

LEASE AGREEMENT
BETWEEN
TRI-CITY HEALTHCARE DISTRICT
AND
TRI-CITY MEDICAL CENTER CORPORATION
DATED: _____, 2026

TABLE OF CONTENTS

	Page
ARTICLE 1 PREMISES AND TERM.....	2
ARTICLE 2 RENT AND OTHER PAYMENTS.....	3
ARTICLE 3 USE, MAINTENANCE AND IMPROVEMENTS.....	4
ARTICLE 4 INSURANCE.....	6
ARTICLE 5 ACCEPTANCE AND SURRENDER OF LEASED PREMISES	8
ARTICLE 6 DESTRUCTION DURING TERM OF LEASE.....	9
ARTICLE 7 CONDEMNATION	10
ARTICLE 8 DEFAULT	11
ARTICLE 9 SURRENDER, HOLDING OVER.....	17
ARTICLE 10 RIGHT OF FIRST REFUSAL; DISPOSITION OF PERSONAL PROPERTY	17
ARTICLE 11 PRIORITY, ESTOPPELS AND EASEMENTS	18
ARTICLE 12 INTENTIONALLY OMITTED	19
ARTICLE 13 INTENTIONALLY OMITTED	19
ARTICLE 14 ADDITIONAL COVENANTS OF TENANT	19
ARTICLE 15 MISCELLANEOUS	23

LEASE AGREEMENT

This Lease Agreement (“Lease”), entered into as of _____, 2026 (the “Effective Date”), by and between TRI-CITY HEALTHCARE DISTRICT, a political subdivision of the State of California organized and existing pursuant to the Local Hospital District Law (Div. 23 of the Health & Safety Code) (the “Landlord”), and TRI-CITY MEDICAL CENTER CORPORATION, a California nonprofit public benefit corporation] (the “Tenant”), is made with reference to the below facts. Each of Tenant and Landlord is referred to herein individually as a “Party” and together, as the “Parties”. Initially capitalized terms not otherwise defined herein have the meaning given in the Affiliation Agreement.

RECITALS

A. Landlord is the owner of that certain real property more particularly described on Schedule 1.1 attached hereto, which real property is improved with the following: Tri-City Medical Center a general acute care hospital licensed to operate 386 beds and which is comprised of the central hospital building located at 4002 Vista Way, Oceanside, CA 92056, a facilities management building the address of which is also 4002 Vista Way, Oceanside 92056 and an office building located 4010 Vista Way (collectively, the “Hospital”) and a medical office building located at 4002 Vista Way, Oceanside, CA 92056 (the “MOB”).

B. Tenant’s sole member is Sharp HealthCare, a California nonprofit public benefit corporation (“Sharp HealthCare”). Sharp HealthCare is the parent corporation of a nonprofit multi-hospital healthcare system operating, among other healthcare-related assets, four acute-care hospitals, three specialty hospitals, three affiliated medical groups and one health services plan in and around the San Diego County, California area.

C. The Board of Directors of Landlord determined that it would best serve the interests of Landlord and the communities served by Landlord to lease the Leased Premises to Tenant for a term of thirty (30) years pursuant to Section 32126 of the California Health & Safety Code.

D. Landlord and Tenant have previously entered into that certain Affiliation Agreement (“Affiliation Agreement”) dated as of [____], 2025, pursuant to which Landlord and Tenant have agreed to certain terms regarding the transfer of operations of and assets used in connection with the Hospital to Tenant in addition to such other matters as more specifically set forth therein.

E. Concurrently herewith, pursuant to the Affiliation Agreement, Landlord and Tenant are entering into that certain Asset Transfer Agreement (the “Transfer Agreement”), pursuant to which Landlord is transferring to Tenant, among other items, the personal property used by Landlord in connection with the operations of the Hospital (the “Personal Property”).

F. *[ADDITIONAL RECITALS RELATED TO OFF-SITE LEASES TO BE ADDED]*

G. Pursuant to Health & Safety Code Section 32121 and Section 32126 and after consideration of public review and comment, Landlord has determined that execution of this Lease will promote the following objectives:

- i. Enhance the provision of high quality, efficient and affordable health care services to the communities served by the DISTRICT and the SHARP Parties;
- ii. Continue the SHARP Parties' mission to provide comprehensive healthcare services that support the health and medical needs of the general public residing in the communities served by the SHARP Parties and the DISTRICT;
- iii. Deepen the SHARP Parties', the DISTRICT's and TCMC's collective ability to achieve performance excellence goals and enhance each other's skills, competencies and capabilities; and
- iv. Continue the Parties' respective tax-exempt and public missions to improve the health and wellbeing of their local communities.

H. The Parties acknowledge and agree that the conditions to Closing (as defined in the Affiliation Agreement) set forth in Articles 7 and 8 of the Affiliation Agreement have been satisfied or waived by the Parties including, but not limited to, receipt of all consents and approvals required in connection with this Lease pursuant to Health & Safety Code Section 32121 and Section 32126.

AGREEMENT

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

ARTICLE 1 PREMISES AND TERM

1.1 Lease.

1.1.1 Landlord hereby leases to Tenant, and Tenant hereby hires from Landlord, on the terms and conditions set forth in this Lease, the real property described in Schedule 1.1 attached hereto and incorporated herein by this reference, together with all buildings, appurtenances, improvements and fixtures located thereon, subject to any existing encumbrances, easements, conditions, covenants, and restrictions, rights of way, and other matters of record, matters as may be disclosed by inspection or survey, and subject to the provisions herein contained. Such property described under this Section 1.1 is referred to herein, collectively, as the "Leased Premises".

1.1.2 The Leased Premises include both the Hospital and the MOB. In the event that Tenant desires to subdivide (which may be in connection with obtaining financing secured by Tenant's leasehold interest in the MOB) the Leased Premises to segregate the MOB from the Hospital (the "MOB Subdivision"), Landlord will cooperate with Tenant in connection therewith, at no cost to Landlord. Such cooperation by Landlord in connection with the MOB Subdivision shall include without limitation, using commercially reasonable efforts to cause a plat map reasonably approved by Tenant and Landlord to be recorded to legally subdivide the land on which the MOB is located from the land on which the Hospital is located. In the event that Tenant desires the MOB Subdivision, Landlord and Tenant shall execute any commercially reasonable documents reasonably necessary to accomplish the MOB Subdivision, including, without limitation, the following documents, to be effective upon the completion of the MOB Subdivision: (a) an amendment to this Lease, in a form reasonably approved by Tenant and Landlord, to remove the MOB from the Leased Premises and (b) a new lease, substantially the form of that certain lease by and between Landlord and Tenant dated as of the Effective Date pertaining to those certain medical office buildings located at 6250 and 6260 El Camino Real, Carlsbad, CA (the "Carlsbad MOB Lease"), pursuant to which Tenant will lease from Landlord the MOB and the land on which the MOB is located, for a term that is co-terminous with the term hereof.

1.2 Term. Subject to any extension of the Lease pursuant to Section 15.15 hereof, the term of this Lease shall be for thirty (30) years, commencing on the Effective Date.

ARTICLE 2 RENT AND OTHER PAYMENTS

2.1 Rent. Commencing on the Effective Date, through the last day of the term, Tenant shall pay, without notice or demand, to Landlord base rent in the amount of One Dollar and 00/100 (\$1.00) per each month of the term. Such base rent has been paid by Tenant in advance of the Effective Date in a single installment of Three Hundred and Sixty Dollars (\$360.00) and Landlord acknowledges the receipt of such pre-payment of base rent.

