



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday Sept. 23, 2009 5:30pm

*Board Room
Northern Inyo Hospital*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

September 23, 2009 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 July 15, 2009 regular meeting and the August 27, 2009 special meeting.
4. Approval of Fiscal Year 2008/2009 Audit and July 2009 Financial and Statistical Reports (*action items*); John Halfen.
5. Opening remarks, employee grievance.
6. 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. Discuss an employee grievance (Government Code Section 54957).
 - C. Instruct negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of a real property (Government Code Section 54956.8).
 - D. Instruct negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of a second real property (Government Code Section 54956.8).
 - E. Confer with legal counsel regarding amended claim filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
6. Return to open session, and report of any action taken in closed session.
7. Administrator's Report; John Halfen.
 - A. Building Update
 - Security Reports (2)
 - B. CalPERS Actuary Information
 - Kitchen Inspection
 - C. Inyo County Property Tax Appropriation
 - Sacramento Bee Letter to the Editor
 - D. F.Y.I. Section
 - Patient compliment
 - E. Other

8. Chief of Staff Report – Charlotte Helvie, M.D..

A. Hospital wide Policy & Procedure: *Photo Documentation Policy (action item)*

B. RHC Standardized Procedures (*action items*):

1. *Minor Surgical Procedures*

2. *Laboratory and Diagnostic Testing*

C. Other

9. Old Business

A. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at Barlow Lane and Highway 395, Bishop, California. Negotiation will be with the designee(s) of Inyo Mono Title (*action item*).

B. 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 Mammoth Hospital (*action item*).

C. Possible termination of Professional Services Contract (*action item*).

10. New Business

A. Pension Plan Amendments (*action item*).

B. COBRA rate increases (*action item*).

C. Suggested Amendments to PPAC Guidelines (*action item*).

D. Review and approval of Policy and Procedure Manuals (*action item*):

1. Central Supply

12. Med-Surg Unit

2. Emergency Room

13. MRI Safety

3. ICU Unit

14. Nuclear Medicine

4. Infection Control

15. Nursing Administration

5. Laboratory Manual

16. OB Unit

6. Language Services

17. Radiation Safety

7. Outpatient Unit

18. Radiation Safety

8. PACU Unit

19. Rural Health Clinic

9. Pediatric Unit

20. Safety

10. Radiology

21. Staff Development

11. Mammography & MSQA

22. Surgical Services Unit

F. Annual approval of Northern Inyo Hospital Auxiliary bylaws (*action item*).

- G. Rural Health Clinic (RHC) Agreements (*action items*):
 - 1. Thomas Boo, M.D.
 - 2. Jennifer Scott, M.D.
- H. Equipment financing proposals (*action items*)
 - 1. HCS proposal
 - 2. Build American Bonds (Resolution No.09-05, and Ordinance No. 09-01)
- I. 2008/2009 Beta Healthcare Group Audit (*action item*).
- J. Blood Gas Analyzer Purchase (*action item*).
- K. Approval of 457-B Plan changes (*action item*).
- L. Building Project, Phase II Change Order #5 (*action item*).
- 11. Reports from Board members on items of interest.
- 12. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest.
- 13. Adjournment.

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CALL TO ORDER The meeting was called to order at 5:30 p.m. by Peter Watercott, President.

PRESENT Peter Watercott, President
John Ungersma, M.D., Vice President
M. C. Hubbard, Secretary
D. Scott Clark, M.D., Director
Charlotte Helvie, MD, Chief of Staff

ALSO PRESENT John Halfen, Administrator
Douglas Buchanan, District Legal Counsel
Sandy Blumberg, Administration Secretary

ABSENT Michael Phillips, M.D., Treasurer

OPPORTUNITY FOR
PUBLIC COMMENT Mr. Watercott asked if any members of the public wished to address the Board on any items of interest and/or on any items listed on the agenda for this meeting. No comments were heard.

MINUTES The minutes of the June 3, 2009 special meeting and the June 17, 2009 regular meeting were approved.

EMPLOYEE
GRIEVANCE Mr. Watercott stated an employee grievance agendized under New Business would be addressed at the start of this meeting for the convenience of persons present for discussion of that issue. Former Northern Inyo Hospital (NIH) Emergency Room (ER) nurse Andrea Pucci, R.N. was present to state her disagreement with her recent termination from employment at NIH and to discuss the reasons she feels her termination was unjustified. Numerous hospital employees were present to speak on Ms. Pucci's behalf and to state their support of her reinstatement. Ms. Pucci stated her belief that her termination was "malicious and without cause", and expressed her feeling that the hospital Employee Advocate was not allowed to investigate the allegations against her and take action on her behalf. Ms. Pucci defended her actions regarding several incidents which were included in her personnel file as being part of the reason for her termination. She requested reinstatement of her employment with back pay, and asked that further investigation be conducted in regard to the circumstances surrounding her termination.

Before hospital management began discussion of Ms. Pucci's personnel file and the reasons for her termination, Mr. Watercott advised Ms. Pucci that it might be in her best interest if the case against her were not presented in a public forum such as open session. He informed Ms. Pucci of her right to agendize further discussion of her grievance during closed session, and after brief consideration Ms. Pucci requested this item be

continued during closed session at the next regular meeting of the District Board. Mr. Halfen noted his feeling that it is his obligation to explain the Hospital's 'at will' employment policy to Ms. Pucci, and District Legal Counsel Douglas Buchanan assisted with the explanation. Ms. Pucci was additionally advised to fully prepare her case for reinstatement prior to discussion at the next regular meeting.

FINANCIAL AND
STATISTICAL REPORTS

John Halfen, Chief Financial Officer reviewed with the Board the financial and statistical reports for the month of May 2009. Mr. Halfen noted the statement of operations shows a bottom line excess of revenues over expenses of \$320,025. Mr. Halfen called attention to the following:

- *Inpatient revenue was under budget, however outpatient revenue was over budget for the month*
- *Total Expenses were over budget*
- *Salaries and wages and employee benefits expense were over budget*
- *Professional Fees expense continues to be over budget*
- *The Balance Sheet shows no significant change*
- *Total Assets continue to grow*
- *Year-to date Net Revenue totals \$3,837,341*

Mr. Halfen reviewed the status of the Hospital's investments which continue to experience very little risk exposure at this time. He additionally noted total revenue is currently 8% over budget for the year, and it appears the month of June 2009 will be a profitable one. It was moved by D. Scott Clark, M.D., seconded by John Ungersma, M.D. and passed to approve the financial and statistical reports for the month of May 2009 as presented.

CLOSED SESSION

At 6:16 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 a real property (Government Code Section 54956.8).
- C. Confer with legal counsel regarding an amended claim filed by John Nesson, M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
- D. Discussion with counsel of pending litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).

RETURN TO OPEN
SESSION AND REPORT
OF ACTION TAKEN

At 6:55 p.m. the meeting was returned to open session. Mr. Watercott reported the Board took action to deny the amended claim filed by John Nesson, M.D. against Northern Inyo County Local Hospital District and other Defendants.

ADMINISTRATOR'S
REPORT

BUILDING REPORT

Mr. Halfen stated the building report would be presented during the New Business portion of this meeting.

FYI SECTION

Mr. Halfen noted he is looking into the possibility of the Hospital receiving federal stimulus money but details on that subject are unclear at this time. Stimulus money is expected to be available in particular for assistance in funding purchases of electronic hospital information systems and other Information Technology (IT) projects. Mr. Halfen additionally noted he recently attended a healthcare conference conducted by McKesson Corporation where stimulus money and current healthcare issues were discussed in detail.

CHIEF OF STAFF
REPORT

Chief of Staff Charlotte Helvie, M.D. reported that results of the recent Medical Staff elections for the 2009/2010 year are as follows:

- Chief of Staff; Charlotte Helvie, M.D.
- Vice Chief of Staff; Helena Black, M.D.
- Immediate Past Chief of Staff; Richard Nicholson, M.D.

Members of the Medical Executive Committee for the fiscal year include Charlotte Helvie, M.D.; Helena Black, M.D.; Richard Nicholson, M.D.; L. Jeanine Arndal, M.D. Amr Ramadan, M.D.; Thomas Reid, M.D.; Taema Weiss, M.D., and John Halfen (Ex-Officio non-voting member).

OLD BUSINESS

Mr. Watercott expressed the Board's appreciation to Doctor Helvie for her service as (incoming) Chief of Staff for the 2009/2010 fiscal year.

REAFFIRMATION OF
NEGOTIATOR

Mr. Halfen asked for reaffirmation of himself as negotiator regarding the potential acquisition of real property at Barlow Lane and Highway 395 in Bishop, California. Negotiation will be with the Designee/s of Inyo Mono Title. It was moved by Doctor Ungersma, seconded by M.C. Hubbard, and passed to approve the reaffirmation of Mr. Halfen as negotiator as requested.

POSSIBLE
TERMINATION OF
PROFESSIONAL
SERVICES CONTRACT

Mr. Watercott reported he has received a request to table discussion of the possible termination of a professional services contract until a final report on this subject has been received from the ad hoc committee convened for the purpose of looking into this matter. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to table this agenda item to the next regular meeting of the District Board.

NEW BUSINESS

SECURITY REPORT

Mr. Halfen referred to the Security report for May 20 through June 22 2009, which reported no significant security issues for the month.

APPROVAL OF
BUILDING PROJECT
EXPENDITURES
OUTSIDE OF TURNER
GMP

Kathy Sherry, Project Manager for Turner Construction Company distributed a handout of cost increases for Phase II of the building project, which have caused the total cost of the project to exceed Turner's previously established Guaranteed Maximum Price (GMP). Cost increases include additional expenditures for electrical services, concrete, mechanical engineering, piping, and framing. Ms. Sherry explained design plan changes which have caused the price increase, many of which are a result of the Office of Statewide Healthcare Planning and Development's (OSHPD) review of the design plans. A proposal from Sierra Geotechnical Services for structural inspection and testing was also presented for a total cost of \$585,650. Ms. Sherry requested Board approval to increase Turner Construction's GMP by \$150,000 to allow for the additional costs, and she also noted another increase may be necessary in the future. Mr. Halfen distributed a cash flow projection illustrating where he intends to obtain the funds needed to complete the project, and stated his opinion that the project can still be completed with the District incurring minimal debt service. Following review of the additional projects costs it was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the proposed agreement with Sierra Geotechnical Services and to approve an additional \$150,000 increase to Turner Construction's GMP for Phase II of the Hospital rebuild project.

STAT CENTRIFUGE
AND PLASMA THAWER
PURCHASES

Laboratory Director Leon Freis, RPh, referred to a proposal to purchase a Stat centrifuge for the hospital's Chemistry Lab at a cost of \$3,316.99. Purchase of the centrifuge would allow for improved turn-around times delivering test results to the Intensive Care Unit (ICU) and the Emergency Department (ED) without incurring significant cost. Mr. Fries also referred to a proposal to purchase a plasma thawer for the Lab at a cost of \$5,274.09. The Hospital's existing plasma thawer is in need of an upgrade and the proposed equipment purchase would allow for a larger amount of plasma to be thawed at one time when needed for emergency cases. Both pieces of equipment would create time-savings for emergency care at a relatively insignificant cost. It was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve the purchase of both the Stat centrifuge and the plasma thawer as requested.

VIDEO INTERPRETING
PROPOSAL

Interpretive Services Director Jose Garcia presented a proposal for the Hospital to join the Health Care Interpreter Network (HCIN) in order to improve interpretive services offered at NIH. HCIN ensures availability of interpretive services for all languages through utilization of video and voice networks, via internet access. In particular, video capabilities would allow for sign language interpreting, a need currently under-served

by the Hospital. It was moved by Doctor Ungersma, seconded by Ms. Hubbard and passed to approve the Hospital joining HCIN as requested.

RATIFICATION OF
CLARKE STREET AND
PINE STREET LEASES

Mr. Halfen requested ratification of the Hospital's one-year lease of a property located at 331 Clarke Street in Bishop, California; and ratification of NIH's one-year lease of a property at 768 Pine Street in Bishop, California. Both properties are being leased at a low cost in order to help provide housing for traveling nurses and other healthcare professionals transitioning into this area to work at NIH. Housing issues are an ongoing challenge in recruiting healthcare professionals to this area, and having these two units available should significantly help with the housing shortage. It was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to ratify both one-year leases as requested.

PEDIATRIC EEG
AGREEMENT

Mr. Halfen referred to a proposed agreement for pediatric electrocardiograph (EEG) services with Marie Toczec, M.D., and noted a change has been requested to item 13 of the agreement to include a 15-day termination clause. Following review it was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the agreement for pediatric EEG services with Marie Toczec, M.D. as requested, including the requested change.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. Doctor Ungersma updated the Board on legislative issues discussed at the most recent meeting of the Association of California Healthcare Districts (ACHD).

PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any member of the public wished to comment on any items of interest and/or on any items listed on the agenda for this meeting. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 7:43 P.M..

Peter Watercott, President

Attest:

M.C. Hubbard, Secretary

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- CALL TO ORDER The meeting was called to order at 12:00 noon. by Peter Watercott, President.
- PRESENT Peter Watercott, President
John Ungersma, M.D., Vice President
M.C. Hubbard, Secretary
Michael Phillips, Treasurer
D. Scott Clark, M.D., Director
- ALSO PRESENT John Halfen, Administrator
Douglas Buchanan, District Legal Counsel
Sandy Blumberg, Administration Secretary
- ABSENT Charlotte Helvie, M.D., Chief of Staff
- OPPORTUNITY FOR
PUBLIC COMMENT Mr. Watercott asked if any members of the public wished to comment on any items of interest and/or on any items listed on the agenda for this meeting. No comments were heard.
- POSSIBLE CHANGE OF
ARCHITECTS AND
HIRING OF A
CONSTRUCTION
ADMINISTRATOR
ARCHITECT Mr. Halfen opened discussion on management's dissatisfaction with the job performance of NTD Stichler Architects since the beginning of Phase I of the hospital rebuild project. Phase I involved the construction of two relatively simple buildings, yet the project experienced many costly delays due to design errors and modifications needed to Stichler's original design plans. Considering the difficulty of Phase II it is clear that Stichler is unlikely to provide services adequate for the successful completion of the next portion of the job. Mr. Halfen sited multiple design problems encountered during Phase I and noted the associated costs have been significant. He also noted that NTD has consumed most of its project budget prior to the start of Phase II. At this time hospital management and construction management both feel it is necessary to replace the existing architects with a design team better suited to complete the project in an efficient and cost-effective way. Continuing to engage NTD Stichler is likely to create significant liability and continued financial exposure for the Hospital. Turner Construction project manager Kathy Sherry spoke to the potential risks of staying with NTD Stichler, and confirmed that Turner management recommends termination of the Hospital's agreement with Stichler and the engagement of new architects to complete the remainder of the project.
- Mr. Halfen reported Turner has recommended hiring one of the following three architects for completion of the building project:
- RBB Architects, Inc.,
 - Stafford King Wiese Architects
 - Lionakis Corporation.

After meeting with representatives from each of these companies, Mr. Halfen considers RBB and Stafford King Weise to be the most appropriate architects for the project. He called attention to proposals submitted by both companies and distributed a spreadsheet detailing the costs associated with hiring each company. Following discussion and consideration of all factors involved, Mr. Halfen stated he favors the hiring of RBB Architects and sees them as being proactive, hard working, and possibly having the best ability to effectively deal with the Office of Statewide Healthcare Planning and Development (OSHPD). John Hawes with Turner Construction Company also reinforced Mr. Halfen's opinion that RBB Architects are likely to be the company best suited to successfully complete Phase II of the building project.

Discussion followed on the details of NTD Stichler's current contract with Northern Inyo Hospital (NIH) and the pros and cons of firing the existing architects 'for cause' versus 'without cause'. Following further discussion, Mr. Halfen requested Board approval to authorize termination of the Hospital's agreement with NTD Stichler Architects without cause, and to authorize hiring RBB Architects as Construction Administrator Architects for Phase II of the Hospital rebuild project. It was moved by D. Scott Clark, M.D., seconded by John Ungersma, M.D., and passed to approve termination of the Hospital's contract with NTD Stichler Architects, and the hiring of RBB Architects Inc. to be Construction Administrator Architects for Phase II of the hospital rebuild project.

CONSTRUCTION
PROJECT SUB-
CONTRACT RE-
BIDDING

Mr. Halfen informed the Board he has asked Turner Construction to go back to the subcontractors selected for Phase II of the building project and determine whether or not it is in the Hospital's best interest to re-bid some portions of the project. Ms. Sherry distributed a breakdown of the possible cost benefits associated with re-bidding, and noted Turner Construction has reduced their charges by \$700,000 in order to help cut the overall cost of the project. Following review of the potential cost savings of re-bidding it was moved by Michael Phillips, M.D., seconded by M.C. Hubbard, and passed to approve the recommended re-bidding of subcontractors for Phase II of the building project.

RATIFICATION OF
OFFER TO PURCHASE
PROPERTY AT
BARLOW LANE AND
HIGHWAY 395

Mr. Halfen asked for ratification of an offer to purchase a real property located at Barlow Lane and Highway 395, in Bishop, California, for an amount under the appraised value of 1.4 million dollars. The proposal for purchase allows for an initial payment of \$500,000 followed by annual payments of \$100,000 for six years; and includes incentives in the form of rental income and payment of 10% of any increased appraisal value of the property until December 31 2015. Following brief discussion it was moved by Doctor Phillips, seconded by Doctor Clark, and passed to ratify the offer to purchase the property located at Barlow Lane and Highway 395 as requested.

LAUNDRY SERVICES
FOR MAMMOTH
HOSPITAL

Mr. Halfen also asked for ratification of an offer to provide laundry services for Mammoth Hospital at a rate of \$1.49 per pound for dry, finished, folded and boxed (or crated/palleted) product. It was moved by Ms. Hubbard, seconded by Doctor Clark, and passed to ratify the offer to process laundry for Mammoth Hospital as requested.

PURCHASE OF BIRCH
STREET PROPERTY

Mr. Halfen also asked for ratification of an offer to purchase a real property located at 2957 Birch Street, Bishop, California, at a cost of \$880,000. It was moved by Ms. Hubbard, seconded by Doctor Phillips, and passed to ratify the offer to purchase a real property located at 2957 Birch Street, Bishop, California as requested.

HIS PROFESSIONALS
PROPOSAL FOR
CONSULTING
SERVICES

Information Technology Director Adam Taylor referred to a proposal from HIS Professionals to provide consulting services to assist in the selection of a new Hospital Information System (HIS) for NIH. Mr. Taylor discussed the benefits of hiring a consulting firm to help choose the system best suited to meet the Hospital's needs now and into the future.

PLANNET PROPOSAL
FOR CONSULTING
SERVICES

Mr. Taylor also referred to a technology consulting services proposal for Voice/Data Communications with PlanNet Consulting. PlanNet's proposal would provide leadership in evaluating current network readiness for implementing a new voice system platform at NIH, and in the selection of the most appropriate equipment to purchase. It was moved by Doctor Phillips, seconded by Ms. Hubbard and passed to approve both agreements for consulting with HIS Professionals, Inc., and PlanNet Consulting as requested.

