

GROUND LEASE AGREEMENT

by and between

**PENINSULA HEALTHCARE DISTRICT,
a political subdivision of the
State of California**

and

**MILLS-PENINSULA HEALTH SERVICES,
a California nonprofit public benefit corporation**

GROUND LEASE

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EXHIBITS:

- Exhibit A-1 Diagram of Overall Property
- Exhibit A-2 Description of Initial Premises
- Exhibit A-3 Diagram of Initial Premises
- Exhibit A-4 Description of Final Premises
- Exhibit A-5 Diagram of Final Premises
- Exhibit B Preliminary Title Report
- Exhibit C Lease Term Commencement Memorandum
- Exhibit D Memorandum of Lease

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GROUND LEASE

This lease (this "**Lease**") is dated for reference purposes only as of _____, 2005 (the "**Execution Date**"), and is entered into by and between Peninsula Healthcare District, a political subdivision of the State of California ("**District**"), and Mills-Peninsula Health Services, a California nonprofit public benefit corporation ("**MPHS**").

RECITALS

A. District is or will be the owner of certain real property located in the City of Burlingame, County of San Mateo, State of California, commonly known as 1515 Trousdale Drive Avenue, 1791 El Camino Real (commonly known as the Blood Bank and Front Lawn), and certain contiguous property comprising a portion of 1783 El Camino Real, the site of the existing hospital grounds described and depicted on the site diagram attached as **Exhibit A-1** (collectively, the "**Property**"). The initial premises at the Effective Date, as defined below, is described and depicted on **Exhibit A-2** and **Exhibit A-3** (the "**Initial Premises**"). The parties intend to record a final map after which a portion of the Initial Premises shall be removed from the Property subject to this Lease, the remainder of which is described and depicted on **Exhibit A-4** and **Exhibit A-5** and which may be referred to as the "**Final Premises**". The portions of the Property subject to this Lease after the Effective Date and at the time such Initial Premises or Final Premises are subject to the terms of this Lease may be referred to as the "**Premises**".

B. District and MPHS are parties to the Master Agreement of even date herewith ("**Master Agreement**"), pursuant to which District and MPHS entered into a restructured relationship (the "**Restructured Relationship**") for MPHS to develop, construct and operate a new general acute care hospital and other related improvements on the Premises under the terms described therein, lease the Final Premises from District, and establish certain rights and obligations with respect to the Restructured Relationship of the parties and the operation of the new general acute care hospital. Capitalized terms not defined in this Lease shall have the meanings ascribed to them in the Master Agreement.

C. District desires to lease the Premises (together with all easements, rights, and appurtenances in connection therewith) for the purpose of operating a new general acute care hospital (the "**New Facility**"), appurtenant parking facility and parking areas, a medical office building, helipad and other related improvements and landscaping (the "**Related Improvements**") in accordance with the agreement of the parties as set forth in this Lease. The New Facility and the Related Improvements may be collectively referred to herein as the "**Improvements**".

D. District and MPHS are also parties to a Construction Ground Lease of even date herewith (the "**Construction Ground Lease**") pursuant to which MPHS leases the Initial Premises from District. Pursuant to the Master Agreement, the Construction Ground Lease will expire on the Start Service Date, and the Lease Term will commence. During the term of the Construction Ground Lease, MPHS will be constructing some of the Improvements, and the balance of the Improvements will be constructed during the Lease Term.

E. District and MPHS are also parties to the Construction Agreement of even date herewith (the "**Construction Agreement**"), to establish certain rights and obligations with respect to the construction of the Improvements, the demolition of the existing hospital located on the Initial Premises and preparation of the District's 4.15 Acre Parcel, as defined in the Construction Agreement.

F. NOW, THEREFORE, District and MPHS, in consideration of the various obligations set forth in this Lease, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, agree as follows:

**ARTICLE I.
LEASE OF PREMISES AND TERM OF LEASE**

1.01. Agreement to Lease. For and in consideration of the rents to be paid and covenants to be performed by MPHS under this Lease, District agrees to lease the Premises to MPHS, and MPHS agrees to lease the Premises from District, on and subject to the terms and conditions set forth in this Lease, including, but not limited to, those conditions set forth in Section 1.04. Except as expressly otherwise provided in this Lease, the Initial Premises includes the real property plus any appurtenances and easements described in **Exhibit A-2** and shown on **Exhibit A-3** of this Lease, exclusive of any improvements now or subsequently located on the Premises, notwithstanding that any Improvements may or shall be construed as affixed to and as constituting part of the described Premises, and without regard to whether ownership of the Improvements is in District or in MPHS. The Final Premises are described in **Exhibit A-4** and shown on **Exhibit A-5**.

1.02. Status of Title. Title to the Property at the Execution Date is subject to all exceptions, easements, rights, rights-of-way, and other matters of record set forth in the Preliminary Report(s) issued by Old Republic Title Company, dated February 8, 2005, a copy of which is attached as **Exhibit B**. Prior to the Effective Date, the parties shall obtain updated Preliminary Report(s) to confirm the state of title as being consistent with the title approved by the parties. MPHS shall secure an ALTA Extended Leasehold (Interest) Policy of Title Insurance insuring MPHS with respect to the condition of title of the Premises at the Effective Date in the amount of the value of Improvements placed on the Premises by MPHS. The cost of the policy of title insurance and any related escrow or survey fees will be borne equally by District and MPHS.

1.03. Term of Lease. The Lease Term (the "**Lease Term**") shall be for a period commencing on the date all conditions precedent set forth in Section 1.04 are fulfilled (the "**Effective Date**"), and continuing for fifty (50) years, unless terminated earlier or extended as provided in this Lease. District and MPHS shall complete and execute a lease term commencement memorandum in the form of **Exhibit C** attached hereto upon commencement of this Lease. District and MPHS shall further complete and execute a memorandum in the form of **Exhibit D** attached hereto once the Effective Date has been determined.

1.04. Conditions to Effectiveness of this Lease. This Lease shall not be effective until the following basic conditions precedent have been satisfied:

A. The Start Service Date under the Master Agreement shall have occurred.

B. Neither party shall be in default under the Master Agreement, any agreement described in the Master Agreement and still in effect or the Construction Ground Lease. Notwithstanding the foregoing, the fact that a representation or warranty under the Construction Ground Lease may be untrue or misleading, but would not give rise to money damages to the other party, shall not be deemed the failure of this condition.

1.05. Extension of Term of Lease. The Lease Term may be extended for an additional twenty-five (25) year period upon MPHS' request and upon District's written consent, which shall not be unreasonably withheld, provided MPHS is not then in default under the Master Agreement or this Lease, and MPHS has performed satisfactorily. MPHS shall give District prior written notice of its intent to extend the Lease Term at least three (3) years prior to the expiration date of the initial Lease Term (the actual date of the notice shall be the "**Extension Notice Date**"), provided that MPHS' right to effectively give such notice shall not expire until the later to occur of: (a) the Extension Notice Date; or (b) the date ten (10) days after notice to MPHS from District that MPHS' right to extend shall expire on the later of the Extension Notice date or ten (10) days after the effective date of the notice from District to MPHS. The terms during the extended Lease Term shall be on the same terms as this Lease as it may have been amended as of the end of the initial Lease Term.

1.06. Expiration or Termination Simultaneous With Master Agreement. As provided in the Master Agreement, this Lease shall expire or earlier terminate simultaneously with the Master Agreement.

ARTICLE II. RENT

2.01. Annual Rent. For the initial Lease Term and any extension thereof, MPHS shall pay District Annual Rent in an amount equal to the Annual Rent payable by MPHS to District under the Construction Ground Lease as of the day before the Start Service Date, (i.e., one million five hundred thousand dollars (\$1,500,000) (the "**Initial Rent**") as adjusted for inflation under the Pre-Closing Agreement or Construction Ground Lease). The Annual Rent amount shall be adjusted for inflation every three (3) years (each an "**Adjustment Date**") by the Consumer Price Index, Unadjusted, for All Urban Consumers (all items) as periodically published by the Department of Labor, Bureau of Labor Statistics (1982-84=100 Base) for the San Francisco - Oakland - San Jose area (the "**Index**"). Notwithstanding the foregoing, the first Adjustment Date under this Lease will occur on the date three (3) years after the final adjustment of the Annual Rent under the Construction Ground Lease. The payments set forth in this Section 2.01 shall be the only rent due from MPHS to District. The Index published in November, 2005 shall serve as the base index (the "**Base Index**"). The Annual Rent as of each Adjustment Date shall be the amount obtained by multiplying the Initial Rent by a fraction, the denominator of which is the Base Index, and the numerator of which is the Index as published for the month of November next preceding the Adjustment Date.