2.2 Taxes and Assessments. Tenant shall timely pay all real and personal property taxes, general and special assessments, and other charges of every description levied on or assessed against the Leased Premises, improvements or personal property located on or in the Leased Premises, the leasehold estate or any subleasehold estate, to the full extent of installments falling due during the term of this Lease, whether belonging to or chargeable against Landlord or Tenant. During the term Tenant agrees that it will also separately timely pay any municipal, county, state, or federal income or franchise taxes chargeable against Tenant (as opposed to the Leased Premises). The foregoing shall not relieve any third party from any liability it may have for the payment of taxes relating to any part of the Leased Premises, such as any real property taxes levied or assessed against or attributable to a sublease of any portion of the Leased Premises, nor shall Landlord be relieved from liability of payment of the same pursuant to any sublease of the Leased Premises in which Landlord is subtenant thereunder. Notwithstanding the foregoing or anything to the contrary herein, Landlord acknowledges that Tenant intends to apply for and seek an exemption from the payment of real property taxes for the Leased Premises pursuant to Section 214 of the California Revenue and Taxation Code and Landlord shall use commercially reasonable efforts to cooperate with Tenant in connection with the same. It is the

Parties' intention that this Lease should not create a possessory interest subject to property taxation

2.3 Right to Contest Taxes. Tenant may contest the legal validity or amount of any taxes, assessments, or charges for which Tenant is responsible under this Lease, and may institute such proceedings as Tenant considers necessary in connection with such contest. If Tenant contests any such tax, assessment, or charge, Tenant may withhold or defer payment of the same or pay the same under protest and such act shall not constitute a default under this Lease, provided that Tenant indemnifies and holds Landlord harmless from any damages arising out of the proceedings or contest in accordance with Section 15.3.1 hereof. Landlord appoints Tenant as Landlord's attorney-in-fact for the purpose of making all payments to any taxing authorities and for the purpose of contesting any taxes, assessments, or charges and shall cooperate with Tenant in connection therewith at all times that no Event of Default of Tenant beyond any applicable cure period exists hereunder. In the event Tenant contests the existence, amount of, or validity of such payment in accordance with Section 2.3 and Tenant is unsuccessful in its pursuit of the same, Tenant shall be solely responsible for any late penalties and fees associated with the same.

2.4 Landlord's Right to Pay Taxes. In the event an Event of Default remains uncured after applicable notice and cure periods, Landlord shall have the right, but not the obligation, to pay any real property taxes or assessments levied on the Leased Premises, provided that Landlord reasonably believes that failure to pay such taxes would create a substantial risk that all or any part of the Leased Premises would be taken or sold by the taxing authority. Prior to payment of such taxes Landlord shall provide Tenant written notice of Landlord's intent to pay such amount, which notice will describe in reasonable detail the tax and the amount Landlord intends to pay and provide Tenant a reasonable period (no less than thirty (30) days) to pay or contest the same before Landlord makes such payment. If Landlord pays any taxes pursuant to this Section, Tenant shall reimburse Landlord for the amount of taxes so paid and any penalties or costs associated with such payment to the extent (a) Tenant does not contest the validity of such payment or (b) if Tenant does contest the validity of such payment, that the final and unappealable judgment of a trier of fact determines the contested taxes were properly assessed.

2.5 Utilities. Tenant shall, during the term of this Lease, or any renewal or extension thereof, pay directly to the utility company or applicable governmental agency for all utilities used upon the Leased Premises, including without limitation, water, gas, heat, light, power, telephone service, refuse collection and removal, and all other services supplied to the Leased Premises.

ARTICLE 3 USE, MAINTENANCE AND IMPROVEMENTS

3.1 Limitations on Use. During the term of this Lease, the Leased Premises are leased to Tenant for the purpose of Tenant operating and maintaining the Hospital as a general acute care hospital and the MOB as a medical office building, and for providing any and all ancillary or other inpatient and outpatient health care services (including, without limiting the generality of the foregoing, rehabilitation, skilled nursing, subacute, psychiatric, primary care, home health, hospice, substance abuse, chemical dependency, or other specialty services,

diagnostic centers, outpatient service centers, clinics, medical office buildings, gymnasium, ambulatory surgery centers and all management and administrative services associated therewith or with managed care providers of such services), and for such ancillary uses as are not inconsistent with such hospital use (as to the Hospital) or medical office building use (as to the MOB) or for related health care uses (collectively, the “Permitted Use”), and for no other uses. Tenant shall operate and maintain the Leased Premises in accordance with the terms and conditions of the Affiliation Agreement and for the benefit of the communities served by the Landlord.

3.2 Compliance with Laws; Covenants, Conditions and Restrictions.

3.2.1 Tenant shall use the Leased Premises in material compliance with all applicable Laws. Such compliance shall include, subject to the terms of this Lease, including, without limitation Section 14.5, all state-mandated seismic requirements of Senate Bill 1953 as amended or modified during the term of the Lease. Tenant shall use the Leased Premises in compliance with all CC&Rs (defined below) existing as of the Effective Date and all amendments to any CC&Rs and all new encumbrances first entered into and recorded against the Leased Premises after the Effective Date and consented to by Tenant in accordance with this Section 3.2. In no event shall Landlord cause to be recorded or permit any third party (other than Tenant) to record against the Leased Premises any (i) lien, deed of trust, encumbrance, easement, covenant, condition and/or restriction (collectively “CC&Rs”) nor (ii) amendment, termination or rescission to any CC&Rs without first obtaining the prior written consent of Tenant thereto, which consent shall not be unreasonably withheld, conditioned or delayed, provided, in the event any of the foregoing would diminish Tenant’s rights or increase Tenant’s obligations under this Lease, Tenant may withhold its consent to the same in Tenant’s sole and absolute discretion.

3.2.2 Landlord shall perform all obligations of Landlord under any CC&Rs (to the extent not assumed by Tenant hereunder or under the Affiliation Agreement).

3.2.3 Tenant, at its sole cost and expense, shall have the right to contest the applicability, validity, interpretation, construction or noncompliance of or with any applicable Laws or CC&R now or hereafter in force and relating to Tenant or the Leased Premises, and in the event Tenant elects to exercise such right, Tenant shall diligently and expeditiously prosecute the appropriate proceeding, contest, or appeal. Landlord shall not be required to join in any proceeding or contest brought by Tenant unless the provisions of any Law require that the proceeding, contest, or appeal be brought by or in the name of Landlord or any owner of the Leased Premises. In that case, Landlord shall have the right, but not the obligation, to join in the proceeding, contest, or appeal or to permit the same to be brought in Landlord’s name as long as Landlord is not required to bear any cost or expense. If Tenant, within a reasonable time after any such final, non-appealable determination of the proceeding, contest, or appeal, as applicable, complies with the final, non-appealable determination resulting therefrom, the noncompliance of Tenant during the interim period shall not be deemed a default under this Lease.

3.3 Waste; Quiet Enjoyment. Tenant shall not commit or suffer to be committed any waste upon the Leased Premises. Landlord covenants and agrees that Tenant shall peacefully hold and enjoy the Leased Premises during the term hereof or any extension or renewal hereof, without interference or hindrance from Landlord or any person or persons holding or claiming

under Landlord in any manner whatsoever. Landlord shall not exercise its power of eminent domain, to the extent any such power exists under this Lease and/or applicable Laws, in any manner which would interfere with Tenant's operation of the Leased Premises.

3.4 Maintenance and Operation of Leased Premises. Tenant shall, at its sole cost and expense, operate and maintain the Leased Premises (including, but not limited to, all engines, boilers, pumps, machinery, apparatus, fixtures, fittings, and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Leased Premises) in the same condition and repair as of the Effective Date in accordance with applicable Laws and in a manner consistent with any approved MSP pursuant to Section 14.6 and otherwise at no less than the level of similar healthcare and hospital facilities owned by Sharp HealthCare or other similar owners of healthcare and hospitable facilities similar to the size, geographic region and in a similar community setting of the Hospital (the "Operating Standard"). Landlord shall not have any responsibility to maintain the Leased Premises or replace any fixture, equipment or other improvement located on the Leased Premises. Tenant hereby waives all right to make repairs at the expense of Landlord and to deduct the cost thereof from any payments due to Landlord under this Lease. All rights under California Civil Code Sections 1932(1), 1941, and 1942 or any law in replacement thereof, are hereby waived and released.

3.5 Alterations, Additions, and Improvements. Tenant may make any alterations, additions, or improvements to the Leased Premises without the consent of Landlord provided that (i) alterations, additions, or improvements are made in compliance with all applicable Laws, and (ii) the same are consistent with the Permitted Use, Section 14.5 and the MSP as described in Section 14.6. Landlord shall, at Tenant's sole cost and expense, reasonably cooperate with Tenant in connection with Tenant's performance any such alterations, addition and/or improvements, including, without limitation, in the preparation and submission of any documents, permit applications and/or entitlements, the execution and recordation of any easements and development agreements relating to the same. Title to all alterations, additions or improvements to the Leased Premises shall revert automatically to Landlord upon termination of this Lease in accordance with the Transfer Agreement, except as set forth in [Section 5.3][the Transfer Agreement].