OPPORTUNITY FOR
PUBLIC COMMENT

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

ADJOURNMENT

The meeting was adjourned at 1:03 p.m..

Peter Watercott, President

Attest:

M.C. Hubbard, Secretary

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**NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT**

Financial Statements

June 30, 2009 and 2008

(With Auditors' Report Thereon)

K.C. MILLER, CPA

Certified Public Accountant

Independent Auditors' Report

The Board of Directors
Northern Inyo County Local Hospital District

We have audited the accompanying balance sheets of Northern Inyo County Local Hospital District, as of June 30, 2009 and 2008, and the related statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Inyo County Local Hospital District, as of June 30, 2009 and 2008, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to procedures applied in the audits of the basic financial statements and, in our opinion is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

September 11, 2009

K.C. Miller, CPA

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Member
American
Institute of
Certified Public
Accountants

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Balance Sheets
June 30, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 881,651	\$ 2,434,216
Short-term investments	29,519,296	15,199,287
Assets limited as to use	11,178,347	1,990,242
Patient receivables, less allowance for doubtful accounts of \$516,985 and \$853,044, respectively.	7,591,694	8,273,347
Other receivables	867,583	571,376
Inventories	2,456,265	2,177,577
Prepaid expenses	1,057,280	602,850
Total current assets	<u>53,552,116</u>	<u>31,248,895</u>
Assets limited as to use:		
Internally designated for capital acquisitions	657,814	558,237
Specific purpose assets	564,033	520,160
Bond construction funds held by trustee	11,228,217	2,724,041
	<u>12,450,064</u>	<u>3,802,438</u>
Less amounts required to meet current obligations	11,178,347	1,990,242
	<u>1,271,717</u>	<u>1,812,196</u>
Long-term investments and partnership	<u>1,061,824</u>	<u>9,266,999</u>
Property and equipment, net of accumulated depreciation and amortization	<u>35,316,271</u>	<u>29,541,929</u>
Bond issuance cost, net of \$80,207 amortization	<u>687,964</u>	<u>308,583</u>
	<u>\$ 91,889,892</u>	<u>\$ 72,178,602</u>

See accompanying notes to financial statements,

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Balance Sheets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<i><u>Liabilities and Net Assets</u></i>		
Current liabilities:		
Current maturities of long-term debt	\$ 1,103,540	\$ 683,626
Accounts payable	1,523,287	1,140,966
Accrued salaries and related cost	2,807,675	2,600,516
Accrued interest and sales tax	247,663	172,391
Deferred income	48,991	-
Due to third-party payors	2,940,963	3,940,301
Total current liabilities	<u>8,672,119</u>	<u>8,537,800</u>
 Long-term debt, less current maturities	 <u>40,105,973</u>	 <u>25,662,000</u>
 Net assets:		
Unrestricted	42,547,767	37,458,642
Temporarily restricted	564,033	520,160
Total net assets	<u>43,111,800</u>	<u>37,978,802</u>
 Commitments and contingencies (Note 8 and 11)		
	 <u>\$ 91,889,892</u>	 <u>\$ 72,178,602</u>

See accompanying notes to financial statements,

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Statements of Operations
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted revenues, gains, and other support:		
Net patient service revenue	\$ 49,697,796	\$ 45,619,816
Other revenue	428,093	331,983
Net assets released from restrictions used for operations	<u>857,543</u>	<u>786,490</u>
Total revenues, gains, and other support	<u>50,983,432</u>	<u>46,738,289</u>
Expenses:		
Nursing services	5,661,452	5,276,581
Other professional services	22,267,171	20,415,031
General services	6,235,527	5,810,324
Fiscal services	2,796,295	2,167,132
Administrative services	5,110,968	4,142,548
Depreciation	2,646,680	2,177,176
Interest	1,321,609	494,959
Bad debts	<u>1,622,261</u>	<u>1,711,338</u>
Total expenses	<u>47,661,963</u>	<u>42,195,089</u>
Operating income	<u>3,321,469</u>	<u>4,543,200</u>
Other income:		
District tax receipts	571,808	525,995
Interest	987,092	982,204
Contributions	118,098	115,189
Medical office building, net	(52,424)	(124,767)
Other	<u>104,992</u>	<u>58,339</u>
	<u>1,729,566</u>	<u>1,556,960</u>
Excess of revenues over expenses	5,051,035	6,100,160
Net assets released from restrictions used for payment of long-term debt	30,000	85,500
Contributions and interest income	<u>8,090</u>	<u>13,718</u>
	<u>\$ 5,089,125</u>	<u>\$ 6,199,378</u>

See accompanying notes to financial statements.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Statements of Changes in Net Assets
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted net assets:		
Excess of revenues over expenses	\$ 5,051,035	\$ 6,100,160
Net assets released from restrictions used for payment of long-term debt	30,000	85,500
Contributions and interest income	8,090	13,718
	<u>5,089,125</u>	<u>6,199,378</u>
Temporarily restricted net assets:		
District tax allocation	936,128	903,638
Net assets released from restrictions	(892,869)	(881,990)
Interest income	614	15,797
Increase in temporarily restricted net assets	<u>43,873</u>	<u>37,445</u>
Increase in net assets	5,132,998	6,236,823
Net assets, beginning of year	<u>37,978,802</u>	<u>31,741,979</u>
Net assets, end of year	<u>\$ 43,111,800</u>	<u>\$ 37,978,802</u>

See accompanying notes to financial statements,

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,132,998	\$ 6,236,823
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	2,644,032	2,180,553
Provision for bad debts	(336,059)	142,542
Change in deferred revenue	48,991	(105,164)
Loss from disposal of equipment	59,170	33,237
(Increase) decrease in:		
Patient and other receivables	718,079	(1,154,960)
Other current assets	(733,118)	(82,524)
Increase (decrease) in:		
Accounts payable and accrued expenses	664,753	620,490
Third-party payors	(995,913)	721,290
Net cash provided by operating activities	<u>7,202,933</u>	<u>8,592,287</u>
Cash flows from investing activities:		
Purchase of property and equipment	(8,480,192)	(14,254,315)
Purchase of investments, net	(6,114,834)	(5,618,012)
Net cash used in investing activities	<u>(14,595,026)</u>	<u>(19,872,327)</u>
Cash flows from financing activities:		
Payments on long-term debt	(690,842)	(329,896)
Increase in long-term debt	15,578,607	3,833,718
Increase in bond issuance cost	(400,611)	-
Change in donor-restricted funds, net	(8,647,626)	8,868,756
Net cash used in financing activities	<u>5,839,528</u>	<u>12,372,578</u>
Increase in cash and cash equivalents	(1,552,565)	1,092,538
Cash and cash equivalents, beginning of year	<u>2,434,216</u>	<u>1,341,678</u>
Cash and cash equivalents, end of year	<u>\$ 881,651</u>	<u>\$ 2,434,216</u>
Supplemental disclosure:		
Cash paid of interest expense	<u>\$ 1,322,359</u>	<u>\$ 1,281,449</u>
Cash received from investment income	<u>\$ 1,034,215</u>	<u>\$ 1,407,167</u>

See accompanying notes to financial statements,

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2009 and 2008

(1) Description of Organization and Summary of Significant Accounting Policies

Organization

Northern Inyo County Local Hospital District (the Hospital), located in Bishop, California, is a Hospital District 25 bed critical access hospital. The District was organized in 1946 under the terms of the Local Health Care District Law to promote the public health and the general welfare. The Hospital provides inpatient, outpatient and emergency services for the residents of Bishop, California and its surrounding area. Admitting physicians are primarily practitioners in the local area.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments. The Hospital routinely invests its surplus operating funds in certificates of deposit, the State of California Local Agency Investment Fund and government and agency obligations.

Assets limited as to use

Assets limited as to use primarily include assets held under indenture agreements, assets held to service debt under the bond issue and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Inventories

Inventories are valued generally at the lower of cost (first-in, first-out) or market.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are recorded at fair market value at the date of donation and are reported as unrestricted support, and are excluded from the excess of revenues over expense, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Temporarily restricted net assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose.

Net patient service revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Income Taxes

The District is a political subdivision of the state of California and is exempt from payment of Federal or State income taxes.

Reclassifications

Certain accounts from prior year's financial statements have been reclassified to be comparable with disclosure for the current year.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Hospital to concentrations of credit and market risk consist primarily of cash and cash equivalents. For the year ended June 30, 2009, approximately \$22,100,000 of cash was held by Union Bank of California, considered a high-quality financial institution by management. The Hospital has not experienced any losses on its cash equivalents. It is anticipated that this cash will be used in the short term for Hospital construction.

(2) Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- X *Medicare.* Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital.
- X *Medi-Cal.* Inpatient and outpatient services rendered to Medi-Cal program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medi-Cal fiscal intermediary.
- X *Other.* The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements is discounts from established charges.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(2) Net Patient Service Revenue, continued

Gross patient service revenue and related provisions for contractual allowances for the years ended June 30 are summarized as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Gross revenue</u>	<u>Contractual allowances</u>	<u>Gross revenue</u>	<u>Contractual allowances</u>
Medicare	\$34,380,805	\$17,640,074	\$33,152,996	\$18,515,835
Medi-Cal	11,503,245	6,641,046	10,591,444	6,074,518
CMSP	2,784,309	1,938,989	3,196,645	2,025,397
Other	<u>31,734,102</u>	<u>4,484,556</u>	<u>29,282,476</u>	<u>3,987,995</u>
	<u>\$ 80,402,461</u>	<u>\$30,704,665</u>	<u>\$76,223,561</u>	<u>\$30,603,745</u>

(3) Property and Equipment

Property and equipment are summarized as follows:

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 987,652	\$ 954,881
Buildings	21,277,129	20,333,313
Hospital equipment	23,257,773	22,670,214
Construction in progress	9,412,246	3,434,323
Less accumulated depreciation	<u>(19,618,529)</u>	<u>(17,850,802)</u>
	<u>\$ 35,316,271</u>	<u>\$29,541,929</u>

Depreciation expense for the years ended June 30, 2009 and 2008 amounted to \$2,646,680 and \$2,177,176, respectively

Property and equipment include certain capitalized leases as follows:

	<u>2008</u>
Hospital equipment	\$3,349,253
Less accumulated depreciation	<u>669,850</u>
	<u>\$2,679,403</u>

Amortization expense on capitalized leases for the both years ended June 30, 2009, totaled \$334,925.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(5) Property and equipment, continued

Annual future minimum lease payments under capitalized leases at June 30, 2009 are as follows

	2010	\$	855,304
	2011		855,304
	2012		855,305
	2013		782,803
	2014		373,276
			3,721,992
Total minimum lease payments			3,721,992
Less amount representing interest (4.36% and 4.74%)			334,012
Present value of minimum lease payments			3,387,980
Less current maturity			713,540
			2,674,440

(4) Investments

Investments, valued at cost which approximates market, are summarized as follows:

	<u>2009</u>		<u>2008</u>
Assets limited as to use:			
Cash and money market accounts	\$ 11,875,064	\$	3,019,439
FGIC Capital Market, 6.75%, due 2028	575,000		575,000
State of California Local Agency			
Federated Treasury Obligations	-		207,999
	\$ 12,450,064	\$	3,802,438
Investments:			
Money market	21,091,414		
Certificate of deposits	\$ 3,396,000	\$	394,000
State of California Local Agency			
Investment fund	311,780		7,659,907
Corporate obligations	4,820,102		11,070,794
Investment in real estate	961,824		352,360
Government and Agency obligations	-		4,989,225
	30,581,120		24,466,286
Less short-term investments	29,519,296		15,199,287
Long-term investments	\$ 1,061,824	\$	9,266,999

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(5) Long-term Debt

Long-term debt is summarized as follows:

	<u>2009</u>	<u>2008</u>
1980 bond issue, original amount \$550,000, interest at 5%, payable semiannually, principal due in annual installments ranging from \$25,000 to \$35,000 in 2010	\$ 65,000	\$ 95,000
Revenue bonds, series 1998, original amount \$8,000,000, interest ranging between 4.55% to 5.5%, principle due in annual installments ranging from \$160,000 to \$510,000 in 2027, collateralized by a pledge of the Hospital's gross receipts.	6,925,000	7,125,000
2005 Series A General Obligation Bonds, original amount \$15,035,000, plus premium average interest at 5.12%, payable semiannually, principal due in annual installments ranging from \$25,000 in 2006 to \$1,790,000 in 2035	15,262,337	15,351,804
Election of 2005, Series 2009 General Obligation Bonds, original amount \$15,578,608, including premium, average interest 6.25%, payable semiannually, principal due in annual installments ranging from \$60,000 in 2013 to \$1,572,063 in 2039	15,569,196	
Lease obligations, payable in installments through 2014, interest of 4.74% and 4.36%	3,387,980	3,773,822
	41,209,513	26,345,626
Less current maturities	1,103,540	683,626
	\$ 40,105,973	\$ 25,662,000

The Election 1965, Series B General Obligation Bond is issued under the provisions of the State of California known as "The Local Hospital District Law," and is payable exclusively out of taxes levied upon property in the District. The Bond is subject to the regulations of the Farmers Home Administration and the laws of the State of California.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(5) Long-term Debt, continued

The Series 1998 Bonds are issued and secured by an Indenture of Trust in accordance with the provisions of The Local Health Care District Law of the State of California. Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance.

The Election 2005 General Obligation Bonds are issued pursuant to Chapter 4 of Division 23 of the California Health and Safety Code and the provisions of resolutions of the Board of Directors of the District and are payable exclusively out of taxes levied upon property in the District. The bonds were issued with a net original issue premium of \$1,547,659 net of \$66,072 amortization, being amortized over the life of the bond issue.

Schedule principal payments of bonds payable are as follows:

2010	\$ 390,000
2011	435,000
2012	330,000
2013	415,000
2014	510,000
Thereafter	34,259,947

(6) Health Reimbursement Contracts

Under Medicare and Medi-Cal programs, final settlement for cost reports filed by the District is dependent upon a review by an intermediary. The Medicare and MediCal CMSP cost reports have been finalized through 2006.

Payables to third-party payors are summarized as follows:

	<u>June 30</u>	
	<u>2009</u>	<u>2008</u>
Medicare	\$ 685,325	\$1,307,132
Medi-Cal	2,255,638	2,374,937
CMSP	-	258,232
	<u>\$2,940,963</u>	<u>\$3,940,301</u>

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30th:

	<u>2009</u>	<u>2008</u>
Bond and interest redemption	\$ 552,801	\$ 506,089
Children's' care	3,139	3,036
Medical education	75	75
Nursing education	8,018	10,960
	\$ 564,033	\$ 520,160

(8) Medical Malpractice Claims

The Hospital purchases professional and general liability insurance to cover medical malpractice claims up to \$5,000,000 per occurrence. In addition, the Hospital maintains excess coverage of \$15,000,000 per occurrence. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. The Hospital retains legal counsel, who in conjunction with the insurance carrier, evaluates each claim and acts accordingly.

Malpractice insurance premiums for the years ended June 30, 2009 and 2008 were \$196,078 and \$214,695, respectively.

(9) Pension Plan

The Hospital has a defined benefit pension plan covering substantially all employees. The plan benefits are based on years of service and the employees' highest three consecutive years of compensation. Contributions are intended to provide not only benefits attributed to date, but, also for those expected to be earned in the future.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(9) Pension Plan, continued

The following table sets forth the changes in benefit obligations and changes in plan assets as of January 1:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 21,569,003	\$ 19,009,679
Actuarial benefit accumulations	2,982,360	2,055,918
Interest cost	1,455,908	1,378,202
Change in actuarial assumptions	-	891,224
Benefits paid	<u>(826,276)</u>	<u>(1,766,020)</u>
Benefit obligation, end of year	<u>\$ 25,180,995</u>	<u>\$ 21,569,003</u>
Change in plan assets:		
Fair value of assets, beginning of year	\$ 25,403,931	\$ 23,475,394
Employer contribution	2,382,000	1,992,000
Investment income	1,739,681	1,601,277
Experience adjustment	(76,334)	135,379
Benefits paid	(826,276)	(1,766,020)
Other	<u>(36,563)</u>	<u>(34,099)</u>
Fair value of assets, end of year	<u>\$ 28,586,439</u>	<u>\$ 25,403,931</u>

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6.75% for both years ended 2009.

Contributions to the pension fund were \$2,382,000 and \$1,992,000 for the fiscal years ended June 30, 2008 and 2007, respectively. The Hospital's policy is to fund the pension plan at a level of 125% of the accumulated benefit obligations.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements (continued)

(10) Concentrations of Credit Risks

The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third party payors at June 30 was as follows:

	<u>2009</u>	<u>2008</u>
Medicare	42%	43%
Medicaid, including CMSP	18	18
Other third-party payors	37	36
Self pay	<u>3</u>	<u>3</u>
	<u>100%</u>	<u>100%</u>

(11) Commitments and Contingencies

Sick Leave

The Hospital accrues all leave time for employees as Paid Time Off and this amount is accrued in the financial statements. In addition, employees hired prior to January 1, 2003, may have accumulated additional sick leave for major medical health problems. Usage of the additional sick leave must be approved by management. The total potential liability to the District for major medical is approximately \$1,068,731 and \$1,079,433 for the years ended June 30, 2009 and 2008, respectively. As the potential cost for major medical is not a vested benefit, no provision for the District's liability has been reflected in the accompanying financial statements.

Seismic Regulations

The State of California has passed legislation requiring hospitals to perform structural evaluations of their buildings by and upgrade facilities to meet certain minimum seismic standards. In regard to these requirements, the Hospital has started a major construction project which will comply with all seismic standards.

Litigation

The District is involved in various lawsuits that arose in the normal course of its business. In the opinion of management, based upon the opinion of legal counsel, liabilities, if any, arising from these proceedings would not exceed the \$25,000 deductible for malpractice insurance and therefore, would not have a material adverse effect on the District's financial statements.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements, (continued)

(11) Commitments and Contingencies, continued

Construction is complete for the first two buildings. The first of the two buildings is a support building which houses Lab, Laundry, Maintenance, and Purchasing. The second building is the imaging center housing the Radiology modalities. Neither of these two buildings are considered "hospital" buildings and do not carry the same stringent seismic requirements that the Hospital building does. Construction of the "hospital" building begin during the fiscal year 2009. Plans for the Hospital building have been submitted to the Office of Statewide Health Planning and Development for approval and are under review.

The Hospital building is expected to be completed in October 2011 and will contain all of the patient care areas including Nursing, Surgery, Emergency Room, ICU, and Labor and Delivery. Estimated construction cost of \$43 million will be paid from the bond issuance and working capital. Hospital equipment for the new building will cost approximately \$5.21 million, to be financed separately.

(13) Fair Value of Financial Instruments

Fair value estimates are made at a specific point in time and are based on relevant market information and information about financial instruments; they are subjective in nature and involve uncertainties, matters of judgment and, therefore, cannot be determined with precision. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Hospital's entire holding of a particular instrument. Changes in assumptions could significantly affect the estimates.

Since the fair value is estimated at June 30, 2009, the amounts that will actually be realized or paid at settlement of the instruments could be significantly different.