If at any relevant time the Index is no longer published, but the Department of Labor, Bureau of Labor Statistics does then publish a new or substitute index that serves essentially the same purposes, then such new or substitute index shall be deemed the Index to which references

are made in this Lease. If at any relevant time the Index is no longer published, and the Department of Labor, Bureau of Labor Statistics does not then publish a new or substitute index, then District and MPHS shall select a substitute index or other method of adjusting the Annual Rent or making other adjustments or calculations under this Lease that require reference to the Index that will, as closely as reasonably possible, reflect the changing purchasing power of United States Dollars as does the Index; and District and MPHS agree to make the required adjustments and calculations in accordance with such substitute index or other method, which shall then be deemed to be the Index to which references are made in this Lease.

2.02. Time and Place for Payment of Rent. MPHS shall pay the Annual Rent in full on the anniversary of the earlier to occur of: (a) the Parking Structure Construction Start Date; or (b) the Effective Date of the Construction Ground Lease each year during the Lease Term. All payments shall be made to District at 1783 El Camino Real, Burlingame, California, 94010 or any other place or places that District may designate by written notice to MPHS. Rent for any partial year shall be prorated.

2.03. Partnership or Joint Venture. Nothing in this Lease shall be construed to render District in any way or for any purpose a partner, joint venturer, or associate in any relationship with MPHS other than that of District and MPHS, nor shall this Lease be construed to authorize either to act as agent for the other.

ARTICLE III. USE OF PREMISES

3.01. Permitted Use. MPHS shall use the Premises for the purpose of maintaining and operating a general acute-care hospital and performing such other healthcare-related services in accordance with the Master Agreement. MPHS may also use the Premises to perform any of the permitted or required activities under the Construction Agreement.

3.02. Compliance With Laws. MPHS, at MPHS' cost, shall materially comply with all statutes, ordinances, regulations, and requirements of all governmental entities, both federal and state and county or municipal, including those requiring capital improvements to the Premises or Improvements, relating to any use and occupancy of the Premises by MPHS, whether those statutes, ordinances, regulations, and requirements are now in force or are subsequently enacted. If any license, permit, or other governmental authorization is required for the lawful use or occupancy of the Premises or any portion of the Premises, MPHS shall procure and maintain it throughout the Lease Term. Except as provided in Section 7.03.C, such compliance shall be at MPHS' own cost and expense.

3.03. Prohibited Uses. MPHS shall not use or permit the Premises or any portion of the Premises to be improved, developed, used, or occupied in any manner or for any purpose that is in any way in violation of any valid law, ordinance, or regulation of any federal, state, county, or local governmental agency, body, or entity or in violation of the Master Agreement or the Construction Agreement. Furthermore, MPHS shall not maintain, commit, or permit the maintenance or commission of any nuisance as now or hereafter defined by any statutory or decisional law applicable to the Premises or any part of the Premises.

3.04. Deed Restriction. The Final Premises is, and all times during the Lease Term shall be, subject to a deed restriction (the "**Deed Restriction**") as provided in Section 1.03 of the Master Agreement.

**ARTICLE IV.
TAXES AND UTILITIES**

4.01. MPHS to Pay Taxes. MPHS shall pay, prior to delinquency, during the Lease Term, without abatement, deduction, or offset, all real and personal property taxes, general and special assessments, and other charges (including any increase caused by a change in the tax rate or by a change in assessed valuation) of any description levied or assessed during the Lease Term by any governmental agency or entity on or against the Premises, the Improvements located on the Premises, personal property located on or in the Premises or Improvements, and the leasehold estate created by this Lease, if any are owing. All payments of taxes or assessments, or both, shall be prorated for the initial year of the Lease Term and the year in which this Lease terminates or expires. All payments of taxes or assessments, or both, shall be prorated between the parties as of the date of the release of any portion of the Premises from this Lease during the Lease Term.

4.02. Contest of Tax. MPHS shall have the right to contest, oppose, or object to the amount or validity of any tax, assessment, or other charge levied on or assessed against the Premises or any part of the Premises; provided, however, that the contest, opposition, or objection must be filed before the tax, assessment, or other charge at which it is directed becomes delinquent and that written notice of the contest, opposition, or objection must be given to District at least ten (10) days before the date the tax, assessment, or other charge becomes delinquent. District shall, on written request of MPHS, join in any such contest, opposition, or objection if MPHS determines that joinder is necessary or convenient for the proper prosecution of the proceedings. MPHS shall be responsible for and shall pay all costs and expenses in any contest or legal proceeding instituted by MPHS. In no event shall District be subjected to any liability for costs or expenses connected to any contest by MPHS, and MPHS agrees to indemnify and hold District harmless from any such costs and expenses. Furthermore, no such contest, opposition, or objection shall be continued or maintained after the date the tax, assessment, or other charge at which it is directed becomes delinquent unless MPHS has done one of the following:

- A. Paid the tax, assessment, or other charge under protest before it becomes delinquent;
- B. Obtained and maintained a stay of all proceedings for enforcement and collection of the tax, assessment, or other charge by posting a bond or other security required by law for such a stay; or
- C. Delivered to District a good and sufficient surety bond issued by a bonding corporation licensed to do business in California, conditioned on the payment by MPHS of the tax, assessment, or charge together with any fines, interest, penalties, costs, and expenses that may have accrued or been imposed thereon within thirty (30) days after final determination of MPHS' contest, opposition, or objection to the tax, assessment, or other charge.

4.03. Tax Hold-Harmless Clause. MPHS shall indemnify, defend and hold District and District's property, including the Premises, free and harmless from any liability, loss, or damage resulting from any taxes, assessments, or other charges required by this Article to be paid by MPHS and from all interest, penalties, and other sums imposed thereon and from any sales or other proceedings to enforce collection of any such taxes, assessments, or other charges.

4.04. Utilities. MPHS shall pay or cause to be paid, and hold District and District's property including the Premises free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service, and other public utilities to the Premises during the Lease Term and for the removal of garbage, rubbish, waste and hazardous materials from the Premises during the Lease Term.

4.05. Payment by Landlord. Should MPHS fail to pay within the time specified in this Article any taxes, assessments, or other charges required by this Article to be paid by MPHS, District may, but will have no obligation to, without notice to or demand on MPHS, pay, discharge, or adjust that tax, assessment, or other charge for the benefit of MPHS. In that event, MPHS shall promptly on written demand of District reimburse District for the full amount paid by District in paying, discharging, or adjusting that tax, assessment, or other charge together with interest thereon at the then-maximum legal rate from the date of payment by District until the date of repayment by MPHS. Any disputes between the parties shall be resolved in accordance with the dispute resolution procedures described in Section 14.07 (the "**Dispute Resolution Procedures**").

ARTICLE V. OWNERSHIP OF IMPROVEMENTS

5.01. Alterations. Subject to the provisions of Sections 7.02 and 7.03 of this Lease and Section 2.02 of the Master Agreement, MPHS shall have the right, throughout the Lease Term, and any extensions of the Lease Term, to make such alternations, improvements and additions to the Improvements, including, but not limited to, the New Facility, as it deems necessary or appropriate, in its sole and absolute discretion.

