



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday October 15 2008 5:30pm

*Board Room
Northern Inyo Hospital*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

October 15, 2008 at 5:30 P.M.

In the Board Room at Northern Inyo Hospital

1. Call to Order (at 5:30 P.M.).
2. Opportunity for members of the public to comment on any items on this Agenda.
3. Approval of minutes of the September 17 2008 regular meeting.
4. Financial and Statistical Reports for the month of August 2008; John Halfen.
5. Administrator's Report; John Halfen.
 - A. Building Update
 - B. Red Flag Regulations
 - C. F.Y.I. Section
 - D. Other
6. Chief of Staff Report – Richard Nicholson, M.D.
 - A. Policies and Procedures (*action items*)
 - B. Other
7. Old Business
 - A. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 2957 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District (*action item*).
 - B. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 2296 N. Sierra Highway, Bishop, California. Negotiation will be with owner of said property (*action item*).
8. New Business
 - A. Policy and Procedure Manual Approvals (*action item*)
 1. Laboratory
 2. Pharmacy
 3. Anesthesia
 4. Pathology
 - B. Approval of 2008 Audit (*action item*)
 - C. Discussion of rentals on Hospital property.
 - D. Lease Back Agreement, 152 Pioneer Lane, Suite F (*action item*)

9. Reports from Board members on items of interest.
10. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest.
11. Adjournment to closed session to:
 - A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
 - B. Instruct negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of two real properties (Government Code Section 54956.8).
 - C. Confer with legal counsel regarding pending litigation against the District by an employee (Government Code Section 54956.9(a)).
12. Return to open session, and report of any action taken in closed session.
13. Opportunity for members of the public to address the Board of Directors on items of interest.
14. Adjournment.

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- CALL TO ORDER The meeting was called to order at 5:35 p.m. by Peter Watercott, President.
- PRESENT Peter Watercott, President
John Ungersma, M.D., Treasurer
M. C. Hubbard, Director
Richard Nicholson, M.D., Chief of Staff
- ALSO PRESENT John Halfen, Administrator
Douglas Buchanan, Esq., District Legal Counsel
Sandy Blumberg, Administration Secretary
- ABSENT Michael Phillips M.D., Secretary
- PUBLIC COMMENTS
ON AGENDA Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
- MINUTES The minutes of the July 16 2008 regular meeting and the August 19 2008 special meeting were approved.
- ADMINISTRATOR'S
REPORT
- FINANCIAL AND
STATISTICAL REPORTS John Halfen, Chief Financial Officer reviewed with the Board the financial and statistical reports for the month of July 2008. Mr. Halfen noted financial reports for the month of June 2008 were distributed to the Board but would not be discussed unless someone present had questions on their content.
- Mr. Halfen noted the statement of operations for the month of July shows a bottom line excess of revenues over expenses of \$235,003. Mr. Halfen called attention to the following:
- *Out- patient service revenue was over budget*
 - *Total expenses were close to budget*
 - *Employee benefits and professional fees expense were over budget*
 - *The Balance Sheet showed no significant change*
 - *Year-to-date net income is \$235,003*
- Mr. Halfen noted the average number of days accounts are in receivables is now 67 days. He also reported payments from the State of California are being withheld until the budget for this year is approved and passed. The withholding of State funds has created a hardship for most hospitals, however due to Northern Inyo Hospital's (NIH's) patient mix and positive financial condition, the payment suspension should not have a significant negative effect.

Mr. Halfen reviewed the status of the Hospital's investments and stated in spite of volatile financial market conditions NIH has very little risk exposure to its investments at this time. It was moved by M.C. Hubbard, seconded by John Ungersma M.D. and passed to approve the financial and statistical reports for the month of July as presented.

BUILDING UPDATE

Mr. Halfen distributed a timeline for design submittals to the Office of Statewide Healthcare Planning and Development (OSHPD), and an updated estimated timeline for construction progress for Phase II of the building project. The current estimate is that demolition of the original hospital building will begin around November 1 and be completed around December 1st, and new construction should begin in February of 2009. Mr. Halfen noted the design for the foundation of the main hospital building has been changed from a horizontal foundation to vertical pylons.

GENERAL LIABILITY
AND MALPRACTICE
INSURANCE PREMIUM

Mr. Halfen referred to a letter received from Beta Healthcare Group stating that following their annual audit there will be no increase to NIH's liability and malpractice insurance premium for the upcoming year.

CAPITAL FREEZE

Mr. Halfen reported that due to the freeze of funds normally received from the State of California, a hold has been placed on non-emergent capital spending until the State budget has been passed.

FYI ITEMS

Mr. Halfen also referred to an information item received from the American Hospital Association regarding possible mandatory hospital compliance with an identity theft program. He also noted that NIH's Dietary Department recently underwent an unannounced County inspection and that once again the Department passed the inspection with flying colors.

CHIEF OF STAFF
REPORT

Chief of Staff Richard Nicholson, M.D. reported the Medical Staff Executive Committee agendized the following policies and procedures for approval of the District Board:

1. *Shoulder Dystocia*
2. *Ultrasound in the Perinatal Unit*
3. *Saline Contrast Study*
4. *Picture Archival Communication System Direct Physician Access*
5. *Radiology – Pregnant Patient*
6. *Radiation Protection for the Patient*
7. *Patient Restraint*
8. *Patient Radiation Exposure*
9. *Administration of Controlled Substances in the Radiology Department*
10. *Handling of Infants/Fetus/Stillborns and Genetic Workup*

Doctor Nicholson noted the policy titled "Radiology – Pregnant Patient"

has been sent back to the Radiology Department for review, and approval of that policy will be postponed to a future meeting. It was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve the policies and procedures as recommended with the exception of policy number 5 titled “*Radiology – Pregnant Patient*”.

Doctor Nicholson also reported the Medical Executive Committee recently met and recommends the following Medical Staff changes:

1. Appointment of Board-certified emergency room physician Charles Malcolm Schultz, M.D. to the Northern Inyo Hospital Provisional Active Medical Staff with requested privileges;
2. Advancement of Board-eligible OB/GYN Lara Jeanine Arndal, M.D. to the Northern Inyo Hospital Active Medical Staff with requested privileges;
3. Advancement of Board-certified pathologist Reda Michael Tadros, M.D. to the Northern Inyo Hospital Consulting Medical Staff with requested Privileges;
4. Acceptance of the resignations of Staff pathologist Gary Garshfield, M.D., and orthopaedic fellow Bret Winter, M.D..

It was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve the Medical Staff changes as requested. Doctor Nicholson also reported the Medical Executive Committee has agreed to defer consideration of the Staff status change request received from internist Sudhir P. Kakarla, M.D. to coincide with the reappointment process currently in progress. Doctor Nicholson additionally noted that medical records deficiencies are currently down to an impressive 5%.

OLD BUSINESS

REAFFIRMATIONS OF NEGOTIATOR

Mr. Halfen asked for reaffirmation of himself as negotiator regarding the potential acquisition of real property at 2857 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District. Mr. Halfen also asked for reaffirmation of himself as negotiator regarding the potential acquisition of real property at 152-H Pioneer Lane, Bishop, California. Negotiation will be with the designee(s) of Pioneer Medical Associates and/or Alice Casey, M.D. and Clifford Beck, M.D.. Mr. Halfen also asked for a third reaffirmation of himself as negotiator regarding the potential acquisition of real property at 152-F Pioneer Lane, Bishop, California. Negotiation will be with designee(s) of Pioneer Medical Associates and/or D. Scott Clark, M.D.. It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve all three reaffirmations of the negotiator as requested.

RHC DIRECTOR CONTRACT RENEWAL; AND RHC STAFF PHYSICIAN CONTRACT RENEWALS

Mr. Halfen referred to a proposed renewal of the Rural Health Clinic (RHC) Medical Director and Professional Services Agreement with Stacey Brown, M.D.. Changes to this agreement’s previous version include a flat fee compensation rate of \$40 per hour and \$37.50 per encounter for patients seen. The agreement also provides for the Hospital

establishing a community pool fund for all patients seen by RHC physicians, to be distributed amongst all contracted and eligible providers quarterly in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. Mr. Halfen also referred to RHC Staff Physician Contract renewals for Jennifer Scott M.D., Kenneth Gilliland M.D., and Michael Phillips, M.D.. It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the RHC Medical Director and Professional Services Agreement and all three RHC Staff Physician Agreements as presented.

RATIFICATION OF
SECURITY CONTRACTS

Mr. Halfen requested ratification of a Security Services agreement for per diem security employees; and for ratification of a Security Services Agreement Lead Officer Addendum for retired Bishop Police Officer Stephen Day. Mr. Halfen noted Security Service employees will be compensated at a rate of \$40 per hour, and their agreements call for twelve-hour shifts from 6pm to 6am on the Hospital premises. Mr. Halfen also noted the quality assurance aspect of security personnel will be handled by Mr. Day, who will be in charge of checking credentialing and licensure of employees, as well as scheduling security coverage. It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the Security Services agreements as presented. Mr. Watcott noted he is pleased that security agreements are now in place and that Mr. Day will be the Lead Security Officer for Northern Inyo Hospital.

APPROVAL OF TWO
PURCHASE AND SALE
AGREEMENTS AND ONE
LEASE BACK
AGREEMENT,
DOCTORS BECK,
CASEY, AND CLARK

Mr. Halfen referred to a proposed Purchase and Sale Agreement for the 17.78% general partnership interest in Pioneer Medical Associates currently owned by Alice Casey, M.D. and Clifford Beck, M.D.; and a proposed Purchase and Sale Agreement for the 8.57% general partnership interest in Pioneer Medical Associates (PMA) currently owned by D. Scott Clark, M.D.. He also referred to a Lease back Agreement for Suite H of the PMA office building located at 152 Pioneer Lane, allowing NIH to lease back suite H for a period of three years. District Legal Counsel Douglas Buchanan explained minor housekeeping changes that should be made to the documents before they are finalized. Following review of all three agreements, it was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the Purchase and Sale Agreements and the Lease Agreement as presented, including the changes noted by Mr. Buchanan.

