated as of June 01, 2012

The undersigned on behalf of G.L. Hicks Financial, LLC, an Arizona limited liability company that is a registered municipal advisor, has acted as financial advisor (the "Financial Advisor") to Grossmont Healthcare District (the "District") in connection with the above-captioned lease (the "Lease"), and hereby represents as set forth below. Terms not otherwise defined herein shall have the meanings ascribed thereto in the Tax Regulatory Agreement between the District and Grossmont Hospital Corporation, dated June 1, 2012.

(a) As of June 29, 2012 (the "Lease Commitment Date"), the Financial Advisor assisted the District with the Lease to RBS Asset Finance, Inc. (the "Lessor"), and the Lease was entered into with the Lessor in the principal amount of \$18,000,000 (the "Purchase Price") at the interest rate set forth in the Lease.

(b) Such Purchase Price and interest rate represent the fair market price and interest rate for the Lease as of the Lease Commencement Date.

The undersigned understands that this Certificate of Financial Advisor shall form a part of the basis for the opinion, dated the date hereof, of Kutak Rock LLP, as Special Tax Counsel, to the effect that interest on the Lease is excludable from the gross income of the recipients thereof for purposes of federal income taxation under existing laws, regulations, rulings and judicial decisions.

IN WITNESS WHEREOF, the undersigned has set his hand as of June 29, 2012.

G.L. HICKS FINANCIAL, LLC

By 
Name Gary Hicks
Title President

CERTIFICATE OF LESSOR

\$18,000,000
Grossmont Healthcare District
Lease Agreement
Dated as of June 01, 2012

The undersigned, on behalf of RBS Asset Finance, Inc., (the "Lessor"), as sole lessor pursuant to the above-captioned lease (the "Lease") hereby represents that:

1. The Lease has been made and acquired for the Lessor's own account for investment and not with a view to the distribution, transfer or resale of any portion thereof.
2. The terms of the Lease have been negotiated by the Lessor with the Grossmont Healthcare District in an arm's-length basis and has been made by the Lessor (a) at a purchase price of \$18,000,000, representing the original principal amount of the Lease and (b) at the interest rate set forth in the Lease.
3. The final maturity date of the Lease is June 29, 2012.

We understand that this Certificate of Lessor shall form a part of the basis for the opinion, dated the date hereof, of Kutak Rock LLP, as Special Tax Counsel, to the effect that interest on the Lease is excludable from the gross income of the recipients thereof for purposes of federal income taxation under existing laws, regulations, rulings and judicial decisions.

RBS ASSET FINANCE, INC.

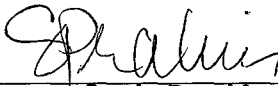
By 
Name Soula Perakis
Title Vice President

EXHIBIT F
INVESTMENT INSTRUCTIONS

June 29, 2012

The Grossmont Healthcare District
La Mesa, California

\$18,000,000
Grossmont Healthcare District
Lease Agreement
Dated as of June 1, 2012

Ladies and Gentlemen:

This letter sets forth instructions regarding the investment and disposition of moneys deposited in the various funds and accounts established under the Governing Documents (as such term is defined in the Tax Regulatory Agreement, defined herein) for the above-captioned Lease. The purpose of these instructions is to assure that the investment of moneys in the funds and accounts described herein will comply with the arbitrage limitations imposed by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder (the "Regulations"). These instructions implement the investment provisions of the Tax Regulatory Agreement (the "Tax Regulatory Agreement") executed the date of this letter by constitute the "Investment Instructions" referred to therein. Terms not otherwise defined herein have the definition ascribed to them in the Governing Documents and the Tax Regulatory Agreement unless the context clearly indicates otherwise.

1. **Computation of Yield.** For purposes of this Letter of Instructions, the term "Yield" has the meaning set forth in the Regulations under Section 148 of the Code. The Regulations provide that the term "Yield" means that Yield which when used in computing the present value of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The Bond Yield and the Yield of obligations acquired with moneys described in this Letter of Instructions shall be computed by using the same frequency of interest compounding. The Issue Price of the Lease is \$18,000,000, and Bond Yield has been calculated as of the Date of Issue to be 2.090000%.