5.02. Ownership of Improvements. Title to all Improvements, including the New Facility, shall be held by MPHS until expiration of the Lease Term or earlier termination of this Lease. All Improvements, including the New Facility and any repairs or restorations to the Improvements, on the Premises at the expiration of the Lease Term or earlier termination of this Lease shall automatically and without any act of or compensation to MPHS or any third party become District's property, except as otherwise provided herein, and MPHS shall be entitled to such reimbursement from District as provided in Sections 7.02, 7.03, 7.04, and 7.05 of this Lease (upon expiration of this Lease), or as set forth in Sections 7.02, 7.03, and 7.04 of this Lease, and Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease). MPHS shall surrender the Improvements to District at the expiration of the Lease Term or earlier termination of this Lease, free and clear of all liens and encumbrances, except for non-delinquent taxes and assessments, non-monetary exceptions of record outside the control of MPHS, exceptions existing at the Start Service Date which were permitted under the Construction Ground Lease, standard exceptions in a title policy of insurance, and those, if any, permitted under this Lease or otherwise created or consented to by District. MPHS agrees to execute, acknowledge, and deliver to District any instrument reasonably requested by District as

necessary to perfect District's right, title, and interest in and to the Improvements and the Premises.

5.03. Trade Fixtures and Other Assets.

A. Removable Assets. Upon expiration of the Lease Term or earlier termination of this Lease, MPHS shall have the right to remove all equipment, furniture, and other assets that are: (a) not integral to the operation of the New Facility; and (b) not so annexed to the Improvements so as to be regarded as part of the Improvements (the "**Removable Assets**"). MPHS shall be required to repair any damage caused by such removal. All assets that are not Removable Assets shall stay in the New Facility, whether or not District is obligated to reimburse MPHS therefore pursuant to Section 7.05 of this Lease (upon expiration of this Lease), or as set forth in Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease). The foregoing notwithstanding, District and MPHS may agree that District will purchase some or all of the Removable Assets. If District and MPHS have not agreed to extend the Lease Term by year forty-five (45) subsequent to the Start Service Date (or year twenty (20) subsequent to the commencement of the twenty-five (25) year extension of the Lease Term), District and MPHS agree to meet and confer to determine whether District will purchase all or any of the Removable Assets at the termination of this Lease and, if so, to designate the purchase price and manner of payment of the same. In the event of any dispute between District and MPHS as to what constitutes Removable Assets, the same shall be determined in accordance with the Dispute Resolution Procedures.

B. Non-Removable Personal Property. Any equipment, furniture, and other assets that are neither part of the Improvements, nor are Removable Assets, shall be "**Non-Removable Personal Property**" of MPHS. Title to all Non-Removable Personal Property shall be held by MPHS until expiration of the Lease Term or earlier termination of this Lease. Upon expiration of the Lease Term or earlier termination of this Lease, all Non-Removable Personal Property shall automatically and without any act of or compensation to MPHS or any third party become District's property, except as otherwise provided herein, and MPHS shall be entitled to such reimbursement therefor from District as provided in Section 7.05 of this Lease (upon expiration of this Lease), or as set forth in Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease). MPHS shall promptly execute and deliver to District any and all documents necessary or appropriate to confirm District's ownership of, and right to operate, the Non-Removable Personal Property. In the event of any dispute between District and MPHS as to what constitutes Non-Removable Personal Property, the same shall be determined in accordance with the Dispute Resolution Procedures.

ARTICLE VI.
ENCUMBRANCE OF LEASEHOLD ESTATE

6.01. MPHS' Right to Encumber.

A. MPHS' Right. MPHS may, at any time after the first fifteen (15) years from the Start Service Date and otherwise from time to time during the remaining Lease Term, encumber to any institutional lender regulated by state or federal authority, any Master Trustee under any bond indenture, the California Health Facilities Financing Authority, California Statewide Communities Development Association, or any other state agencies used for the

purpose of issuing bonds (collectively referred to in this Lease as "Lender"), by deed of trust or mortgage or other security instrument, all of MPHS' interest under this Lease and the leasehold estate hereby created in MPHS and expressly including the Improvements, including the New Facility (referred to in this Lease as a "Leasehold Encumbrance") for any purpose or purposes without the consent of District. However, no Leasehold Encumbrance incurred by MPHS in accordance with this Section shall, and MPHS shall not have power to incur any encumbrance that shall, constitute in any way a lien or encumbrance on District's fee interest in the Premises. Any Leasehold Encumbrance shall be subject to all covenants, conditions, and restrictions set forth in this Lease and the Master Agreement and to all rights and interests of District, except as is otherwise provided in this Lease and the Master Agreement. MPHS shall give District prior written notice of any Leasehold Encumbrance, together with a copy of the deed of trust, mortgage, or other security interest evidencing the Leasehold Encumbrance.

B. Lender's Rights. All of the rights or remedies of any Lender with respect to MPHS' Leasehold Interest or the Improvements, or MPHS' pledge or use thereof as security or collateral for any loan, borrowing, or financing, including, without limitation, the right of any Lender to realize in any manner on Leasehold Interest or the Improvements or any portion thereof, to foreclose on either or both the Leasehold Interest or the Improvements or any portion thereof, to take possession of the Leasehold Interest or the Improvements or any portion thereof, to assign any interest in the Leasehold Interest or the Improvements or any portion thereof, to exercise any right to require District to enter into any new lease or agreement with respect to the Premises or the Improvements or any portion thereof, whether as set forth in Sections 6.02 through 6.12 below, or in any contract, agreement, note, security instrument, or other document between MPHS and any Lender (collectively, "**Lender's Rights**"), shall in all circumstances be subordinate, inferior, and subject to District's rights under Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement and Section 6.13 of this Lease. It is the parties' intent and agreement that any recordation of a Notice of Default by a Lender or notice to District from MPHS that MPHS intends to execute a deed in lieu of foreclosure shall be subject District's rights under Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement and Section 6.13 of this Lease, which shall in all circumstances be superior to and control over any of Lender's Rights and any exercise by any Lender of any of Lender's Rights, and that no Lender shall have any right to exercise any of the Lender's Rights that would result in taking possession of the leasehold Interest or the Improvements until either (a) District has notified MPHS and the Lender in writing that District has declined to exercise its remedies under Section 6.13 of this Lease or Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement, or (b) the deadline for District to exercise its right to purchase remedy has passed without District having notified MPHS and the Lender that District has determined to exercise such remedies. MPHS shall not deliver a deed in lieu of foreclosure to any Lender without giving District at least ninety (90) days notice of MPHS's intent to do so. Nothing in any agreement, contract, loan documents, security instrument, or other document between MPHS and any Lender shall operate to amend, modify, alter, or restrict the terms and conditions set forth in this Lease and in the Master Agreement regarding Lender's Rights or the District's rights with respect to any Leasehold Encumbrance or Lender's Rights.

6.02. Notices to and Service on Lender and District. District shall mail to any Lender who has given District written notice of its name and address, a duplicate copy of any and all notices District may from time to time give to or serve on MPHS in accordance with or relating to this Lease, including, but not limited to, any notice of default, notice of termination, or notice regarding any matter on which District may predicate or claim a default. MPHS and any Lender

to MPHS shall mail to District, a duplicate copy of any and all notices MPHS or Lender may from time to time give to or serve on one another. Any notices or other communications permitted by this or any other section of this Lease or by law to be served on or given to Lender by District or by Lender to District shall be deemed duly served on or given to Lender or District, as applicable, when deposited in the United States mail, first-class postage prepaid, addressed to Lender or District, as applicable, at the last mailing address for Lender or District, as applicable, furnished in writing by Lender to District or by District to Lender.

6.03. No Modification Without Lender's Consent. If requested by the Lender and for as long as there is any Leasehold Encumbrance in effect, MPHS and District hereby expressly stipulate and agree that they will not materially modify this Lease nor terminate this Lease by mutual agreement without the written consent of Lender having that Leasehold Encumbrance, except for a termination of this Lease that is allowed under Section 6.13 hereof or Article V of the Master Lease.