NEW BUSINESS

POLICY AND
PROCEDURE MANUAL
APPROVALS

Mr. Halfen referred to the following Hospital Policy and Procedure Manuals which were presented to the District Board for annual approval:

1. Central Supply
2. Emergency Room
3. Intensive Care Unit
4. Infection Control
5. Mammography & MSQA
6. Med-Surg
7. Pediatric Unit
8. Radiology
9. MRI Safety
10. Nuclear Medicine

- | | |
|----------------------------|----------------------------|
| 11. Nursing Administration | 15. Rural Health Clinic |
| 12. OB | 16. Safety |
| 13. Outpatient | 17. Staff Development |
| 14. PACU | 18. Surgical Services Unit |

It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve all eighteen policy and procedure manuals as presented.

BOARD RESOLUTION
08-02,
APPROPRIATIONS
LIMIT

Mr. Halfen referred to proposed Board Resolution 08-02 allowing for establishment of the appropriations limit for Northern Inyo County Local Hospital District for the July 1 2008 to June 30 2009 Fiscal Year. It was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve Resolution 08-02 as presented.

PURCHASE OF
PERFORMANCE
IMPROVEMENT
TRAILER

Mr. Halfen also referred to a proposal from Mod Space Corporation to purchase the modular building currently being leased by the Hospital for use by the Performance Improvement Department, for a total cost of \$18,175. It was moved by Doctor Ungersma, seconded by Ms. Hubbard and passed to approve the purchase of the modular building as presented.

BOND RESOLUTION 08-
03, 2008 ISSUE

Mr. Halfen referred to Bond Resolution 08-03 which would allow for issuance of the remainder of the voter-approved general obligation bonds. Mr. Halfen noted he will pursue obtaining an upgrade to the Hospital's bond rating before the end of the calendar year. It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve Bond Resolution 08-03 as presented.

MEMORANDUM OF
UNDERSTANDING,
NORTHERN INYO
HOSPITAL
FOUNDATION

Mr. Halfen called attention to a Memorandum of Understanding (MOU) between Northern Inyo Hospital and the Northern Inyo Hospital Foundation, which establishes the purpose of the non-profit NIH Foundation as being to raise funds for the Northern Inyo County Local Hospital District, a public entity. It was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve the MOU between NIH and the NIH Foundation as presented.

AFFIRMATION OF
NEGOTIATOR

Mr. Halfen requested affirmation of himself as negotiator regarding the potential acquisition of real property at 2296 N. Sierra Highway, Bishop, California. Negotiation will be with the owner of said property. It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to affirm Mr. Halfen as negotiator as requested.

AMMENDMENT TO RT
& EKG MEDICAL
DIRECTOR
AGREEMENTS

Mr. Halfen referred to proposed changes to the Medical Director Agreements for the Respiratory Therapy and EKG services of Asao Kamei, M.D.. The proposed changes allow for an increase to the Doctor's compensation equal to the amount of the NIH employee Board-approved Cost of Living Adjustment (COLA). It was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the amendments to

the Respiratory Therapy and EKG Medical Director agreements as requested.

CHANGES TO
LANGUAGE SERVICES
POLICY

Language Services Director Jose Garcia referred to proposed changes to the Hospital's Language Services Policy, allowing for Hospital interpreters to be compensated according to a sliding scale for interpreter sessions performed. Following review of the proposed changes it was moved by Doctor Ungersma, seconded by Ms. Hubbard, and passed to approve the changes to the Language Services Policy as presented.

BOARD MEMBER
RESIGNATION

Mr. Halfen addressed the subject of the recent resignation from the District Board of Board member D. Scott Clark, M.D.. District Legal Counsel Doug Buchanan explained the details of dealing with Board vacancies, and noted that if the NIH District Board should choose not to appoint a Director to represent Zone IV until the November general election, an appointment might be made by the Inyo County Board of Supervisors. Mr. Buchanan asked the Board to consider what action, if any, they may choose to take in regard to the current vacancy. It was also noted that NIH informed the media and general public of the Zone IV vacancy, and no individuals expressed an interest in filling the vacancy.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any member of the Board of Directors wished to report on any items of interest. Doctor Ungersma reported he will attend the annual Association of California Hospital Districts (ACHD) meeting to be held in October.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to address the Board of Directors on any items on this agenda and/or on any items of interest. No comments were heard.

CLOSED SESSION

At 6:58 p.m. Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
- B. Instruct negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of four real properties (Government Code Section 54956.8).
- C. Discuss with counsel pending litigation and whether or not the District shall initiate litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).
- D. Confer with legal counsel regarding pending litigation against the District by an employee (Government Code Section 54956.9(a)).

RETURN TO OPEN
SESSION

At 7:35 p.m. the meeting was returned to open session. Mr. Watercott reported that the Board took no reportable action.

The Board again discussed the possible courses of action they might take in regard to filling the Director vacancy for District Zone IV. The Board determined that if a suitable candidate can be found to represent Zone IV until the November 2008 general election, a special meeting might be held in order to take action on this matter.

ADJOURNMENT

The meeting was adjourned at 8:15 p.m.

Peter Watercott, President

Attest:

John Ungersma, M.D., Treasurer

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CALL TO ORDER	The meeting was called to order at 12:09 p.m. by M.C. Hubbard, Director.
PRESENT	Michael Phillips, M.D., Secretary John Ungersma, M.D., Treasurer MC Hubbard, Director
ALSO PRESENT	Douglas Buchanan, Esq., Hospital District Legal Counsel Leon Freis, Administration Support Services and Compliance Officer Sandra Blumberg, Administration Secretary
ABSENT	John Halfen, Administrator Peter Watercott, President Richard Nicholson, M.D., Chief of Staff
PUBLIC COMMENTS ON AGENDA	Ms. Hubbard asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
APPOINTMENT OF DIRECTOR, DISTRICT ZONE IV	Ms. Hubbard called attention to a letter of interest received from Jeff Brown, Pharm D, to fill the Board vacancy for District Zone IV. The Board discussed the suitability of Mr. Brown to fill the vacant position, and stated they would feel fortunate to have Mr. Brown serve on the Board until the time of the General Election to be held in November. It was moved by Michael Phillips, M.D., seconded by John Ungersma, M.D., and passed to appoint Jeff Brown, Pharm D to the vacant Board position for Zone IV of the Hospital District.
ELECTION OF DISTRICT BOARD VICE PRESIDENT	District Legal Counsel Douglas Buchanan, Esq. discussed the importance of electing a new District Board Vice President (following former Vice President D. Scott Clark's resignation) in order to have the ability to transact business in the event of the absence of the District Board President. Following brief discussion it was moved by Doctor Phillips, seconded by Doctor Ungersma, and passed to approve the election of director M.C. Hubbard to be Vice President of the Northern Inyo County Local Hospital District (NICLHD) Board of Directors.
DISCUSSION OF INVESTMENT POSITIONS	Ms. Hubbard called attention to the agenda item titled "discussion of investment positions" listed on the agenda for this meeting. Following brief discussion it was decided to table further discussion of this agenda item until such time as Hospital Administrator John Halfen is able to be present.
OPPORTUNITY FOR PUBLIC COMMENT	Ms. Hubbard again asked if any members of the public wished to comment on any items listed on the agenda for this meeting, or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 12:17 p.m.

M.C. Hubbard, Vice President

Attest:

Michael Phillips, M.D., Secretary

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BUDGET VARIANCE ANALYSIS

Aug-08 PERIOD ENDING PRIOR TO AUDIT

In the month, NIH was

15% over budget in IP days;
(0.1%) over in IP Ancillary Revenue and
(10.7%) over in OP Revenue resulting in
\$ 647,568 (9.8%) over in gross patient revenue from budget and
\$ 563,524 (14.4%) under in net patient revenue from budget

Total Expenses were:

\$ 5,027 (0.1%) over budget. Wages and Salaries were
\$ (54,722) (-3.9%) under budget and Employee Benefits
\$ 80,937 (9.7%) over budget.
\$ 153,504 of other income resulted in a net income of
\$ 833,480 \$ 607,027 over budget.

The following expense areas were over budget for the month:

\$ 80,937 10% Employee Benefits for Medical Claims
\$ 45,320 16% Professional Fees; registry staff & Physicians
Interest Expense due to 2005 General Obligation
Bond Interest payments no longer being
\$ 51,936 113% Capitalized
Depreciation due to unestimate of building
\$ 3,223 2% depreciation during budget process

Other Information:

38.56% Contractual Percentages for month
41.08% Contractual Percentages for Year

\$ 1,068,483 Year-to-date Net Revenue

Special Notes for Month:

Interest Expense will remain high for year due to first Phase of Building Project being completed and the interest payments for the first issue of the 2005 General Obligation Bond will no longer be capitalized as it was during the construction. The depreciation expense was under estimated during the budget process and will be over budget all year.

We have added a new line on the Income Statement to show the amount of 3rd party contractals being reduced monthly. Auditors feel we have too high of an amount booked for Medicare and Medi-Cal Cost Report settlements.