ARTICLE 4 INSURANCE

4.1 Insurance Required. During the term of this Lease, Tenant shall, at Tenant's sole cost and expense, procure and maintain at all times in force and in effect, the following types of insurance:

4.1.1 Insurance against loss or damage by fire, lightning, vandalism, malicious mischief, and all other risks covered by an "all risk" insurance agreement then in use in the State of California, covering the Leased Premises in an amount equal to the "full replacement value" of the Leased Premises. As used in this Lease, the term "full replacement value" is the cost of replacing all improvements included in the Leased Premises with improvements of substantially like kind, quality, and capacity without deduction for depreciation, which shall be reviewed by

Tenant at least every five (5) years and within a reasonable time following any major capital improvements or additions made by Tenant to the Leased Premises.

4.1.2 Boiler and machinery insurance providing coverage on pressure vessels, auxiliary piping, pumps and compressors, refrigeration systems, HVAC systems, transformers, and miscellaneous electrical apparatus constituting part of the Leased Premises in reasonable and customary amounts, as determined by Tenant in its sole, but good faith discretion.

4.1.3 Comprehensive general liability insurance, including automobile liability, in reasonable and customary amounts as determined by Tenant in its sole, but good faith discretion, for death, injury, or damage to property.

4.1.4 Professional liability and malpractice insurance in reasonable and customary amounts as determined by Tenant in its sole, but good faith discretion.

4.1.5 All employees' compensation insurance on Lessee's employees required by worker's compensation laws and regulations of the State of California.

4.1.6 Such other insurance as Tenant determines in its sole, but good faith discretion, is customarily procured and maintained in connection with the lease and operation of hospitals and related facilities of similar size, geographic location and character to the Leased Premises.

4.2 Insurance Review. At the request of Landlord's Board of Directors (no more than once per calendar year unless an Event of Default exists under this Lease beyond all applicable notice and cure periods), Tenant further covenants and agrees to have Tenant's insurance coverage reviewed by an independent insurance consultant, qualified by training and experience to perform hospital insurance consultation, and, to the extent such recommendations are commercially reasonable and consistent with the Operating Standard.

4.3 Alternative Insurance Plans. In lieu of maintaining the insurance coverage required by Section 4.1, Tenant shall have the right to adopt such alternative risk management programs as Tenant's Board of Directors determines to be reasonable and which shall not have a material adverse effect on reimbursement from third party payors (an "Alternative Insurance Plan"), including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance, to participate with other health care institutions in mutual or other cooperative insurance or risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical malpractice liability, or to establish or participate in other alternative risk management programs. In the event Tenant elects to participate in such Alternative Insurance Plan, Tenant shall provide written notice thereof to Landlord and, upon the written request of Landlord's Board of Directors (but no more than once per calendar year unless an Event of Default exists under this Lease beyond all applicable notice and cure periods), Tenant shall have such Alternative Insurance Plan reviewed by an independent actuary who will provide a copy of such report thereof to the Landlord. Any Alternative Insurance Plan will provide for actuarially sound reserves. In the event the Tenant shall terminate such Alternative Insurance Plan and obtain commercial insurance in lieu of the same,

such policy and/or policies shall thereafter be maintained in accordance with the terms of this Lease.

4.4 Insurers; Policy Forms and Loss Payees. Each insurance policy required to be maintained by Tenant hereunder (excluding any Alternative Insurance Plan) shall be carried by stock, reciprocal, or mutual insurance companies that are financially responsible and capable of fulfilling the requirements of such policies. All such policies (except liability policies) shall name the Landlord and the Tenant as insured parties, beneficiaries, or loss payees as their interests may appear. Landlord and its Board of Directors shall be named as additional insureds on all liability insurance policies. Each policy shall be in such form and contain such provisions as are generally considered standard for the type of insurance involved and shall contain a provision to the effect that the insurer shall not cancel or substantially modify the policy provision without first giving at least thirty (30) days' written notice thereof to the Landlord and to the Tenant. In lieu of separate policies, Tenant may maintain blanket policies that cover any one or more risks required to be insured against so long as the minimum coverages required herein, if any, are met. Tenant shall file annually with the Landlord a certificate of insurance for each such policy, or in lieu of such certificate, a certificate signed by an officer of Tenant setting forth the policies of insurance maintained pursuant to this Lease, the names of the insurers and insured parties, the amounts of such insurance and applicable deductibles, the risks covered thereby, and the expiration dates thereof.

4.5 Disposition of Insurance Proceeds. The proceeds of any insurance required to be maintained under this Article 4 shall be made available to Tenant for payment of costs and expenses of repair. Any unused portion of any insurance proceeds over the amount required to complete any repair required under this Lease and/or cover any costs shall be retained by Tenant. Each of the Parties hereto agrees to sign any and all documents reasonably approved by the non-requesting Party and reasonably required by the other Party or the insurance company or companies that may be necessary for use in connection with the settlement of any loss under the appropriate insurance policies, provided that such documents are factually accurate and in no manner prejudicial to the interest of such party.

4.6 Waiver of Subrogation. Landlord and Tenant hereby release and relieve one another, and waive their entire right of recovery against the other, for loss or damage arising out of or incident to the perils insured against under this Article 4 which perils occur in, on, or about the Leased Premises to the extent insurance coverage is actually maintained or required to be maintained under this Lease by such waiving party. Prior to obtaining any policies of insurance, Landlord and Tenant shall give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease and each insurer issuing such insurance shall expressly acknowledge and consent to the foregoing waiver and shall expressly waive any right of subrogation on the part of the insurer against Landlord or Tenant, as the case may be, in accordance with the terms hereof.

ARTICLE 5

ACCEPTANCE AND SURRENDER OF LEASED PREMISES

5.1 Acceptance of Premises. On the Effective Date, Tenant accepts the Leased Premises in "as-is" condition.

5.2 Surrender of Premises; Transfer of Assets. On the last day of the term or sooner termination of this Lease, Tenant shall surrender to Landlord the Leased Premises (including all fixtures and alterations made thereto) in its then “as-is” condition; provided, however, the foregoing surrender condition does not absolve Tenant of any maintenance and repair obligations set forth in this Lease with respect to the Leased Premises. Landlord shall not be liable for any payment for any capital improvements or repairs made by Tenant to the Leased Premises except as otherwise provided in [Section 5.3 below] [the Transfer Agreement]. As further described in the Transfer Agreement, five (5) years prior to the expiration of the term of this Lease (or any earlier date requested by either Party), the Parties shall meet and confer to discuss the potential acquisition of the Leased Premises by Tenant, renewal and/or extension of the term of this Lease, or any other alternative arrangements that may be available under applicable Laws which would provide for Tenant’s continued operation and occupation of the Leased Premises.

5.3 Transfer and Assumption of Liabilities. *[Provisions requiring the return of assets related to the Business upon termination of the Lease and related obligations to be added. Such provisions shall address Health & Safety Code Section 32121(p)(2) requirements, as applicable.]*

5.4 Survival. This Article 5 shall survive the expiration or earlier termination of this Lease.

ARTICLE 6 DESTRUCTION DURING TERM OF LEASE

6.1 Restoration of Leased Property. If during the term of this Lease, the Leased Premises shall be partially or totally destroyed, whether or not from a risk covered by insurance, Tenant shall promptly and expeditiously make the repairs necessary to restore the Leased Premises to a condition for occupancy or use comparable to the condition thereof before such destruction (the “Restoration Work”); provided, however, if such Restoration Work requires substantial repairs to the Leased Premises which costs in excess of a commercially reasonable amount (after considering all insurance proceeds to be received or would be received if such insurance was carried by Tenant under this Lease) in Tenant’s reasonable discretion, then Tenant may elect, by delivery of written notice to Landlord within ninety (90) days following such destruction, to terminate this Lease. Tenant’s failure to deliver such termination notice within the aforementioned ninety (90)-day period shall be deemed Tenant’s election not to terminate this Lease pursuant to this Section 6.1. If Tenant elects (or is deemed to have elected) not to terminate this Lease pursuant to the preceding sentence this Lease shall not terminate and Tenant shall promptly and expeditiously perform such Restoration Work pursuant to plans and specifications prepared by Tenant and reasonably approved by Landlord. Notwithstanding the foregoing, if Tenant elects to terminate this Lease, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Article 4 of this Lease and thereafter neither Landlord nor Tenant shall have any further liability hereunder, excluding those provisions which are expressly intended to survive the termination or expiration of this Lease. All Restoration Work made to the Leased Premises by Tenant pursuant to this Section 6.1 shall be deemed a part of the Leased Premises and shall, at the end of the term, belong solely to Landlord, and Tenant shall not have any right to reimbursement or refund from Landlord for such Restoration Work upon the termination or expiration of this Lease except as

provided in Article 5. Notwithstanding anything to the contrary herein, subject to Tenant's obligations under Section 3.2 hereof, the Restoration Work required of Tenant hereunder shall not be deemed to include any alterations, additions and/or improvements to the Leased Premises made solely at the election of Tenant during the term of this Lease provided that the Restoration Work will include the Seismic Updates (to the extent the same were complete prior to the applicable damage or destruction).