The carrying value of cash and cash equivalents is assumed to be the fair value because of the liquidity of these instruments. Accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The recorded balance of long-term-debt is assumed to be the fair value since the rates specified in the notes approximate current market values.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Notes to Financial Statements, (concluded)

(14) *Risks and Uncertainties*

The Hospital's future operating results may be affected by a number of factors. The Hospital's operations are in part dependent on government reimbursement plans. Significant changes in the level of government reimbursement could have a favorable or unfavorable impact on the operating results of the Hospital. Also, as additional managed healthcare plans are introduced into the service area, actual admissions to the Hospital could increase or decrease depending on the Hospital's ability to contract with health plans.

**Supplementary
Information**

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

Years ended June 30

Bed Complement

<u>Service</u>	<u>2009</u>	<u>2008</u>
Medical/Surgical	11	11
Prenatal/Obstetrics	6	6
Pediatric	4	4
Intensive Care	4	4
Total licensed bed capacity	<u>25</u>	<u>25</u>

Utilization

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Licensed Beds	25	25	25	32	32
Patient Days	3,906	4,090	3,522	3,710	3,536
Discharges	1,379	1,303	1,141	1,197	1,122
Occupancy	37%	39%	39%	32%	30%
Average Stay (days)	3.0	3.3	3.0	3.1	3.2
Emergency Room Visits	7,570	7,129	6,667	7,296	6,872
Outpatient Visits	39,371	38,956	37,619	38,164	35,758

Medical Staff

<u>Medical Staff</u>	<u>2009</u>	<u>2008</u>
Active	35	41
Consulting	26	16
Honorary	3	7
AHP	1	1
Total practitioners	<u>65</u>	<u>65</u>

Employees

<u>Employees</u>	<u>2009</u>	<u>2008</u>
Full-time	255	218
Part-time and Per Diem	104	108
Total employees	<u>359</u>	<u>326</u>
Full-time Equivalents	<u>274.48</u>	<u>263.15</u>

See accompanying independent auditors' report

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

Years ended June 30

Sources of Patient Service Revenue

<u>Payor</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Medicare	42%	43%	43%	47%	44%
Medi-Cal	14%	14%	13%	11%	12%
Insurance, HMO and PPO	37%	36%	37%	36%	38%
Indigent	4%	4%	4%	3%	3%
All other	3%	3%	3%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Bond Debt Service Coverage

<u>Description</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<i>(000's omitted)</i>				
Excess of revenue (expenses)	\$ 5,089	\$ 6,199	\$ 4,686	\$ 6,255	\$ 3,257
Add:					
Depreciation and amortization expense	2,668	2,181	1,628	1,583	1,747
Interest expense	1,403	1,281	1,178	1,010	589
Available to meet debt service	<u>\$ 9,160</u>	<u>\$ 9,661</u>	<u>\$ 7,492</u>	<u>\$ 8,848</u>	<u>\$ 5,593</u>
Actual debt service:					
General obligation bonds	33	36	37	33	\$ 35
1998 revenue bonds	565	564	562	559	567
2005 General obligation bonds	858	836	813	599	
	<u>1,456</u>	<u>1,436</u>	<u>1,412</u>	<u>1,191</u>	<u>\$ 602</u>
Historical debt service coverage ratio	<u>6.29</u>	<u>6.73</u>	<u>5.31</u>	<u>7.43</u>	<u>9.29</u>

See accompanying independent auditors' report

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BUDGET VARIANCE ANALYSIS

Jul-09 PERIOD ENDING After Audit

In the month, NIH was

1% over budget in IP days;
(-0.01%) under in IP Ancillary Revenue and
(25.5%) over in OP Revenue resulting in
\$ 1,105,418 (15.4%) over in gross patient revenue from budget &
\$ 836,784 (19.5%) over in net patient revenue from budget

Total Expenses were:

\$ 219,324 (5.3%) over budget. Wages and Salaries were
\$ (15,630) (-1.0%) under budget and Employee Benefits
\$ 55,468 (6.0%) over budget.
\$ 2,468 of other income resulted in a net loss of
\$ 958,281 \$ 687,473 over budget.

The following expense areas were over budget for the month:

\$ 55,468 6% Employee Benefits
\$ 143,961 42% Professional Fees; registry staff & Physicians
\$ 72,877 14% Supplies
\$ 86,764 42% Other Expenses (includes Legal fees)

Other Information:

38.83% Contractual Percentages for month
38.83% Contractual Percentages for Year

\$ 958,281 Year-to-date Net Revenue

Special Notes:

Radiology Professional Fee Revenue and Expense were not budgeted.

NORTHERN INYO HOSPITAL

Balance Sheet

July 31, 2009

Assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2008</u>
Current assets:			
Cash and cash equivalents	477,691	881,651	881,651
Short-term investments	30,022,006	29,519,296	29,519,296
Assets limited as to use	748,026	738,740	738,740
Plant Expansion and Replacement Cash	9,719,648	10,439,607	10,439,607
Other Investments (Partnership)	961,824	961,824	961,824
Patient receivable, less allowance for doubtful accounts \$486,224	8,164,224	7,591,694	7,591,694
Other receivables (Includes GE Financing Funds)	995,662	867,584	867,584
Inventories	2,465,680	2,456,265	2,456,265
Prepaid expenses	1,211,951	1,057,280	1,057,280
Total current assets	<u>54,766,711</u>	<u>54,513,940</u>	<u>54,513,940</u>
Assets limited as to use:			
Internally designated for capital acquisitions	657,987	657,814	657,814
Specific purpose assets	595,661	564,033	564,033
	<u>1,253,648</u>	<u>1,221,847</u>	<u>1,221,847</u>
Revenue bond construction funds held by trustee	836,048	788,610	788,610
Less amounts required to meet current obligations	748,026	738,740	738,740
Net Assets limited as to use:	<u>1,341,670</u>	<u>1,271,716</u>	<u>1,271,716</u>
Long-term investments	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Property and equipment, net of accumulated depreciation and amortization	<u>35,897,923</u>	<u>35,316,271</u>	<u>35,316,271</u>
Unamortized bond costs	<u>685,349</u>	<u>687,964</u>	<u>687,964</u>
Total assets	<u><u>92,791,653</u></u>	<u><u>91,889,892</u></u>	<u><u>91,889,892</u></u>

NORTHERN INYO HOSPITAL

Balance Sheet

July 31, 2009

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2009</u>
Current liabilities:			
Current maturities of long-term debt	1,022,271	1,103,540	1,103,540
Accounts payable	649,762	1,523,288	1,523,288
Accrued salaries, wages and benefits	3,044,641	2,807,675	2,807,675
Accrued interest and sales tax	364,712	247,663	247,663
Deferred income	529,813	48,991	48,991
Due to third-party payors	2,954,075	2,940,964	2,940,964
Due to specific purpose funds	-	-	-
Total current liabilities	<u>8,565,274</u>	<u>8,672,120</u>	<u>8,672,120</u>
Long-term debt, less current maturities	38,609,004	38,624,386	38,624,386
Bond Premium	1,477,244	1,481,587	1,481,587
Total long-term debt	<u>40,086,248</u>	<u>40,105,973</u>	<u>40,105,973</u>
Net assets:			
Unrestricted	43,544,470	42,547,767	42,547,767
Temporarily restricted	595,661	564,033	564,033
Total net assets	<u>44,140,131</u>	<u>43,111,799</u>	<u>43,111,799</u>
Total liabilities and net assets	<u>92,791,653</u>	<u>91,889,892</u>	<u>91,889,892</u>

NORTHERN INYO HOSPITAL

Statement of Operations—Statistics

As of July 31, 2009

	Month Actual	Month Budget	Month Variance	Month Percentage	YTD Actual	YTD Budget	YTD Variance	YTD Percentage	Year Variance	Year Percentage
Operating statistics:										
Beds	25.00	25.00	N/A	N/A	25.00	25.00	N/A	N/A	N/A	N/A
Patient days	268.00	265.00	3.00	1.01	268.00	265.00	3.00	1.01	3.00	1.01
Maximum days per bed capacity	775.00	775.00	N/A	N/A	775.00	775.00	N/A	N/A	N/A	N/A
Percentage of occupancy	34.58	34.19	0.39	1.01	34.58	34.19	0.39	1.01	0.39	1.01
Average daily census	8.65	8.55	0.10	1.01	8.65	8.55	0.10	1.01	0.10	1.01
Average length of stay	3.08	3.01	0.07	1.02	3.08	3.01	0.07	1.02	0.07	1.02
Discharges	87.00	88.00	(1.00)	0.99	87.00	88.00	(1.00)	0.99	(1.00)	0.99
Admissions	87.00	87.00	-	1.00	87.00	87.00	-	1.00	-	1.00
Gross profit-revenue depts.	5,731,596.45	4,741,498.00	990,098.45	1.21	5,731,596.45	4,741,498.00	990,098.45	1.21	990,098.45	1.21
Percent to gross patient service revenue:										
Deductions from patient service revenue and bad debts	38.83	42.21	(3.38)	0.92	38.83	42.21	(3.38)	0.92	(3.38)	0.92
Salaries and employee benefits	29.55	33.81	(4.26)	0.87	29.55	33.81	(4.26)	0.87	(4.26)	0.87
Occupancy expenses	4.65	5.10	(0.45)	0.91	4.65	5.10	(0.45)	0.91	(0.45)	0.91
General service departments	5.30	5.90	(0.60)	0.90	5.30	5.90	(0.60)	0.90	(0.60)	0.90
Fiscal services department	4.37	5.13	(0.76)	0.85	4.37	5.13	(0.76)	0.85	(0.76)	0.85
Administrative departments	4.99	5.23	(0.24)	0.95	4.99	5.23	(0.24)	0.95	(0.24)	0.95
Operating income (loss)	8.91	1.41	7.50	6.32	8.91	1.41	7.50	6.32	7.50	6.32
Excess (deficiency) of revenues over expenses	11.58	3.78	7.80	3.06	11.58	3.78	7.80	3.06	7.80	3.06
Payroll statistics:										
Average hourly rate (salaries and benefits)	42.25	44.47	(2.22)	0.95	42.25	44.47	(2.22)	0.95	(2.22)	0.95
Worked hours	49,968.64	46,842.00	3,126.64	1.07	49,968.64	46,842.00	3,126.64	1.07	3,126.64	1.07
Paid hours	57,861.53	54,496.00	3,365.53	1.06	57,861.53	54,496.00	3,365.53	1.06	3,365.53	1.06
Full time equivalents (worked)	283.91	270.76	13.15	1.05	283.91	270.76	13.15	1.05	13.15	1.05
Full time equivalents (paid)	328.76	315.01	13.75	1.04	328.76	315.01	13.75	1.04	13.75	1.04

NORTHERN INYO HOSPITAL

Statement of Operations

As of July 31, 2009

	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	667,974	658,274	9,700	1.5	667,974	658,274	9,700	1.5	7,248,013
Ancillary	2,088,214	2,114,519	(26,305)	(1.2)	2,088,214	2,114,519	(26,305)	(1.2)	22,518,889
Total in-patient service revenue	2,756,189	2,772,793	(16,604)	(0.01)	2,756,189	2,772,793	(16,604)	-0.6%	29,766,902
Out-patient service revenue	5,516,840	4,394,817	1,122,023	25.5	5,516,840	4,394,817	1,122,023	25.5	50,635,559
Gross patient service revenue	8,273,028	7,167,610	1,105,418	15.40	8,273,028	7,167,610	1,105,418	15.4	80,402,461
Less deductions from patient service revenue:									
Patient service revenue adjustments	174,152	233,198	59,046	25.3	174,152	233,198	59,046	25.3	2,398,344
Contractual adjustments	2,974,611	2,688,598	(286,013)	(10.6)	2,974,611	2,688,598	(286,013)	(10.6)	29,941,584
Prior Period Adjustments	-	(41,667)	(41,667)	100.0	-	(41,667)	(41,667)	100.0	(1,635,264)
Total deductions from patient service revenue	3,148,763	2,880,129	(268,634)	(9.3)	3,148,763	2,880,129	(268,634)	(9.3)	30,704,665
Net patient service revenue	5,124,265	4,287,481	836,784	20%	5,124,265	4,287,481	836,784	20%	49,697,796
Other revenue	38,472	40,117	(1,645)	(4.1)	38,472	40,117	(1,645)	(4.1)	428,093
Transfers from Restricted Funds for Other Operating Expenses	64,666	64,666	-	-	64,666	64,666	-	0.0	857,543
Total Other revenue	103,138	104,783	(1,645)	(1.6)	103,138	104,783	(1,645)	(1.6)	1,285,636
Total revenue, gains and other support	5,227,403	4,392,264	835,139	(1.4)	5,227,403	4,392,264	835,139	(1.4)	50,983,432
Expenses:									
Salaries and wages	1,490,764	1,506,394	15,630	1.0	1,490,764	1,506,394	15,630	1.0	16,914,904
Employee benefits	973,797	918,329	(55,468)	(6.0)	973,797	918,329	(55,468)	(6.0)	9,962,751
Professional fees	483,192	339,231	(143,961)	(42.4)	483,192	339,231	(143,961)	(42.4)	4,714,234
Supplies	579,971	507,094	(72,877)	(14.4)	579,971	507,094	(72,877)	(14.4)	5,508,451
Purchased services	190,592	223,258	32,666	14.6	190,592	223,258	32,666	14.6	2,599,428
Depreciation	221,720	230,399	8,679	3.8	221,720	230,399	8,679	3.8	2,646,680
Interest	104,762	105,658	896	0.9	104,762	105,658	896	0.9	1,321,609
Bad debts	63,631	145,507	81,876	56.3	63,631	145,507	81,876	56.3	1,622,261
Other	291,215	204,451	(86,764)	(42.4)	291,215	204,451	(86,764)	(42.4)	2,371,646
Total expenses	4,399,645	4,180,321	(219,324)	(5.3)	4,399,645	4,180,321	(219,324)	(5.3)	47,661,964
Operating income (loss)	827,758	211,943	615,815	3.9	827,758	211,943	615,815	3.9	3,321,467
Other income:									
District tax receipts	43,711	47,650	(3,939)	(8.3)	43,711	47,650	(3,939)	(8.3)	571,808
Interest	58,024	43,338	14,686	33.9	58,024	43,338	14,686	33.9	987,092
Other	100	-	100	N/A	100	-	100	N/A	53,138
Grants and Other Non-Restricted Contributions	26,220	1,224	24,996	2,042.1	26,220	1,224	24,996	2,042.1	118,098
Partnership Investment Income	-	-	-	-	-	-	-	-	51,855
Net Medical Office Activity	2,468	(33,347)	35,815	-	2,468	(33,347)	35,815	-	(52,424)
Total other income, net	2,468	(33,347)	35,815	107	2,468	(33,347)	35,815	107.4	1,729,568
Excess (deficiency) of revenues over expenses	958,281	270,808	687,473	254	958,281	270,808	687,473	254	5,051,035

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of July 31, 2009

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	958,280.56	958,280.56
Net Assets due/to transferred from unrestricted	(500.00)	(500.00)
Children's fund disbursement for patient travel	-	
Net assets released from restrictions used for operations	38,750.00	38,750.00
Net assets released from restrictions used for payment of long-term debt	(64,666.00)	(64,666.00)
Contributions and interest income	173.10	173.10
Increase in unrestricted net assets	<u>932,037.66</u>	<u>932,037.66</u>
Temporarily restricted net assets:		
District tax allocation	54,928.54	54,928.54
Net assets released from restrictions	(38,750.00)	(38,750.00)
Restricted contributions	15,450.00	15,450.00
Interest income	-	-
Net Assets for Long-Term Debt due from County	64,666.00	64,666.00
Increase (decrease) in temporarily restricted net assets	<u>96,294.54</u>	<u>96,294.54</u>
Increase (decrease) in net assets	1,028,332.20	1,028,332.20
Net assets, beginning of period	43,111,799.12	43,111,799.12
Net assets, end of period	<u><u>44,140,131.32</u></u>	<u><u>44,140,131.32</u></u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of July 31, 2009

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	1,028,332.20	1,028,332.20
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting fund deposit)	-	-
Depreciation	221,720.13	221,720.13
Provision for bad debts	63,631.31	63,631.31
Loss (gain) on disposal of equipment	-	-
(Increase) decrease in:		
Patient and other receivables	(764,239.42)	(764,239.42)
Other current assets	(164,086.26)	(164,086.26)
Plant Expansion and Replacement Cash	719,958.83	719,958.83
Increase (decrease) in:		
Accounts payable and accrued expenses	(38,687.32)	(38,687.32)
Third-party payors	13,111.00	13,111.00
Net cash provided (used) by operating activities	<u>1,079,740.47</u>	<u>1,079,740.47</u>
Cash flows from investing activities:		
Purchase of property and equipment	(803,371.90)	(803,371.90)
Purchase of investments	(502,709.56)	(502,709.56)
Proceeds from disposal of equipment	-	-
Net cash provided (used) in investing activities	<u>(1,306,081.46)</u>	<u>(1,306,081.46)</u>
Cash flows from financing activities:		
Long-term debt	(100,994.08)	(100,994.08)
Issuance of revenue bonds	(47,438.75)	(47,438.75)
Unamortized bond costs	2,615.43	2,615.43
Increase (decrease) in donor-restricted funds, net	(31,801.64)	(31,801.64)
Net cash provided by (used in) financing activities	<u>(177,619.04)</u>	<u>(177,619.04)</u>
Increase (decrease) in cash and cash equivalents	(403,960.03)	(403,960.03)
Cash and cash equivalents, beginning of period	<u>881,651.41</u>	<u>881,651.41</u>
Cash and cash equivalents, end of period	<u><u>477,691.38</u></u>	<u><u>477,691.38</u></u>

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2010
 As of July 31, 2009**

**MONTH
 APPROVED**

BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2008-09 Coagulation Analyzer	25,000
Zeiss Ophthalmic Argon Laser	39,840
AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	64,840
FY 2009-10 STAT Centrifuge	3,317
QuickThaw Plasma Thawing System	5,274
AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	8,591
Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	64,840
Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	8,591
Year-to-Date Board-Approved Amount to be Expended	73,431
Year-to-Date Administrator-Approved Amount Actually Expended in Current Fiscal Year	42,846 *
Year-to-Date Completed Building Project Expenditures	0 *
TOTAL FUNDS APPROVED TO BE EXPENDED	116,277
Total-to-Date Spent on Incomplete Board Approved Expenditures	0

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2010
 As of July 31, 2009**

MONTH APPROVED BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
Reconciling Totals:	
Actually Capitalized in the Current Fiscal Year Total-to-Date	42,846
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	73,431
 ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	116,277
 Donations by Auxiliary	0
Donations by Hospice of the Owens Valley	0
+Tobacco Funds Used for Purchase	0
	0
	0

*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, 2010
 As of July 31, 2009**

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
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 see revisions below	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>59,647,328</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, 2010
 As of July 31, 2009**

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
HP DL380 G6 DUAL PROCESSORS	IT	8,217		
HP DL380 G6 DUAL PROCESSORS	IT	8,217		
HP DL380 G6 DUAL PROCESSORS	IT	8,217		
HP DL380 G6 DUAL PROCESSORS	IT	8,217		
HP DL380 G6 CTO Dual Processor	IT	3,326		
HP DL380 G6 CTO Dual Processor	IT	3,326		
HP DL380 G6 CTO Dual Processor	IT	3,326		
MONTH ENDING JULY 31, 2009			42,846	42,846

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2009

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	910,403	3,465,150	3,801,871	573,681	25,688,066	557,358	26,212	3,137	8,014	521,838	729,992	18,350	974
February	573,681	5,073,277	4,962,667	684,291	25,701,675	557,358	26,212	3,137	8,014	521,965	759,081	-	-
March	684,291	6,979,617	5,689,346	1,974,563	23,604,971	557,497	26,218	3,138	8,016	530,337	806,520	-	-
April	1,974,563	9,529,952	9,189,387	2,315,128	24,919,927	167,252	26,218	3,138	8,016	630,495	853,958	-	14,464,947
May	2,315,128	3,264,722	4,556,036	1,023,814	28,168,905	552,617	26,218	3,138	8,016	631,411	934,534	-	11,007,929
June	1,023,814	3,947,195	3,990,630	980,379	29,618,958	552,753	26,225	3,184	8,018	631,589	788,610	-	10,122,651
July	980,379	7,052,713	7,416,364	616,727	30,121,668	574,431	26,225	2,639	18,468	631,762	836,048	-	9,398,497
Prior Year 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
September	308,005	6,941,975	5,021,257	2,228,723	23,464,535	539,363	25,805	3,037	8,963	533,463	913,829	18,335	488,249
October	2,228,723	3,669,458	5,409,330	488,851	24,438,919	72,065	25,805	3,037	8,963	521,427	957,490	18,349	490,613
November	488,851	3,294,047	3,600,921	181,977	24,595,851	89,165	25,805	3,037	8,963	521,554	1,000,949	18,350	491,657
December	181,977	4,947,737	4,219,311	910,403	24,670,653	557,358	26,222	3,037	8,014	521,703	682,553	18,350	882

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 is exhausted.