NORTHERN INYO HOSPITAL

Balance Sheet

August 31, 2008

Assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2008</u>
Current assets:			
Cash and cash equivalents	747,920	1,636,211	2,434,216
Short-term investments	15,755,275	16,244,259	15,199,287
Assets limited as to use	1,333,012	97,958	49,003
Plant Expansion and Replacement Cash	1,802,829	1,896,752	1,941,239
Other Investments (Partnership)	352,361	352,361	352,361
Patient receivable, less allowance for doubtful accounts \$718,747	8,913,097	7,816,776	8,273,347
Other receivables (Includes GE Financing Funds)	1,276,124	1,172,769	571,376
Inventories	2,169,207	2,168,242	2,177,577
Prepaid expenses	699,049	735,243	602,851
Total current assets	<u>33,048,873</u>	<u>32,120,570</u>	<u>31,601,257</u>
Assets limited as to use:			
Internally designated for capital acquisitions	559,114	558,980	558,237
Specific purpose assets	553,304	487,785	520,160
	<u>1,112,418</u>	<u>1,046,765</u>	<u>1,078,397</u>
Revenue bond construction funds held by trustee	870,108	826,431	782,802
Less amounts required to meet current obligations	<u>1,333,012</u>	<u>97,958</u>	<u>49,003</u>
Net Assets limited as to use:	<u>649,514</u>	<u>1,775,239</u>	<u>1,812,196</u>
Long-term investments	<u>8,914,638</u>	<u>8,914,638</u>	<u>8,914,638</u>
Property and equipment, net of accumulated depreciation and amortization	<u>30,840,744</u>	<u>29,581,401</u>	<u>29,541,929</u>
Unamortized bond costs	<u>305,609</u>	<u>307,096</u>	<u>308,583</u>
Total assets	<u><u>73,759,378</u></u>	<u><u>72,698,944</u></u>	<u><u>72,178,602</u></u>

NORTHERN INYO HOSPITAL

Balance Sheet

August 31, 2008

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2008</u>
Current liabilities:			
Current maturities of long-term debt	646,270	646,270	683,626
Accounts payable	727,283	712,541	1,140,966
Accrued salaries, wages and benefits	3,024,465	2,816,595	2,600,516
Accrued interest and sales tax	355,694	258,737	172,391
Deferred income	476,508	524,158	-
Due to third-party payors	3,755,889	3,865,301	3,940,301
Due to specific purpose funds	-	-	-
Total current liabilities	<u>8,986,108</u>	<u>8,823,601</u>	<u>8,537,799</u>
Long-term debt, less current maturities	25,270,196	25,270,196	25,270,196
Bond Premium	389,393	390,598	391,804
Total long-term debt	<u>25,659,589</u>	<u>25,660,794</u>	<u>25,662,000</u>
Net assets:			
Unrestricted	38,560,378	37,726,763	37,458,642
Temporarily restricted	553,304	487,785	520,160
Total net assets	<u>39,113,681</u>	<u>38,214,549</u>	<u>37,978,803</u>
Total liabilities and net assets	<u><u>73,759,378</u></u>	<u><u>72,698,944</u></u>	<u><u>72,178,602</u></u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of August 31, 2008

	MTD Actual	MTD Budget	MTD Variance \$	MTD Variance %	YTD Actual	YTD Budget	YTD Variance \$	YTD Variance %	Prior YTD
Unrestricted revenues, gains and other support:									
In-patient service revenue:									
Routine	613,819	607,596	6,223	1.0	1,196,981	1,215,192	(18,211)	(1.5)	1,415,150
Ancillary	2,246,454	2,028,606	217,848	10.7	4,113,945	4,057,212	56,733	1.4	4,416,250
Total in-patient service revenue	2,860,273	2,636,202	224,071	8.5%	5,310,926	5,272,404	38,522	0.7%	5,831,399
Out-patient service revenue	4,372,244	3,948,747	423,497	10.7	8,768,601	7,897,494	871,107	11.0	8,083,300
Gross patient service revenue	7,232,517	6,584,949	647,568	9.80	14,079,527	13,169,898	909,629	6.9	13,914,699
Less deductions from patient service revenue:									
Patient service revenue adjustments	184,734	142,545	(42,189)	(29.6)	544,685	285,090	(259,595)	(91.1)	230,338
Contractual adjustments	2,652,059	2,535,204	(116,855)	(4.6)	5,362,906	5,070,408	(292,498)	(5.8)	6,115,830
Prior Period Adjustments	(75,000)	-	75,000	100.0	(150,173)	-	150,173	100.0	21,204
Total deductions from patient service revenue	2,761,793	2,677,749	(84,044)	(3.1)	5,757,418	5,355,498	(401,920)	(7.5)	6,367,371
Net patient service revenue	4,470,724	3,907,200	563,524	14%	8,322,109	7,814,400	507,709	6%	7,547,328
Other revenue	31,228	28,005	3,223	11.5	64,221	56,010	8,211	14.7	58,596
Transfers from Restricted Funds for Other Operating Expenses	65,541	65,541	-	-	131,082	131,082	-	0.0	-
Total Other revenue	96,769	93,546	3,223	3.4	195,303	187,092	8,211	4.4	58,596
Total revenue, gains and other support	4,567,493	4,000,746	566,747	3.5	8,517,412	8,001,492	515,920	4.5	7,605,924
Expenses:									
Salaries and wages	1,352,704	1,407,426	54,722	3.9	2,705,907	2,814,852	108,945	3.9	2,605,678
Employee benefits	919,907	838,970	(80,937)	(9.7)	1,825,667	1,677,940	(147,727)	(8.8)	1,369,843
Professional fees	326,851	281,531	(45,320)	(16.1)	700,889	563,062	(137,827)	(24.5)	566,017
Supplies	511,886	474,570	(37,316)	(7.9)	980,437	949,140	(31,297)	(3.3)	921,000
Purchased services	193,261	194,833	1,572	0.8	381,390	389,666	8,276	2.1	298,426
Depreciation	212,373	209,150	(3,223)	(1.5)	422,514	418,300	(4,214)	(1.0)	246,473
Interest	97,772	45,836	(51,936)	(113.3)	209,418	91,672	(117,746)	(128.4)	64,542
Bad debts	26,937	168,022	141,085	84.0	26,937	336,044	309,107	92.0	328,307
Other	225,210	241,537	16,327	6.8	489,995	483,074	(6,921)	(1.4)	420,309
Total expenses	3,866,902	3,861,875	(5,027)	(0.1)	7,743,155	7,723,750	(19,405)	(0.3)	6,820,594
Operating income (loss)	700,591	138,871	561,720	3.6	774,257	277,742	496,515	4.8	785,330
Other income:									
District tax receipts	47,650	37,013	10,637	28.7	95,300	74,026	21,274	28.7	74,026
Interest	86,847	60,000	26,847	44.7	182,473	120,000	62,473	52.1	196,964
Other	19,007	8,333	10,674	128.1	56,124	16,666	39,458	236.8	12,189
Grants and Other Non-Restricted Contributions	-	3,333	(3,333)	(100.0)	-	6,666	(6,666)	(100.0)	10,000
Partnership Investment Income	-	-	-	-	-	-	-	-	-
Total other income, net	153,504	108,679	44,825	41	333,897	217,358	116,539	53.6	293,180
Non-Operating Expense									
Medical Office Expense	12,097	13,408	1,311	9.8	24,586	26,816	2,230	8.3	22,059
Urology Office	8,518	7,689	(829)	(10.8)	15,085	15,378	293	1.9	27,938
Total Non-Operating Expense	20,614	21,097	483	2.3	39,671	42,194	2,523	6.0	49,997
Excess (deficiency) of revenues over expenses	833,480	226,453	607,027	268.1	1,068,483	452,906	615,577	135.9	1,028,512

NORTHERN INYO HOSPITAL

Statement of Operations--Statistics

As of August 31, 2008

	Month Actual	Month Budget	Month Variance	Month Percentage	YTD Actual	YTD Budget	YTD Variance	Year Percentage
Operating statistics:								
Beds	25.00	25.00	N/A	N/A	25.00	25.00	N/A	N/A
Patient days	305.00	265.00	40.00	1.15	579.00	530.00	49.00	1.09
Maximum days per bed capacity	775.00	750.00	N/A	N/A	1,550.00	1,500.00	N/A	N/A
Percentage of occupancy	39.35	35.33	4.02	1.11	37.35	35.33	2.02	1.06
Average daily census	9.84	8.83	1.01	1.11	9.34	8.83	0.51	1.06
Average length of stay	3.28	3.01	0.27	1.09	3.31	3.01	0.30	1.10
Discharges	93.00	88.00	5.00	1.06	175.00	176.00	(1.00)	0.99
Admissions	94.00	87.00	7.00	1.08	172.00	174.00	(2.00)	0.99
Gross profit-revenue depts.	4,939,369.14	4,321,007.00	618,362.14	1.14	9,438,492.18	8,642,014.00	796,478.18	1.09

Percent to gross patient service revenue:

Deductions from patient service revenue and bad debts	38.56	43.22	(4.66)	0.89	41.08	43.22	(2.14)	0.95
Salaries and employee benefits	31.38	34.08	(2.70)	0.92	32.15	34.08	(1.93)	0.94
Occupancy expenses	5.08	4.38	0.70	1.16	5.11	4.38	0.73	1.17
General service departments	5.83	6.28	(0.45)	0.93	6.00	6.28	(0.28)	0.96
Fiscal services department	4.74	4.74	-	1.00	4.78	4.74	0.04	1.01
Administrative departments	4.68	5.37	(0.69)	0.87	4.91	5.37	(0.46)	0.91
Operating income (loss)	9.40	1.84	7.56	5.11	5.22	1.84	3.38	2.84
Excess (deficiency) of revenues over expenses	11.52	3.44	8.08	3.35	7.59	3.44	4.15	2.21

Payroll statistics:

Average hourly rate (salaries and benefits)	43.06	43.24	(0.18)	1.00	43.11	43.24	(0.13)	1.00
Worked hours	46,605.52	47,276.00	(670.48)	0.99	92,497.92	94,552.00	(2,054.08)	0.98
Paid hours	52,707.21	51,895.00	812.21	1.02	104,989.51	103,790.00	1,199.51	1.01
Full time equivalents (worked)	264.80	273.27	(8.47)	0.97	262.78	273.27	(10.49)	0.96
Full time equivalents (paid)	299.47	299.97	(0.50)	1.00	298.27	299.97	(1.71)	0.99