6.04. Right of Lender to Realize on Security. A Lender with a Leasehold Encumbrance shall have the right at any time during the Lease Term and the existence of the encumbrance to do any of the following; provided, however, Lender's right to do so shall be subject to all rights of District to purchase MPHS' interest in the Improvements and this Lease on a proposed transfer or an MPHS Paramount Default, as set forth in this Lease and the Master Agreement:

A. Any act or thing required of MPHS under this Lease that may be performed by the payment of money, and any such act or thing done and performed by Lender shall be as effective to prevent a forfeiture of MPHS' rights under this Lease as if done by MPHS, provided, however, that a Lender may not perform MPHS' obligations to operate the hospital and deliver health care services;

B. Realize on the security afforded by the leasehold estate by foreclosure proceedings, accepting an assignment in lieu of foreclosure, or other remedy afforded in law or in equity or by the security instrument evidencing the Leasehold Encumbrance (referred to in this Lease as the "**Security Instrument**");

C. To transfer, convey, or assign the title of MPHS to the leasehold estate created by this Lease to any purchaser at any foreclosure sale, whether the foreclosure sale is conducted under court order or a power of sale contained in the Security Instrument, or to an assignee under an assignment in lieu of foreclosure; and

D. To acquire and succeed to the interest of MPHS under this Lease by virtue of any foreclosure sale, whether the foreclosure sale is conducted under a court order or a power of sale contained in the Security Instrument, or by virtue of an assignment in lieu of foreclosure.

The Lender or any person or entity acquiring the leasehold estate shall be liable to perform MPHS' obligations under this Lease only during the period, if any, in which that entity or person has ownership of the leasehold estate or possession of the Premises.

6.05. Right of Lender to Cure Defaults. For as long as there is in effect any Leasehold Encumbrance, before District may terminate this Lease as otherwise expressly provided herein because of a default under or breach of this Lease by MPHS that is curable by the Lender pursuant to Section 6.04.A, District must give written notice of the default or breach to Lender

and afford Lender the opportunity after service of the notice to cure the breach or default within thirty (30) days after expiration of the time period granted to MPHS under this Lease for curing a default.

6.06. Foreclosure in Lieu of Curing Default. Subject to all rights of District to purchase MPHS' interest in the Improvements and this Lease on a proposed transfer or an MPHS Paramount Default, as set forth in this Lease and the Master Agreement, a Lender under a Leasehold Encumbrance may otherwise forestall termination of this Lease by District for a default under or breach of this Lease by MPHS that can be cured by the payment of money by commencing proceedings to foreclose the Leasehold Encumbrance. The proceedings so commenced may be for foreclosure of the Leasehold Encumbrance by order of court or for foreclosure of the Leasehold Encumbrance under a power of sale contained in the Security Instrument. The proceedings shall not, however, forestall termination of this Lease by District for the default or breach by MPHS unless all of the following conditions are met:

A. The proceedings are commenced within thirty (30) days after the later of (a) service on Lender of the notice described in Section 6.02 of this Lease, or (b) service on Lender of the notice described in Section 6.01.B(a) or (b) of this Lease;

B. The proceedings are, after having been commenced, diligently pursued in the manner required by law to completion; and

C. Lender keeps and performs all of the terms, covenants, and conditions of this Lease requiring the payment or expenditure of money by MPHS until the foreclosure proceedings are complete or are discharged by redemption, satisfaction, payment, or conveyance of the leasehold estate to Lender.

6.07. Assignment Without Consent on Foreclosure. If the District notifies MPHS and the Lender that it shall not implement any of the District's rights and remedies under Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement or Section 6.13 of this Lease, then a transfer of MPHS' leasehold interest under this Lease to any of the following shall not require the prior consent of District:

A. A purchaser at a foreclosure sale of the Leasehold Encumbrance, whether the foreclosure sale is conducted under court order or a power of sale in the instrument creating the encumbrance, provided Lender under the Leasehold Encumbrance gives District written notice of the transfer, including the name and address of the purchaser and the effective date of the transfer;

B. An assignee of the leasehold estate of MPHS under an assignment in lieu of foreclosure, provided Lender under the Leasehold Encumbrance gives District written notice of the transfer, including the name and address of the assignee and the effective date of the assignment; or

C. A purchaser or assignee of the purchaser at a foreclosure sale of the Leasehold Encumbrance or of the assignee of the leasehold estate of MPHS acquired under an assignment in lieu of foreclosure, provided the purchaser or assignee delivers to District its written agreement to be bound by all of the provisions of this Lease.

6.08. New Lease to Lender. Should this Lease terminate as expressly provided herein because of a default under or breach of this Lease by MPHS, but the District notifies MPHS and the Lender that it shall not implement any of the District's rights and remedies under Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement or Section 6.13 of this Lease, then the District agrees to enter into a new lease for the Premises with the first priority Lender under a Leasehold Encumbrance, as MPHS, provided all of the following conditions are satisfied:

A. A written request for the new lease is served on District by Lender within ninety (90) days after the later to occur of (a) service on Lender of the notice described in Section 6.02 of this Lease, or (b) service on Lender of the notice described in Section 6.01.B(a) or (b) of this Lease;

B. The new lease:

1. Is for a term ending on the same date the Lease Term would have ended had this Lease not been terminated;

2. Provides for the payment of rent at the same rate that would have been payable under this Lease during the remaining Lease Term had this Lease not been terminated; and

3. Contains the same terms, covenants, conditions, and provisions as are contained in this Lease (except those that have already been fulfilled or are no longer applicable);

C. Lender, on execution of the new lease by District, shall pay any and all sums that would at the time of the execution of the new lease be due under this Lease but for its termination and shall otherwise fully remedy, or agree in writing to remedy, any other defaults under or breaches of this Lease committed by MPHS that can be remedied;

D. Lender, on execution of the new lease, shall pay all reasonable costs and expenses, including attorneys' fees and court costs, incurred in terminating this Lease, recovering possession of the Premises from MPHS or the representative of MPHS, and preparing the new lease;

E. The new lease shall be subject to all existing subleases between MPHS and subtenant, provided that for any sublease, the subtenant agrees in writing to attorn to Lender (or its assignee); and

F. The new lease shall be assignable by Lender but not by any assignee of Lender without the prior written consent of District.

6.09. No Merger of Leasehold and Fee Estates. For as long as any Leasehold Encumbrance is in existence, there shall be no merger of the leasehold estate created by this Lease and the fee estate of District in the Premises merely because both estates have been acquired or become vested in the same person or entity, unless (a) the District exercises its rights under Sections 5.01.B.8 and 5.02.B.2 of the Master Agreement or Section 6.13 of this Lease, or (b) Lender otherwise consents in writing.

6.10. Lender as Assignee of Lease. No Lender under any Leasehold Encumbrance shall be liable to District as an assignee of this Lease unless and until Lender acquires all rights of MPHS under this Lease through foreclosure, an assignment in lieu of foreclosure, or as a result of some other action or remedy provided by law.

6.11. Lender as Including Subsequent Security Holders. Except for purposes of Section 6.08, the term "**Lender**" as used in this Lease shall mean not only the institutional lender that loaned money to MPHS and is named as beneficiary, mortgagee, secured party, or security holder in the Security Instrument creating any Leasehold Encumbrance.

6.12. Two or More Lenders. In the event two or more Lenders each exercise their rights under this Lease and there is a conflict that renders it impossible to comply with all requests of Lenders, the Lender whose Leasehold Encumbrance would have senior priority in the event of a foreclosure shall prevail.

6.13. District's Right to Purchase in the Event of a Lender Foreclosure. If any Lender records a Notice of Default with respect to any Leasehold Encumbrance or MPHS gives notice to District as required under Section 6.01.B that MPHS intends to execute a deed in lieu of foreclosure (a "**Deed in Lieu Notice**"), then the following shall apply:

A. If the Lender has recorded a Notice of Default, then within ninety (90) days after the date of recordation of the Notice of Default, District, in its sole and absolute discretion, but subject to the terms and conditions set forth in this Section 6.13, may give notice to Lender and MPHS that, subject to MPHS' statutory rights to cure the Notice of Default within ninety (90) days after the Lender records the Notice of Default (but not subject to any later or additional statutory cure rights after such ninety (90) day period), District elects to terminate this Lease in accordance with Section 5.02.B.2(b) of the Master Agreement, and any other then-effective and un-expired Definitive Agreement (the "**District's Termination Notice**"). The Termination Notice shall specify the intended termination date of this Lease (the "**Termination Date**"), which shall not be earlier than ninety (90) days after the date of recordation of the Notice of Default, nor later than one hundred twenty (120) days after the date of recordation of the Notice of Default by the Lender. If MPHS has not timely cured the Notice of Default as provided in this Section 6.13.A, District shall be deemed to have declared an MPHS Paramount Default as of the deadline for MPHS' statutory cure of the Notice of Default and MPHS shall have no additional cure rights under this Lease or the Master Agreement with respect to such Paramount Default. If MPHS cures and expunges a Notice of Default within ninety (90) days after the recordation thereof, the District's Termination Notice shall be terminated and shall be of no further force or effect.