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

Investments as of 07/31/2009

Institution	Certificate ID	Purchase Dt	Maturity Dt	Principal	YTM	Broker
LAIF (Walker Fund)	20-14-002 Walker	02-Jul-09	01-Aug-09	\$316,290.00	1.04%	Northern Inyo Hospital
Union Bank-Money Market	2740028807	31-Jul-09	01-Aug-09	\$22,594,513.66	0.16%	Union Bank
Amboy Bank	023305CF0	10-Oct-08	09-Oct-09	\$250,000.00	3.75%	Financial Northeast Corp.
Colonial Bank, N.A.	195554PG9	15-Oct-08	15-Oct-09	\$250,000.00	3.65%	Financial Northeast Corp.
Comerica Bank	200339CT4	15-Oct-08	15-Oct-09	\$250,000.00	3.65%	Financial Northeast Corp.
Morgan Stanley Bank	61747MPB1	15-Oct-08	15-Oct-09	\$250,000.00	3.65%	Financial Northeast Corp.
Bank of Michigan	06424TCW9	17-Oct-08	16-Oct-09	\$250,000.00	3.60%	Financial Northeast Corp.
Firstbank of Puerto Rico	337629B32	17-Oct-08	16-Oct-09	\$250,000.00	3.70%	Financial Northeast Corp.
GMAC Bank	36185AXP8	17-Oct-08	16-Oct-09	\$250,000.00	3.65%	Financial Northeast Corp.
Westernbank Puerto Rico	95989QKL0	16-Oct-08	16-Oct-09	\$250,000.00	3.75%	Financial Northeast Corp.
Citigroup Med Term Note	12560PCL3	21-Sep-07	01-Nov-09	\$702,986.88	6.88%	Multi-Bank Service
Federal Home Loan Mfg Corp-MBS	31282VBY0	16-Jun-09	01-Nov-09	\$49,984.82	4.50%	Multi-Bank Service
Bear Stearns Co Note	073902BR8	22-Feb-08	07-Dec-09	\$933,927.36	4.58%	Multi-Bank Service
1st Financial Bank USA (FNC CD)	5X42582	12-Dec-08	12-Dec-09	\$249,000.00	3.55%	Financial Northeast Corp.
Discover Bank (FNC CD)	5x42584	12-Dec-08	12-Dec-09	\$250,000.00	3.15%	Financial Northeast Corp.
M&T Bank N.A. (FNC CD)	5X42577	12-Dec-08	12-Dec-09	\$250,000.00	3.15%	Financial Northeast Corp.
Texas Community Bank (FNC CD)	5X42597	12-Dec-08	12-Dec-09	\$250,000.00	3.40%	Financial Northeast Corp.
World Savings Bank Note	98151GAA3	18-Aug-08	15-Dec-09	\$492,950.00	5.24%	Multi-Bank Service
Capital City Bank and Trust	9N01713	30-Dec-04	30-Dec-09	\$99,000.00	4.75%	Financial Northeast Corp.
Gulf Cost Community Bank IFNC CD)	5X42841	05-Jan-09	05-Jan-10	\$99,000.00	2.64%	Financial Northeast Corp.
Berkshire Hathaway Fin Corp GRD Sr Note	084664AR2	11-Dec-08	15-Jan-10	\$203,510.00	2.49%	Multi-Bank Service
Citigroup Inc	172967CU3	11-Dec-08	22-Feb-10	\$97,308.00	6.49%	Multi-Bank Service
Schwab Medium Term Note	80851QCX0	25-Jul-08	01-Mar-10	\$528,440.00	4.33%	Multi-Bank Service
Greater Bay Bancorp Sr Note	391648AT9	11-Dec-08	15-Apr-10	\$101,688.00	3.82%	Multi-Bank Service
Bank of Waukegan	065563AR9	22-Apr-05	22-Apr-10	\$99,000.00	4.75%	Financial Northeast Corp.
Toyota Motor Credit Corp Note	829233PV60	11-Dec-08	28-Apr-10	\$200,164.00	2.79%	Multi-Bank Service
American General Finance Corp Note	02635PSV6	24-Apr-08	15-May-10	\$503,905.00	4.47%	Multi-Bank Service
Worlds Foremost Bank (FNC CD)	5X42688	18-Dec-08	18-Dec-10	\$100,000.00	4.40%	Financial Northeast Corp.
Total Investments				\$30,121,667.72		

Financial Indicators

	Target	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08
Current Ratio	>1.5-2.0	6.39	6.29	6.56	7.53	4.20	4.09	3.89	4.13	3.92	3.90	3.31	3.68
Quick Ratio	>1.33-1.5	5.85	5.78	6.04	6.96	3.74	3.66	3.50	3.69	3.47	3.44	2.89	3.22
Days Cash on Hand	>75	349.84	388.66	289.03	337.98	227.43	222.55	230.22	223.53	223.62	218.15	229.56	229.67

NORTHERN INYO HOSPITAL
STATISTICS

7 MONTHS	IP			SURGERIES			TOTAL			BIRTHS			ER			ADMITTS			OP REFERRALS			ADMITTS (W/INB)			PT DAYS (W/O NE)			PT DAYS (W/INB)			DISCH (W/INB)								
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09						
2009	38	33	46	73	106	109	111	139	155	17	16	25	510	573	594	111	107	141	3331	3237	3241	299	329	359	350	364	406	299	329	359	350	364	406	106	96	142			
JANUARY	24	17	26	59	81	97	83	98	123	19	14	15	521	545	484	14	39	33	2991	3165	2988	251	241	245	291	274	278	251	241	245	291	274	278	105	96	100			
FEBRUARY	25	32	24	53	82	116	78	114	140	17	13	22	460	506	542	49	43	38	3079	3285	3579	286	318	296	322	349	338	286	318	296	322	349	338	116	102	127			
MARCH	31	35	21	59	120	85	90	155	107	17	14	17	525	558	604	48	61	48	3251	3611	3424	245	307	216	276	338	251	245	307	216	276	338	251	112	118	102			
APRIL	38	41	36	95	110	91	133	151	127	19	27	21	580	594	708	40	68	37	3343	3406	3258	289	316	273	342	376	318	289	316	273	342	376	318	103	126	106			
MAY	27	33	29	70	83	82	97	116	111	12	18	24	511	560	660	41	38	46	3186	3388	3520	297	258	281	323	294	323	297	258	281	323	294	323	107	108	122			
JUNE	41	22	24	85	110	129	126	132	153	24	21	19	624	676	779	49	44	51	3109	3307	3404	388	274	268	445	317	307	388	274	268	445	317	307	127	105	107			
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/			
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/			
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	224	213	206	494	692	710	718	905	916	125	123	143	3731	4032	4381	288	341	301	22290	23399	23414	2065	2043	1938	2349	2312	2221	2065	2043	1938	2349	2312	2221	776	751	806			
MONTHLY AVERAGE	32	30	29	71	99	101	103	129	131	18	18	20	533	576	626	41	49	43	3,184	3,343	3,345	295	292	277	336	330	317	295	292	277	336	330	317	111	107	115			

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2009	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		EKG/EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS																
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09															
JANUARY	308	544	606	198	193	434	36	71	96	166	205	206	112	170	165	86	89	470	1621	1809	1635	139	103	120	335	335	363	19	10	10	941	1057	1457	3961	4586	5562			
FEBRUARY	263	593	477	194	193	182	38	63	51	157	205	195	102	217	153	71	85	435	1662	1744	1643	84	113	116	302	384	314	19	11	10	965	1150	1374	3957	4738	4950			
MARCH	289	529	581	122	311	261	29	133	1	144	223	201	95	233	152	76	403	472	1734	1774	1904	100	149	121	340	346	428	16	12	13	1095	1211	1477	4020	5324	5611			
APRIL	258	697	600	246	199	378	46	183	68	139	196	198	123	264	161	105	453	483	1767	1984	1824	85	121	108	300	410	380	14	14	16	863	1318	1423	3966	5839	5639			
MAY	262	613	650	230	479	391	85	167	87	150	213	187	131	230	131	100	424	656	1743	1758	1811	112	137	103	295	349	354	18	9	12	1007	1308	1373	4133	5687	5755			
JUNE	264	616	594	243	486	455	37	118	37	149	186	224	128	156	150	101	542	461	2203	1752	1881	90	123	120	260	314	388	7	19	19	864	1247	1387	4346	5559	5716			
JULY	275	604	610	192	477	444	46	71	84	155	196	210	109	157	179	113	443	505	1618	1716	1805	94	142	102	276	357	328	17	15	11	887	1190	1116	3782	5368	5394			
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/		
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/		
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	1899	4196	4118	1425	2338	2545	317	805	424	1060	1424	1421	800	1427	1091	652	2439	3482	12348	12537	12503	704	888	790	2108	2475	2555	110	90	91	6642	8481	9607	28065	37101	38627			
MONTHLY AVERAGES	271	599	588	204	334	384	45	115	61	151	203	203	114	204	156	93	348	497	1764	1791	1786	101	127	113	301	354	365	16	13	13	949	1212	1372	4009	5300	5518			

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

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CalPERS Actuary Says Pension Costs Are Not Sustainable

Written by [Ed Mendel, Capitol Weekly](#)

August 14, 2009

This article originally appeared on the [Capitol Weekly Web site](#). Reporter Ed Mendel covered the Capitol in Sacramento for nearly three decades, most recently for the [San Diego Union-Tribune](#). His blog is [www.calpensions.com](#).

The CalPERS chief actuary says pension costs are “unsustainable” and the giant public employee pension system plans to meet with stakeholders to discuss the issue.

So, are the critics right? Do overly generous pensions threaten to eat up too much of state and local government budgets?

A historic stock market crash wiped out a quarter of the CalPERS investment fund last fiscal year. Some experts are forecasting limited investment earnings in the years ahead, making it difficult to replace the losses.

Now “sustainability,” a term used in environmental discussions, has become a common label for a big question about public employee pensions: Will the current level of benefits be affordable in the future?

The question of pension sustainability emerged as a hot topic during a seminar in Sacramento last week sponsored by the Public Retirement Journal.

Ron Seeling, the CalPERS chief actuary, described the process used to “smooth” the rate increases that will be imposed on the 1,500 local government agencies in CalPERS in 2011 in the wake of the stock market crash.

Instead of a rate increase of 4 to 20 percent of pay, the smoothing will reduce the rate hike to a more manageable 0.5 to 2 percent of pay.

“I don’t want to sugarcoat anything,” Seeling said as he neared the end of his comments. “We are facing decades without significant turnarounds in assets, decades of — what I, my personal words, nobody else’s — unsustainable pension costs of between 25 percent of pay for a miscellaneous plan and 40 to 50 percent of pay for a safety plan (police and firefighters) ... unsustainable pension costs. We’ve got to find some other solutions.”

Anne Stausboll, the CalPERS chief executive officer, told the seminar that the CalPERS board talked about the “cost and sustainability of pension benefits” the previous week and decided that the system should take a “proactive role” on the issue.

“They asked us to formulate a way to convene our stakeholders — employers, labor, legislators and other stakeholders in our system — to convene everybody and start having a constructive dialogue on sustainability of pension benefits,” Stausboll said.

Dwight Stenbakken of the League of California Cities told the seminar that pension benefits are “just unsustainable” in their current form and difficult to defend politically.

“I think it’s incumbent upon labor and management to get together and solve this problem before it gets on the ballot,” he said.

Public pension advocates worry about a drive to replace the “defined benefit” plan, a guaranteed monthly check for life, with the “defined contribution” 401(k)-style individual investment plan increasingly common in the private sector.

Four years ago Gov. Arnold Schwarzenegger briefly backed an initiative proposed by former Assemblyman Keith Richman, R-Northridge, that would have switched all new state and local government hires to a 401(k)-style plan.

But Richman has since called a switch to a 401(k)-style plan “politically” unfeasible. He and the California Foundation for Fiscal Responsibility have talked about extending retirement ages and capping pension payments at two-thirds of final pay.

Last June Schwarzenegger, calling current benefits “unsustainable,” proposed that pensions for new state hires be rolled back to the formulas used before CalPERS-sponsored legislation, SB 400, enacted a major benefit increase in 1999. (See Calpensions 30 Jun 09: “Arnold: cut retirement benefits for new hires”)

The governor dropped an attempt to make his “two-tier” pension reform proposal part of state budget negotiations. But he added pension reform to the list of issues he plans to pursue with legislative leaders later this year.

Schwarzenegger’s plan is similar to a proposal made four years ago by a League of Cities task force, which also referred to “dramatic benefit enhancements” made in the late 1990s.

The legislation, SB 400, only increased benefits for state workers. But the same higher benefits are now widespread among local government pension systems.

“The excuse that I’ve always heard is, “We don’t want to adopt these retirement formulas, but I have to because our neighbors adopted it and we have to be competitive in the labor market,” said the League of Cities’ Stenbakken.

He said eliminating all options and returning to pre-SB 400 retirement formulas for new hires would eliminate the competition between local governments that have increased pension benefits.

“I think this is one of the major mistakes we made with the PERS system,” said Stenbakken. “STRS, the State Teachers Retirement System, doesn’t have this problem. If you’re a teacher in Eureka or you’re a teacher in Los Angeles Unified, you get the same pension.”

In California, attempts to cut pension benefits are usually two-tier plans, cutting benefits only for new hires. Pensions bargained under labor contracts are said to be protected by court decisions, which allow cuts only if something of equal value is provided.

“In terms of dealing with pension cost currently, I only know of two ways to do it,” said Stenbakken. “That’s lay people off or reduce salaries.”

A retirement actuary, John Bartel, told the seminar that two-tier plans do not save much money, even after several decades. He said costs from the untouchable high-benefit first tier, a vested right protected by contract law, continue to grow.

“Unless that vested right issue changes, and I’m not expecting it will, that second tier is not going to save money,” he said.

Bartel said his clients tell him that the main motivation for switching to a two-tier plan tends to be “political in nature,” rather than an expectation of significant savings.

“It’s because a board member or a council member can stand up and say, “We think there’s a lot of bleeding here and we need to stop that bleeding, and we are going to do it on that basis,”” he said. “That’s what I’m hearing from my clients.”

Labor union officials told the seminar they worry that statewide pension reform legislation might bypass local collective bargaining.

They said the Richman group’s list of 5,000 pensioners that receive \$100,000 or more a year is less than 1 percent of total public employee pensions.

“I actually think it is sustainable,” said Terry Brennand of the Service Employees International Union. He said the basic problem is investment losses, not high benefit levels.

“What is sustainable?” said Lou Paulson of the California Professional Firefighters. He said proposals to extend the retirement age for firefighters from 50 to 55 would result in more injuries with advancing age, driving up workers’ compensation costs.

This article originally appeared on the Capitol Weekly Web site. Reporter Ed Mendel covered the Capitol in Sacramento for nearly three decades, most recently for the San Diego Union-Tribune. His blog is www.calpensions.com.

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COUNTY OF INYO
OFFICE OF THE AUDITOR-CONTROLLER
P. O. Drawer R
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August 14, 2009

Carrie Petersen
Northern Inyo Hospital
150 Pioneer Ln.
Bishop, CA 93514

Re: Proposition 1A Suspension Information

Dear Carrie,

You are probably aware that the State of California has suspended Proposition 1A (2004) and will be borrowing approximately \$1.9 billion from special districts, cities and counties. My office will be required to withhold 8% of last year's property tax (with some possible adjustments) from the current year allocation. This will be done in two installments – half in December and half in April. The State is required to pay the district back, with interest, in three years.

It is my understanding that the Department of Finance will calculate the loan amounts then tell us how much to withhold. In the meantime, we are waiting for State guidelines so we can begin to make concrete estimates, but that could take a while.

I know this uncertainty creates anxiety for those of you who are responsible to build a budget and live within your means, so I have made the bold decision to give you our estimate, which is **\$56,857** for Northern Inyo Hospital. This is a very preliminary estimate, so I hope you will not be too hard on us when the Department of Finance's numbers are different!

If your district cannot sustain an 8% decrease in tax revenues, it may choose to participate in a joint powers authority that will issue bonds and use the proceeds to replace the diverted property tax, making the district 100% whole (assuming enough bonds are sold). On the other hand, if your district can afford to hold off, it will earn up to 6% interest on the loaned funds. The Treasury will set the interest rate by September 28th. If the State doesn't pay your district by June 30, 2013, there are expedited court procedures provided in the legislation.

There are many things that are not covered here, so I have enclosed some great questions and answers that I found on the California Special Districts Association website (www.csda.net). There is also good information on the California League of Cities website (www.cacities.org) and the California State Association of Counties website (www.csac.counties.org). Of course, you are always welcome to call me too.

Sincerely,

Leslie L. Chapman

Leslie L. Chapman, CPA
Inyo County Auditor-Controller

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Copy for Job



CALIFORNIA SPECIAL DISTRICTS ASSOCIATION

Proposition 1A Suspension FAQ

Prop 1A Suspension

Q: When was the Prop 1A suspension approved by the governor?

A: Governor Arnold Schwarzenegger signed AB x4 14 and AB x4 15 on July 28, 2009.

Q: Where can I find the bill language that authorizes the suspension of Prop 1A?