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of August 31, 2008

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	833,480.04	1,068,482.75
Net Assets due/to transferred from unrestricted	-	-
Net assets released from restrictions used for operations	-	32,375.00
Net assets released from restrictions used for payment of long-term debt	(65,541.00)	(131,082.00)
Contributions and interest income	134.18	877.59
Increase in unrestricted net assets	<u>768,073.22</u>	<u>970,653.34</u>
Temporarily restricted net assets:		
District tax allocation	65,518.13	65,518.13
Net assets released from restrictions	-	(32,375.00)
Restricted contributions	-	-
Interest income	-	-
Net Assets for Long-Term Debt due from County	65,541.00	131,082.00
Increase (decrease) in temporarily restricted net assets	<u>131,059.13</u>	<u>164,225.13</u>
Increase (decrease) in net assets	899,132.35	1,134,878.47
Net assets, beginning of period	38,214,548.95	37,978,802.83
Net assets, end of period	<u><u>39,113,681.30</u></u>	<u><u>39,113,681.30</u></u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of August 31, 2008

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	899,132.35	1,134,878.47
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	212,373.46	422,514.14
Provision for bad debts	26,936.79	26,936.79
Loss (gain) on disposal of equipment	6,000.00	6,100.00
(Increase) decrease in:		
Patient and other receivables	(1,226,612.15)	(1,371,433.67)
Other current assets	35,229.36	(87,827.60)
Plant Expansion and Replacement Cash	93,922.61	138,409.83
Increase (decrease) in:		
Accounts payable and accrued expenses	271,918.59	670,075.76
Third-party payors	(109,412.00)	(184,412.00)
Net cash provided (used) by operating activities	<u>209,489.01</u>	<u>755,241.72</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,471,715.80)	(1,721,329.27)
Purchase of investments	488,983.92	(555,987.98)
Proceeds from disposal of equipment	(6,000.00)	(6,100.00)
Net cash provided (used) in investing activities	<u>(988,731.88)</u>	<u>(2,283,417.25)</u>
Cash flows from financing activities:		
Long-term debt	(1,205.55)	(39,766.58)
Issuance of revenue bonds	(43,676.92)	(87,306.46)
Unamortized bond costs	1,486.95	2,973.90
Increase (decrease) in donor-restricted funds, net	(65,652.31)	(34,020.72)
Net cash provided by (used in) financing activities	<u>(109,047.83)</u>	<u>(158,119.86)</u>
Increase (decrease) in cash and cash equivalents	(888,290.70)	(1,686,295.39)
Cash and cash equivalents, beginning of period	<u>1,636,210.86</u>	<u>2,434,215.55</u>
Cash and cash equivalents, end of period	<u>747,920.16</u>	<u>747,920.16</u>

Investments as of 8/31/08

ID	Purchase Date	Maturity Date	Institution	Yield%	Principal Invested
1	05-Aug-08	01-Sep-08	Local Agency Investment Fund	2.78%	8,360,858
2	02-Aug-08	01-Sep-08	Local Agency Investment Fund	2.78%	305,218
3	13-Jun-08	16-Sep-08	Federal Home Loan Bank-Wachovia	4.04%	100,554
4	15-Oct-03	15-Oct-08	R-G Crown Bank	4.00%	97,000
5	17-Jun-08	01-Nov-08	Associates Corp North America Sr Nts	3.26%	505,450
6	09-Oct-07	24-Nov-08	Citigroup Med Term Note	5.33%	1,330,154
7	28-Apr-08	08-Dec-08	First Tennessee Bank Note	5.21%	800,000
8	12-Jun-08	12-Dec-08	Federal Home Loan Bank-Wachovia	4.75%	101,361
9	04-Jan-05	05-Jan-09	Mututal Bank	4.36%	99,000
10	04-Aug-00	17-Feb-09	Wachovia Corp Senior Note	5.00%	1,985,580
11	17-Jun-08	16-Mar-09	Fedl National Mtg Asso-Wachovia	3.13%	100,626
12	21-Sep-07	01-Apr-09	Citigroup Med Term Note	3.38%	239,293
13	07-Aug-08	15-Jun-09	World Savings Bank Note	5.17%	1,105,773
14	12-Jun-08	19-Jun-09	Federal Home Loan Bank-Wachovia	5.25%	102,703
Maturing Fiscal Year 2009					15,233,570
15	03-Jun-08	01-Jul-09	International Lease Finance Corp	4.75%	1,005,500
16	21-Sep-07	01-Nov-09	Citigroup Med Term Note	6.88%	702,987
17	23-Jul-08	01-Nov-09	Federal Home Loan Mtg Corp-MBS	4.50%	82,943
18	22-Feb-08	07-Dec-09	Bear Stearns Co Note	4.58%	933,927
19	18-Aug-08	15-Dec-09	World Savings Bank Note	5.24%	492,950
20	30-Dec-04	30-Dec-09	Capital City Bank and Trust	4.75%	99,000
21	25-Jul-08	01-Mar-10	Schwab Medium Term Note	4.33%	528,440
22	22-Apr-05	22-Apr-10	Bank of Waukegan	4.75%	99,000
23	24-Apr-08	15-May-10	American General Finance Corp Note	4.47%	503,905
Maturing Fiscal Year 2010					4,448,652
24	13-Nov-07	04-Aug-10	Merrill Lynch & Co Inc	4.79%	986,000
Maturing Fiscal Year 2011					986,000
25	12-Mar-08	12-Sep-11	Federal Home Loan Mtg Corp-FNC	4.05%	1,000,000
Maturing Fiscal Year 2012					1,000,000
26	39525	41334	Federal Home Loan Mtg Corp-FNC	4.38%	3,000,000
Maturing Fiscal Year 2013					3,000,000
Total Investments					24,668,222

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2008

Month	<u>Operations Checking Account</u>				<u>Time Deposit Month-End Balances</u>								
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Investment Operations Fund	Bond and Interest Fund (2)	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund	Total Revenue Bond Fund (1)	Project Revenue Bond Fund (1)	General Obligation Bond Fund
January	799,688	3,470,821	3,178,334	1,092,175	20,699,869	533,220	25,185	3,034	5,854	432,993	729,781	18,154	4,996,062
February	1,092,175	3,784,341	3,845,492	1,031,024	21,348,607	533,220	25,185	3,034	5,854	433,239	773,502	18,193	3,693,002
March	1,031,024	8,396,549	9,206,848	220,726	22,761,607	533,397	25,192	3,035	5,855	433,438	817,192	18,221	2,905,472
April	220,726	5,565,892	5,070,387	716,230	21,993,157	533,397	25,192	3,035	5,855	532,756	904,546	18,258	2,706,314
May	716,230	4,861,035	4,171,128	1,406,138	22,583,401	505,947	25,192	3,035	20,855	532,894	934,534	18,258	2,318,199
June	1,406,138	3,979,790	4,241,108	1,144,820	24,112,234	506,089	25,199	3,036	10,960	533,038	782,802	18,278	1,941,042
July	1,144,820	3,591,736	4,304,179	432,378	25,157,206	473,714	25,799	3,036	10,960	533,181	826,431	18,297	1,896,555
August	432,378	3,928,525	4,052,898	308,005	24,668,222	539,232	25,799	3,036	10,960	533,315	870,108	18,316	1,802,362
PRIOR YEAR													
September	844,331	3,624,606	4,136,051	332,887	21,064,617	478,437	25,173	3,033	5,846	431,441	915,472	17,935	6,743,527
October	332,887	5,621,707	5,376,158	578,436	19,686,180	34,442	25,173	3,033	5,846	431,874	958,132	17,996	6,095,837
November	578,436	4,268,508	4,207,737	639,207	19,167,169	34,442	25,173	3,033	5,846	432,257	1,020,656	18,056	5,862,534
December	639,207	4,613,761	4,453,280	799,688	19,603,236	533,220	25,185	3,034	5,849	432,642	686,080	18,106	4,973,046

Notes: (1) The difference between the Total and Project Revenue Bond Funds represents amounts held by the trustee to make payments on the District's behalf and about \$575,000 to cover the Bond Reserve Account Requirement with respect to the Series 1998 Bonds. The Project amount represents the balance available to spend on the building project; however, the district accumulates invoices and only requests reimbursement quarterly.

(2) The Bond and Interest Fund now contains the Debt Service amount from the County for both the original Bond and the 2005 Bond.