B. If MPHS has given the District a Deed in Lieu Notice, then MPHS shall have committed an incurable Paramount Default as of the date of the Deed in Lieu Notice and within ninety (90) days after the date District receives the Deed in Lieu Notice, District, in its sole and absolute discretion, but subject to the terms and conditions set forth in this Section 6.13, may give notice to Lender and MPHS that the District elects to terminate this Lease in accordance with Section 5.02.B.2(b) of the Master Agreement, and any other then-effective and un-expired Definitive Agreement (the "**District's Termination Notice**"). The Termination Notice shall specify the Termination Date, which may be any date chosen by the District,

provided that such date shall not be later than ninety (90) days after the date the District receives the Deed in Lieu Notice.

C. Upon the Termination Date, Sections 5.02.B.2(b)(1)-(4) shall govern the parties' respective rights and obligations with respect to the Improvements.

**ARTICLE VII.
MAINTENANCE, STRUCTURAL IMPROVEMENTS, REPAIRS
AND RESTORATION**

7.01. Maintenance by MPHS. At all times during the Lease Term, except as expressly provided otherwise in this Lease, MPHS shall, at MPHS' own cost and expense, keep and maintain the Premises, all Improvements, and all appurtenances (including landscaped and parking areas) now or hereafter on the Premises in a good and safe condition and repair.

7.02. MPHS' Capital Expenditures. Commencing twenty-five (25) years prior to the expiration of the initial Lease Term and during any extension of the Lease Term of this Lease, MPHS may seek approval of District, which District may give or not in District's sole discretion, in advance of making any capital expenditure (other than those capital expenditures covered by Section 7.03 or 7.04 below) for any of the following that will have a useful life (as determined in accordance with generally accepted accounting principles) that extends beyond the expiration of this Lease (each a "**Post Term Asset**" and collectively, the "**Post-Term Assets**"): (a) an improvement, restoration, addition, or any other enhancement to the Improvements, (b) an improvement to or acquisition of any Non-Removable Personal Property, and (c) an improvement to or acquisition of any Removable Assets. If District approves MPHS' capital expenditures for any Post-Term Assets (hereafter, "**Approved Post-Term Assets**"), then upon expiration or earlier termination of this Lease, the District shall have the obligation to reimburse MPHS for the Approved Post-Term Assets in accordance with Section 7.5 of this Lease (upon expiration of this Lease), or in accordance with Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease). For any Post-Term Assets that the District does not approve (other than those for which the District is obligated to reimburse MPHS under either Section 7.03 or 7.04 of this Lease), MPHS may, but shall not be required to, make such capital expenditures for Post-Term Assets, but the District shall not be obligated to reimburse MPHS for such Post-Term Assets upon either early termination or expiration of this Lease, regardless of whether such Post-Term Assets are part of the Improvements, are Non-Removable Personal Property, or are Removable Assets. Any dispute as to what constitutes a Post-Term Asset shall be resolved in accordance with the Dispute Resolution Procedures.

7.03. Requirements of Governmental Agencies.

A. MPHS Obligations. Except as otherwise provided below, at all times during the Lease Term, MPHS, at MPHS' own cost and expense, but subject to the reimbursement rights in Section 7.03.C below, shall do all of the following:

1. Make all alterations, additions, or repairs to the Premises or the Improvements on the Premises required by any valid law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state or county governmental agency or entity;

2. Observe and comply with all valid laws, ordinances, statutes, orders, and regulations now or hereafter made or issued respecting the Premises or the Improvements on the Premises by any federal, state or county governmental agency or entity;

3. Indemnify, defend and hold District and the property of District, including the Premises, free and harmless from any and all liability, loss, damages, fines, penalties, claims, and actions resulting from MPHS' failure to comply with and perform the requirements of this Section.

B. MPHS Contests. MPHS may contest if MPHS, in MPHS' sole discretion, desires by appropriate legal proceedings brought in good faith and diligently prosecuted in the name of MPHS, or in the names of MPHS and District when appropriate or required, the validity or applicability to the Premises of any law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state, county, local, or other governmental agency or entity; provided, however, that any such contest or proceeding, though maintained in the names of MPHS and District, shall be without cost to District, and MPHS shall protect and indemnify the Premises and District from MPHS' failure to observe or comply during the contest with the contested law, ordinance, statute, order, or regulation.

C. District Reimbursement. If MPHS is required by any valid law, ordinance, statute, order, or regulation now or hereafter made or issued by any federal, state or county governmental agency or entity to make any capital expenditures for Post-Term Assets in order to meet MPHS' obligations under this Lease or the Master Agreement to operate an acute care hospital, then upon expiration or earlier termination of this Lease, the District shall have the obligation to reimburse MPHS for such Post-Term Assets in accordance with Section 7.05 of this Lease (upon expiration of this Lease), or in accordance with Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease). Any dispute as to what constitutes a reimbursable capital expenditure under this Section 7.03.C shall be resolved in accordance with the Dispute Resolution Procedures.

7.04. MPHS' Duty to Restore Final Premises. If at any time during the Lease Term, any Improvements now or hereafter on the Final Premises are destroyed in whole or in part by fire, theft, the elements, or any other cause not the fault of District, this Lease shall continue in full force and effect and MPHS, at MPHS' own cost and expense and election, shall either repair and restore the damaged Improvements to a condition for occupancy or use equal to the condition before such destruction or demolish and reconstruct the Improvements which were damaged or destroyed so as to produce a reconstructed Improvement that is substantially similar to the Improvement prior to the destruction, except as agreed by the parties. The work of repair and restoration shall be commenced by MPHS as soon as reasonably practicable after the damage or destruction occurs and shall be completed as soon as reasonable practicable thereafter. In all other respects, the work of repair and restoration shall be done in accordance with the requirements of any valid law, ordinance, statute, order, or regulation then in effect. MPHS' obligation for restoration described in this Section shall exist whether or not funds are available from insurance proceeds. Any repairs and restoration by MPHS shall be transferred to District upon expiration of this Lease without compensation to MPHS, except as follows. If the repair of the damage or destruction requires any capital expenditures by MPHS for Post-Term Assets that are not covered by insurance proceeds received (or that would have been received had MPHS maintained the property insurance required by this Lease), then upon expiration or earlier

termination of this Lease, the District shall have the obligation to reimburse MPHS for such Post-Term Assets in accordance with Section 7.05 of this Lease (upon expiration of this Lease), or in accordance with Section 5.02.B.2(d) of the Master Agreement (upon earlier termination of this Lease).

7.05. District Reimbursement Upon Expiration of the Lease. Upon the expiration of the term of this Lease (the "**Expiration Date**"), the District shall pay to MPHS the net book value, as of the Expiration Date, of all of the Post-Term Assets for which the District has the obligation to reimburse MPHS under Sections 7.02, 7.03, or 7.04 hereof, that are either (a) part of the Improvements, (b) Non-Removable Personal Property, or (c) Removable Assets that MPHS elects not to remove from the New Facility.

A. Unless otherwise agreed to by the parties, the District shall pay MPHS the full amount of the amounts due under this Section 7.05 in cash on the date that is one (1) year after the Expiration Date; provided, however, that the full amount owed to MPHS by the District under this Section 7.05 shall bear interest, payable in full upon payment of the principal amount thereof, accruing from the Expiration Date until paid, at the annual rate charged by commercial banks for loans to entities similar to the District for acquisition of acute care hospitals or similar assets; and provided further that the District shall provide MPHS with reasonable and adequate security of MPHS' choosing for the District's payment of all such amounts and the interest thereon, which is intended to include one or more liens in favor of MPHS on the District's real and personal property (if permitted by law), and on the District's bank accounts, tax revenues and other revenues.

7.06. Application of Insurance Proceeds. Any and all fire or other insurance proceeds that become payable at any time during the Lease Term because of damage to or destruction of any Improvements on the Final Premises shall be paid to MPHS and applied by MPHS toward the cost of repairing and restoring the damaged or destroyed Improvements in the manner required by Section 7.04 of this Lease.