6.2 No Abatement of Payments; Insurance Proceeds. Tenant shall not be entitled to any abatement or reduction in rent due under this Lease while such repairs are being made and, unless this Lease is terminated, Tenant shall continue to pay all amounts due or payable pursuant to this Lease. If the Leased Premises are to be repaired in accordance with this Lease, Tenant hereby waives the provisions contained in California Civil Code Sections 1932(2) and 1933(4) or any laws replacing or modifying such provisions. Except as set forth above in Section 6.1, Tenant shall be entitled to all insurance proceeds payable pursuant to any coverage maintained by Tenant (including Tenant's business interruption coverage). Each of the parties hereto shall sign any and all commercially reasonable documents reasonably required by the other party or the insurance company or companies that may be necessary for use in connection with the settlement of any loss under the appropriate insurance policies, provided that such documents are factually accurate and in no manner prejudicial to the interest of such party.

6.3 End of Term. Notwithstanding anything to the contrary herein, Tenant shall have the right to terminate this Lease if, during the last two (2) years of the term, the Leased Premises is partially or totally destroyed, whether or not from a risk covered by insurance and whether or not the Restoration Work is commercially feasible, by delivering written notice of such election to Landlord, whereupon neither Landlord nor Tenant shall have any further liability hereunder, excluding those provisions which are expressly intended to survive the termination or expiration of this Lease.

ARTICLE 7 CONDEMNATION

7.1 Taking. In the event that the Leased Premises or any portion thereof are taken by eminent domain, or by inverse condemnation, or for any public or quasi-public use under any statute, the rights of the parties with respect to term, the rent and the award shall be as the parties then agree to be just and equitable under all the circumstances, regardless of any technical rule of law, considering the rights of any leasehold, fee, or mortgage, the economics of operating any remaining portion of the Leased Premises and improvements, the cost of restoration, and the balance of the term remaining, among other relevant considerations. If Landlord and Tenant do not agree within sixty (60) days after the amount of the award is finally determined, the undecided questions shall be decided pursuant to Section 15.9 of this Lease. The foregoing notwithstanding, the disposition of any such award shall be governed by the provisions of any indenture, loan agreement, deed of trust, or similar document relating to any obligation of Tenant outstanding as of the date of the receipt of such award. Upon service on either party hereto of any legal process in connection with any condemnation proceedings, the party so served shall promptly give notice thereof to the other party hereto. This Section 7.1 shall survive the expiration or earlier termination of this Lease.

ARTICLE 8 DEFAULT

8.1 Tenant Events of Default. Each of the following events (each, an “Event of Default”) shall be a default by Tenant and a breach of this Lease if not cured within the period set forth in Section 8.3 hereof:

8.1.1 Abandonment, vacation, or surrender of the Leased Premises or of the leasehold estate by Tenant prior to the expiration or earlier termination of this Lease;

8.1.2 Tenant’s failure or refusal to pay when due any amounts due or payable under this Lease to be paid by Tenant;

8.1.3 Tenant’s failure to perform or observe any other covenant or condition of this Lease to be performed or observed by Tenant.

8.1.4 The subjection of any right or interest of Tenant to attachment, execution, or other levy, or to seizure under legal process, if not released (by bond or otherwise) within thirty (30) days.

8.1.5 The appointment of a receiver to take possession of the Leased Premises or improvements, or of Tenant’s interest in the leasehold estate, or of Tenant’s operations on the Leased Premises for any reason.

8.1.6 Tenant shall commence a voluntary case or other proceeding under the laws of any jurisdiction seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law, or seeking the appointment of a trustee, self-trusteeship, receiver, custodian, or other similar official of it or any substantial part of its property; or shall consent to any such relief or to the appointment of, or taking possession by any such official in an involuntary case or other proceeding commenced against it; or shall make an assignment for the benefit of creditors.

8.1.7 An involuntary case or other proceeding shall be commenced under the laws of any jurisdiction against Tenant seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, custodian, or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of thirty (30) days or a trustee, receiver, custodian or other official shall be appointed in such involuntary case.

8.1.8 So long as the provisions of Sections 8.1.4, 8.1.5 and 8.1.6 authorizing termination of the Lease upon bankruptcy of Tenant are unenforceable under bankruptcy law, then the following provisions shall apply:

(a) In the event that Tenant files a petition for relief under any chapter of the Bankruptcy Code, and Tenant’s trustee or Tenant, as debtor-in-possession, has failed to perform all of Tenant’s obligations under this Lease within the time periods required for such

performance, no election by Tenant's trustee or Tenant, as debtor-in-possession, to assume this Lease shall be effective unless each of the following conditions has been satisfied:

(1) Tenant's trustee or Tenant, as debtor-in-possession, has cured all defaults under this Lease, or has provided Landlord with adequate assurance (as defined below) that it will cure all Events of Default susceptible of being cured by the payment of money within sixty (60) days from the date of such assumption and that it will cure all other defaults under this Lease which are susceptible of being cured by the performance of any act promptly after the date of such assumption.

(2) Tenant's trustee or Tenant, as debtor-in-possession, has compensated, or has provided Landlord with adequate assurance that within sixty (60) days from the date of such assumption it will compensate, Landlord, or provide adequate assurance that Landlord will be compensated, for any actual pecuniary loss payable to Landlord in accordance with the provisions of this Lease and incurred by Landlord arising from the Event of Default of Tenant, Tenant's trustee, or Tenant, as debtor-in-possession, as debtor-in-possession.

(3) Tenant's trustee or Tenant, as debtor-in-possession, has provided Landlord with adequate assurance of the future performance of each of the obligations under this Lease of Tenant, Tenant's trustee or Tenant, as debtor-in-possession, and, if Tenant's trustee or Tenant, as debtor-in-possession, has provided such assurance, Tenant's trustee or Tenant, as debtor-in-possession, to the reasonable determination of Landlord that all the terms and provisions of this Lease shall have been complied with. The obligations imposed upon Tenant's trustee or Tenant, as debtor-in-possession, by this paragraph shall continue with respect to Tenant or any assignee of this Lease after the completion of bankruptcy proceedings.

(b) In the event that this Lease is assumed and not assigned in accordance with Section 8.1.8(a), and thereafter Tenant files a subsequent petition for reorganization or adjustment of debts under Chapter 11 or such other applicable section of the Bankruptcy Code, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder by giving Tenant notice of its election to so terminate within thirty (30) days after the occurrence of either of such events.

(c) If Tenant's trustee or Tenant, as debtor-in-possession, has assumed this Lease pursuant to the terms and provisions of Section 8.1.8(a) for the purpose of assigning (or elects to assign) this Lease, this Lease may be so assigned only if the proposed assignee has provided adequate assurance of future performance of all of the terms, covenants, and conditions of this Lease and of any agreements collateral to this Lease to be performed by Tenant. Landlord shall be entitled to receive all cash proceeds of such assignment to the extent of amounts due or payable by Tenant to Landlord hereunder. As used herein "adequate" assurance of future performance" shall mean that no less than that each of the following conditions has been satisfied:

(1) The proposed assignee has furnished Landlord with either (i) a current financial statement audited by a Certified Public Accountant indicating a net worth and working capital in amounts which Landlord reasonably determines to be sufficient to assure the future performance by such assignee of Tenant's obligations under this Lease or (ii) a

guaranty or guaranties, in form and substance satisfactory to Landlord, from one or more persons with a net worth equal to or in excess of One Hundred Million Dollars (\$100,000,000) ("Initial Net Worth Amount"), which amount is not more than the net worth of Tenant as of the Effective Date. The minimum net worth amount described in the preceding sentence shall be subject to adjustment at the commencement of the second year of the term of this Lease and each year thereafter (the "Adjustment Date") as follows:

The base for computing the adjustment is the Consumer Price Index (all items) for the San Diego-Chula Vista-Carlsbad Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is in effect on the date of the commencement of the term ("Beginning Index"). The Index published most immediately preceding the adjustment date in question ("Extension Index") is to be used in determining the amount of the adjustment. If the Extension Index is increased over the Beginning Index, the minimum net worth amount for the following year until the next net worth adjustment shall be determined by multiplying the minimum net worth amount set forth above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index. In no case shall the minimum net worth amount be less than the Initial Net Worth Amount. If the Index is changed so that the base year differs from that in effect when the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same economic effect as intended by the parties.