Financial Indicators

	Target	Aug-08	Jul-08	Jun-08	May-08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07
Current Ratio	>1.5-2.0	3.68	3.64	3.70	4.28	4.09	3.85	4.22	4.42	4.43	4.28	4.12	4.43
Quick Ratio	>1.33-1.5	3.22	3.18	3.31	3.85	3.64	3.40	3.44	3.63	3.99	3.84	3.71	4.04
Days Cash on Hand	>75	229.67	222.74	233.39	239.70	254.30	229.19	274.52	258.26	270.34	263.64	267.90	303.54

NORTHERN INYO HOSPITAL
STATISTICS

MONTHS 2008	SURGERIES						ER			OP			ADMITTS			PT DAYS			DISCH									
	IP		OP		TOTAL		BIRTHS			ADMITTS			VISITS			REFERRALS			(W/INB)			(W/O INB)			(M/NB)			
	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08		
JANUARY	40 / 38 / 33	72 / 73 / 106	112 / 111 / 139	19 / 17 / 16	60 / 47 / 48	563 / 510 / 573	3135 / 3331 / 3237	126 / 111 / 107	370 / 299 / 329	410 / 350 / 364	124 / 106 / 96	126 / 111 / 107	370 / 299 / 329	410 / 350 / 364	124 / 106 / 96	126 / 111 / 107	370 / 299 / 329	410 / 350 / 364	124 / 106 / 96	126 / 111 / 107	370 / 299 / 329	410 / 350 / 364	124 / 106 / 96	126 / 111 / 107	370 / 299 / 329	410 / 350 / 364	124 / 106 / 96	
FEBRUARY	29 / 24 / 17	62 / 59 / 81	91 / 83 / 98	20 / 19 / 14	44 / 14 / 39	467 / 521 / 545	3100 / 2891 / 3165	106 / 107 / 86	255 / 251 / 241	303 / 291 / 274	113 / 105 / 96	106 / 107 / 86	255 / 251 / 241	303 / 291 / 274	113 / 105 / 96	106 / 107 / 86	255 / 251 / 241	303 / 291 / 274	113 / 105 / 96	106 / 107 / 86	255 / 251 / 241	303 / 291 / 274	113 / 105 / 96	106 / 107 / 86	255 / 251 / 241	303 / 291 / 274	113 / 105 / 96	
MARCH	50 / 25 / 32	101 / 53 / 82	151 / 78 / 114	26 / 17 / 13	63 / 49 / 43	543 / 460 / 506	3387 / 3079 / 3285	152 / 117 / 108	333 / 286 / 318	399 / 322 / 349	149 / 116 / 102	152 / 117 / 108	333 / 286 / 318	399 / 322 / 349	149 / 116 / 102	152 / 117 / 108	333 / 286 / 318	399 / 322 / 349	149 / 116 / 102	152 / 117 / 108	333 / 286 / 318	399 / 322 / 349	149 / 116 / 102	152 / 117 / 108	333 / 286 / 318	399 / 322 / 349	149 / 116 / 102	
APRIL	31 / 31 / 35	81 / 59 / 120	112 / 90 / 155	18 / 17 / 14	54 / 48 / 61	474 / 525 / 558	3145 / 3251 / 3611	114 / 105 / 112	310 / 245 / 307	346 / 276 / 338	116 / 112 / 118	114 / 105 / 112	310 / 245 / 307	346 / 276 / 338	116 / 112 / 118	114 / 105 / 112	310 / 245 / 307	346 / 276 / 338	116 / 112 / 118	114 / 105 / 112	310 / 245 / 307	346 / 276 / 338	116 / 112 / 118	114 / 105 / 112	310 / 245 / 307	346 / 276 / 338	116 / 112 / 118	
MAY	31 / 38 / 41	73 / 95 / 110	104 / 133 / 151	20 / 19 / 27	53 / 40 / 68	564 / 580 / 594	3313 / 3343 / 3406	111 / 112 / 128	345 / 299 / 316	381 / 342 / 376	106 / 103 / 126	111 / 112 / 128	345 / 299 / 316	381 / 342 / 376	106 / 103 / 126	111 / 112 / 128	345 / 299 / 316	381 / 342 / 376	106 / 103 / 126	111 / 112 / 128	345 / 299 / 316	381 / 342 / 376	106 / 103 / 126	111 / 112 / 128	345 / 299 / 316	381 / 342 / 376	106 / 103 / 126	
JUNE	49 / 27 / 33	76 / 70 / 83	125 / 97 / 116	16 / 12 / 18	44 / 41 / 38	552 / 511 / 580	3235 / 3186 / 3388	107 / 104 / 112	307 / 297 / 258	342 / 323 / 294	97 / 107 / 108	107 / 104 / 112	307 / 297 / 258	342 / 323 / 294	97 / 107 / 108	107 / 104 / 112	307 / 297 / 258	342 / 323 / 294	97 / 107 / 108	107 / 104 / 112	307 / 297 / 258	342 / 323 / 294	97 / 107 / 108	107 / 104 / 112	307 / 297 / 258	342 / 323 / 294	97 / 107 / 108	
JULY	31 / 41 / 22	59 / 85 / 110	90 / 126 / 132	30 / 24 / 21	36 / 49 / 44	619 / 624 / 676	3012 / 3109 / 3307	129 / 132 / 99	313 / 388 / 274	371 / 445 / 317	126 / 127 / 105	129 / 132 / 99	313 / 388 / 274	371 / 445 / 317	126 / 127 / 105	129 / 132 / 99	313 / 388 / 274	371 / 445 / 317	126 / 127 / 105	129 / 132 / 99	313 / 388 / 274	371 / 445 / 317	126 / 127 / 105	129 / 132 / 99	313 / 388 / 274	371 / 445 / 317	126 / 127 / 105	
AUGUST	40 / 35 / 33	117 / 115 / 114	457 / 150 / 147	26 / 26 / 20	54 / 46 / 52	580 / 565 / 642	3401 / 3402 / 3145	138 / 126 / 114	350 / 353 / 305	408 / 421 / 345	134 / 140 / 113	138 / 126 / 114	350 / 353 / 305	408 / 421 / 345	134 / 140 / 113	138 / 126 / 114	350 / 353 / 305	408 / 421 / 345	134 / 140 / 113	138 / 126 / 114	350 / 353 / 305	408 / 421 / 345	134 / 140 / 113	138 / 126 / 114	350 / 353 / 305	408 / 421 / 345	134 / 140 / 113	
SEPTEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /
CALENDAR YEAR	301 / 259 / 246	641 / 609 / 806	942 / 868 / 1052	175 / 151 / 143	408 / 334 / 393	4362 / 4296 / 4674	25728 / 25692 / 26544	983 / 914 / 866	2583 / 2418 / 2348	2960 / 2770 / 2657	965 / 916 / 864	983 / 914 / 866	2583 / 2418 / 2348	2960 / 2770 / 2657	965 / 916 / 864	983 / 914 / 866	2583 / 2418 / 2348	2960 / 2770 / 2657	965 / 916 / 864	983 / 914 / 866	2583 / 2418 / 2348	2960 / 2770 / 2657	965 / 916 / 864	983 / 914 / 866	2583 / 2418 / 2348	2960 / 2770 / 2657	965 / 916 / 864	
MONTHLY AVERAGE	38 / 32 / 31	80 / 76 / 101	118 / 109 / 132	22 / 19 / 18	51 / 42 / 49	545 / 537 / 584	3,216 / 3,212 / 3,318	123 / 114 / 108	323 / 302 / 294	370 / 346 / 332	121 / 115 / 108	123 / 114 / 108	323 / 302 / 294	370 / 346 / 332	121 / 115 / 108	123 / 114 / 108	323 / 302 / 294	370 / 346 / 332	121 / 115 / 108	123 / 114 / 108	323 / 302 / 294	370 / 346 / 332	121 / 115 / 108	123 / 114 / 108	323 / 302 / 294	370 / 346 / 332	121 / 115 / 108	

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2008	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		EKG / EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS		
	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	
JANUARY	312 / 308 / 544	229 / 198 / 193	29 / 36 / 71	107 / 166 / 205	123 / 112 / 170	85 / 86 / 89	1686 / 1621 / 1809	103 / 139 / 103	302 / 335 / 335	12 / 19 / 10	1029 / 941 / 1057	4017 / 3961 / 4586													
FEBRUARY	250 / 263 / 593	211 / 194 / 193	60 / 38 / 63	135 / 157 / 205	111 / 102 / 217	92 / 71 / 85	1633 / 1662 / 1744	82 / 84 / 113	361 / 302 / 364	19 / 19 / 11	970 / 965 / 1150	3924 / 3857 / 4738													
MARCH	329 / 269 / 529	83 / 122 / 311	52 / 29 / 133	133 / 144 / 223	126 / 95 / 233	105 / 76 / 403	1853 / 1734 / 1774	132 / 100 / 149	425 / 340 / 346	14 / 16 / 12	1099 / 1095 / 1211	4351 / 4020 / 5324													
APRIL	254 / 258 / 697	237 / 246 / 199	35 / 46 / 183	109 / 139 / 196	107 / 123 / 264	84 / 105 / 453	1984 / 1767 / 1984	84 / 85 / 121	397 / 300 / 410	21 / 14 / 14	915 / 883 / 1318	4227 / 3966 / 5839													
MAY	263 / 262 / 613	241 / 230 / 479	41 / 85 / 167	122 / 150 / 213	110 / 131 / 230	88 / 100 / 424	1741 / 1743 / 1758	95 / 112 / 137	374 / 295 / 349	18 / 18 / 9	958 / 1007 / 1308	4051 / 4133 / 5687													
JUNE	257 / 264 / 616	220 / 243 / 486	32 / 37 / 118	128 / 149 / 186	119 / 128 / 156	111 / 101 / 542	1828 / 2203 / 1752	104 / 90 / 123	370 / 260 / 314	10 / 7 / 19	859 / 864 / 1247	4038 / 4346 / 5559													
JULY	228 / 275 / 604	134 / 192 / 477	35 / 46 / 71	126 / 155 / 196	121 / 109 / 157	71 / 113 / 443	1615 / 1618 / 1716	93 / 94 / 142	379 / 276 / 357	13 / 17 / 15	946 / 887 / 1190	3761 / 3782 / 5368													
AUGUST	269 / 256 / 561	275 / 256 / 402	47 / 59 / 86	135 / 149 / 190	120 / 126 / 150	97 / 130 / 542	1741 / 1850 / 1647	132 / 115 / 145	408 / 289 / 325	14 / 17 / 11	1020 / 1064 / 1294	4258 / 4311 / 5353													
SEPTEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
CALENDAR YEAR	2162 / 2155 / 4757	1630 / 1681 / 2740	331 / 376 / 892	995 / 1209 / 1614	937 / 926 / 1577	733 / 782 / 2981	14081 / 14198 / 14184	825 / 819 / 1033	3016 / 2397 / 2800	121 / 127 / 101	7796 / 7706 / 9775	32627 / 32376 / 42454													
MONTHLY AVERAGES	270 / 269 / 595	204 / 210 / 343	41 / 47 / 112	124 / 151 / 202	117 / 116 / 197	92 / 98 / 373	1760 / 1775 / 1773	103 / 102 / 129	377 / 300 / 350	15 / 16 / 13	975 / 963 / 1222	4078 / 4047 / 5507													

*Radiology has changed their methodology for capturing statistics and feel these are more accurate. They are much higher than previously reported.