7.07. Maintenance of Roads. Except as may be provided by separate easement agreements, MPHS shall maintain at its sole cost and expense all roads and landscaping within the Final Premises.

7.08. Maintenance of Parking Lot. During the time that only MPHS uses the parking facility or parking lots, MPHS shall maintain the parking facility and parking lot. If both District and MPHS use the parking lot, District shall reimburse MPHS for a proportionate share of the maintenance costs as reasonably determined by MPHS.

ARTICLE VIII. INDEMNITY AND INSURANCE

8.01. Indemnity by MPHS. MPHS shall indemnify and hold District and District's property, including the Premises and Improvements now or hereafter on the Premises, free and harmless from any and all liability, claims, loss, damages, or expenses resulting from MPHS' occupation and use of the Premises and Improvements, except for damage or injury caused by the negligence or willful misconduct of District, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of the following:

A. The death or injury of any person, including MPHS or any person who is an employee or agent of MPHS, or by reason of the damage to or destruction of any property, including property owned by MPHS or any person who is an employee or agent of MPHS, caused or allegedly caused by either (1) the condition of the Premises or some building or improvement on the Premises, or (2) some act or omission on the Premises of MPHS or any person in, on, or about the Premises with the permission and consent of MPHS;

B. Any work performed on the Premises or materials furnished to the Premises at the instance or request of MPHS or any person or entity acting for or on behalf of MPHS; or

C. MPHS' failure to perform any provision of this Lease or to comply with any requirement of law or any requirement imposed on MPHS or the Premises by any duly authorized governmental agency or political subdivision.

8.02. Indemnity by District. District shall indemnify and hold MPHS and MPHS' property, including the Premises and Improvements now or hereafter on the Premises, free and harmless from any and all liability, claims, loss, damages, or expenses caused by the negligence or willful misconduct of District, its employees, contractors, or agents with respect to activities of District, its employees, contractors, or agents on the Premises, specifically including, without limitation, any liability, claim, loss, damage, or expense arising by reason of the following:

A. The death or injury of any person, including MPHS or any person who is an employee or agent of MPHS, or by reason of the damage to or destruction of any property;

B. Any work performed on the Premises at the instance or request of District or any person or entity acting for or on behalf of District; or

C. District's failure to perform any provision of this Lease or to comply with any requirement of law or any requirement imposed on District by any duly authorized governmental agency or political subdivision.

8.03. Survival of Indemnities. The indemnity obligations of District and MPHS under this Article shall survive the expiration or sooner termination of this Lease.

8.04. Insurance. MPHS shall, at its sole cost and expense, maintain in full force and effect during the term of this Lease with companies acceptable to District (or through any allowed self-insurance under Section 8.05 below), insurance coverage of types and with coverage limitations typical of ground leases similar to this Lease.

A. Without limiting the foregoing, MPHS shall maintain, or as indicated below shall cause its contractors to maintain, in full force and effect during the term of this Lease the following insurance:

1. MPHS shall cause its contractors to maintain Workers' Compensation Insurance, including Employer's Liability for all persons who will be carrying out any work required under or relating to the Premises regardless of any ability under state law to reject workers' compensation coverage. MPHS shall indemnify and hold harmless District and District's officers, employees, agents and representatives, for and from any liens filed with

respect to any claim of any third party under such insurance. Such insurance shall be in strict accordance with the requirements of the most current and applicable workers' compensation insurance laws in effect from time to time. If any class of employees engaged in any work or improvement is not protected by any workers' compensation statute, MPHS shall provide special insurance for the protection of such employees not otherwise protected, which is similar to the coverage required hereunder.

2. Commercial General Liability Insurance on a "claims made" basis for bodily injury and property damage.

3. Owned, hired and non-owned automobile liability insurance covering all use of all automobiles, trucks and other motor vehicles utilized by or on behalf of MPHS in connection with the Premises.

4. A policy of property insurance at least as broad as ISO Special Form Causes of Loss, CP 1030, in the amount of at least one hundred percent (100%) of the insurable replacement value, but not to exceed \$500 Million per location.

B. Except as provided in Section 8.05 with regard to MPHS's self insurance, District shall be included as an additional insured under each of the coverages specified in this Section 8.04.

C. Each insurance policy required under this Section 8.04 shall:

1. Except as otherwise approved in writing by District (and subject to MPHS' right to self-insure as set forth in Section 8.05), be issued by insurance carriers licensed and approved to do business in California, having a general policyholders rating of not less than an A and financial rating of not less than VII in the most current Best's Insurance Report;

2. If obtainable at no additional cost (and which MPHS shall use commercially reasonable efforts to obtain), contain a provision that the policy shall not be subject to cancellation without at least thirty (30) days prior written notice be given to District by registered mail; provided, MPHS must provide not less than thirty (30) days prior written notice to District of any material alteration of any policy;

3. Provide that such policy or policies and the coverage evidenced thereby are primary and any insurance maintained by District is noncontributing with such primary coverage; and

4. Contain severability of interest and cross liability clauses.

D. As evidence of specified insurance coverage, MPHS shall deliver certificates issued by MPHS' insurance carrier(s) showing such policies in force for the specified period. District may examine copies of policies at the offices of Sutter Health Risk Management, provided that District has entered into a confidentiality agreement satisfactory to MPHS. If available, MPHS shall deliver evidence of any renewal insurance to District not less than thirty (30) days prior to the expiration date on the term of the policy or as much before the expiration date as is possible, using commercially reasonable efforts therefor. Each policy and certificate shall be subject to reasonable approval by District.

E. If MPHS fails to obtain and deliver to District evidence of the insurance required to be maintained by MPHS under this Section 8.04, or, once acquired, should any policy expire or be cancelled before the expiration of this Lease or such later period as MPHS is required to carry such insurance as set forth herein, and MPHS fails immediately to procure other insurance as specified, District shall have the right, but no obligation, to procure such insurance or any portion thereof and to charge MPHS one hundred ten percent (110%) of the cost to District of procuring such insurance and such amount shall be due and payable to District within the earlier of (i) ten (10) days of a request therefor by District or (ii) the next rental payment due under the Ground Lease.

F. MPHS shall not permit any architect, engineer, contractor or subcontractor to commence work on or relating to the Premises until such parties have complied with any insurance standards that MPHS customarily requires of its architects, engineers and contractors and shall use commercially reasonable efforts to require that District be named as an additional insured under all such policies. MPHS shall also include District in any indemnity provisions with such parties for defense and indemnification to the same extent MPHS is defended and indemnified.

8.05. Self-Insurance. MPHS may fulfill any or all of its insurance obligations under this Lease by self-insurance provided and funded by MPHS, Sutter Health or any affiliate of Sutter Health (collectively, "**Authorized Entity**"). An Authorized Entity shall have the right to provide and fund self-insurance for any of the required insurance so long as the Authorized Entity notifies District in writing of the insurance coverages which MPHS elects to so self-insure, such self-insurance generally fulfills all of the requirements for the insurance coverages set forth in Section 8.04 above (except for the requirement that District be named as an additional insured) and submits to District reasonably satisfactory evidence of a funded self-insurance program. If the Authorized Entity elects to so self-insure, then with respect to any claims which may result from incidents occurring during the term of this Lease, such self-insurance obligation shall survive the expiration or earlier termination of this Lease to the same extent as the insurance required under this Lease would survive.

ARTICLE IX. CONDEMNATION

9.01. Total Condemnation. If, during the Lease Term, fee title to all of the Premises or to all of the Improvements, or the entire leasehold estate of MPHS is taken under the power of eminent domain by any public or quasi-public agency or entity (a "**Total Taking**"), this Lease shall terminate as of 12:01 A.M. on whichever of the following occurs first: (i) the date legal title becomes vested in the agency or entity exercising the power of eminent domain, or (ii) the date actual physical possession is taken by the agency or entity exercising the power of eminent domain. Thereafter, both District and MPHS shall be released from all obligations under this Lease, except those specified in Section 9.05.