(2) Landlord has obtained all consents or waivers from others required under any loan agreement, bond indenture, and financial arrangement or other agreement by which Landlord is bound in order to permit Landlord to consent to such assignment.

(3) The proposed assignment shall not release or impair any guaranty of the obligations of Tenant (including the proposed assignee) under this Lease.

(4) In the opinion of nationally recognized bond counsel, the proposed assignment shall not adversely affect the tax-exempt status of bonds issued by or for the benefit of Landlord or Tenant or for the benefit of any obligated group of which Tenant is a member (if any).

8.1.9 It is understood and agreed that all covenants and agreements of Tenant contained in this Lease are conditions and Tenant's failure to observe or perform any of the same shall constitute a default by Tenant. If any such default by Tenant continues uncured following notice of default as required by this Lease for the applicable period set forth in Section 8.3, Landlord may, at any time thereafter, elect to terminate this Lease.

8.1.10 Tenant's material default in the performance or observance of any of the terms and provisions of the Transfer Agreement or Tenant's or Sharp HealthCare's material default in the performance or observance of any of the terms and provisions of the other Affiliation Agreements shall constitute a default under the terms of this Lease. If any such default by Tenant or Sharp HealthCare under the Affiliation Agreements continues uncured

following notice of default as required by this Lease for the applicable period set forth in Section 8.3, Landlord may, at any time thereafter until such default is cured, elect to terminate this Lease.

8.1.11 A Change of Control of Sharp Healthcare, other than to a Qualified Health Operator.

8.2 Notice and Right to Cure. As a condition to pursuing any remedy for an alleged default of Tenant, Landlord shall first deliver written notice of such default to Tenant, Sharp HealthCare and to any trustee under any indenture, provided any such trustee has given Landlord written notice of its desire to receive any notices of default. Each notice of default shall specify in detail the alleged Event of Default.

8.3 Tenant's Right to Cure. If the alleged default is nonpayment of taxes or other sums to be paid by Tenant as provided in Article 2 or elsewhere in this Lease, Tenant shall have thirty (30) days after notice is given to cure the default. For the cure of any other default, Tenant shall promptly and diligently after notice commence curing the default and shall have a reasonable period of time, in light of the circumstances, to complete the cure. Any trustee entitled to receive a notice of default pursuant to Section 8.2 shall be entitled, directly or through a third party appointed by such trustee, to cure any Event of Default hereunder, and Landlord shall accept such performance as if made by Tenant, provided such cure is completed within the time period specified in this Section 8.3.

8.4 Remedies. If any Event of Default by Tenant hereunder continues uncured following notice of default as required by this Lease for the period applicable to the default under Section 8.3 above, Landlord has the following remedies, in addition to the rights and remedies provided by law or equity, all of which Landlord may resort cumulatively or in the alternative, except as otherwise stated below:

8.4.1 (a) Landlord may at its election terminate this Lease by giving Tenant notice of termination. On the giving of notice, all Tenant's rights in the Leased Premises and improvements shall terminate. Promptly after notice of termination, Tenant shall surrender and vacate the Leased Premises and all improvements as provided and subject to in Article 5.

(b) Termination under this subsection 8.4.1 shall not relieve Tenant from the obligation to pay any other sums then due to Landlord or from any claim for damages by Landlord previously accrued or thereafter accruing against Tenant. The election of the remedy provided in this subsection 8.4.1 shall prohibit Landlord from exercising any of its other rights or remedies under this Section 8.4.

(c) The right of termination contained in this Section 8.4.1. may be exercised only if prior to the termination becoming effective, Landlord shall have assumed in writing all of Tenant's liabilities pursuant to the Transfer Agreement and otherwise complied with all obligations of Landlord under the Transfer Agreement.

(d) If required by applicable Law, Landlord shall use reasonable efforts to mitigate any damages incurred by Landlord as a result of Tenant's default hereunder. In determining the amount of loss which Landlord suffers by reason of termination of this Lease,

allowance shall be made for the expense of repossession and any necessary repairs, but not for any remodeling undertaken by Landlord following repossession nor any brokerage commissions or fees paid for releasing the Leased Premises.

8.5 Landlord's Right to Cure Default. In the event Tenant shall fail to pay and discharge or cause to be paid and discharged, when due and payable, any tax, assessment, or other charge upon or in connection with the Leased Premises, or any lien or claim for labor or material employed or used in, or any claim for damage arising out of, the construction, the repair, or restoration, replacement, and maintenance, and use of the Leased Premises, or any judgment on any contested lien or claim thereof, or any insurance premium or expense in connection with the Leased Premises, or any claim, charge or demand which Tenant has agreed to pay or cause to be paid under the covenants and conditions of this Lease, and if Tenant, after written notice from Landlord so to do as set forth in Section 8.3 shall fail to pay and discharge the same, then Landlord may, at its option, pay any such tax, assessment, insurance expenses, lien, claim, charge, or demand, or settle or discharge any action therefor, or judgment thereon. All costs, expenses, or other sums incurred or paid by Landlord in connection with any of the foregoing shall be paid by Tenant to Landlord together with interest thereon equal to the Prime Rate. Any default in such payment shall constitute a breach of the covenants and conditions of this Lease. All amounts owing by Tenant hereunder shall constitute additional rent.

8.6 Landlord Default. *[Provisions related to events of default by Landlord and STCMC's rights and remedies following Landlord's default to be added.]*

8.7 Waiver of Default. No waiver by Landlord or Tenant of any violation or breach of any of the terms, provisions, and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provision, and covenants of this Lease. Forbearance by Landlord or Tenant in enforcement of one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such Event of Default. The acceptance of any payments hereunder by either Party following the occurrence of any default, whether or not known to such Party, shall not be deemed a waiver of any such default, except only a default in the payment of the amount so accepted.

ARTICLE 9 SURRENDER, HOLDING OVER

9.1 Surrender of Lease. The voluntary or other surrender of the Lease by Tenant, or a mutual cancellation or rescission thereof, shall not create a merger and shall operate as an assignment to Landlord of all existing and valid subleases, subtenancies, or contracts relating to the use or operation of the Leased Premises as and to the extent described in the Transfer Agreement.

9.2 Holding Over. If Tenant shall, with the knowledge and consent of Landlord, continue to remain in possession of the Leased Premises after the expiration of the term of this Lease or any renewal or extension hereof, such holding over shall be on a month-to-month basis and shall not constitute a reletting or releasing on the Leased Premises. Such tenancy from month-to-month shall be on the same terms established for the last year of the term of this Lease

and upon the same terms and conditions herein specified and shall continue to be such until thirty (30) calendar days after Tenant shall have given to Landlord, or Landlord shall have given to Tenant, a written notice of termination of such monthly tenancy. Nothing contained herein shall be construed as a consent by Landlord to the occupancy or possession of the Leased Premises by Tenant after the expiration of the term hereof.