A: AB x4 14 is the bill that suspends Prop 1A. AB x4 15 is the bill that lays out the repayment language and loan securitization mechanism. Click on the bills to see the full language.

Q: Which special districts are affected by the Prop 1A suspension?

A: Any special district that receives property tax money.

Q: How much property tax revenue can I expect to be diverted?

A: It will be an 8 percent shift of your total 2008-09 property tax revenues.

Q: Does this affect any special taxes or assessments that we receive?

A: No, this shift only affects your property tax revenues.

Q: Is the 8 percent borrowing calculated before or after the current ERAF shifts?

A: The 8 percent shift of your property tax is calculated *after* your ERAF shifts.

Q: When is the state required to repay special district, city and county property tax money?

A: The State Constitution requires the state to repay the borrowed property tax money within three years with interest.

Q: Will next year's property taxes be affected by this year's Prop 1A suspension?

A: No, this is a one-time borrow that will only affect property taxes in the 2009-10 fiscal year.

Q: When can the state borrow property tax revenue again?

A: According to Prop 1A, the state can borrow again as soon as the first loan is repaid, but no more than twice in a ten year period.

Q: When will we see the reduction in our property tax revenues?

A: You will see a reduction in your property tax revenues when you receive your property taxes as dispersed by the county auditor. The county auditor is required to shift the 8 percent property tax revenue in two installments, once before January 15, 2010, and again after the first transfer but no later than May 1, 2010.

Q: Will the revenues be automatically reduced or will our district need to write a check to the state?

A: The county auditor will automatically reduce your share of property tax revenues this year.

Q: Where are the funds being transferred?

A: The funds will be transferred to the Supplemental Revenue Augmentation Fund (SRAF). Funds in SRAF can be used to reimburse the state for the costs of providing health care, trial court, correctional, or other state-funded services and costs.

Q: What guarantees are there that the state will repay us within three years?

A: There are a few provisions that compel the state to repay local entities in time. First, the state constitution explicitly says that the state must repay local entities within three years and with interest. Second, the Prop 1A repayment has been granted priority payment after education obligations and debt service on general obligation bonds. Third, AB x4 15 allows for an expedited court process if the state has not fully repaid local governments by June 30, 2013.

Q: Are there any exemptions to the Prop 1A suspension?

A: There is a hardship exemption provision that allows any local entity facing extreme hardship because of the Prop 1A shift to apply to the Department of Finance for a hardship exemption. The Director of Finance may consider granting a full or partial decrease in the property tax amount shifted based on certain factors, including, but not limited to, (1) whether the local agency is the subject of a current bankruptcy proceeding or whether the property tax shift would likely cause the local agency to seek bankruptcy protection; and (2) whether the local agency has any financial reserves and whether the full property tax shift would impair the ability of the local agency to provide a basic level of core public services.

Q: How does my district apply for a hardship exemption?

A: A written request must be received by the Director of Finance by October 15, 2009. The Director of Finance must approve or reject the requests for a hardship exemption by November 15, 2009. The Director of Finance may not grant decreases in the suspension amount that totals more than 10 percent of the combined total shift of property tax per county.

Q: Does a hardship exemption affect other agencies in the county?

A: Yes. If a local agency in a county is granted a hardship exemption, then the property tax amount exempted from the shift must be proportionately distributed to all the other local agencies in the county. In this circumstance, the local entities in that county would have more than 8 percent of their property tax shifted to the state.

Q: So should our district expect more than an 8 percent shift of our property tax revenues?

A: Not exactly. The hardship exemption will only be granted at the discretion of the Director of Finance and currently he would like to see if the loan securitization

mechanism is successful in replacing the diverted property tax revenues. If the loan securitization mechanism sells 100 percent of the bonds from the participating local agencies then no hardship exemptions would be necessary.

Loan Securitization Mechanism

Q: Who is the entity administering the loan securitization program?

A: The California Statewide Communities Development Authority (CA Communities) is a joint powers authority that has been designated by the state to administer the Prop 1A securitization program. CA Communities is sponsored by the California State Association of Counties and the League of California Cities and has joined with CSDA to make the Prop 1A securitization program available to special districts, cities and counties across the state.

Q: How does the program work?

A: The state will issue Prop 1A receivables to any special district, city or county that they shift property tax from. Those local entities can join the CA Communities' loan securitization program and exchange their Prop 1A receivables for cash. CA Communities will sell bonds to finance the purchase price of the receivables and all the proceeds from the sale will be evenly distributed to the local agencies participating in the program. The bonds would be repaid from the state's repayment to local agencies in 2013.

Q: Does my district have to participate?

A: No. It is an option for those local entities that wish to replace their property tax loss.

Q: Does CA Communities have any experience with this type of program?

A: Yes. CA Communities conducted a similar securitization program for cities and counties when the state borrowed Vehicle License Fee revenues in 2005.

Q: How does my district join?

A: Applications and a final timeline are being developed. For now, you can sign up to receive additional information at www.cacommunities.org. In addition, CSDA will keep our members up-to-speed with any new developments.

Q: Are there any restrictions to joining?

A: No. CA Communities is required to accept any local entity affected by the suspension, regardless of the amount of property tax revenue lost.

Q: Is there a cost to join CA Communities for the Prop 1A loan securitization program?

A: Most likely there will be no cost to join but details are in the works.

Q: Are there any downsides to participating in the Prop 1A loan securitization program?

A: From what we can see, no. The state will pay for the borrowing interest incurred and the costs of issuance required for each agency to participate. It is intended that local

agencies participating will receive 100 percent of their respective Prop 1A receivable, although the final results will depend on bond market conditions.

Other Options

Q: What are my district's options other than participating in the Prop 1A loan securitization program?

A: A district can opt to not join CA Communities if they feel that they can absorb the loss in property tax revenue this year.

Q: What can I expect to happen if my district does not join CA Communities?

A: If your district can sustain an 8 percent property tax shift this year, and your district chooses not to participate in CA Communities' loan securitization program, then the district can expect to be repaid directly from the state by June 30, 2013, with interest.

Q: What is the interest rate for those entities that choose not to participate in the Prop 1A loan securitization program?

A: The interest rate will be determined by the Director of Finance by September 28, 2009 and must be higher than the Pooled Money Investment Board interest rate but no greater than 6 percent. If your district can sustain the property tax shift, this can be viewed as an investment opportunity.

Note: CSDA is working with the League of California Cities, the California State Association of Counties, CA Communities and the Department of Finance on amendments to AB x4 15. Our proposed amendments tighten the repayment language and increase the flexibility for local entities to secure a loan through the loan securitization program and also contain other technical clean-up language. If these amendments are approved by the legislature and the governor, some provisions may change slightly. CSDA will alert members of any changes or new developments.

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NORTHERN INYO HOSPITAL
SECURITY REPORT
06/23/09 THRU 07/21/09

FACILITY SECURITY

Access security during this period revealed 27 occasions of open or unsecured exterior doors being identified during those hours when doors were to be locked or secure. 17 of these cases were with the east Radiology doors, which fail to latch reliably unless pulled or pushed. 11 interior doors were found unlocked or unsecured during this same problem.

Pioneer Medical Building security had improved dramatically over the last several months however, it was found open on 17 occasions during this period. The reasons for this increase in unsecured doors are unknown at the time of this report.

HUMAN SECURITY

NIH Security provided Law Enforcement standby in 14 instances during this period. Four of those cases were for arrest BAC's at the Lab. Law Enforcement was requested by Security personnel on two occasions during this period. One instance involved a highly intoxicated patient and the other was for an intoxicated person found trespassing on Campus. Both of these instances resulted in arrests.

Standby was provided in six instances of potential 5150 patients.

Security assistance was provided in six instances of hostile or combative patients. In three instances patients suffering from DT's were restrained or monitored with the assistance of Security. One combative ER patient was restrained.

Disruptive or hostile visitors or family were counseled by Security in five instances. In one case a family member was requested to leave Campus after engaging in a verbal argument in OB.

Security Staff provided patient assists on 21 occasions during this period. Many of those were directing patients from the lobby or main parking lot to the ER.

POLICY

The ongoing process of addressing the issue of firearms and illegal weapons in possession of patients has been addressed with a recommendation by Hospital Counsel to include the following language into the current "Conditions of Admission" contract:

"FIREARMS & UNLAWFUL WEAPONS: It is understood and agreed that firearms and/or unlawful weapons are prohibited on the Hospital Campus, and patients may not possess them on the Campus, whether in or out of the Hospital. Firearms and/or unlawful weapons discovered on the Campus are subject to seizure by Hospital Security Officers and may be reported, and delivered to, the Bishop Police Department."

NORTHERN INYO HOSPITAL
SECURITY REPORT
07/22/09 THRU 08/25/09

FACILITY SECURITY

Access security during this period revealed 22 occasions of open or unsecured exterior doors being identified during those hours when doors were to be locked or secure. The east Radiology doors continue to be a problem with Security Staff finding these doors unlocked during the evening when they had been previously locked. 7 interior doors were found during this period unsecured.

Pioneer Medical Building security improved dramatically during this period as it was found unsecured on only 4 occasions.

HUMAN SECURITY

NIH Security provided Law Enforcement standby in 15 instances during this period. 6 of those occasions were for Lab BAC's. The remainder of these cases were for in-custody medical clearances.

Security standby was provided in 8 instances of potential 5150 patients. In one case an overdose/5150 patient became combative and wielded a pair of scissors in a violent outburst. Security responded and was able to remove the scissors from the patient. This patient was subsequently subdued and placed in four-way restraints. The incident was resolved without injury to patient or staff.

Security assistance was provided in 5 instances of hostile or combative patients. All of these instances were resolved without incidence and one patient was removed from the Hospital upon completion of treatment.

Security Staff provided patient assists on 36 occasions during this period. Many of those were directing patients from the lobby or main parking lot to the ER.

MISC.

Recommendation for a designated ER Room in the new Hospital complex to be used for combative or hostile patients, potential 5150's and In-Custody Medical Clearances. This room would provide for additional security measures to minimize the threat to Staff, Law Enforcement, patients and visitors, and any other member of the public. Security measures to be discussed.

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COUNTY OF INYO
 ENVIRONMENTAL HEALTH SERVICES
 P. O. Box 427
 INDEPENDENCE, CALIFORNIA 93526
 (760) 878-0238
 (760) 873-7866



Date: 8/18/9
 Time: 9:45
 Reinspection _____

Food Facility Inspection Report

Facility: NORTHERN INYO HOSPITAL Address: BISHOP
 Food Safety Certificate: Name: GLENN FOREHAND Exp. Date: 12/11
 In= In Ccmpliance N/O= Not observed [X]= items not in compliance cos= corrected on site maj= major

		cos	maj	out		out
In N/O	1 Demonstration of knowledge				24 Person in charge present and performs duties	
In	2 Communicable disease restriction				25 Personal cleanliness and hair restraint	
In N/O	3 Discharge of eyes, nose, mouth				26 Approved thawing methods	
In N/O	4 Eating, tasting, drinking, tobacco				27 Food separated and protected	
In N/O	5 Hands properly washed, glove use				28 Washing fruits and vegetables	
In	6 Handwashing facilities available				29 Toxic substances properly identified and stored	
In N/A N/O	7 Proper hot and cold holding				30 Food storage 31 self service 32 labeled	
In N/A N/O	8 Time as control, records				33 Nonfood contact surfaces clean	
In N/A N/O	9 Proper cooling				34 Warewashing facilities maintained, test strips	
In N/A N/O	10 Cook time, temp				35 Equipment, utensils, approved, clean good repair	
In N/A N/O	11 Reheating temperature				36 Equipment, utensils and linens, storage and use	
In N/A N/O	12 Returned and reservice of food				37 Vending Machines	
In	13 Food in good condition, safe				38 Adequate ventilation and lighting	
In N/A N/O	14 Food contact surfaces clean, sanitized				39 Thermometers provided and adequate	
In	15 Food from approved source				40 Wiping cloths properly used and stored	
In N/A N/O	16 Shell stock tags 17 Gulf Oyster regs				41 Plumbing, proper backflow prevention	
In N/A N/O	18 Compliance with HACCP plan				42 Garbage properly disposed, facilities maintained	
In N/A N/O	19 Advisory for raw/undercooked food				43 Toilet facilities supplied, clean	
In N/A	20 Health care/ School prohibited food				44 Premises clean, vermin proof	
In	21 Hot & cold water. Hot Temp: <u>122</u> °F				45 Floors, walls and ceilings maintained and clean	
In	22 Wastewater properly disposed				46 No unapproved living or sleeping quarters	
In	23 No rodents, insects, birds, animals				47 Signs posted; Last inspection report available	

No PHF []

Temp	Food	Location	Temp	Food	Location	Temp	Food	Location
40, 33, 35, 33, 40, 40			38		WALK-IN			
	VARIOUS	REFS.						

Comments:
TOTALLY CLEAN & SANITARY.

Received By: Claine Jurek REHS: ANDREW KIRK

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Letters to the editor- SAC BEE

Published: Sunday, Aug. 23, 2009 - 12:00 am | Page 6E

Last Modified: Sunday, Aug. 23, 2009 - 10:58 am

Low-income areas struggle for care

Re "Meet the region's uninsured: How Placer, Yolo stack up" (Page A1, Aug. 17): Long before the economy compounded the problem, California's poor and minority communities have struggled unsuccessfully to recruit the doctors they need. Hospitals and clinics in low-income and isolated areas are unable to recruit and hire doctors in large part because of an outdated statutory ban that prohibits hospitals from hiring doctors.

Because doctors cannot afford to set up practice in communities where most patients are uninsured, this ban effectively denies medical care to specific populations of Californians – and contributes to California leading the nation in the number of primary care "health professional shortage areas" – areas commonly serving Latinos, who are twice as likely to be uninsured than whites.

Cutting off doctors from disadvantaged communities is a form of statutory discrimination. A bill moving through the Legislature right now, Senate Bill 726, would bring us in line with most other states in the nation and a big step closer to providing doctors for all our communities.

– Tom Petersen, Rancho Cordova, director of government relations, Association of California Healthcare Districts

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Photo Documentation Policy	
Scope:	Department: Emergency Dept
Source: Stevens, Andrew	Effective Date:

Policy

Photodocumentation of injuries is the accepted standard of care. Photodocumentation is an extremely important service that should be offered to the patient. Photographs require written informed consent and become part of the medical record.

Purpose

The purposes of Photodocumentation are as follows:

1. To record and communicate that which cannot be communicated with the written word alone.
2. To serve as objective witnesses by providing photographic evidence for purposes of adjudication.
3. To protect healthcare providers against claims of inappropriate care or failure to accurately document physical appearance, condition, or injuries.

Procedure

Follow proper procedures when considering photodocumentation.

1. Determine the need for photodocumentation. Forensic categories of patients potentially requiring photographs include, but are not limited to, the following:
 - Abuse of children, elders, disabled
 - Domestic violence
 - Negligence and malpractice
 - Transcultural medical practices (e.g., cupping, coining, tribal scarring)
 - Environmental and toxic hazards
 - Forensic psychiatric situations (e.g., suicide attempts, hesitation marks, burns, self-mutilation)
 - Transportation injuries (motor vehicle, motorcycle, boating, airplane, railroad))
 - Sexual Assault
 - Assault and battery
 - Personal injury
 - Occupation-related injuries
 - Questioned death
 - Product liability
 - Human and animal bites
 - Sharp force injuries (stabbing, puncture)
 - Burns over 5% body surface area
 - Firearm injuries
 - Gang violence
 - Acts of terrorism resulting in mass destruction of property or injuries of victims
 - Any other suspicious, unrecognized, or unidentified trauma
2. Informed consent must be obtained. Signature is required on the consent for photography or in the general consent for treatment, and signed by the patient, guardian, or caretaker upon arrival to the ED. In emergent cases when a signature is unobtainable, consent can be implied.
3. Steps in photodocumentation injuries
 - Take “before” and “after cleaning” photographs of all injuries. This is most important in recording blood spatter patterns, gunshot residue, and dirt.

**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Photo Documentation Policy	
Scope:	Department: Emergency Dept
Source: Stevens, Andrew	Effective Date:

- Take a full-length photograph that captures both the patient's face and injuries so that it is clear that the trauma was sustained by the victim in the photograph. Also take a full-length photograph of the back of the patient with the head turned toward the camera. This objectively records both presence and absence of injuries. Respect a patient's privacy. Allow the patient to cover up with a blanket or sheet, moving it to expose only the areas and injuries that need to be photographed.
 - If the location of the injury does not allow for such a photograph, the nurse will place a patient's label in the photograph as a patient identifier.
 - Take a close up photo of each of the injuries. The face is not required in these photographs. Identification has already been established with the full-length and labeled photographs.
4. Label each photograph with the date and time taken, the name of the hospital, the medical record number, and the initials of the photographer. Do not write on the back of the photograph. Place this information on a self-adhesive label and affix the label to the back of the photograph.
 5. Photographs are to be kept in the patient's medical record in a sealed envelope with the written statement "photograph of patient's injuries."

**NORTHERN INYO HOSPITAL – RURAL HEALTH CLINIC
STANDARDIZED PROCEDURE**

Subject: MINOR SURGICAL PROCEDURES

Scope: FNPs

I. POLICY – Will meet all General Policy Standardized Procedure guidelines.

A. Function: management of minor surgical procedures.

B. Circumstances:

1. Patient population: pediatric and adult patients
2. Setting: Medical Clinics
3. Supervision: Physicians as indicated in the General Standardized Procedure statement

II. PROTOCOL

A. Definition: this standardized procedure is designed to establish guidelines that will allow the FNP to perform minor surgical procedures incidental to the provision of routine primary care to ambulatory patients of Northern Inyo Hospital Rural Health Clinic.

B. Conditions: after appropriate training and experience minor procedures that can be performed by the FNP without direct physician supervision include:

Pessary placement
Electrocautery of external, non-facial, non-malignant lesions less than 1 cm in size, e.g. warts
Epidermal cyst removal (non-facial) less than 3 cm in size
Incision and drainage of non-facial abscess less than 1 cm in size
No incision and drainage of peri-rectal abscesses will be done
Suture non-facial laceration less than 5 cm in size without nerve or tendon involvement
Mole removal (non-facial)
Punch or shave biopsy
Toe nail removal
Cryotherapy
IUD insertion and removal
Excision of simple lesions
Simple foreign body removal
Endometrial biopsy
Arthrocentesis/Steroid joint injection
Excision of hemorrhoid thrombus

C. Data Base

1. Subjective

- a. Obtain pertinent history including involved organ system, injury, trauma, dermatology problems, etc.
- b. Obtain information regarding review of system, risk taking behaviors, prior surgery, allergies, and immunizations.

2. Objective

- a. Perform physical examination pertinent to assessment of the problem.
- b. Collect appropriate diagnostic/radiological studies.

D. Assessment

- 1. Formulate diagnosis consistent with the above data base.

E. Plan

1. Develop therapeutic regimen

- a. Perform appropriate procedure utilizing standard aseptic technique.
- b. Obtain additional diagnostic studies as indicated.
- c. Physician consultation/assistance in performing the procedure as per policy statement or above conditions.
- d. Patient education and self-care techniques.
- e. Development of appropriate follow-up care plan.
- f. Update problem list.