2. **Lease Repayment Funds.** Money deposited in the portion of the Lease Repayment Fund allocable to the Lease may be invested without regard to investment Yield limitation for a period of thirteen months from the date of deposit therein, and thereafter (or to the extent that such amounts exceed the amount which will be depleted at least once each Bond Year to pay principal of and interest on the Lease as the same become due, except for a reasonable carry over amount as provided in the Code and Regulations and with such carry over not to exceed the greater of one-twelfth of the principal and interest payments on the Lease for the immediately preceding Bond Year or the earnings on such amounts for the immediately

preceding Bond Year) may not be invested in Investments bearing a Yield in excess of the Bond Yield. Investment of such Proceeds of the Lease in the Lease Repayment Funds are subject to the rebate requirements of the Tax Regulatory Agreement.

3. **Rebate Account.** The District's moneys not constituting Gross Proceeds of the Lease deposited in the Rebate Account and the Investments thereon may be invested without regard to investment Yield limitation and are not subject to the rebate requirements of the Tax Regulatory Agreement. Investment Proceeds of the Lease deposited in the Rebate Account may be invested without regard to investment Yield limitation for a one-year period beginning on the date of receipt thereof and thereafter at a Yield not in excess of the Bond Yield. Investment of such Proceeds of the Lease in the Rebate Account are subject to the rebate requirements of the Tax Regulatory Agreement.

4. **Escrow Fund.** Proceeds on deposit in the Escrow Fund and Investment Proceeds earned thereon may be invested without regard to investment yield limitation until the date that is three (3) years after the Date of Issue and thereafter at a Yield not in excess of the Bond Yield plus 1/8% (after giving effect to the payment of any permitted Yield Reduction Payments).

5. **Costs of Issuance Amounts.** Proceeds of the Lease to be expended on Costs of Issuance are expected to be expended fully within 180 days of the Date of Issue and may be invested without regard to investment yield limitation until expended.

6. **[Reserved].**

7. **Other Funds and Accounts.** Except for the establishment of the funds and accounts described above, it is our understanding that none of the parties hereto have created or established and do not expect to create or establish any other fund to pay debt service on the Lease, or a debt service reserve fund or any other similar fund with respect to the Lease. Further, it is our understanding that there are no other funds which are reasonably expected to be used to pay debt service on the Lease and for which there is a reasonable assurance that amounts on deposit therein or the investment income earned thereon will be available to pay debt service on the Lease if the applicable obligor encounters financial difficulties. To the extent, however, that any portion of amounts in any fund or account not expressly described herein is reasonably expected to pay debt service on the Lease, such portion may be treated to the extent possible, together with the funds described in Section 2 above, as a Bona Fide Debt Service Fund for the Lease and shall be subject to the terms of Section 2 above.

8. **Fair Market Value.**

(a) You may not enter into a transaction for any Investment that results in a smaller profit or a larger loss than would have resulted if such transaction had been at arm's length and had the Bond Yield not been relevant to either party. You may not purchase any Investment for an amount in excess of the Fair Market Value thereof.

(b) Whether an investment obligation for which there is an established market is purchased or sold for an amount in excess of its Fair Market Value shall be determined by comparing the purchase or sales price to the mean of the bid and ask price of such investment obligation on the date of such sale or purchase as established by reference to any appropriate publication. A United States Treasury obligation purchased directly from the United States Treasury shall be treated as acquired at its Fair Market Value.

9. **Investments—General.** The purchase price of all Investments acquired in connection with the Lease must be the market price of the investment obligation on an established market or the Investment must be in tax-exempt bonds, as defined in the Regulations. This means that you cannot pay a premium to adjust the Yield and that you cannot accept a lower interest rate than is usually paid. Currently, if an obligation cannot be purchased on an established market or a bona fide bid price cannot be established at a Yield which does not exceed the target restricted Yield, you are limited to the acquisition of SLGS which Yield no more than the target restricted Yield. Alternatively, Yield Reduction Payments, as defined in § 1.148-5(c) of the Regulations, may be made in the same manner as rebate payments as provided in the Tax Regulatory Agreement to reduce the Yield on any Nonpurpose Investment allocated to Gross Proceeds of the Lease, subject to an approving opinion of Bond Counsel or the Rebate Analyst.

10. **Recordkeeping.** In connection with the Yield restriction and rebate requirements applicable to the Lease, the District shall maintain (or cause to be maintained) the following records for a period of four years following the later of the (i) redemption of all of the Lease outstanding and (ii) any obligation issued to subsequently refund the Lease.

(a) The District shall retain records of all amounts paid to the United States of America pursuant to Section 4.07 of the Tax Regulatory Agreement for the Lease. The District shall obtain from any Rebate Analyst all calculations and correspondence relating to the calculation of any Rebate Amount.