ARTICLE 10

RIGHT OF FIRST REFUSAL; DISPOSITION OF PERSONAL PROPERTY

10.1 Right of First Refusal. In the event Landlord, at any time during the term of this Lease, including any renewal or extension hereof, desires to sell, assign, or in any manner transfer all or any portion of Landlord's interest in the Leased Premises, Landlord shall give to Tenant written notice of its intention to sell, assign, or transfer such interest, which notice shall name a bona fide proposed purchaser, assignee, or transferee, the interest to be sold, assigned, or transferred, the purchase price, and the other material terms ("Offer Notice"). Tenant shall then have an option to purchase such interest for the price and on the terms set forth in the Offer Notice. If Tenant elects to exercise such option, Tenant shall send written notice of such election ("Acceptance Notice") to Landlord in the manner specified under Section 15.10 within ninety (90) days after receipt of the Offer Notice. Tenant's failure to send such Acceptance Notice within such ninety (90)-day period ("Acceptance Period") shall be deemed Tenant's rejection of the Offer Notice and except as set forth below in this Section 10.1, this Section 10.1 shall be of no further force or effect thereafter. Such Acceptance Notice shall be accompanied by an opinion of nationally recognized bond counsel that the proposed sale, assignment, or transfer shall not affect the tax-exempt status of any indebtedness of Tenant outstanding at the time of such proposed transfer. Upon Tenant's exercise of such option during the Acceptance Period, Landlord and Tenant shall cause such sale, assignment, or transfer to be consummated within a reasonable time and shall execute and deliver all necessary documents. In the event Tenant fails to timely send an Acceptance Notice during the Acceptance Period, Landlord may sell, assign, or transfer no less than all of the interest that is the subject of the Offer Notice to the person and for the price and on the same terms specified in the Offer Notice. However, Tenant's right of first refusal shall continue in existence and Landlord shall then be obligated to give a new Offer Notice (i) if Landlord fails to consummate the sale contemplated by the Offer Notice upon the terms set forth in the Offer Notice within eighteen (18) months following the Acceptance Period; or (ii) if at any time the purchase price set forth in the declined Offer Notice is reduced to an amount that is 95% of the original purchase price presented in the declined Offer Notice.

ARTICLE 11

PRIORITY, ESTOPPELS AND EASEMENTS

11.1 Priority. Except for encumbrances existing on the Effective Date and the easements, covenants, conditions, and restrictions created in accordance with Section 11.3, if any, the leasehold estate created hereby is and shall be prior and superior to any deed of trust, mortgage, or security lien ("Lien") hereafter placed upon the Leased Premises by Landlord.

11.2 Estoppel Certificate. Each party, within ten (10) business days after notice from the other party, shall execute and deliver to the other party in recordable form, a certificate stating that this Lease is unmodified and in full force and effect, or in full force and effect as

modified, and stating the modifications. The certificate also shall state the amount of payments due under this Lease, the dates to which such amounts have been paid in advance, the amount of any security deposit and the nature and extent of any then-existing default or breach of this Lease by the party requesting the certificate. Failure to deliver the certificate within such ten (10) business day period shall be conclusive upon the party failing to deliver the certificate for the benefit of the party requesting the certificate and any successor to the party requesting the certificate, that this Lease is in full force and effect and has not been modified and no default or breach exists, except as may be represented by the party requesting the certificate. If a party fails to deliver the certificate within such 10-business day period, the party failing to deliver the certificate irrevocably constitutes and appoints the other party as its special attorney-in-fact to execute and deliver the certificate to any third party. Any third party shall be entitled to conclusively rely upon any certificate delivered in accordance with this Section 11.2.

11.3 Easement, Restrictions. Landlord shall execute whatever documents Tenant reasonably requests to impose upon the Leased Premises such easements, covenants, conditions, and restrictions for parking, ingress, egress and utilities as are reasonably required by Tenant in connection with the orderly operation and development of the Leased Premises; provided that Landlord shall not be required to execute any such document which would have a material adverse effect upon the use of the Leased Premises as provided for in Section 3.

ARTICLE 12 REPRESENTATIONS AND WARRANTIES OF LANDLORD

Landlord hereby makes for the benefit of Tenant the representations and warranties made by Landlord in Sections [] of the Affiliation Agreement:

ARTICLE 13 REPRESENTATIONS AND WARRANTIES OF TENANT

Tenant hereby makes for the benefit of Landlord the representations and warranties made by Tenant in Sections [] of the Affiliation Agreement.

ARTICLE 14 ADDITIONAL COVENANTS OF TENANT

14.1 Continuous Operation. From the Effective Date, subject to force majeure, casualty and any Taking, Tenant shall continuously operate the Hospital as a community hospital and related health care facility. Tenant shall operate the Leased Premises and its health facilities in accordance with the Affiliation Agreement.

14.2 Assignment or Subletting.

14.2.1 Tenant shall have the right to assign this Lease or sublease all or any portion of the Leased Premises in connection with a Permitted Transfer (as defined in the Affiliation Agreement).

14.2.2 Tenant shall also have the right to sublease any portion of the MOB to any third party provided such sublease is consistent with the Permitted Use and the Operating Standard.

14.2.3 Tenant shall also have the right to transfer or assign this Lease to any party consented to by Landlord pursuant to Section 9.3.3. of the Affiliation Agreement.

14.3 Landlord Use of Hospital.

14.3.1 [Office Sublease]. Tenant and Landlord shall enter into a sublease in the form attached as [Exhibit ___] hereto, pursuant to which Landlord shall have the right to use certain meeting and/or office facilities on the Leased Premises for regular and special meetings of Landlord's Board of Directors and committees pursuant to the terms thereof ("Office Sublease"), provided, Landlord shall not be obligated to pay any rent under such Office Sublease.]

14.3.2 Conference Facilities. Landlord shall have the right to use meeting or conference facilities on the Leased Premises for regular and special meetings of Landlord's Board of Directors and committees, provided that Landlord reasonably schedules the same with Tenant in advance. Landlord shall not be obligated to pay any rent for such use of the meeting or conference facilities.

14.4 Entry. Landlord shall appoint a Facilities Committee to periodically conduct an inspection of the Leased Premises, provided such periodic inspection shall occur no more frequently than twice per calendar year. Tenant shall reasonably cooperate with Landlord in facilitating these inspections and, following such inspection, Landlord's Facilities Committee shall provide a report to Tenant of items it reasonably determines are in need of maintenance and/or repair, if any. In the event Landlord reasonably determines the items identified in such report have not been satisfactorily maintained or repaired, Landlord shall provide written notice thereof (together with reasonable supporting documentation for the same) to Tenant ("Maintenance Request Notice"), which Maintenance Request Notice shall describe the corrective action Landlord desires to be performed. Landlord and Tenant shall reasonably cooperate in connection with the repair of any items identified in a Maintenance Request Notice or to include the same in the next MSP (defined below). For any item set forth in a Maintenance Request Notice which is not then included in an MSP, if Landlord determines that such item has not been satisfactorily corrected within a reasonable time frame following receipt of such Maintenance Request Notice, Landlord shall have the option to invoke the dispute resolution process set forth in Section 15.5.2.

14.5 Seismic Updates. Tenant agrees to evaluate and commit sufficient reasonable capital to achieve seismic compliance for the maintenance of a minimum of 175 licensed hospital beds at the Hospital through (a) retrofitting the Leased Premises (which the Parties acknowledge shall not be conditioned on whether the Parties are able to realize a successful general obligation (GO) bond measure in accordance with the Affiliation Agreement); or (b) replacement of all or a portion of the Leased Premises (which the Parties acknowledge shall be conditioned upon receipt of funds from a successful GO bond measure in accordance with the Affiliation Agreement) (the

“Seismic Updates”). The specific plan for the design, completion, and funding of the Seismic Updates shall be described in an MSP (defined below).

14.6 Facility Report and Master Site Plan of the Hospital.

14.6.1 Tenant covenants and agrees to provide Landlord on an annual basis with a “State of the Facility Report” to include information about capital planning and expenditures at the Hospital (including, without limitation, the Seismic Updates) and provide Landlord with third-party and regulatory body inspection reports semi-annually. Landlord and Tenant agree that the Landlord’s Facility Committee shall meet periodically with Tenant’s Facilities Committee to discuss matters related to capital planning and the condition of the Hospital.

14.6.2 Tenant also covenants and agrees to update the Hospital’s Master Site Plan (“MSP”) at a minimum of every five (5) years beginning with the first update in [____], and shall deliver the updated MSP to Landlord at least sixty (60) days before the annual joint meeting. Landlord shall have the right (but not the obligation) to participate in public workshop meetings with Tenant to review the proposed MSP.

14.6.3 Tenant agrees to be responsible for financing any capital improvements contemplated by an MSP, including the Seismic Updates, as and to the extent described in the MSP (subject to the GO Bond as described in the Affiliation Agreement).

14.7 License; Accreditation. Tenant shall comply with the licensure and accreditation requirements of TCMC set forth in the Affiliation Agreement.

14.8 Medicare/Medi-Cal. Tenant shall participate in the Medicare and Medi-Cal programs and provide services to Medicare and Medi-Cal beneficiaries in a non-discriminatory manner.