9.02. Partial Taking of Parking Areas. If, at any time during the Lease Term, a taking occurs that is less than a Total Taking and affects any of the parking areas for the New Facility, all compensation and damages payable for that taking shall be made available to and used, to the extent reasonably needed, by MPHS to repair any portion of the remaining parking areas damaged by the taking and to replace the parking areas taken with other new parking areas on

the portion of the Premises not taken, provided that replacement is then permitted by existing law. District shall cooperate with MPHS in providing parking on the District-Controlled Land, if doing so is reasonably feasible considering District's planned or actual development of the District-Controlled Land and enough parking cannot be provided on the Premises. The parties acknowledge that adequate parking is necessary for MPHS to operate the Hospital. Plans and specifications for the replacement parking areas may include, when practicable and when permitted by law, deck parking facilities to replace ground level parking facilities taken by eminent domain. Notwithstanding anything to the contrary in this Section, if the portion of the parking areas taken by eminent domain results in a net loss of 5% or more of the area of the Premises that can, after considering any replacement parking areas that can be lawfully constructed on the remaining portion of the Premises by reasonable methods, be devoted to parking areas as compared with the area devoted to those parking areas immediately before the taking, MPHS may terminate this Lease in the manner prescribed by Section 9.04 of this Lease, unless District and MPHS are able to agree on a method of providing MPHS with the same amount of parking as existed prior to the Taking.

9.03. Partial Taking of Improvements. If at any time during the Lease Term a taking occurs that is less than a Total Taking, is other than a taking covered by Section 9.20 and affects the useable portion of the Improvements on the Premises, all compensation and damages payable for that taking (excluding any portion payable for a taking of parking areas) shall be made available to and used, to the extent reasonably needed, by MPHS to repair any portion of the remaining useable portion of the Improvements damaged by the taking and to replace the useable portion of the Improvements taken with other new useable space on the portion of the Premises not taken, provided that replacement is then permitted by existing law. Plans and specifications for the replacement space must be compatible, in terms of architecture and quality of construction, with the Improvements not taken. Notwithstanding anything to the contrary in this Section, if the useable portion of the Improvements taken by eminent domain results in a net loss of any of the area of the Premises that can, after considering any replacement useable space that can be lawfully constructed on the remaining portion of the Premises, be devoted to useable space as compared with the area devoted to that useable space immediately before the taking, MPHS may terminate this Lease in the manner prescribed by Section 9.04 of this Lease.

9.04. Termination for Partial Taking. MPHS may terminate this Lease for the reasons stated in either Section 9.02 or Section 9.03 of this Lease, or both, by serving written notice of termination on District within one hundred eighty (180) days after MPHS has received from District or from the condemning authority written notice of an intended taking that sets forth the extent and scope of the intended taking. If MPHS elects to terminate this Lease, the effective date of termination shall be the earlier of (i) the date of termination specified in MPHS' notice to District or (ii) the date the condemning authority takes physical possession of the portion of the Premises taken by eminent domain. On termination of this Lease under this Section, all subleases and subtenancies in or on the Premises or any portion or portions of the Premises created by MPHS under this Lease shall also terminate and the Premises shall be delivered to District free and clear of all such subleases and subtenancies; provided, however, that District may, at District's option, by mailing written notice to any subtenant, allow the subtenant to attorn to District and continue its occupancy on the Premises as a tenant of District. On termination of this Lease under this Section, both District and MPHS shall be released from all obligations to the other under this Lease except those specified in Sections 8.01, 8.02, 8.03, and 9.05.

9.05. Condemnation Award. Except as set forth in Sections 9.03 and 9.04, any compensation or damages awarded or payable because of the taking of all or any portion of the Premises by eminent domain shall be allocated equitably between the parties based on all the facts and circumstances at the time, including, but not limited to, whether or not this Lease is terminated, what reimbursement obligations District would have on a termination and other factors. Any dispute between the parties regarding the allocation shall be resolved in accordance with the Dispute Resolution Process.

9.06. Rent Abatement for Partial Taking. If title and possession of only a portion of the Premises is taken under the power of eminent domain by any public or quasi-public agency or entity during the Lease Term and MPHS does not or cannot under Section 9.02 or Section 9.03 terminate this Lease, then this Lease shall terminate as to the portion of the Premises taken under eminent domain as of 12:01 A.M. on whichever of the following first occurs: the date title is taken, or the date actual physical possession of the portion taken by eminent domain is taken, by the agency or entity exercising the eminent domain power. Furthermore, the Annual Rent otherwise payable under this Lease shall, as of that time, be reduced in the same proportion that the value of the portion of the Premises taken by eminent domain bears to the full value of the Premises at that time.

9.07. Voluntary Conveyance in Lieu of Eminent Domain. Neither party shall enter into a voluntary conveyance in lieu of and under threat of condemnation as to such party's interest without the consent and participation of the other party.

9.08. Control of Eminent Domain Litigation. MPHS shall control any eminent domain litigation affecting the Premises and the Improvements.

ARTICLE X. ASSIGNMENT AND SUBLEASING

10.01. No Assignment Without District's Consent. Except as provided in Section 10.04, MPHS may assign this Lease or any interest in this Lease only with the prior written consent of District, which District may withhold in District's sole discretion. If District does not consent to an assignment and MPHS does not withdraw the request for consent, District may exercise District's Purchase Right as set forth in Section 10.05. If District requests, MPHS shall furnish to District, at no expense to District, detailed and complete financial statements of the proposed assignee, audited by a certified public accountant (if the proposed transferee causes its statements to be so audited in its normal course of business), together with detailed and complete information about the business of the proposed assignee, including its experience in operating acute-care hospitals, the use to be made of the Premises and Improvements by the proposed assignee, projections by the proposed assignee of the sources of funds to be used to repay any indebtedness of MPHS that the proposed assignee will assume or take subject to, or agree to pay to MPHS, and other claims on and requirements for those funds, together with any other information as District may reasonably require to assist District in determining whether or not to consent to the assignment. District shall have thirty (30) days after receipt of the information described above to notify MPHS of whether it consents or does not consent to the proposed assignment. Absent any such notification by District during the thirty (30)-day period, District shall be conclusively deemed to not have consented to the assignment. If District does not consent to an assignment, District may within the thirty (30)-day consent period exercise

District's Purchase Right as set forth in Section 10.05. If District exercises its Purchase Right with respect to a request for consent to an assignment, MPHS, within thirty (30) days after District's exercise, withdraw the request for consent to assignment. If MPHS withdraws its request, District's exercise of its Purchase Right shall be deemed terminated with respect to such proposed transfer. Consent by District to one assignment shall not be deemed to be consent to any subsequent assignment. Any assignment made contrary to the terms of this Section shall be null and void unless otherwise permitted by this Article.

10.02. Leasehold Encumbrances and Subsequent Transfers. Notwithstanding the provisions of Section 10.01 of this Lease, MPHS may without the prior written consent of District pledge as collateral in accordance with Sections 6.01.A and 6.01.B, all MPHS' interest under this Lease and MPHS' leasehold estate created under this Lease to a Lender under a Leasehold Encumbrance (as defined in Section 6.01 of this Lease). Subject to Article VI (and in particular Section 6.01.B), any transfer, conveyance, or assignment resulting from a foreclosure or acceptance of a deed in lieu of foreclosure by any Lender (as defined in Section 6.01 of this Lease), or any transfer, conveyance, or assignment by any Lender following its acquisition of this Lease and the leasehold estate of MPHS created by this Lease as a result of foreclosure or acceptance of a deed in lieu of foreclosure shall not require the prior consent of District.

10.03. MPHS' Right to Sublease.

A. Medical Office Building and Parking Structure. MPHS shall have the right to sublease all or any portion of the Improvements on the Premises consisting of medical office buildings and parking structures or facilities, from time to time, and at all times during the Lease Term, without District's consent; provided, however, that the following conditions (the "**Basic Sublease Conditions**") are met:

1. The term of any sublease shall not extend beyond the Lease Term;
2. Any and all subleases shall be expressly made subject to all of the terms, covenants, and conditions of this Lease and the Master Agreement; and
3. Any subtenant shall be required to attorn to District in the event of MPHS' default under this Lease.