APPROVAL: This standardized procedure has been approved for use at Northern Inyo Hospital by:

James Richardson MD
Chairman, Interdisciplinary Practice Committee

5/14/09
Date

Administrator

Date

Chief of Staff

Date

President, Board of Directors

Date

Registered Nurses authorized to perform this standardized procedure and date of authorization:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

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**NORTHERN INYO HOSPITAL – RURAL HEALTH CLINIC
STANDARDIZED PROCEDURE**

Subject: LABORATORY AND DIAGNOSTIC TESTING

Scope: FNPs

I. POLICY – Will meet all General Policy Standardized Procedure guidelines

A. This standardized procedure is designed to establish guidelines that will allow the Nurse Practitioner to order laboratory and diagnostic tests under the following conditions:

1. As an appropriate adjunct to the determination of diagnosis.
2. When necessary, to implement, monitor or adjust treatment.

B. Circumstances:

1. Patient population: pediatric and adult patients
2. Setting: Medical Clinic
3. Supervision: Physicians as indicated in the General Standardized Procedure statement.

II. PROTOCOL

A. Conditions

1. The following diagnostic tests can be initiated by the Mid-level Provider without prior consultation with M.D.:
 - a. Any blood work
 - b. Urine: any urine test
 - c. Cultures: any culture
 - d. Radiologic/Sonographic: any radiologic/sonographic exam including CT scans and MRI examinations
 - e. Audiometric testing/speech evaluation
 - f. Pregnancy tests
2. All other diagnostic tests will be ordered by the FNP Provider in consultation with the physician including:
 - a. When diagnostic test of choice is in doubt.

APPROVAL: This standardized procedure has been approved for use at Northern Inyo Hospital
by:

James Richardson MD
Chairman, Interdisciplinary Practice Committee

5/14/09
Date

Administrator

Date

Chief of Staff

Date

President, Board of Directors

Date

Registered Nurses authorized to perform this standardized procedure and date of authorization:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

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650 California Street
17th Floor
San Francisco, CA 94108-2702
USA

Main +1 415 403 1333
Fax +1 415 403 1334

milliman.com

April 7, 2009

Mr. John Halfen
Chief Financial Officer
Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514-2599

**Amendment No. 2 and Restated Plan Document –
Northern Inyo County Local Hospital District Retirement Plan**

Dear John:

Enclosed is Amendment No. 2 and a restated Plan Document as of January 1, 2009 that incorporates Amendments 1 and 2. For the restated Plan Document, I removed Section 6.2, which was incorporated into the new section 4.6 and also removed all references to ERISA.

If you have any questions, please give me a call at (415) 394-3716.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Wright".

Rich Wright

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**AMENDMENT NO. 2
TO THE
NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT RETIREMENT PLAN
(as amended and restated effective January 1, 2002)**

Definitions

Effective July 1, 2009, Section I. Definitions shall be amended by replacing Sections 1.5 "Annual Average Compensation" and Section 1.8 "Compensation" with the following:

"1.5 "Average Annual Compensation" means the average of the Participant's Compensation paid while a Participant in the Plan for the highest consecutive 36-month period of earnings preceding his retirement date, his date of termination, or his date of death, whichever is earliest."

"1.8 "Compensation" means amounts paid by the Employer as wages, shift differential, standby pay, but excluding bonuses, overtime premium pay, and commissions.

For participants who commenced participation prior to January 1, 1996, the annual compensation of each Participant taken into account under this Plan for a Plan Year shall not exceed \$200,000 as indexed from 1989 pursuant to regulations issued by the Secretary of the Treasury relating to the amount so established under Section 415(d) of the Code, and without considering revisions to the limit required by Omnibus Budget Reconciliation Act of 1993 (OBRA '93). The indexed limit for 2009 is \$360,000.

For participants who first commenced participation on or after January 1, 1996, the annual compensation of each participant taken into account in determining benefit accruals in any plan year beginning after December 31, 2001, shall not exceed \$200,000 as adjusted from 2002. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). In determining benefit accruals in plan years beginning after December 31, 2001, the annual compensation limit for determination periods beginning before January 1, 2002, shall be \$200,000. The \$200,000 limit on annual compensation shall be adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. The indexed limit for 2009 is \$245,000.

Compensation shall also include 50% of the value of any unused and unpaid sick leave existing at the time of termination of employment, and accrued after April 26, 1997, referred to as "New Sick".

Maximum Benefit Limitation

Effective for limitation years ending after December 31, 2001, Section 3.8. Maximum Benefit Limitation is amended by replacing the entire section with the following. The provisions of Section 3.8 prior to this amendment shall apply for limitation years ending on or before December 31, 2001.

"3.8 Maximum Benefit Limitation. Effective for limitation years ending after December 31, 2001, the following provisions will apply.

(a) The "Defined Benefit Dollar Limitation" is \$160,000, as adjusted, effective January 1 of each year, under section 415(d) of the Code in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under section 415(d) will apply to limitation years ending with or within the calendar year for which the adjustment applies. The adjusted amount for 2009 is \$195,000.

(b) The "Defined Benefit Compensation Limitation" is 100% of the Participant's average annual compensation for the 3 consecutive years of employment that produces the highest average.

(c) The "Maximum Permissible Amount" is the lesser of the defined benefit dollar limitation or the defined benefit compensation limitation (both adjusted where required, as provided in (i) and, if applicable, in (ii) or (iii) below).

(i) If the participant has fewer than 10 years of participation in the plan, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the plan and (ii) the denominator of which is 10. In the case of a participant who has fewer than 10 years of service with the employer, the defined benefit compensation limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of service with the employer and (ii) the denominator of which is 10.

(ii) If the benefit of a participant begins prior to age 62, the defined benefit dollar limitation applicable to the participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the participant at age 62 (adjusted under (i) above, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (1) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in the Actuarial Equivalent definition and (2) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the Applicable Mortality Table as defined below. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (ii) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

(iii) If the benefit of a participant begins after the participant attains age 65, the defined benefit dollar limitation applicable to the participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the participant at age 65 (adjusted

under (i) above, if required). The actuarial equivalent of the defined benefit dollar limitation applicable at an age after age 65 is determined as (1) the lesser of the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Actuarial Equivalent definition and (2) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the Applicable Mortality Table as defined below. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

(d) Benefit increases resulting from the increase in the limitations of section 415(b) of the Code shall be provided to all employees participating in the plan who have one hour of service on or after the first day of the first limitation year ending after December 31, 2001.

(e) Definitions. For purposes of this Section 3.8, the following definitions shall apply:

(i) Annual Benefit. A retirement benefit under the Plan which is payable annual in the form of a straight life annuity. Except as provided below, a benefit payable in a form other than a straight life annuity must be adjusted to an actuarially equivalent straight life annuity before applying the limitations of this Section. The interest rate assumption used to determine actuarial equivalence shall not be less than the greater of the interest rate specified in the Actuarial Equivalent definition or 5 percent. Effective January 1, 1995, the mortality table to be used shall be the Applicable Mortality Table. The annual benefit does not include any benefits attributable to employee contributions or rollover contributions, or the assets transferred from a qualified plan that was not maintained by the Employer. No actuarial adjustment to the benefit is required for (1) the value of a qualified joint and survivor annuity, (2) the value of benefits that are not directly related to retirement benefits (such as qualified disability benefit, pre-retirement death benefits, and post-retirement death benefits, and post-retirement medical benefits), and (3) the value of post-retirement cost-of-living increases made in accordance with the Federal Income Tax Regulations.

(ii) Applicable Mortality Table. The mortality table prescribed in IRS Revenue Ruling 2001-62.

(iii) Compensation. A Participant's earned income, wages, salaries, and fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Employer maintaining the Plan (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses), and excluding the following:

(1) Employer contributions to a plan of deferred compensation (except for salary reduction contributions made pursuant to IRC Section 125, 132(f)(4), or 403(b)) which are not included in the Employee's gross income for the taxable year in which contributed or Employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;

(2) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(3) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option; and

- (4) Other amounts which received special tax benefits.
- (iv) Limitation Year. The Plan Year.”

Actuarial Equivalent Basis

Effective July 1, 2009, Appendix A – Actuarial Equivalent Basis shall be amended by replacing the entire Appendix with the following:

“For participants who first commenced participation before July 1, 2009, the actuarial equivalent basis is the UP-1984 Mortality Table set back 4 years for a Participant and plus 1 year for a joint annuitant, if any, and interest at 8% per annum.

For participants who first commenced participation on or after July 1, 2009, the actuarial equivalent basis is the RP 2000 Mortality Table for Males, set back 4 years for a Participant and set back 2 years for a joint annuitant, if any, and interest at 6.5% per annum.”

Minimum Distribution Requirements

Effective January 1, 2003, for the purpose of determining required minimum distributions for calendar years beginning with the 2003 calendar year, Section IV. Manner and Form of Payment is hereby amended by (i) replacing Section 4.6 in its entirety with the paragraphs below, and (ii) deleting Section 4.7 in its entirety. Section VI. Death Benefits is hereby amended by deleting Section 6.2 in its entirety.

“4.6 Distribution Requirements. Subject to the joint and survivor annuity requirements under this Section IV, the requirements of this Section 4.6 shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of this Section apply to calendar years beginning after December 31, 2002.

(a) Requirements of Treasury Regulations Incorporated. All distributions required under this Section shall be determined and made in accordance with section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirement in section 401(a)(9)(G), and the Income Tax Regulations thereunder.

(b) Limits on Distribution Periods. As of the first distribution calendar year, distributions to a participant, if not made in a single sum, may only be made over one of the following periods:

- (i) the life of the participant,
- (ii) the joint lives of the participant and a designated beneficiary,
- (iii) a period certain not extending beyond the life expectancy of the participant, or
- (iv) a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.

(c) Required Beginning Date. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's required beginning date. The required beginning date of a Participant is the first day of April of the calendar year following the calendar year in which the Participant attains age 70½.

(d) Death of Participant Before Distributions Begin. If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the participant's surviving spouse is the participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age 70½, if later.

(ii) If the participant's surviving spouse is not the participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(iv) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse are required to begin, this Section 4.6(d), other than Section 4.6(d)(i), will apply as if the surviving spouse were the participant.

For purposes of this Section 4.6(d) and 4.6(j), unless Section 4.6(d)(iv) applies, distributions are considered to begin on the participant's required beginning date. If Section 4.6(d)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 4.6(d)(i). If distributions under an annuity meeting the requirements of this Section IV commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 4.6(d)(i)), the date distributions are considered to begin is the date distributions actually commence.

(e) Form of Distribution. Unless the participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 4.6(f), 4.6(g), 4.6(h), 4.6(i), and 4.6(j). If the participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and section 1.401(a)(9) of the Treasury regulations. Any part of the participant's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of section 401(a)(9) of the Code and section 1.401(a)(9) of the Treasury regulations that apply to individual accounts.

(f) Determination of Amount to be Distributed Each Year.

(i) General Annuity Requirements. If the participant's interest is paid in the form of annuity distributions under the plan, payments under the annuity will satisfy the following requirements:

(A) the annuity distributions will be paid in periodic payments made at uniform intervals not longer than one year;

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 4.6(i) or 4.6(j);

(C) once payments have begun over a period, the period will be changed only in accordance with Section 4.6(k);

(D) payments will either be nonincreasing or increase only as follows:

(1) by an annual percentage increase that does not exceed the percentage increase in an eligible cost-of-living index for a 12-month period ending in the year during which the increase occurs or a prior year;

(2) by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index since the annuity starting date, or if later, the date of the most recent percentage increase;

(3) by a constant percentage of less than 5 percent per year, applied not less frequently than annually;

(4) as a result of dividend or other payments that result from actuarial gains, provided:

(i) actuarial gain is measured not less frequently than annually,

(ii) the resulting dividend or other payments are either paid no later than the year following the year for which the actuarial experience is measured or paid in the same form as the payment of the annuity over the remaining period of the annuity (beginning no later than the year following the year for which the actuarial experience is measured),

(iii) the actuarial gain taken into account is limited to actuarial gain from investment experience,

(iv) the assumed interest rate used to calculate such actuarial gains is not less than 3 percent, and

(v) the annuity payments are not increased by a constant percentage as described in (3) of this Section 4.6(f)(i)(D);

(5) to the extent of the reduction in the amount of the participant's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period described in Section 4.6(i) dies or is no longer the participant's beneficiary pursuant to a qualified domestic relations order within the meaning of section 414(p) of the Code;

(6) to provide a final payment upon the participant's death not greater than the excess of the actuarial present value of the participant's accrued benefit (within the meaning of section 411(a)(7) of the Code) calculated as of the annuity starting date using the interest rate and mortality table specified in Section 4.11(c) (or, if greater, the total amount of employee contributions) over the total of payments before the participant's death;

(7) to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the participant's death;

or

(8) to pay increased benefits that result from a plan amendment.

(g) Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals. The amount that must be distributed on or before the participant's required beginning date (or, if the participant dies before distributions begin, the date distributions are required to begin under Section 4.6(d)(i) or (ii)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the participant's required beginning date.

(h) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(i) Requirements For Annuity Distributions That Commence During Participant's Lifetime.

(i) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse. If the participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the participant and a nonspouse beneficiary, annuity payments to be made on or after the participant's required beginning date to the designated beneficiary after the participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the participant, using the table set forth in section 1.401(a)(9)-6, Q&A 2(c)(2), in the manner described in Q&A 2(c)(1), of the Treasury regulations, to determine the applicable percentage. If the form of distribution combines a joint and survivor annuity for the joint lives of the participant and a nonspouse beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

(ii) Period Certain Annuities. Unless the participant's spouse is the sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the participant's lifetime may not exceed the applicable distribution period for the participant under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the participant reaches age 70, the applicable distribution period for the participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations plus the excess of 70 over the age of the participant as of the participant's birthday in the year that contains the annuity starting date. If the participant's spouse is the participant's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the participant's applicable distribution period, as determined under this section 4.6(h)(ii), or the joint life and last survivor expectancy of the participant and the participant's spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9, Q&A-3, of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the calendar year that contains the annuity starting date.

(j) Requirements For Minimum Distributions After the Participant's Death.

(i) Death After Distributions Begin. If the participant dies after distribution of his or her interest begins in the form of an annuity meeting the requirements of this Section, the remaining portion of the participant's interest will continue to be distributed over the remaining period over which distributions commenced.

(ii) Death Before Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the participant dies before the date distribution of his or her interest begins and there is a designated beneficiary, the participant's entire interest will be distributed, beginning no later than the time described in section 4.6(d)(i) or (ii), over the life of the designated beneficiary or over a period certain not exceeding:

(1) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the participant's death; or

(2) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(B) No Designated Beneficiary. If the participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the participant dies before the date distribution of his or her interest begins, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 4.6(j) will apply as if the surviving spouse were the participant, except that the time by which distributions must begin will be determined without regard to Section 4.6(d)(i).

(k) Changes to Annuity Payment Period.

(i) Permitted Changes. An annuity payment period may be changed only in association with an annuity payment increase described in Section 4.6(f)(i)(D) or in accordance with Section 4.6(k)(ii).

(ii) Reannuitization. An annuity payment period may be changed and the annuity payments modified in accordance with that change if the conditions in Section 4.6(k)(iii) are satisfied and:

(A) the modification occurs when the participant retires or in connection with a plan termination;

(B) the payment period prior to modification is a period certain without life contingencies; or

(C) the annuity payments after modification are paid under a qualified joint and survivor annuity over the joint lives of the participant and a designated beneficiary, the participant's spouse is the sole designated beneficiary, and the modification occurs in connection with the participant's becoming married to such spouse.

(iii) Conditions. The conditions in this Section 4.6(k)(iii) are satisfied if:

(A) the future payments after the modification satisfy the requirements of section 401(a)(9) of the Code, section 1.401(a)(9) of the regulations, and this Section (determined by treating the date of the change as a new annuity starting date and the actuarial present value of the remaining payments prior to modification as the entire interest of the participant);

(B) for purposes of sections 415 and 417 of the Code, the modification is treated as a new annuity starting date;

(C) after taking into account the modification, the annuity (including all past and future payments) satisfies the requirements of section 415 of the Code (determined at the original annuity starting date, using the interest rates and mortality tables applicable to such date); and

(D) the end point of the period certain, if any, for any modified payment period is not later than the end point available to the employee at the original annuity starting date under section 401(a)(9) of the Code and this Section.

(l) Payments to a Surviving Child.

(i) Special rule. For purposes of this Section, payments made to a participant's surviving child until the child reaches the age of majority (or dies, if earlier) shall be treated as if such payments were made to the surviving spouse to the extent the payments become payable to the surviving spouse upon cessation of the payments to the child.

(ii) Age of majority. For purposes of this section, a child shall be treated as having not reached the age of majority if the child has not completed a specified course of education and is under the age of 26. In addition, a child who is disabled within the meaning of section 72(m)(7) when the child reaches the age of majority shall be treated as having not reached the age of majority so long as the child continues to be disabled.

(m) Definitions.

(i) Actuarial gain. The difference between an amount determined using the actuarial assumptions (i.e., investment return, mortality, expense, and other similar assumptions) used to calculate the initial payments before adjustment for any increases and the amount determined under the actual experience with respect to those factors. Actuarial gain also includes differences between the amount determined using actuarial assumptions when an annuity was purchased or commenced and such amount determined using actuarial assumptions used in calculating payments at the time the actuarial gain is determined.

(ii) Designated beneficiary. The individual who is designated by the participant (or the participant's surviving spouse) as the beneficiary of the participant's interest under the plan and who is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations.

(iii) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the participant's required beginning date. For distributions beginning after the participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 4.6(d).

(iv) Eligible cost-of-living index. An index described in paragraphs (b)(2), (b)(3) or (b)(4) of section 1.401(a)(9)-6, Q&A-14, of the Treasury regulations.

(v) Life expectancy. Life expectancy as computed by use of the Single Life Table in § 1.401(a)(9)-9, Q&A-1, of the Treasury regulations.

(vi) 5-percent owner. A participant is treated as a 5-percent owner for purposes of this Section if the participant is a 5-percent owner as defined in section 416 of the Code at any time during the plan year ending with or within the calendar year in which such owner attains age 70½. Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the participant ceases to be a 5-percent owner in a subsequent year.

(n) TEFRA § 242(b)(2) Elections.

(i) Notwithstanding the other requirements of this Section IV, and subject to the joint and survivor annuity requirements under this Section IV, distribution on behalf of any employee, including a 5-percent owner, who has made a designation under section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (a "section 242(b)(2) election") may be made in accordance with all of the following requirements (regardless of when such distribution commences):

(A) The distribution by the plan is one which would not have disqualified such plan under section 401(a)(9) of the Internal Revenue Code as in effect prior to amendment by the Deficit Reduction Act of 1984.

(B) The distribution is in accordance with a method of distribution designated by the employee whose interest in the plan is being distributed or, if the employee is deceased, by a beneficiary of such employee.

(C) Such designation was in writing, was signed by the employee or the beneficiary, and was made before January 1, 1984.

(D) The employee had accrued a benefit under the plan as of December 31, 1983.