(b) The District shall keep and record the data pertaining to the investment of the Gross Proceeds of the Lease, including the purchase and sale of securities, SLGS subscriptions, actual investment income received from the investment of Gross Proceeds, guaranteed investment contracts, and (if required) rebate or excess Yield calculations.

(c) The District shall retain documentation evidencing the Expenditure of Proceeds of the Lease in sufficient detail to determine the date of each Expenditure and the purpose of the Expenditure.

(d) The District shall retain documentation evidencing all sources of payment or security for the Lease.

Very truly yours,

KUTAK ROCK LLP

EXHIBIT G

INFORMATION REQUIRED TO CALCULATE ARBITRAGE REBATE

The following information must be retained by the District or the Rebate Analyst to ensure that a proper arbitrage rebate calculation can be made:

1. the purchase price of each Nonpurpose Investment;
2. the interest rate on each Nonpurpose Investment;
3. the face amount of each Nonpurpose Investment;
4. the amount of accrued interest, if any, included in the purchase price of each Nonpurpose Investment;
5. the purchase date of each Nonpurpose Investment;
6. the maturity date of each Nonpurpose Investment;
7. the amount of original issue discount or premium (if any) on each Nonpurpose Investment;
8. the frequency of payments on each Nonpurpose Investment;
9. the period of compounding on each Nonpurpose Investment;
10. the yield to maturity on each Nonpurpose Investment;
11. the date of disposition of each Nonpurpose Investment;
12. the amount realized on the disposition of each Nonpurpose Investment; and
13. the brokerage fees paid with respect to each Nonpurpose Investment.

WRITTEN PROCEDURES FOR ONGOING COMPLIANCE FOR THE GROSSMONT HEALTHCARE DISTRICT

The following procedures apply to a tax-exempt lease entered into by the Grossmont Healthcare District (the "District") for the benefit of the Grossmont Hospital Corporation (the "Hospital Corporation"), including the District's Lease Agreement dated as of June 1, 2012 (the "Lease Agreement"). These procedures are hereby approved and adopted by the District and will not be amended or rescinded by the District after the issuance of the Lease Agreement without prior written notice to the Chief Executive Officer of the District.

These procedures are intended to supplement the procedures evidenced in writing by the Tax Regulatory Agreement between the District and the Hospital Corporation dated June 1, 2012 (the "Tax Regulatory Agreement"), the IRS Form 8038 filed in connection with the Lease Agreement, and the instructions to the IRS Form 8038.

A. Responsible Person.

1. These procedures are intended to apply to tax-exempt obligations issued by the District for the benefit of the Hospital Corporation. Consequently, the District agrees that the District will accept lead responsibility for compliance with these written procedures.

2. The District has assigned to Barry Jantz, who is currently the Chief Executive Officer of the District (such official the "Responsible Person"), the responsibility for ensuring compliance with the requirements of these written procedures, the Tax Regulatory Agreement and the other covenants in Lessee Documents (as defined in the Lease Agreement), including the collection by the District of the Hospital Corporation's annual financial information and copies of any continuing disclosure filings the Hospital Corporation makes. This responsibility is hereby included in the job description for the District's Chief Executive Officer. The Responsible Person has or will review these procedures, the Tax Regulatory Agreement, the Form 8038, and the instructions for the Form 8038, and be trained as follows:

The current Responsible Person has experience having undertaken similar responsibilities with respect to other tax-exempt bonds. The Responsible Person also intends to consult with bond counsel and other professionals as needed.

B. Succession Planning. The District has established the following procedures to ensure that, when the current person leaves the position of the District's Chief Executive Officer, the responsibility for bond covenant compliance will be explained in detail to his/her successor, his/her successor will be provided compliance training in the same manner as the original Responsible Person, and that notice of any succession will be given in writing to the Hospital Corporation:

The current Responsible Person will advise and inform any successor.