14.9 Termination of Core Services. [Landlord has entered into this Lease for the benefit of the communities served by Landlord. Landlord believes that the communities’ interests will be advanced by Tenant’s operation and maintenance of the Hospital and its core services. Attached hereto as Schedule 14.9, and incorporated herein by this reference, is a list of the Hospital’s core services. Tenant shall not terminate or materially reduce any of the listed core services without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Any decrease in utilization not caused by Tenant shall not violate the preceding sentence. It shall be unreasonable for Landlord to withhold its consent if: the level or type of service is no longer appropriate for a health care institution or facility of the size and in the community setting of the Leased Premises; the quality of the service cannot be adequately maintained with available resources; budget restraints do not permit the continuation of the level or type of service; the level or type of service is no longer financially feasible; or, a statute, rule, regulation, or other governmental action has a material adverse effect on the ability of the Hospital to maintain the level or type of service. Landlord desires that the persons residing in the communities served by the Landlord have an opportunity to comment on a proposed termination or material reduction of any core service of the Hospital. Tenant shall give Landlord sixty (60) days’ prior written notice of any proposed termination or material reduction of a core service (other than a decrease in utilization). If Landlord wishes to hold a public hearing, such core

service may only be materially reduced or terminated after a noticed public meeting has been held by Landlord's Board of Directors, at which the public and Landlord has had an opportunity to comment on the proposed reduction or termination. Such public meeting shall be held within sixty (60) days following Tenant's notice provided hereunder. A representative of Tenant's Board of Directors shall attend such public meeting].

14.10 Accounting Records and Financial Statements. Tenant covenants and agrees at all times to keep, or cause to be kept, proper accounting records prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Tenant, including, without limitation, operations of the Leased Premises. Tenant further covenants and agrees to have prepared within one hundred sixty (160) days after the end of each fiscal year, complete financial statements for such fiscal year together with the report and opinion of a Certified Public Accountant stating that Sharp HealthCare's consolidated financial statements have been prepared in accordance with generally accepted accounting principles and that such accountant's examination of the financial statements was performed in accordance with generally accepted auditing standards. The consolidated schedules regarding Tenant contained in Sharp HealthCare's consolidated audited financial statements shall satisfy Tenant's foregoing obligation regarding the preparation of financial statements. The accounting records and financial statement and audit report (to the extent applicable to Tenant), and insurance policies shall be available for inspection no more than once per quarter of each calendar year (unless there has occurred an Event of Default of Tenant under this Lease beyond all applicable notice and cure periods) by the Landlord at the offices of Tenant upon reasonably prior written notice during regular business hours.

14.11 Performance Criteria. During the term of this Lease, Tenant shall use best efforts to pay its obligations to its creditors in accordance with the terms of any such agreement relating to the same. Notwithstanding the foregoing, Tenant may contest any such obligations or withhold or defer payment of any such obligations if Tenant, in the exercise of its reasonable business judgment, chooses to do so. Any such contesting, withholding, or deferral shall not constitute a default under this Lease.

ARTICLE 15 MISCELLANEOUS

15.1 Waiver of Conditions. The conditions to each of the parties' obligations to consummate this Lease are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Laws.

15.2 Waiver of Consequential Damages. Notwithstanding anything in this Lease to the contrary, neither party shall be liable to the other for consequential, incidental, punitive, exemplary, special or indirect damages (including without limitation, lost profits, loss of income, loss of business, loss of goodwill, lost opportunity, reputational damage, interest on monies), whether arising in tort, contract, under any statute, under any indemnity provision or otherwise, and each party hereby waives any claims against the other related thereto. The parties intend that the limitations under this Section imposed on remedies and the measure of damages be without regard to the cause(s) related thereto, including, without limitation, the negligence or strict

liability of any party, whether such negligence be sole, joint or concurrent, or active or passive. The terms of this Section shall survive the expiration or earlier termination of this Lease.

15.3 Indemnification. The indemnification provisions of the Affiliation Agreement shall apply in connection with this Lease.

15.4 Attorney's Fees. In the event that any claim or contest regarding this Lease is brought by one Party to this Lease against another Party or Parties, the Party or Parties against whose favor such claim or contest is resolved shall pay all costs and reasonable attorneys' fees incurred by the other party or parties as a result of such claim or contest (including attorneys' fees and costs incurred in collecting any judgment), together with interest on any amount recovered (other than attorneys' fees) from the date judgment is entered at the maximum amount permitted by applicable Laws.

15.5 Governing Law; Waiver of Jury Trial.

15.5.1 This Lease (including the Schedules and Exhibits attached hereto), and any action arising or relating to this Lease, shall be governed by and construed in accordance with the internal laws of the State of California, applicable to agreements executed and performed entirely within the State of California, without giving effect to any choice or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of California.

15.5.2 EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS LEASE OR THE OTHER TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS LEASE, THE OTHER TRANSACTION DOCUMENTS OR THE TRANSACTION OR THEREBY. EACH PARTY TO THIS LEASE CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (ii) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS LEASE BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.5.

15.6 Severability. If any term or provision (or any portion thereof) of this Lease, or the application of any such term or provision (or any portion thereof) to any person or circumstance, is invalid, illegal or unenforceable in the State of California, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Lease or invalidate or render unenforceable such term or provision, and this Lease shall be reformed, construed and enforced as if such invalid, illegal or unenforceable term or provisions or any portion hereof had never been contained herein. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall use commercially reasonable efforts to modify this

Lease so as to affect the original intent of the Parties as closely as possible in a mutually acceptable manner.

15.7 Interpretation. For purposes of this Lease, (a) the words “include,” “includes” and “including”, unless otherwise specified, shall be deemed to be followed by the words “without limitation” whether or not such words are actually stated; (b) the word “or” is not exclusive; (c) the words “herein,” “hereof,” “hereby,” “hereto”, “hereunder” and derivative or similar words refer to this Lease as a whole, including the Schedules and Exhibits hereto; (d) words in the singular shall be held to include the plural and vice versa, and words of one gender shall be held to include the other gender as the context requires; (e) references to “dollars” or “\$” shall mean United States dollars; (f) references to “written” or “in writing” include in electronic form; (g) provisions shall apply, when appropriate, to successive events and transactions; (h) a reference to any Person includes such Person’s successors and permitted assigns; (i) any reference to days means calendar days unless business days are expressly specified; (j) when calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Lease, the date that is the reference date in calculating such period shall be excluded, and if the last day of such period is not a business day, the period shall end on the next succeeding business day; and (k) all references to “close of business” on any given day shall be deemed to refer to 11:59 p.m. Pacific Time on such date. Unless the context otherwise requires, references herein: (i) to Articles, Sections, Schedules and Exhibits mean the Articles and Sections of, and Schedules and Exhibits attached to, this Lease; (ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (iii) to a statute or regulation or statutory or regulatory provisions means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Lease shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Lease to the same extent as if they were set forth verbatim herein.

15.8 Headings. The headings in this Lease are for reference only and shall not affect the interpretation of this Lease.

15.9 Dispute Resolution. The parties shall attempt to resolve through negotiation any controversy, dispute or claim arising out of or relating to this Lease, or the breach thereof (each, a “Dispute”). Either party may initiate negotiations by delivering written notice to the other party specifying the subject of the dispute (the “Dispute Notice”). The parties shall negotiate in good faith, which shall include a meet-and-confer between the principals of each Party.

15.9.1 Mediation. If the Dispute is not resolved by the date that is thirty (30) days the following the meeting of the principals of each Party, then it may be submitted, at the option of Landlord or Tenant, to mediation. The mediation shall occur within thirty (30) days after the expiration of the Negotiation Period, or as soon thereafter as is reasonably practicable. A single disinterested third-party mediator shall be selected by mutual agreement of the parties. If the parties are unable to mutually select a mediator within fifteen (15) days, then a mediator shall be selected by JAMS/Endispute (“JAMS”) with its then current Rules of Practice and

Procedure. The rules of the mediation shall be the Rules of Practice and Procedure of JAMS as may be modified by the parties to the mediation by mutual agreement at the time of the mediation. The mediator shall be bound by the terms of this Lease. Each party shall pay one-half the cost of mediation including the mediator's fees. Attorneys' fees shall be awarded separately as provided in this Lease.

15.9.2 If the parties are unable to resolve such Dispute during the mediation, the mediator shall issue in writing a settlement proposal regarding the Dispute (the "Settlement Proposal"). The Settlement Proposal shall be non-binding, but upon mutual written agreement between Landlord and Tenant, the Settlement Proposal rendered by the mediator(s) may be mutually accepted as binding and, in such event, shall be entered in any court having jurisdiction thereof. In the event that either Landlord or Tenant does not accept any such Settlement Proposal, either Party may bring an action in a court of competent jurisdiction to resolve such Dispute.