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2008
As of August 31, 2008

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2007-08	Seimens Patient Monitor SC 9000XL	7,799
	3-D FOR M.E.P.	45,000
	OMNICELL COLOR TOUCH	58,354
	Access II Immunoassay System (Approved 4-08 with Reagent Agreement)	64,724 *
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>175,877</u>
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>0</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	175,877
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>0</u>
	Year-to-Date Board-Approved Amount to be Expended	111,152
	Year-to-Date Administrator-Approved Amount	193,965 *
	Actually Expended in Current Fiscal Year	<u>64,724 *</u>
	Year-to-Date Completed Building Project Expenditures	0 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>369,842</u></u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures	0

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2008
As of August 31, 2008

MONTH	AMOUNT
APPROVED	
BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	
Reconciling Totals:	
Actually Capitalized in the Current Fiscal Year Total-to-Date	258,690
Plus: Lease Payments from a Previous Period	0
Less: Lease Payments Due in the Future	0
Less: Funds Expended in a Previous Period	0
Plus: Other Approved Expenditures	<u>111,152</u>
ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>369,842</u></u>
Donations by Auxiliary	0
Donations by Hospice of the Owens Valley	0
Donations by Others (Barry Miller & Associates for Infant Security System)	0
Donations by Others (Union Bank of California for Infant Security System)	<u>0</u>
	<u><u>0</u></u>

*Completed Purchase

(Note: The budgeted amount for capital expenditures for the fiscal year ending June 30, 2006, is \$3,600,000 coming from existing hospital funds.)

**Completed in prior fiscal year

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2008
 As of August 31, 2008**

MONTH	APPROVED	AMOUNT
BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES		
Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:		
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
FY 2008-09	Phase II-Bid 1 (Bid Approvals-part of above original numbers)	17,580,971
Total-To-Date Board Approved Construction Amounts to be reimbursed from Revenue Bonds & General Obligation Bond		<u><u>77,228,299</u></u>
Total-To-Date Spent on Construction In Progress from Rev Bonds for Incomplete Projects (Includes Architect Fees for Future Phases)		

*Completed Purchase

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2008
 As of August 31, 2008**

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
Month Ending July 31, 2008 Totals			122,265	122,265
Bi-Directional Dade Dimension Xpland Plus Inte	LABORATORY	11,000		
QES CALLBACK REMINDER	REGISTRATION	11,775		
SURGERY MANAGEMENT-LICENSING FEE	SURGERY	10,775		
SMARTNET SMS8 LICENSES	Information Technology	1,179		
Infusion Room Cubicle Curtains	Chemotherapy	2,380		
Physical Therapy Cubicle Curtains	Physical Therapy	6,142		
Physical Therapy Cubicle Curtains	Physical Therapy	3,763		
Ceiling Light Covers	HOSPITAL WIDE	3,054		
HVAC Roof System-Ortho Clinic	ORTHO CLINIC	14,445		
HVAC Roof System-Surgery Clinic	SURGERY CLINIC	7,187		
Month Ending August 31, 2008 Totals			71,701	193,965

Northern Inyo Hospital
PLANT EXPANSION AND REPLACEMENT BUILDING PROJECTS

(Completed and Occupied or Installed)

Item		Amount	Grand Total
Turner Construction; Retainer Payment for Phase I	Support Building	436,352	
Turner Construction; Retainer Payment for Phase I	Radiology Building	419,240	
MONTH ENDING AUGUST 31, 2008			<u>855,592</u>

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LEASE AGREEMENT

This Lease Agreement is made and entered into on _____, 2008 by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Tenant") and PIONEER MEDICAL ASSOCIATES, a California general partnership (hereinafter "Landlord").

Recitals

A. Tenant is a California Health Care District organized and existing pursuant to the California Local Health Care District Law, *Health & Safety Code §32000, et seq.*, with its principal place of business in the City of Bishop, County of Inyo, State of California.

B. Tenant owns and operates NORTHERN INYO HOSPITAL (hereinafter "Hospital"), an acute care general hospital located at 150 Pioneer Lane, Bishop, California.

C. Landlord owns and operates a medical office building which is divided into suites used for the practice of medicine by licensed California physicians who are members of the Active Medical Staff at the Hospital, and for the practice of physical therapy by a licensed physical therapist and its employees. Said office building is located at 152 Pioneer Lane, Bishop, California, adjacent to the Hospital and is hereinafter referred to as "THE BUILDING."

D. Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, a 1,372 square foot suite known as "Suite F" in the aforesaid medical office building. Suite F is hereinafter referred to as "THE PREMISES."

IN WITNESS WHEREOF, in consideration of the Parties' covenants set forth below, the Parties covenant and agree as follows:

I

TERM

1.01. Original Term. The term of this lease shall be for a period of eighteen (18) months, commencing at 12:01 a.m. on October 1, 2008 and ending at 12:01 a.m. on April 1, 2010, unless sooner terminated as provided below.

1.02. Renewal Term. The Original Term described in Section 1.01 above shall automatically renew for an additional eighteen (18) month term unless either party shall have given, no less than one-hundred twenty (120) days prior to the expiration of the original term, written notice, in the manner set forth in Section 10.03 below, of its intention not to renew.

1.03. Holding Over. Should Tenant hold over and continue in possession of the Premises after termination of the term of this lease, including any renewed term, Tenant's continued occupancy of the Premises shall be deemed a tenancy from month-to-month at a minimum monthly rental of \$1.25 per square foot subject to all other terms and conditions contained in this Lease Agreement.

II

RENT

2.01 Rental for Original Term. Tenant agrees to pay Landlord as and for rent for the Original Term the sum of \$61,740.00 payable in monthly installments of \$1,715.00 commencing on the first day of October 1, 2008, and continuing on the first day of each successive calendar month thereafter through the Original Term. Tenant shall pay all installments without deduction to Landlord at the address set forth in this lease for mailing notices to Landlord, or at any other place or places that Landlord may from time to time designate by written notice given to Tenant.

2.02. Rental for Renewal Term. Tenant agrees to pay to Landlord as rent for the Renewal Term the sum of \$61,740.00, payable in monthly installments of \$1,715.00 commencing on the first day of October 1, 2011, and continuing on the 1st day of each calendar month thereafter through the Renewal Term. Tenant shall pay all installments without deduction to Landlord at the address set forth in this Lease for mailing notices to Landlord, or at any other place or places that Landlord may from time to time designate by written notice given to Tenant.

III

REPAIRS, MAINTENANCE & IMPROVEMENTS

3.01. Improvements to be made by Landlord. None.

3.02. Present Condition of Premises. Tenant has inspected the Premises and agrees and hereby stipulates that the Premises are in good and tenantable condition for its purposes on the date of this Lease.

3.03. Repairs by Landlord. During the term of this Lease and any renewal or extension of the term of this Lease, Landlord shall, at Landlord's own cost and expense, keep the exterior roof, sidewalls, structural supports, and foundation of the Building in which the Premises are located in good repair and make all necessary repairs to, and/or replacements of, the plumbing and electrical systems of the Building, provided, however, that Landlord shall not:

(a) Be required to make repairs to the exterior roof, sidewalls, structural supports, and/or foundations of the Building that are made necessary by the negligence or abuse of such property by Tenant or any employee, agent, sub-tenant or permittee of Tenant, or

(b) Be liable for any damage resulting from Landlord's failure to make any repairs required by this section to be made by Landlord unless Tenant first gives written notice to Landlord specifying the need for such repairs and Landlord thereafter fails to make such repairs, or commence making such repairs, within forty-five (45) days after Tenant shall have given notice.

3.04. Repairs by Tenant; Removal of Hazardous Waste. Except as provided in Sections 3.03 and 3.04 above, Tenant shall, at Tenant's own cost and expense, during the term of this Lease or any extension of any term of this Lease:

- (a) Keep and maintain the interior of the Premises in good order, repair, and tenantable condition;
- (b) Properly remove from the Premises, and dispose of, hazardous waste in accordance with applicable federal, state, county and city laws, ordinances and regulations. Tenant shall defend, indemnify, and hold harmless Landlord from any liability for failure to discharge its duties under this sub-section 3.04(b).

3.05. Tenant Alterations. Subject to the provisions of Section 3.07 below, Tenant may make such nonstructural alterations or improvements to the Premises as Tenant deems necessary for Tenant's business without Landlord's approval, provided that Tenant first notifies Landlord in writing, at least three days in advance of the date of the commencement of construction of such alterations or improvements in order that Landlord may post and record a Notice of Nonresponsibility, and further provided that all such construction shall comply with the requirements of all relevant and appropriate governmental entities. Before making any nonstructural alterations or improvements to the interior of the Premises that are estimated to exceed \$2,000 in cost, or any structural alterations or improvements to the interior of the Premises or Building at all, or before constructing any new improvements in the Premises, Tenant shall submit to its plans to the Landlord and first obtain Landlord's written approval on final construction plans and specifications for such alterations or improvements. Landlord shall not unreasonably withhold its approval. All improvements or alterations made by Tenant to the Premises shall comply with applicable requirements of any federal, state or municipal authority having jurisdiction.

3.06. Tenant Improvements and Trade Fixtures.

- (a) Any alterations, improvements, or installations, excepting trade fixtures, made by Tenant to the Premises shall at once become a part of the realty and belong to the Landlord. On expiration or earlier termination of this Lease, Tenant shall surrender the Premises and all improvements thereon to Landlord in good, sanitary and neat order, condition and repair, excluding ordinary wear and tear.
- (b) Tenant shall have the right to remove its trade fixtures from the Premises at the

expiration or earlier termination of this Lease provided that Tenant is not then in default under this Lease and provided that Tenant shall repair any damage to the Premises caused by such removal.