C. Procedures for the Timely Expenditure of Tax-Exempt Bond Proceeds. The District understands that the District must spend at least 85% of the net sale proceeds of tax-

exempt bonds to carry out the projects financed with the proceeds of such bonds within three years from the date of each issuance of the bonds. The District will treat as “sale proceeds” any amounts actually or constructively received by the District from the sale of the tax-exempt bonds, including amounts used to pay underwriter’s or purchaser’s discount or compensation and accrued interest other than pre-issuance accrued interest. “Net sale proceeds” means the sale proceeds, less any amount deposited into a reasonably required reserve or replacement fund. The District has established the following procedures for tracking and reporting to the Responsible Person the expenditure of net sale proceeds:

The current Responsible Person will (i) assemble a list of all purposes and projects to be financed by the bonds, including information on the expected useful lives of projects; (ii) designate which of these purposes represent capital expenditures or working capital; (iii) establish the exact amount of bond proceeds and all other sources of funding for the project; (iv) determine the amount, if any, of bond proceeds that may be expended on payment of interest on the bonds (i.e., capitalized interest) and all applicable spending and time limits applicable to such payment of interest on the bonds; (v) identify and calendar any time periods that may be applicable as to when bond proceeds must be spent and (vi) document the amount of proceeds of the bonds spent on costs of the financed projects and costs issuance for the bonds, including any underwriting discount or compensation or placement agent compensation.

D. Procedures for the Assuring Compliance with Arbitrage Yield Restriction and Rebate Requirements. The Responsible Person will create a system to ensure that, not less than six months prior to each five year anniversary of the closing date, that the District will retain an arbitrage rebate consultant to prepare a report determining the yield of the tax-exempt bonds under the Internal Revenue Code of 1986, as amended (the “Code”), and whether there is any amount owed to the IRS under Section 148 of the Code. The Responsible Person will submit to any trustee and the District the completed arbitrage rebate report no later than 30 days prior to each five year anniversary of the closing date.

E. Procedures to comply with Use Restrictions and Remediation Requirements. The District agrees that the Responsible Person will establish a system for tracking and monitoring the use of the facilities financed with the proceeds of the tax-exempt bonds (including any energy sales) to ensure that the use of those facilities will not violate the private business tests or the private loan financing test under Sections 141 or 145 of the Code. If, after the issuance of the tax-exempt bonds, the use of the facilities financed with the proceeds of the tax-exempt bonds changes so that the private business tests or the private loan financing test would be met or if another material violation of these procedures occurs which requires correction to avoid adversely affecting the federal income tax states of interest on the tax-exempt bonds, the District will notify consulting bond counsel, undertake a closing agreement through the Tax-Exempt Bonds Voluntary Closing Agreement Program or take one of the actions permitted by the Code and associated regulations.

F. Ongoing Procedures. The Responsible Person will review these procedures, the Tax Regulatory Agreement, the Form 8038, the instructions for the Form 8038, and the status


and use of the tax-exempt bonds financed facilities on at least an annual basis and at the following intervals: (i) six months prior to each five-year anniversary of the issue date of the tax-exempt bonds; (ii) within 30 days of the date the last tax-exempt bond for any issue of tax-exempt bonds is retired, defeased or refunded; (iii) when any rebate payment is made; (iv) when a facility financed with proceeds of the tax-exempt bonds is placed in service; (v) if the District determines that a facility planned to be financed with proceeds of the tax-exempt bonds will not be completed; and (vi) if any of the representations, statements, circumstances or expectations of the District or the Hospital Corporation that are set forth in the Tax Regulatory Agreement are no longer true, have changed, or have not come to pass as described in the Tax Regulatory Agreement. This review will be made for the purposes of identifying any possible violation of federal tax requirements related to the tax-exempt bonds, and to ensure the timely correction of those violations pursuant to the remedial action provisions outlined above or through the Tax-Exempt Bonds Voluntary Closing Agreement Program. If any possible violation is identified, the Responsible Person will notify the District, bond counsel and the Hospital Corporation's counsel so that any existing or expected violation can be corrected.

G. Recordkeeping. The Responsible Person will develop and implement a system for maintaining records relating to the procedures outlined above. Such records shall be kept and maintained for the life of the tax-exempt bonds, and any bonds that refund the tax-exempt bonds, plus four years. These records may be maintained on paper, by electronic media, or by any combination thereof.

H. Compliance Meeting. The District agrees to attend a post-closing meeting between the authorized official executing these procedures, the Responsible Person, the District's counsel and appointed designees of the Hospital Corporation. At such meeting, the District and the Hospital Corporation will review and discuss these procedures and the District's responsibility for maintaining the status of the tax-exempt bonds as tax-exempt obligations.

Adopted: June 29, 2012.

GROSSMONT HEALTHCARE DISTRICT

By 
Name ROBERT AYLES
Title SECRETARY / TREASURER

[Signature Page to Exhibit H - Written Procedures for Ongoing Compliance for a tax-exempt financing by the Grossmont Healthcare District]