15.10 Notices. All notices, requests, demands or other communications required or permitted to be given under this Lease shall be in writing and shall be delivered to the Party to whom notice is to be given either (i) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (ii) by reliable next business day courier services (e.g., Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following the date of deposit with the courier service); (iii) by email transmission as long as a copy of the notice is also sent on the same date by another means permitted under this Section (in which case such notice shall be deemed given on the date the email is transmitted); or (iv) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (3rd) day following the date of mailing), and in each instance properly addressed as follows:

To Landlord: _____

Email: _____

With a copy to:
Attn.: _____

Email: _____

To Tenant : Sharp HealthCare
 President and Chief Executive Officer
 8695 Spectrum Center Boulevard
 San Diego, CA 92123
 Email: <mailto:Chris.Howard@sharp.com>

With a copy to: Sharp HealthCare
Attn.: Senior Vice President and General Counsel
8695 Spectrum Center Boulevard
San Diego, CA 92123
Email: LegalDept@sharp.com

And a copy to: Paul Carr-Rollitt
Manatt, Phelps & Phillips, LLP
2049 Century Park East
Suite 1700
Los Angeles, CA 90067
Email: pcarr-rollitt@manatt.com

A Party may change its addresses for purposes of this Section by giving written notice to the other Party in any manner specified in this Section.

15.11 Covenant Not to Compete. To the extent permitted by Law, Landlord hereby covenants that at all times during the term of this Lease, Landlord shall not directly or indirectly, except as a consultant or contractor to or of Tenant or any affiliated entity, own, lease, manage, operate, control, or participate in any manner with the ownership, leasing, management, operation or control of a general acute care hospital within the boundaries of the Tri-City Health Care District.

15.12 Definitions. Any capitalized terms not otherwise defined herein shall have the definitions contained in the Affiliation Agreement. The term “Indenture” shall mean any indenture or master indenture, or any supplement thereto or similar instrument designed to substitute a new obligation or existing obligation under an indenture, or any loan agreement, or similar agreement, or any other debt instrument of any kind whatsoever, executed by Tenant during the term of the Lease in connection with the incurrence by Tenant of any indebtedness secured by the Hospital’s revenues.

15.13 Memorandum of Lease. Landlord and Tenant shall execute, acknowledge, and record a memorandum of this Lease, the form of which is attached hereto as Schedule 15.13.

15.14 Counterparts. This Lease and any amendments hereto may be executed and delivered in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Lease delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Lease.

15.15 Extension of Lease. It will be in the best interests of Landlord and Tenant if long-range development plans can be made for the future growth of the Hospital to enable it to continue to meet the needs of the communities it serves. Major capital projects will require the issuance of revenue bonds or other debt instruments, or expenditure of internally generated funds, and the investment of human and other resources, which can only be made if the Lease

has a sufficient remaining term to justify such investment of resources and to permit repayment of the debt by Tenant out of Hospital revenues. To permit the orderly development of long-range plans for the future growth of the Hospital as well as the means of financing major capital projects, Landlord and Tenant shall meet annually to discuss the current status of the Hospital and not less often than once every three (3) years (and as described in Section 5.2 above) for purposes of reviewing Tenant's long range plans, methods of financing major capital projects, and negotiating in good faith such extensions of the Lease as may be permissible by law and necessary or appropriate, from time to time, to achieve the Hospital's goals.

15.16 [Intentionally Omitted].

15.17 Confidentiality. Throughout the term of this Lease, Landlord and Tenant (the "Disclosing Party") shall not disclose any of the terms, covenants, conditions or agreements set forth in this Lease or any amendments hereto, nor provide such correspondence, this Lease, any amendments hereto or any copies of the same, nor any other information (oral, written or electronic) which is communicated by or on behalf of Tenant or by or on behalf of Landlord relating or pertaining to Landlord, Tenant, Tenant's proposed occupancy of the Leased Premises, any financial information, or Tenant's or Landlord's business (collectively, "Confidential Information"), to any person or entity, or the press or any news media, without Landlord's or Tenant's, as applicable (the "Non-Disclosing Party"), written consent (except as provided herein) or except as ordered by a court with appropriate authority provided the Disclosing Party seeks available protective orders. Notwithstanding the foregoing, Landlord may disclose the terms of this Lease to those of its partners, members, owners, employees, representatives, property managers, vendors, brokers, consultants, architects, contractors, subcontractors, materialmen, attorneys, accountants, current or potential mortgagees, lenders or purchasers of the Leased Premises who have a reasonable need for such Confidential Information and who agree to be bound by the terms of this Section, and Tenant may disclose the terms of this Lease to those of its partners, members, owners, employees, representatives, property managers, vendors, brokers, consultants, architects, contractors, subcontractors, materialmen, attorneys, accountants, current or potential lenders, assignees or subtenants who agree to be so bound. In addition, and notwithstanding the foregoing, Landlord and Tenant may disclose architectural plans, specifications, site plans and drawings and such other information as is required in applications to the government bodies having jurisdiction (federal, state and local) over entitlements for the Leased Premises and any other necessary permits and approvals.

15.18 Intellectual Property; Trademarks. Landlord shall not have the right to use Tenant's, Sharp Health Care's, Sharp HealthCare Obligated Group's nor any Affiliate's (as defined below) trade names, trademarks, or logos (collectively, "Tenant's Trademarks"), nor shall the Tenant's Trademarks be used by Landlord in advertising or in photographs of the Leased Premises nor in any other manner without Tenant's prior written consent, in its sole and absolute discretion. As used herein, "Affiliate" and "Affiliates" shall mean any entity which controls, is controlled by or is under common control with Tenant, Sharp Health Care and/or Share HealthCare Obligated Group.

15.19 Consent. Wherever in this Lease Landlord or Tenant is required to give its consent or approval, such approval or consent must be in writing and where no standard of review is specified, such consent or approval shall not be unreasonably withheld, conditioned or

delayed. Neither Party shall be deemed to have waived any right hereunder unless such waiver shall have been writing signed by an individual with authority to bind the waiving party.

15.20 Entire Agreement. THIS LEASE AND THE TRANSACTION DOCUMENTS (AND THE EXHIBITS AND ANY ADDENDUM OR SCHEDULES ATTACHED TO THE LEASE AND THE TRANSACTION DOCUMENTS) CONSTITUTE THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH REGARD TO TENANT'S OCCUPANCY OR USE OF THE LEASED PREMISES, AND NO PRIOR AGREEMENT OR UNDERSTANDING PERTAINING TO ANY SUCH MATTER SHALL BE EFFECTIVE FOR ANY PURPOSE. NO PROVISION OF THIS LEASE MAY BE AMENDED OR SUPPLEMENTED EXCEPT BY AN AGREEMENT IN WRITING SIGNED BY THE PARTIES HERETO OR THEIR SUCCESSOR IN INTEREST. THE PARTIES AGREE THAT ANY DELETION OF LANGUAGE FROM THIS LEASE PRIOR TO ITS MUTUAL EXECUTION BY LANDLORD AND TENANT SHALL NOT BE CONSTRUED TO HAVE ANY PARTICULAR MEANING OR TO RAISE ANY PRESUMPTION, CANON OF CONSTRUCTION OR IMPLICATION INCLUDING, WITHOUT LIMITATION, ANY IMPLICATION THAT THE PARTIES INTENDED THEREBY TO STATE THE CONVERSE, OBVERSE OR OPPOSITE OF THE DELETED LANGUAGE.

IN WITNESS WHEREOF, Landlord and Tenant cause this Lease Agreement to be executed as of the date first written above.

TRI-CITY HEALTHCARE DISTRICT (“Landlord”)

By: _____

TRI-CITY MEDICAL CENTER CORPORATION (“Tenant”)

By: _____

LEASE AGREEMENT

SCHEDULE 1.1

Real Property

The real property leased by Landlord to Tenant is described in “**Exhibit A**” attached hereto.

Exhibit “A”

LEGAL DESCRIPTION OF LEASED PREMISES

(To be attached prior to execution)

LEASE AGREEMENT

SCHEDULE 14.9

Hospital Core Services

Emergency Room Services

Labor and Delivery

Surgical Services

Basic Cardiac Services

Basic Neurological Services