(E) The method of distribution designated by the employee or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the employee's death, the beneficiaries of the employee listed in order of priority.

(ii) A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the employee.

(iii) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the employee, or the beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in Sections 4.6(n)(i)(A) and 4.6(n)(i)(E).

(iv) If a designation is revoked any subsequent distribution must satisfy the requirements of section 401(a)(9) of the Code and the regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy section 401(a)(9) of the Code and the regulations thereunder, but for the section 242(b)(2)

election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

(v) In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in section 1.401(a)(9)-8, Q&A-14 and Q&A-15 of the Treasury regulations shall apply.”

Direct Rollovers for Nonspouse Beneficiaries

Effective for distributions made after December 31, 2007, Section IV. Manner and Form of Payment shall be amended by replacing Section 4.9(b)(ii) Eligible Retirement Plan and Section 4.9(b)(iii) Distributee with the following:

“(ii) Eligible Retirement Plan: An “Eligible Retirement Plan” is an individual retirement account described in Section 408(a) of the Internal Revenue Code, an individual annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts an Eligible Rollover Distribution. An eligible retirement plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code. However, in the case of a nonspouse beneficiary, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity, which is then treated as an inherited account.

(iii) Distributee: A "Distributee" includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse. Effective January 1, 2008, a Distributee shall also include a nonspouse beneficiary.”

All other terms and provision of said Pension Plan shall remain unchanged.

IN WITNESS WHEREOF, the Employer has caused this Amendment to be executed by an authorized individual on this _____ day of _____, 2009.

Northern Inyo County Local Hospital District
(Employer)

By: _____

Attest: _____

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**NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT RETIREMENT PLAN**

Amended and Restated

As of January 1, 2009

**NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT RETIREMENT PLAN**

PREAMBLE

The Northern Inyo County Local Hospital District established a retirement plan for its employees, effective March 1, 1975. The terms of said plan as amended from time to time and in effect through December 31, 2008, constitute the Prior Plan.

The Employer desires to further amend said Prior Plan in order to conform the Prior Plan to the requirements of the Internal Revenue Code as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the Pension Funding Equity Act of 2004 (PFEA), the Pension Protection Act of 2006 (PPA '06), and other laws and regulations; and in order to clarify said Prior Plan, the Employer desires to restate the Prior Plan in its entirety as amended to date in one document effective as of January 1, 2009, except as otherwise indicated. This amendment and restatement are not intended to reduce the accrued retirement benefit or vested interest payable to any person under the terms of the Prior Plan.

The Prior Plan, therefore, is hereby amended and restated as the "Northern Inyo County Local Hospital District Retirement Plan" and shall consist of the Plan set forth herein.

Unless specifically otherwise provided herein or required by law, the rights and benefits of any person covered under the Plan whose employment with the Employer terminated prior to January 1, 2009, shall be determined under the terms of the Prior Plan or the Plan as in effect when the person's employment terminated.

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SECTION I. DEFINITIONS

Whenever the terms set forth below are used in this Plan, they will have the meaning stated unless a different meaning is plainly required by the context. Masculine pronouns when used throughout the Plan refer to both men and women and the singular includes the plural unless the context indicates otherwise. Headings of sections are used for convenience of reference and in case of conflict the text of the Plan rather than such headings controls.

1.1 "Accrued Benefit" means the monthly benefit amount described in accordance with Section 3.1 of Section III. Retirement Benefits.

1.2 "Actuarial Equivalent" means a benefit of equivalent value as calculated by the Actuary pursuant to Appendix A attached, which can be amended by the Plan Administrator without formal amendment of the Plan. In the event of a change in Appendix A, the actuarial equivalent of the Accrued Benefit on or after the date of the change is the greater of the actuarial equivalent of the Accrued Benefit as of the date of the change computed on the old basis or the actuarial equivalent of the total Accrued Benefit computed on the new basis.

1.3 "Actuary" means the actuary selected by the Employer who is a Member of the American Academy of Actuaries.

1.4 "Administrator; Plan Administrator" means the person or persons who serve as administrator of the Plan within the meaning of Section 414(g) of the Code.

1.5 "Annuity Starting Date" means the first day of the first period for which an amount is payable as an annuity; or in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to such benefit.

1.6 "Average Annual Compensation" means the average of the Participant's Compensation paid while a Participant in the Plan for the highest consecutive 36-month period of earnings preceding his retirement date, his date of termination, or his date of death, whichever is earliest.

1.7 "Beneficiary" means the person, trust, or estate entitled to benefits under this Plan by reason of the death of a Participant in accordance with Section 10.3 of Section X. General Provisions.

1.8 "Code" means the Internal Revenue Code of 1986 as amended and any successor statutes.

1.9 "Compensation" means amounts paid by the Employer as wages, shift differential, standby pay, but excluding bonuses, overtime premium pay, and commissions.

For participants who commenced participation prior to January 1, 1996, the annual compensation of each Participant taken into account under this Plan for a Plan Year shall not exceed \$200,000 as indexed from 1989 pursuant to regulations issued by the Secretary of the Treasury relating to the amount so established under Section 415(d) of the Code, and without considering revisions to the limit required by Omnibus Budget Reconciliation Act of 1993 (OBRA '93). The indexed limit for 2009 is \$360,000.

For participants who first commenced participation on or after January 1, 1996, the annual compensation of each participant taken into account in determining benefit accruals in any plan year beginning after December 31, 2001, shall not exceed \$200,000 as adjusted from 2002. Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). In determining benefit accruals in plan years beginning after December 31, 2001, the annual compensation limit for determination periods beginning before January 1, 2002, shall be \$200,000. The \$200,000 limit on annual compensation shall be adjusted for cost-of-living increases in accordance with section 401(a)(17)(B) of the Code. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. The indexed limit for 2009 is \$245,000.

Compensation shall also include 50% of the value of any unused and unpaid sick leave existing at the time of termination of employment, and accrued after April 26, 1997, referred to as "New Sick".

1.10 "Contract" means a contract issued by the Insurance Company providing for the payment of retirement benefits to Participants who become entitled to such benefits under the Plan.

1.11 "Date of Employment" means the first day on which an Employee completes an Hour of Service.

1.12 "Early Retirement Age" means age 55 and completion of 5 Years of Credited Service.

1.13 "Early Retirement Date" means the first day of any month before his Normal Retirement Date on which a Participant elects to retire provided he has attained his Early Retirement Age.

1.14 "Employee" means a person currently employed by the Employer. The term "Employee" shall also include leased employees. All leased employees as defined in Section 414(n) of the Code who performed services on a substantially full-time basis for a period of at least one year shall be treated as employed by the Employer unless covered by a leasing organization money purchase pension plan with a nonintegrated employer contribution rate of at least 10 percent and that provides for immediate

participation and full and immediate vesting, and the leased employees (determined without regard to this paragraph) do not constitute more than 20 percent of the Employer's non-highly compensated work force.

1.15 "Employer" means Northern Inyo County Local Hospital District.

1.16 "Hour of Service" is defined as set forth in (a) below and will be determined under the method set forth in (b) below:

(a) Hour of Service means:

(i) each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period or periods in which the duties are performed; and

(ii) each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, or leave of absence. No more than 501 hours of service shall be credited under this paragraph for any single continuous period (whether or not such period occurs in a single computation period). Hours under this paragraph shall be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations which are incorporated herein by this reference; and

(iii) each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by the Employer. The same hours of service will not be credited both under paragraph (i) or paragraph (ii), as the case may be, and under this paragraph (iii). These hours will be credited to the Employee for the computation period or periods to which the award or agreement pertains rather than the computation period in which the award, agreement, or payment is made.

(b) Hours of Service of an Employee whose hours are not required to be recorded under the Fair Labor Standards Act shall be determined by the equivalency method. Such employee shall be credited with 10 Hours of Service for each day for which he is paid or entitled to payment for the performance of duties.

(c) Hours of Service will be credited for employment with other members of an affiliated service group (under Section 414(m) of the Code), a controlled group of corporations (under Section 414(b)), or a group of trades or businesses under common control (under Section 414(c)), of which the Employer is a member.

Hours of service will also be credited for any individual considered an Employee for purposes of this Plan under Section 414(n) or Section 414(o) of the Code.

(d) Solely for purposes of determining whether a One Year Break in Service, as defined in Section 1.20, for participation and vesting purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any

case in which such hours cannot be determined, 8 Hours of Service per day of such absence; provided, however, that no more than 501 Hours of Service should be credited under this Subsection (c) by reason of such above. For purposes of this Subsection, an absence from work for maternity or paternity reasons means an absence (i) by reason of the pregnancy of the individual, (ii) by reason of a birth of a child of the individual, (iii) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement. The Hours of Service credited under this paragraph shall be credited (i) in the computation period in which the absence begins if the crediting is necessary to prevent a One Year Break in Service in that period, or (ii) in all other cases, in the following computation period.

The determination of Hours of Service for reasons other than the performance of duties and the crediting of Hours of Service to computation periods will be in accordance with Department of Labor Regulation Sections 2530.200b-2(b) and (c) which are incorporated herein by reference.

1.17 "Insurance Company" means a legal reserve life insurance company duly licensed in the State of California.

1.18 "Normal Retirement Age" means the Participant's attainment of age 65 or the 5th anniversary of his commencement of participation in the Plan, if later, but in no event later than attainment of age 70.

1.19 "Normal Retirement Date" means the first day of the month coinciding with or next following a Participant's Normal Retirement Age.

1.22 "One Year Break in Service" means a Plan Year during which an Employee has not completed more than 500 Hours of Service. Periods during which an Employee is on Employer-approved leave of absence will be disregarded in determining whether or not there has been a One Year Break in Service, provided the Employee returns to the service of the Employer on or prior to the expiration date of such leave. If the Employee does not return to service within this period, he shall be deemed not to have been granted such leave of absence. Leave of absence for required military service shall not be considered as resulting in a One Year Break in Service to the extent service is required to be considered unbroken by any state or Federal law effecting veterans' reemployment rights. Leaves of absence will be granted on a uniform and non-discriminatory basis.

1.21 "Participant" means an employee who has met the eligibility requirements of Section II and participates in the Plan.

1.22 "Plan" means the Northern Inyo County Local Hospital District Retirement Plan established for the exclusive benefit of eligible Employees and their Beneficiaries as set forth herein and as amended from time to time.

1.23 "Plan Year" means the period beginning January 1 and ending on December 31 of each year.

1.24 "Postponed Retirement Date" means the first day of the month coinciding with or next following the date a Participant who continues to work after his Normal Retirement Date actually terminates employment.

1.25 "Prior Plan" means the terms of the Defined Benefit Pension Plan for the Employees of Northern Inyo County Local Hospital District as amended from time to time and in effect through December 31, 2008.

1.26 "Total and Permanent Disability" means the inability to perform the normal and customary functions associated with the Participant's occupation. Total disability shall be deemed permanent after it has existed continuously for a period of 9 consecutive months or until the Administrator, in his discretion, determines that such disability is permanent or will be of a long and indeterminate duration.

1.27 "Trust" means the fund established by the Contract or trust agreement entered into by and between the Employer and the Trustee for the purpose of funding the benefits provided by the Plan.

1.28 "Trustee" means an insurance company, corporate trustee, or individual trustee(s) appointed by the Employer and who shall hold all or part of the funds in accordance with a Contract or a trust agreement, if any, attached hereto and incorporated herein by this reference.

1.29 "Year of Credited Service" means a 12-consecutive month period during which an Employee has completed at least 1,000 Hours of Service. For purposes of determining Years of Credited Service for eligibility for benefits, vesting, and benefit accrual, the computation period shall be the Plan Year. For purposes of eligibility to participate in the Plan, however, such computation period shall be measured from the Employee's Date of Employment and each anniversary thereof.

SECTION II. PARTICIPATION

2.1 Eligible Class of Employees. All Employees except those who are members of a collective bargaining unit that has bargained for retirement benefits are eligible to participate in the Plan.

2.2 Date of Participation.

(a) An Employee who was a Participant in the Prior Plan on December 31, 2008, shall continue to participate in this Plan without any interruption in accordance with provisions of this Plan as restated on January 1, 2009.

(b) Any Employee who is not a Participant on January 1, 2009, shall enter the Plan on the first day of January 1 or July 1 coincident with or next following the later of his completion of one Year of Credited Service and his 21st birthday.

(c) If an Employee fails to complete one Year of Credited Service during the 12-month period from his Date of Employment, the 12-month period shall be measured from each subsequent anniversary of such date.

2.3 Participation After Termination of Employment or Break in Service.

(a) A former Participant who was vested in all or a portion of his Accrued Benefit and did not receive or commence distribution of his benefit at the time of or after his termination shall resume participation in the Plan immediately upon his return to the employ of the Employer. Such Employee's date of participation shall be deemed to be his initial date of participation and his Years of Credited Service for vesting and benefit accrual purposes shall include all Years of Credited Service credited prior to his One-Year Break in service.

(b) A former Participant who was not vested in any portion of his Accrued Benefit at the time of his termination and returns to the employ of the Employer after a One Year Break in Service shall resume participation in the Plan on the first day of January 1 or July 1 coincident with or next following his completion of one Year of Credited Service. Such Employee's date of participation shall be deemed to be his initial date of participation, and his Years of Credited Service for vesting and benefit accrual purposes shall also include all Years of Credited Service credited prior to any previous One Year Break in Service.

(c) A former Participant who was vested in all or a portion of his Accrued Benefit and received or commenced distribution of his benefit at the time of or after termination and returns to the employ of the Employer after a One-Year Break in Service shall be considered a new Employee for participation, vesting, and benefit accrual purposes. Such Employee shall enter the Plan upon satisfying the eligibility requirements to participate in accordance with Section 2.2 above.

2.4 Qualified Military Service. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Internal Revenue Code.

SECTION III. RETIREMENT BENEFITS

3.1 Accrued Benefit. The Accrued Benefit is the monthly benefit amount to which a Participant is entitled on his Normal Retirement Date determined as of his date of retirement, date of termination, or date of death, whichever is earliest, and shall be equal to the greater of 1/12 of (a) and (b); where:

- (a) is 2.5% of the Participant's Average Annual Compensation times Years of Credited Service; and
- (b) is \$600.

3.2 Payment of Accrued Benefit. The Accrued Benefit payable to a Participant shall be in the Normal Annuity Form as described in Section 4.2. If the retirement benefit is paid in other than the Normal Annuity Form, then the monthly amount shall be an actuarial adjustment of the amount payable on the Normal Annuity Form as provided in Section IV. Manner and Form of Payment.

3.3 Normal Retirement Benefit

(a) Eligibility for Normal Retirement Benefit. A Participant shall be eligible for a Normal Retirement Benefit, if his employment is terminated on or after he attains his Normal Retirement Age.

(b) Amount of Normal Retirement Benefit. The monthly amount of Normal Retirement Benefit payable to a Participant who retires in accordance with this Section 3.3 shall be equal to his vested Accrued Benefit, determined as of his Normal Retirement Date in accordance with Section 3.1.

3.4 Early Retirement Benefit

(a) Eligibility for Early Retirement Benefit. A Participant shall be eligible for an Early Retirement Benefit, if his employment is terminated before he attains his Normal Retirement Age but on or after he has attained his Early Retirement Age.

(b) Amount of Early Retirement Benefit. The monthly amount of Early Retirement Benefit payable to a Participant on an Early Retirement Date shall be equal to his vested Accrued Benefit determined as of his Early Retirement Date in accordance with Section 3.1. If the Participant requests that his benefit payments begin on a date prior to his Normal Retirement Date, his vested Accrued Benefit shall be reduced by 5/9% for each of the first 60 months and 5/18% for each additional month by which his retirement date precedes the Normal Retirement Date.

(c) Separation Prior to Early Retirement Age. In the case of a Participant who satisfied the service requirements for an Early Retirement Benefit but separated from service with a nonforfeitable right to his Accrued Benefit before satisfying the age requirement, such Participant shall be entitled to receive the benefit determined in accordance with Subsection (b) above upon satisfaction of the age requirement for such Early Retirement Benefit.

3.5 Vested Deferred Benefit

(a) Eligibility for Vested Deferred Benefit. A terminated Participant shall be eligible to receive a vested deferred benefit, if he is vested as provided in Section V. Vesting.

(b) Amount of Vested Deferred Benefit.

(i) The monthly amount of a terminated Participant's vested deferred benefit upon reaching his Normal Retirement Age shall be his Accrued Benefit calculated under Section 3.1 times his vesting percentage as of his date of termination of employment.

(ii) The monthly amount of a terminated Participant's vested deferred benefit, if he is eligible for an Early Retirement Benefit and elects to receive his monthly benefit on an Early Retirement Date, shall be his vested Accrued Benefit as provided in Section 3.5(b) (i) above and reduced for the months early as provided in Section 3.4(b).

3.6 Postponed Retirement Benefit

(a) Eligibility for Postponed Retirement Benefit. A Participant may postpone his retirement to the first day of any month after his Normal Retirement Date in which case his monthly retirement benefits will be temporarily suspended until his Postponed Retirement Date. Upon actual retirement he shall be eligible for the Postponed Retirement Benefit.

(b) Amount of Postponed Retirement Benefit. The monthly amount of a Participant's Postponed Retirement Benefit shall be his Accrued Benefit determined as of his Proposed Retirement Date in accordance with Section 3.1.

3.7 Disability Retirement Benefit.

(a) Eligibility for Disability Retirement Benefit. A Participant who becomes totally and permanently disabled prior to his Normal Retirement Age may retire on an earlier Disability Retirement Date, provided that the Participant shall have established his Total and Permanent Disability to the complete satisfaction of the Plan Administrator.

The "Disability Retirement Date" shall be the first day of the month coinciding or next following the date as of which the Participant's Total and Permanent Disability has been established and continuing thereafter through the first day of the month preceding the earliest of the following dates:

- (i) the date of his death,
- (ii) the date the Plan Administrator determines that he is no longer totally and permanently disabled, and
- (iii) the date of the Participant's Normal Retirement Age.

If the Participant's monthly disability benefits cease because of (iii) above, monthly payments shall continue as a retirement benefit in the same form and amount received as a disability benefit.

The Plan Administrator may require the Participant to furnish proof of continuous disability to continue receipt of disability benefits.

(b) Amount of Disability Retirement Benefit. The monthly amount of a Participant's Disability Retirement Benefit shall be his vested Accrued Benefit determined as of his Disability Retirement Date in accordance with Section 3.1. The Participant's benefit payments beginning on a date prior to his Normal Retirement Date shall be his vested Accrued Benefit reduced by 5/9% for each of the first 60 months and 5/18% for each additional month by which his retirement date precedes the Normal Retirement Date.

3.8 Maximum Benefit Limitation. Effective for limitation years ending after December 31, 2001, the following provisions will apply.

(a) The "Defined Benefit Dollar Limitation" is \$160,000, as adjusted, effective January 1 of each year, under section 415(d) of the Code in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under section 415(d) will apply to limitation years ending with or within the calendar year for which the adjustment applies. The adjusted amount for 2009 is \$195,000.

(b) The "Defined Benefit Compensation Limitation" is 100% of the Participant's average annual compensation for the 3 consecutive years of employment that produces the highest average.