3.07. Liens.

(a) Tenant agrees to keep all of the Premises, and every part thereof, and the Building and other improvements which are at any time located in the Premises, free and clear of any and all mechanic's, materialmen's, and/or other liens for or arising out of or in connection with work or labor done, services performed, or materials and appliances used, or furnished for or in connection with, any operations of Tenant; any alteration, improvement, repair or addition that Tenant may make or permit or cause to be made, or any work or construction by, for, or permitted by Tenant on or about the Premises, or any obligations of any kind incurred by Tenant. Tenant further agrees to pay promptly and fully and discharge any and all claims on which any such lien may or could be based, and to save and hold Landlord, the Premises, and the Building free and harmless from any and all such liens and claims of liens and suits or other proceedings pertaining thereto.

(b) If Tenant desires to contest any such lien, it shall notify Landlord of its intention to do so within ten days after the filing of that lien. In such a case, and provided that Tenant on demand of Landlord protects Landlord by a good and sufficient surety bond against any such lien and any costs, liability, or damage arising out of that contest, Tenant shall not be in default hereunder until five days after the final determinations of the validity thereof, within which time Tenant shall satisfy and discharge that lien to the extent held valid. The satisfaction and discharge of any such lien shall not, in any case, be delayed until execution is had on any judgment rendered on the lien, and that delay shall be a default of Tenant under this Lease. In the event of any such contest Tenant shall protect and indemnify Landlord against all loss, cost, expense, and damage resulting from the contest.

3.08. Landlord's Right of Inspection. Landlord or Landlord's agents may enter the Premises at any reasonable time during the term of this Lease, including any renewal term, to determine whether Tenant is complying with the terms and conditions of this Lease and/or to perform any other act authorized by this Lease to be performed by Landlord or reasonably necessary to protect Landlord's rights under this Lease.

3.09. Surrender. On expiration or earlier termination of this Lease, Tenant shall promptly surrender possession of the Premises to Landlord in as good condition as the Premises were upon the date of this Lease, reasonable wear and tear excepted.

IV

USE OF PREMISES

4.01. Permitted and Prohibited Use of Premises. Tenant shall use the Premises for operating and conducting the practice of a medical speciality, or other permitted use, and for no other without the written consent of Landlord first had and obtained. Landlord shall not withhold consent unreasonably.

4.02. Medical Staff Membership. Tenant shall not allow or permit the practice of medicine on the Premises by any physician who is not licensed to practice medicine in the State of California and a member in good standing of either the Provisional or Active Medical Staffs of the Hospital. Tenant acknowledges and agrees that compliance with the requirements of this Section 4.02 is a condition of this Agreement and not a covenant, and that failure to comply with this condition shall be, notwithstanding any other term or provision of this Lease Agreement, cause for termination and forfeiture of this Lease.

4.03. Compliance With Law. The Premises shall not be used or permitted by Tenant to be used in violation of any law or ordinance. Tenant shall maintain the Premises in a clean and sanitary manner and shall comply with all laws, ordinances, rules, and regulations applicable to the Premises, enacted or promulgated by any public of governmental entity or agency having jurisdiction over the Premises.

V

INSURANCE & TAXES

5.01. Liability Insurance. Tenant shall, at Tenant's own cost and expense, secure and maintain during the entire term of this Lease and any extended term of this Lease, public liability, property damage, and products liability insurance, insuring Tenant and Tenant's employees against all bodily injury, property damage, personal injury, and other loss or liability caused by or connected with Tenant's occupation and use of the Premises under this Lease in amounts not less than:

(a) \$300,000 for injury to or death of one person and, subject to the limitation for the injury or death of one person, of not less than \$1,000,000 for injury to or death of two or more persons as a result of any one accident or incident; and

(b) \$250,000 for property damage.

Landlord shall be named as an additional insured and the policy or policies shall contain cross-liability endorsements.

In the event that Landlord determines, in Landlord's reasonable discretion, that the limits of the public liability, property damage, or products liability insurance then carried by Tenant are materially less than the amount or type of insurance typically carried by owners or tenants of properties located in the same county in which the Premises are located, which are similar to and operated for similar business purposes as the Premises, Landlord may elect to require Tenant to increase the amount of specific coverage, change the type of policy carried, or both. If Landlord so elects, Tenant shall be notified in writing of the specific change in policy amount or type required and shall have 30 days after the date of Landlord's notice to effect the change in amount or type of policy. Unless otherwise agreed by Landlord and Tenant, any adjustment under this section may be made not more often than every two years.

5.02. Tenant's Personal Property. Tenant shall at all times during the term of this Lease and at Tenant's sole expense, keep all of Tenant's personal property, including trade fixtures and equipment and all merchandise of Tenant that may be in the Premises from time to time, insured against loss or damage by fire and by peril included within fire and extended coverage insurance for an amount that will insure the ability of Tenant to fully replace the trade fixtures, equipment, and merchandise.

5.03. Workers' Compensation Insurance. Tenant shall maintain in effect throughout the term of this Lease, at tenant's sole expense, Workers' Compensation insurance in accordance with the laws of California, and employers' liability insurance with a limit of not less than \$1,000,000 per employee and \$1,000,000 per occurrence.

5.04. Insurance Carriers. Any policy of insurance required under this Article shall be written by insurance companies authorized by the State of California to do business in California.

5.05. Deposit of Policies with Landlord. Promptly upon the issuance, re-issuance, or renewal of any insurance policy required by this Lease, including fire and liability insurance policies, Tenant shall cause a duplicate copy of the policy or a certificate evidencing the policy and executed by the insurance company issuing the policy, or its authorized agent, to be given to Landlord.

5.06. Taxes. Tenant shall promptly pay, and not allow to fall into arrears, all personal property taxes assessed against it by the County of Inyo, State of California, or by any other competent governmental authority.

5.07. Conditions. Tenant acknowledges and agrees that its obligations under this Article V are conditions, and not covenants, of its right to occupy the Premises under this Lease and that failure to comply with any term or requirement of this Article shall be cause for termination and forfeiture of this Lease.

VI

DESTRUCTION OF PREMISES

6.01. Duty to Repair or Restore. If any improvements upon and adjacent to the Premises, including the Building, are damaged or destroyed during the term of this Lease or any renewal or extension thereof, the damage shall be repaired as follows:

(a) If damage or destruction is caused by a peril against which insurance is not required to be carried by this lease, Landlord, subject to its right to terminate this lease described in Section 6.02, shall repair that damage as soon as reasonably possible and restore the Premises to substantially the same condition as existed before the damage or destruction.

(b) If the damage or destruction is caused either by a peril against which fire and extended coverage insurance is required by this lease to be carried by Tenant, or by a peril against which insurance is not required to be carried by this Lease, Tenant expressly waives any right under Civil Code Sections 1931-1933 to terminate this Lease for damage or destruction to the Premises.

6.02. Termination of Lease for Certain Losses.

(a) Tenant or Landlord shall have the right to terminate this lease if the Premises are destroyed from any cause whatsoever, insured or uninsured, during the term of this Lease.

(b) Either party may terminate this Lease by giving written notice of termination to the other not later than four days after occurrence of the event giving rise to termination under sub-section (a), and termination shall be effective as of the date of the notice of termination. In the event of a termination under sub-section (a), Tenant shall not be entitled to collect any insurance proceeds attributable to insurance policies covering the Premises or improvements, except those proceeds attributable to Tenant's personal property and trade fixtures.

(c) If this lease is terminated pursuant to either subsection (a) or (b) above, rent, taxes, assessments, and other sums payable by Tenant to Landlord under this lease shall be prorated as of the termination date. If any taxes, assessments, or rent have been paid in advance by Tenant, Landlord shall refund it to Tenant for the unexpired period for which the payment has been made.

6.03. Time for Construction of Repairs. Any and all repairs and restoration of improvements required by this Article shall be commenced by Landlord or Tenant, as the case may be, within a reasonable time after occurrence of the damage for destruction requiring the

repairs or restoration, shall be diligently pursued after being commenced; and shall be completed within a reasonable time after the loss. If Landlord is required under this lease to perform the repairs and restoration, Landlord shall cause the repairs and restoration to be completed not later than 180 days after the occurrence of the event causing destruction or Tenant shall have the right to terminate this Lease.

6.04. Abatement of Rent.

(a) If the damage or destruction to the Premises is caused by a peril against which insurance is not required to be carried under this Lease, rent shall be abated only for the time and to the extent Tenant is prevented from occupying the Premises for the uses authorized in this Lease.

(b) If the damage or destruction is caused by a peril against which insurance is required to be carried by Section 5.01 of this Lease, Tenant shall continue to pay the full amount of rent required under this Lease notwithstanding the fact that damage or destruction renders the Premises either partially or completely uninhabitable for the uses authorized by this Lease.

VII

CONDEMNATION

7.01. Total Condemnation Defined. The term “total condemnation” as used in this Article shall mean the taking by eminent domain (“condemnation”) by a public or quasi-public agency or entity having the power of eminent domain (“condemnor”) of either:

(a) More than 35 percent of the ground area of the Premises, or

(b) Less than 35 percent of the ground area of the Premises at a time when the remaining Building cannot reasonably be restored to a condition suitable for Tenant’s occupancy for the uses permitted by this Lease within 90 normal eight-hour working days under all laws and regulations then applicable, or

(c) Less than 35 per cent of the ground area of the Premises in such a manner that Tenant is substantially prevented from carrying on operations of a permitted use under this Lease on the remaining portion of the Premises.

7.02. Partial Condemnation Defined. The term “partial condemnation” as used in this Article shall mean any condemnation of a portion of the Premises that is not a total condemnation under Section 7.01 above.