B. New Facility. MPHS shall have the right to sublease portions of the New Facility from time to time, and at all times during the Lease Term, without District's consent; provided, however, that the Basic Sublease Conditions are met and the subleases do not interfere with MPHS' operation of the New Facility as an acute care hospital. Subject to MPHS' continuing operation of the New Facility as an acute care hospital, MPHS may sublease or enter into management agreements or service agreements with operators of components (but not the whole) of the hospital operations and administrative functions, including, but not limited to, wound care, psychiatric services, geriatric services, housekeeping, food services, the sleep disorder laboratory and other services.

10.04. Authorized Transfers. Notwithstanding Section 10.01 of this Lease, MPHS may, without the prior consent of District, transfer and assign all or any portion of MPHS' interest under this Lease and the leasehold estate created under this Lease to (i) a party which wholly owns or controls MPHS, is wholly owned or controlled by MPHS, or is under common

ownership or control with MPHS, or (ii) a party into which MPHS is merged or consolidated or to whom all or substantially all of MPHS' assets are sold (in any such case, a "**Related-Party Transfer**"), in the event that each of the following conditions is fulfilled concurrently with, or prior to, the applicable Related Party Transfer:

A. MPHS gives District prior written notice of such assignment or subletting in a form reasonably acceptable to District, together with such information as District may reasonably require about the Related-Party Transfer and the applicable transferee;

B. MPHS acknowledges that it shall remain liable under this Lease; and

C. In the case of an assignment, (1) the assignee expressly assumes MPHS' obligations under this Lease in a form reasonably acceptable to District (following which such assignee shall be jointly and severally liable with MPHS); (2) the assignee's financial strength, both in terms of net worth and in terms of reasonably anticipated cash flow over the Lease term, is not materially less than the financial strength of MPHS at the time this Lease was executed; and (3) the assignee is not a religious organization or a for-profit hospital operator.

10.05. District's Purchase Right.

A. Purchase Right. Except as set forth in Section 10.04, within thirty (30) days after a notice from MPHS that MPHS intends to assign its interest in this Lease to a third party, District may elect to purchase from MPHS the Improvements, the Non-Removable Personal Property, and the Removable Assets that MPHS elects not to remove from the Premises or the New Facility, and terminate this Lease ("**District's Purchase Right**"). If District exercises District's Purchase Right, District shall pay to MPHS as the "**Purchase Price**" all of the amounts set forth in Section 5.02.B.2(d) of the Master Agreement.

B. Close of Escrow; Payment. Escrow shall close on District's purchase within one (1) year after District exercises District's Purchase Right (the "**Determination Date**"). Unless otherwise agreed to by the parties, District shall pay MPHS the Purchase Price in cash on the date that is one (1) year after the date District exercised District's Purchase Right; provided, however, that the Purchase Price shall bear interest, payable in full upon payment of the principal amount of the Purchase Price, accruing from the Determination Date until paid, at the annual rate charged by commercial banks for loans to entities similar to District for acquisition of acute care hospitals or similar assets; and provided further that District shall provide MPHS with reasonable and adequate security of MPHS' choosing for District's payment of the Purchase Price and the interest thereon, which is intended to include one or more liens in favor of MPHS on District's real and personal property (if permitted by law), and on District's bank accounts, tax revenues and other revenues.

**ARTICLE XI.
DEFAULT AND REMEDIES**

11.01. Breach and Default by MPHS. Each of the following events shall be a default by MPHS ("**MPHS Event of Default**") and a breach of this Lease:

A. MPHS shall at any time be in default hereunder as to any monetary obligation hereunder provided that such default shall have continued for a period of thirty (30) days after written notice thereof from District to MPHS.

B. MPHS shall be in material default in any of its other promises, covenants, or agreements contained in this Lease and such default shall continue for sixty (60) days after written notice thereof from District to MPHS unless such breach or default cannot be cured within sixty (60) days, in which case, MPHS shall not be considered in material default provided that acts to cure the breach or default are commenced within sixty (60) days after service of notice of default and are thereafter diligently continued by MPHS.

11.02. Remedies for MPHS Default. Upon any MPHS Event of Default, as determined under Section 11.01, Section 5.02B(1) of the Master Agreement shall govern the parties' respective rights and obligations with respect to such default, including, without limitation, the remedies, and the limits thereon, that District may pursue for such type of default, except that District shall also have all of the rights set forth in Section 11.03 of this Lease.

11.03. District's Right to Cure. District may, after expiration of the applicable time for curing a particular Event of Default, or before the expiration of that time in the event of an emergency, at its election, but is not obligated to, make any payment required of MPHS under this Lease or under any note or other document pertaining to the financing of the Improvements on the Premises, or to perform or comply with any covenant or condition imposed on MPHS under this Lease or any such note or document. MPHS shall reimburse District for the amount paid by District, plus the reasonable cost and expenses of any such performance or compliance, within ten (10) days after MPHS receives a written invoice from District therefore, which invoice shall include a reasonable detailing of the amounts paid by District and the reasonable cost and expenses of any such performance or compliance. If MPHS objects to any invoiced amount or any portion thereof, MPHS must notify District of its objection in writing within the ten (10)-day period following MPHS' receipt of the District's invoice. If MPHS timely objects in writing to District, MPHS shall promptly pay the portion, if any, of the invoice to which MPHS does not object and, if the parties cannot resolve their dispute over the remaining portion of the invoice within ten (10) days after the date of MPHS' written objection thereto, the parties shall submit the dispute to the Dispute Resolution Process. Any amount for which MPHS must reimburse District under this Section 11.03 (including any reimbursement due to District from MPHS after any dispute resolution) that MPHS does not remit to District within the ten (10)-day time limit shall bear interest on such sum at the rate then currently assessed by the Internal Revenue Service on tax deficiencies from the date of District's payment, performance, or compliance through the date of MPHS' reimbursement. No such act by District shall constitute a waiver of default or of any remedy for default or render District liable for any loss or damage resulting from any such act.

11.04. Breach and Default by District. Each of the following events shall be a default by District ("**District Event of Default**") and a breach of this Lease:

A. District shall be in material default in any of its other promises, covenants, or agreements contained in this Lease and such default shall continue for sixty (60) days after written notice thereof from MPHS to District unless such breach or default cannot be cured within sixty (60) days, in which case, District shall not be considered in material default

provided that acts to cure the breach or default are commenced within sixty (60) days after service of notice of default and are thereafter diligently continued by District.

11.05. Remedies for District's Event of Default. Upon any District Event of, as determined under Section 11.05, Section 5.04.A of the Master Agreement shall govern the parties' respective rights and obligations with respect to such default, including, without limitation, the remedies, and the limits thereon, that MPHS may pursue for such type of default.

11.06. Exclusive Remedies. The remedies given to District and MPHS in this Article and Sections 5.02.A, 5.02.B.1, and 5.04.A of the Master Agreement shall be exclusive of any and all remedies now or hereafter otherwise allowed by law or in equity. District and MPHS expressly waive any other remedies otherwise available to it at law or in equity.

11.07. Waiver of Breach. The waiver by the parties of any breach by the other party of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent breach by the parties of either the same or a different provision of this Lease.

11.08. Surrender of Premises. On expiration of the initial term or any renewals thereof or earlier termination of this Lease, MPHS shall surrender the Premises and all Improvements in or on the Premises to District in as good, safe, and clean condition as practicable, reasonable wear and tear excepted.

ARTICLE XII. REPRESENTATIONS AND WARRANTIES

12.01. District's Representations and Warranties. As of the Effective Date, District does hereby represent and warrant to MPHS as follows:

A. That District has good and marketable title to the Premises and possesses full power and authority to deal therewith in all respects and that no other party has any other right or option thereto or in connection therewith;

B. That there are no pending or, to the knowledge of District, threatened condemnation proceedings or actions or legal proceedings affecting the Premises or District's interest therein;

C. That this Lease is valid and binding upon District in accordance with its terms and does not constitute a default (or an event that with the giving of notice or the passage of time or both would constitute default) under any contract to which District is a party or by which District is bound;

D. That District has not received notice nor has District any knowledge of any violation of any law, regulation, ordinance, order or other requirement of any governmental authority having jurisdiction over or affecting any part of the Premises; and

E. That District is not obligated on any contract, lease or agreement, written or oral, with respect to the ownership, use, operation, or maintenance of the Premises;