7.03. Termination for Total Condemnation. In the event of a total condemnation

of the Premises during the term, or any renewal term, of this Lease, this Lease shall terminate without further notice as of 12:01 a.m. on the date actual physical possession of the condemned property is taken by the condemnor. All rent payable under this Lease shall be pro-rated as of 12:01 a.m. on that date and a prompt refund or payment of rent for the unexpired period of this Lease shall be made by Landlord to Tenant. On the making of that rent adjustment, both Landlord and Tenant will be released and discharged from any and all further obligations under this Lease.

7.04. Effect of Partial Condemnation. In the event of a partial condemnation of the Premises, this Lease shall terminate as to the portion of the Premises taken on the date actual physical possession of that portion is taken by the condemnor but shall remain in full force and effect as to the remainder of the Premises; provided, however, that promptly after taking of actual physical possession by the condemnor of the portion taken by condemnation, Landlord shall restore, at Landlord's own cost and expense, the improvements on the remainder of the Premises to a condition making the Premises tenantable by Tenant for the uses permitted by this Lease. Any rent payable under this Lease after the date actual physical possession is taken by eminent domain shall be adjusted down by the percentage of total ground area by which the Premises have been reduced. In addition, rent payable under this Lease shall be further abated during the period of time and to the extent Tenant is prevented from occupying all of the remainder of the Premises by the work of restoration required by this Section to be performed by Landlord.

7.05. Landlord's Power to Sell in Lieu of Condemnation. Landlord may, without any obligation or liability to Tenant and without affecting the validity or continuation of this Lease other than as expressly provided in this Article, agree to sell or convey to the condemnor, without first requiring that an action or proceeding for condemnation be instituted or tried, the portion of the Premises sought by the condemnor free from this Lease and the rights of Tenant in the Premises other than as provided in this Article.

7.06. Condemnation Award. All compensation and damages awarded or paid for the condemnation of the Premises or any portion of the Premises, for any sale in lieu of condemnation as authorized by Section 7.05 above, shall, except as otherwise expressly be provided in this Section, belong to and be the sole property of Landlord. Tenant hereby assigns to Landlord any claim Tenant might have except for this provision against Landlord, the leased Premises, or condemnor for diminution in value of the unexpired term of this lease; provided, however, that Tenant is entitled to seek to recover from the condemnor, but not from Landlord:

- (a) The cost of removing any trade fixtures, furniture, or equipment from the portion of the Premises taken by condemnation;
- (b) The value of any improvements installed by Tenant on the portion of the Premises taken by condemnation that Tenant has a right to remove under this Lease but that Tenant elects not to remove, and

(c) The then-amortized value of all improvements made by Tenant on the portion of the Premises taken by condemnation that could not be removed by Tenant on expiration of this Lease, either because of provisions of this Lease or because the improvements would have no economic value on removal from the Premises.

VIII

INDEMNIFICATION

8.01. Tenant's Hold-Harmless Clause. Except as otherwise provided in Section 8.02, Tenant shall indemnify and hold Landlord and the property of Landlord, including the Premises, free and harmless from any and all liability, claims, loss, damages, or expenses, including counsel fees and costs, arising by reason of the death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or by reason of damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by (1) any cause whatsoever while that person or property is in or on the Premises or in any way connected with the Premises or with any improvements or personal property on the Premises, (2) some condition of the Premises or some building or improvement on the real property on which the Premises are located, (3) some act or omission on the Premises or any person in, on, or about the Premises with the permission and consent of Tenant, or (4) any matter connected with Tenant's occupation and use of the Premises.

8.02. Landlord's Hold-Harmless Clause. Notwithstanding the provisions of Section 8.01 above, Tenant shall be under no duty to indemnify and hold Landlord harmless from any liability, claims, or damages arising because of Landlord's failure to make any repairs required by this Lease to be made by Landlord or because of any negligence or willful acts of misconduct by Landlord or by any person who is an agent or employee of Landlord acting in the course and scope of its agency or employment. Landlord agrees to indemnify, defend, protect, and hold Tenant free and harmless from and against liability, claims, or damages arising from or in connection with Landlord's failure to make any repairs required by this Lease to be made by Landlord or because of any negligence or willful acts of misconduct by Landlord or by any person who is an agent or employee of Landlord acting in the course and scope of its agency or employment.

IX

DEFAULTS & REMEDIES

9.01. Remedies on Tenant's Default. If Tenant breaches this Lease or breaches this Lease and abandons the Premises before the natural expiration of the term of this Lease, Landlord, in addition to any other remedy given it by law or equity, may:

(a) Continue this Lease in effect by not terminating Tenant's right to possession of

the Premises, in which case Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover the rent specified in this Lease as it becomes due under this Lease.

(b) Terminate this Lease and recover from Tenant:

(1) The worth, at the time of award, of the unpaid rent that has been earned at the time of termination of the Lease;

(2) The worth, at the time of award, of the amount by which the unpaid rent that would have been earned after termination of the Lease until the time of award exceeds the amount of rental loss that Tenant proves could have been reasonably avoided;

(3) The worth, at the time of award, of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided, and

(4) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform the obligations under this lease, or

(c) Terminate the Lease and, in addition to any recoveries Tenant may seek under paragraph (b) of this Section, bring an action to re-enter and regain possession of the Premises in the manner provided by the laws of Unlawful Detainer then in effect in California.

9.02. Termination by Landlord. No act of Landlord, including but not limited to Landlord's entry on the Premises, or efforts to re-let the Premises, or the giving by Landlord to Tenant of a notice of default, shall be construed as an election to terminate this Lease unless a written notice of the Landlord's election to terminate is given to Tenant or unless termination of this Lease is decreed by a Court of competent jurisdiction.

9.03. Default by Tenant. All covenants and agreements contained in this Lease are declared to be conditions to this Lease and to the term hereby leased to Tenant. The following constitute material defaults and breaches of this Lease by Tenant:

(a) Any failure to pay rent when due when the failure continues for three days after written notice to pay that rent or surrender possession of the Premises is served on Tenant by Landlord;

(b) Any failure to perform any other covenant, condition, or agreement contained in

this Lease when the failure is not cured within three days after written notice of the specific failure is given by Landlord to Tenant;

(c) The bankruptcy or insolvency of Tenant, the making by Tenant of a general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under the federal Bankruptcy Act (unless, in the case of a petition filed against Tenant, it is dismissed within 60 days of filing); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, if possession is not restored to Tenant within 30 days; or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, when that seizure is not discharged within 15 days;

(d) The abandonment or vacating of the Premises by Tenant (which, for purposes of this Lease, shall mean Tenant's failure to occupy and operate the Premises for business for a period of at least 30 consecutive days).

9.04. Cumulative Remedies. The remedies granted to Landlord in this Article shall not be exclusive but shall be cumulative and in addition to all other remedies now or hereafter allowed by law or authorized in this Lease.

9.05. Waiver of Breach. The waiver by Landlord of any breach by Tenant of any of the provisions of this Lease shall not constitute a continuing waiver or a waiver of any subsequent default or breach by Tenant either of the same or a different provision of this Lease.

X

MISCELLANEOUS

10.01. Assignment and Subletting. Tenant shall not encumber, assign, or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld. Tenant shall not sublet the Premises or any part of the Premises nor allow any other person, other than Tenant's agents, servants, and employees, to occupy the Premises or any part of the Premises without the prior written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld. Any encumbrance, assignment, transfer, or subletting without the prior written consent of Landlord, whether voluntary or involuntary, by operation of law or otherwise is void and shall, at the option of Landlord, terminate this Lease.

10.02. Utilities. Tenant shall pay all charges incurred for utilities furnished to and/or

used in the practice of medicine within, and the occupancy of, the Premises including but not limited to propane, electricity, water, telephone service, Internet connections, garbage and/or refuse removal, and other public utilities during the term of this Lease. Payments shall be made directly to the respective service provider before delinquency.

10.03. Notices. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Lease or by law to be served on or given to either party to this Lease by the other party shall be in writing and shall be deemed duly served and given when personally delivered to the party to whom it is directed or to any managing employee or officer of that party or, in lieu of personal service, when deposited in the United States mail, first-class postage prepared, at Bishop, California, addressed as follows:

TENANT: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514

LANDLORD: Pioneer Medical Associates
152 Pioneer Lane
Bishop, California 93514

Either party may change its address for the purposes of this Section by giving written notice of such change to the other party in the manner provided in this Section 10.04.

10.04. Attorney's Fees. If any litigation is commenced between the parties to this Lease concerning the Premises, this Lease, or the rights and duties of either of them in relation to this Lease, the Court shall have the power to award the prevailing party, in addition to any other relief that may be granted in the litigation, to a reasonable sum as and for its attorney's fees incurred in the litigation. As used in this Section the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.

10.05. Heirs & Successors. This Agreement shall be binding on, and shall inure to the benefit of, the heirs, executors, administrators, trustees, conservators, personal representatives, agents, successors and assigns of the parties, but nothing contained in this Section shall be construed as a consent by Landlord to any assignment of this lease, or any interest in this Lease, by Tenant except as permitted by Sections 10.01 and 10.02 above.

10.06. Time of the Essence. Time is expressly agreed to be of the essence of this Lease and of each term and/or condition thereof.

10.07. Integration & Modification. This Agreement is the sole and only agreement between Landlord and Tenant concerning the Leasing of the Premises to Tenant and the lease terms contained herein, and correctly sets forth the obligations of Landlord and Tenant to each

other as of its date. Any agreements or representations respecting the Premises or their leasing by Landlord to Tenant not expressly set forth in this Agreement are of no effect, null, and void.

10.08. Construction. This Agreement shall be construed according to the laws of California.

IN WITNESS WHEREOF, the Parties have subscribed this instrument at Bishop, California on the day, month and year first above written.

LANDLORD: Pioneer Medical Associates, a
California General Partnership

by 
NICKOLINE HATHAWAY, M.D.
Managing Partner

TENANT: NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

by _____
M.C. HUBBARD
Vice-President, Board of Directors