(c) The "Maximum Permissible Amount" is the lesser of the defined benefit dollar limitation or the defined benefit compensation limitation (both adjusted where required, as provided in (i) and, if applicable, in (ii) or (iii) below).

(i) If the participant has fewer than 10 years of participation in the plan, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the plan and (ii) the denominator of which is 10. In the case of a participant who has fewer than 10 years of service with the employer, the defined benefit compensation limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of service with the employer and (ii) the denominator of which is 10.

(ii) If the benefit of a participant begins prior to age 62, the defined benefit dollar limitation applicable to the participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the participant at age 62 (adjusted under (i) above, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (1) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in the Actuarial Equivalent definition and (2) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the Applicable Mortality Table as defined below. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (ii) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

(iii) If the benefit of a participant begins after the participant attains age 65, the defined benefit dollar limitation applicable to the participant at the later age is the annual benefit

payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the participant at age 65 (adjusted under (i) above, if required). The actuarial equivalent of the defined benefit dollar limitation applicable at an age after age 65 is determined as (1) the lesser of the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Actuarial Equivalent definition and (2) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the Applicable Mortality Table as defined below. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

(d) Benefit increases resulting from the increase in the limitations of section 415(b) of the Code shall be provided to all employees participating in the plan who have one hour of service on or after the first day of the first limitation year ending after December 31, 2001.

(e) Definitions. For purposes of this Section 3.8, the following definitions shall apply:

(i) Annual Benefit. A retirement benefit under the Plan which is payable annual in the form of a straight life annuity. Except as provided below, a benefit payable in a form other than a straight life annuity must be adjusted to an actuarially equivalent straight life annuity before applying the limitations of this Section. The interest rate assumption used to determine actuarial equivalence shall not be less than the greater of the interest rate specified in the Actuarial Equivalent definition or 5 percent. Effective January 1, 1995, the mortality table to be used shall be the Applicable Mortality Table. The annual benefit does not include any benefits attributable to employee contributions or rollover contributions, or the assets transferred from a qualified plan that was not maintained by the Employer. No actuarial adjustment to the benefit is required for (1) the value of a qualified joint and survivor annuity, (2) the value of benefits that are not directly related to retirement benefits (such as qualified disability benefit, pre-retirement death benefits, and post-retirement death benefits, and post-retirement medical benefits), and (3) the value of post-retirement cost-of-living increases made in accordance with the Federal Income Tax Regulations.

(ii) Applicable Mortality Table. The mortality table prescribed in IRS Revenue Ruling 2001-62.

(iii) Compensation. A Participant's earned income, wages, salaries, and fees for professional services, and other amounts received for personal services actually rendered in the course of employment with the Employer maintaining the Plan (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses), and excluding the following:

(A) Employer contributions to a plan of deferred compensation (except for salary reduction contributions made pursuant to IRC Section 125, 132(f)(4), or 403(b)) which are not included in the Employee's gross income for the taxable year in which contributed or Employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation;

(B) Amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(C) Amounts realized from the sale, exchange, or other disposition of stock acquired under a qualified stock option; and

(D) Other amounts which received special tax benefits.

(iv) Limitation Year. The Plan Year.

SECTION IV. MANNER AND FORM OF PAYMENT

4.1 Benefit Payable as Annuity. A Participant's retirement benefit shall, except as provided under Section 4.4(d), be payable on a form of annuity commencing on the Participant's retirement date.

4.2 Normal Annuity Form. The normal form of retirement benefit shall be a Life Annuity. This form of benefit is a monthly amount beginning on a Participant's Annuity Starting Date and payable during his lifetime, ending with the last payment due on or before his date of death.

4.3 Form of Benefit

(a) Married Participants. The retirement benefit of a Participant who has been married throughout the one-year period ending on the Participant's Annuity Starting Date shall be paid in the form of a 100% Joint and Survivor Annuity described in Section 4.4(c) unless an alternative form of payment is elected, pursuant to an election within the 90-day period ending on the date benefit payments would commence, to have his benefit paid on:

- (i) the Normal Annuity Form under Section 4.2, or
- (ii) any other alternative form of payment permitted under Section 4.4.

For purposes of the foregoing, if a Participant marries within one year before the Annuity Starting Date, and the Participant and the Participant's spouse have been married for at least a one-year period ending on or before the date of the Participant's death, the Participant and the Participant's spouse shall be treated as having been married during the one-year period ending on the Participant's Annuity Starting Date.

(b) Unmarried Participants. The retirement benefit of a Participant who is unmarried, or of a Participant who has not been married throughout the one-year period ending on the Participant's Annuity Starting Date, shall be in the form of a Life Annuity (the Normal Annuity Form described in Section 4.2) unless the Participant elects one of the other alternative forms of payment permitted under Section 4.4.

4.4 Alternative Annuity Forms. A Participant may, as applicable, elect a method of payment based on the Normal Annuity Form of benefit or from any of the forms described below:

(a) 10-Year Certain and Life Annuity. This form of pension benefit is a monthly amount beginning on a Participant's Annuity Starting Date and payable for the 10-year period certain and thereafter during his remaining lifetime, ending with the last payment due on or before his date of death. If the Participant dies during the 10-year period certain, the payments shall continue for the remainder of such period certain to his designated Beneficiary. In the event of the death of the designated Beneficiary after the death of the Participant during the 10-year period certain, and if there is no named secondary

Beneficiary, a single sum equal to the commuted value of any remaining monthly payments shall be paid to the estate of the Beneficiary.

The pension benefit under the 10 Year Certain and Life Annuity form will be 90% of that otherwise payable on the Life Annuity.

(b) 50% Joint and Survivor Annuity. This form of pension benefit is a monthly amount beginning on the Participant's Annuity Starting Date and payable during his lifetime with 50% of such monthly amount to continue to his designated joint annuitant from the first day of the month following the date of his death. The payments will end with the last monthly payment due on or before the Participant's or his designated joint annuitant's date of death, whichever occurs later. The annuity benefit under this form will be 85% of that otherwise payable on the Life Annuity form. If the spouse is more than ten years younger than the Participant, 1% will be subtracted from the 85% for each year in excess of ten. If the spouse is more than ten years older than the Participant, 1% will be added to the 85% for each year in excess of ten.

(c) 100% Joint and Survivor Annuity. This form of annuity benefit is a monthly amount beginning on the Participant's Annuity Starting Date and payable during his lifetime with 100% of such monthly amount to continue to his designated joint annuitant from the first day of the month following the date of his death. The payments will end with the last monthly payment due on or before the Participant's or his designated joint annuitant's date of death, whichever occurs later. The annuity benefit under this form will be 78% of that otherwise payable on the Life Annuity form. If the spouse is more than ten years younger than the Participant, 1% will be subtracted from the 78% for each year in excess of ten. If the spouse is more than ten years older than the Participant, 1% will be added to the 78% for each year in excess of ten.

(d) Lump Sum Cash Option. A Participant may elect a lump sum cash distribution on his Early, Normal, Postponed, or Disability Retirement in lieu of a monthly annuity at retirement. Such single sum payment shall be the Actuarial Equivalent of his pension benefit on the Life Annuity form.

4.5 Election of Alternative Annuity Forms. The following conditions and restrictions are applicable to the election of alternate annuity forms under Section 4.4:

(a) A Participant shall make his election on a form provided by the Plan Administrator and must designate the Annuity Starting Date.

(b) The Participant must designate his joint annuitant and provide satisfactory proof of the joint annuitant's age.

(c) Any election must be filed with the Plan Administrator at least 90 days prior to his Annuity Starting Date. If an election is not filed prior to such date, satisfactory evidence of the Participant's good health must be furnished to the Plan Administrator.

(d) If either the Participant or his joint annuitant dies before the Annuity Starting Date, the election will be cancelled.

(e) If a joint annuitant or Beneficiary is other than a Participant's spouse and if the present value of the Participant's benefit under this form of annuity would be less than 51% of the present value of his benefit that would be payable on the Normal Annuity Form, such benefit on the form of annuity elected shall be adjusted so that the present value of the Participant's benefit under the form elected shall be equal to 51% of the Participant's benefit on the Normal Annuity Form.

(f) Neither the effective date of the election nor the designated joint annuitant may be changed without the consent of the Plan Administrator unless the request for such a change is filed with the Plan Administrator at least 90 days prior to the original effective date of election.

4.6 Distribution Requirements. Subject to the joint and survivor annuity requirements under this Section IV, the requirements of this Section 4.6 shall apply to any distribution of a Participant's interest and will take precedence over any inconsistent provisions of this Plan. Unless otherwise specified, the provisions of this Section apply to calendar years beginning after December 31, 2002.

(a) Requirements of Treasury Regulations Incorporated. All distributions required under this Section shall be determined and made in accordance with section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit requirement in section 401(a)(9)(G), and the Income Tax Regulations thereunder.

(b) Limits on Distribution Periods. As of the first distribution calendar year, distributions to a participant, if not made in a single sum, may only be made over one of the following periods:

- (i) the life of the participant,
- (ii) the joint lives of the participant and a designated beneficiary,
- (iii) a period certain not extending beyond the life expectancy of the participant, or
- (iv) a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.

(c) Required Beginning Date. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's required beginning date. The required beginning date of a Participant is the first day of April of the calendar year following the calendar year in which the Participant attains age 70½.

(d) Death of Participant Before Distributions Begin. If the participant dies before distributions begin, the participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(i) If the participant's surviving spouse is the participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the participant died, or by December 31 of the calendar year in which the participant would have attained age 70½, if later.

(ii) If the participant's surviving spouse is not the participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the participant died.

(iii) If there is no designated beneficiary as of September 30 of the year following the year of the participant's death, the participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(iv) If the participant's surviving spouse is the participant's sole designated beneficiary and the surviving spouse dies after the participant but before distributions to the surviving spouse are required to begin, this Section 4.6(d), other than Section 4.6(d)(i), will apply as if the surviving spouse were the participant.

For purposes of this Section 4.6(d) and 4.6(j), unless Section 4.6(d)(iv) applies, distributions are considered to begin on the participant's required beginning date. If Section 4.6(d)(iv) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 4.6(d)(i). If distributions under an annuity meeting the requirements of this Section IV commence to the participant before the participant's required beginning date (or to the participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 4.6(d)(i)), the date distributions are considered to begin is the date distributions actually commence.

(e) Form of Distribution. Unless the participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 4.6(f), 4.6(g), 4.6(h), 4.6(i), and 4.6(j). If the participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of section 401(a)(9) of the Code and section 1.401(a)(9) of the Treasury regulations. Any part of the participant's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of section 401(a)(9) of the Code and section 1.401(a)(9) of the Treasury regulations that apply to individual accounts.

(f) Determination of Amount to be Distributed Each Year.

(i) General Annuity Requirements. If the participant's interest is paid in the form of annuity distributions under the plan, payments under the annuity will satisfy the following requirements:

(A) the annuity distributions will be paid in periodic payments made at uniform intervals not longer than one year;

(B) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 4.6(i) or 4.6(j);

(C) once payments have begun over a period, the period will be changed only in accordance with Section 4.6(k);

(D) payments will either be nonincreasing or increase only as follows:

(1) by an annual percentage increase that does not exceed the percentage increase in an eligible cost-of-living index for a 12-month period ending in the year during which the increase occurs or a prior year;

(2) by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index since the annuity starting date, or if later, the date of the most recent percentage increase;

(3) by a constant percentage of less than 5 percent per year, applied not less frequently than annually;

(4) as a result of dividend or other payments that result from actuarial gains, provided:

(i) actuarial gain is measured not less frequently than annually,

(ii) the resulting dividend or other payments are either paid no later than the year following the year for which the actuarial experience is measured or paid in the same form as the payment of the annuity over the remaining period of the annuity (beginning no later than the year following the year for which the actuarial experience is measured),

(iii) the actuarial gain taken into account is limited to actuarial gain from investment experience,

(iv) the assumed interest rate used to calculate such actuarial gains is not less than 3 percent, and

(v) the annuity payments are not increased by a constant percentage as described in (3) of this Section 4.6(f)(i)(D);

(5) to the extent of the reduction in the amount of the participant's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period described in Section 4.6(i) dies or is no longer the participant's beneficiary pursuant to a qualified domestic relations order within the meaning of section 414(p) of the Code;

(6) to provide a final payment upon the participant's death not greater than the excess of the actuarial present value of the participant's accrued benefit (within the meaning of section 411(a)(7) of the Code) calculated as of the annuity starting date using the interest rate and mortality table specified in Section 4.11(c) (or, if greater, the total amount of employee contributions) over the total of payments before the participant's death;

(7) to allow a beneficiary to convert the survivor portion of a joint and survivor annuity into a single sum distribution upon the participant's death; or

(8) to pay increased benefits that result from a plan amendment.

(g) Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals. The amount that must be distributed on or before the participant's required beginning date (or, if the participant dies before distributions begin, the date distributions are required to begin under Section 4.6(d)(i) or (ii)) is the payment that is required for one payment interval. The second

payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the participant's required beginning date.

(h) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

(i) Requirements For Annuity Distributions That Commence During Participant's Lifetime.

(i) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse. If the participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the participant and a nonspouse beneficiary, annuity payments to be made on or after the participant's required beginning date to the designated beneficiary after the participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the participant, using the table set forth in section 1.401(a)(9)-6, Q&A 2(c)(2), in the manner described in Q&A 2(c)(1), of the Treasury regulations, to determine the applicable percentage. If the form of distribution combines a joint and survivor annuity for the joint lives of the participant and a nonspouse beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated beneficiary after the expiration of the period certain.

(ii) Period Certain Annuities. Unless the participant's spouse is the sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the participant's lifetime may not exceed the applicable distribution period for the participant under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations for the calendar year that contains the annuity starting date. If the annuity starting date precedes the year in which the participant reaches age 70, the applicable distribution period for the participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9, Q&A-2, of the Treasury regulations plus the excess of 70 over the age of the participant as of the participant's birthday in the year that contains the annuity starting date. If the participant's spouse is the participant's sole designated beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the participant's applicable distribution period, as determined under this section 4.6(h)(ii), or the joint life and last survivor expectancy of the participant and the participant's spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9, Q&A-3, of the Treasury regulations, using the participant's and spouse's attained ages as of the participant's and spouse's birthdays in the calendar year that contains the annuity starting date.

(j) Requirements For Minimum Distributions After the Participant's Death.

(i) Death After Distributions Begin. If the participant dies after distribution of his or her interest begins in the form of an annuity meeting the requirements of this Section, the

remaining portion of the participant's interest will continue to be distributed over the remaining period over which distributions commenced.

(ii) Death Before Distributions Begin.

(A) Participant Survived by Designated Beneficiary. If the participant dies before the date distribution of his or her interest begins and there is a designated beneficiary, the participant's entire interest will be distributed, beginning no later than the time described in section 4.6(d)(i) or (ii), over the life of the designated beneficiary or over a period certain not exceeding:

(1) unless the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the participant's death; or

(2) if the annuity starting date is before the first distribution calendar year, the life expectancy of the designated beneficiary determined using the beneficiary's age as of the beneficiary's birthday in the calendar year that contains the annuity starting date.

(B) No Designated Beneficiary. If the participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the participant's death, distribution of the participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the participant dies before the date distribution of his or her interest begins, the participant's surviving spouse is the participant's sole designated beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 4.6(j) will apply as if the surviving spouse were the participant, except that the time by which distributions must begin will be determined without regard to Section 4.6(d)(i).

(k) Changes to Annuity Payment Period.

(i) Permitted Changes. An annuity payment period may be changed only in association with an annuity payment increase described in Section 4.6(f)(i)(D) or in accordance with Section 4.6(k)(ii).

(ii) Reannuitization. An annuity payment period may be changed and the annuity payments modified in accordance with that change if the conditions in Section 4.6(k)(iii) are satisfied and:

(A) the modification occurs when the participant retires or in connection with a plan termination;

(B) the payment period prior to modification is a period certain without life contingencies; or

(C) the annuity payments after modification are paid under a qualified joint and survivor annuity over the joint lives of the participant and a designated beneficiary, the participant's spouse is the sole designated beneficiary, and the modification occurs in connection with the participant's becoming married to such spouse.

(iii) Conditions. The conditions in this Section 4.6(k)(iii) are satisfied if:

(A) the future payments after the modification satisfy the requirements of section 401(a)(9) of the Code, section 1.401(a)(9) of the regulations, and this Section (determined by treating the date of the change as a new annuity starting date and the actuarial present value of the remaining payments prior to modification as the entire interest of the participant);

(B) for purposes of sections 415 and 417 of the Code, the modification is treated as a new annuity starting date;

(C) after taking into account the modification, the annuity (including all past and future payments) satisfies the requirements of section 415 of the Code (determined at the original annuity starting date, using the interest rates and mortality tables applicable to such date); and

(D) the end point of the period certain, if any, for any modified payment period is not later than the end point available to the employee at the original annuity starting date under section 401(a)(9) of the Code and this Section.

(l) Payments to a Surviving Child.

(i) Special rule. For purposes of this Section, payments made to a participant's surviving child until the child reaches the age of majority (or dies, if earlier) shall be treated as if such payments were made to the surviving spouse to the extent the payments become payable to the surviving spouse upon cessation of the payments to the child.

(ii) Age of majority. For purposes of this section, a child shall be treated as having not reached the age of majority if the child has not completed a specified course of education and is under the age of 26. In addition, a child who is disabled within the meaning of section 72(m)(7) when the child reaches the age of majority shall be treated as having not reached the age of majority so long as the child continues to be disabled.

(m) Definitions.

(i) Actuarial gain. The difference between an amount determined using the actuarial assumptions (i.e., investment return, mortality, expense, and other similar assumptions) used to calculate the initial payments before adjustment for any increases and the amount determined under the actual experience with respect to those factors. Actuarial gain also includes differences between the amount determined using actuarial assumptions when an annuity was purchased or commenced and such amount determined using actuarial assumptions used in calculating payments at the time the actuarial gain is determined.

(ii) Designated beneficiary. The individual who is designated by the participant (or the participant's surviving spouse) as the beneficiary of the participant's interest under the plan and who is the designated beneficiary under section 401(a)(9) of the Code and section 1.401(a)(9)-4 of the Treasury regulations.

(iii) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the participant's required beginning date. For distributions beginning after the participant's death, the first

distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 4.6(d).

(iv) Eligible cost-of-living index. An index described in paragraphs (b)(2), (b)(3) or (b)(4) of section 1.401(a)(9)-6, Q&A-14, of the Treasury regulations.

(v) Life expectancy. Life expectancy as computed by use of the Single Life Table in § 1.401(a)(9)-9, Q&A-1, of the Treasury regulations.

(vi) 5-percent owner. A participant is treated as a 5-percent owner for purposes of this Section if the participant is a 5-percent owner as defined in section 416 of the Code at any time during the plan year ending with or within the calendar year in which such owner attains age 70½. Once distributions have begun to a 5-percent owner under this Section, they must continue to be distributed, even if the participant ceases to be a 5-percent owner in a subsequent year.

(n) TEFRA § 242(b)(2) Elections.

(i) Notwithstanding the other requirements of this Section IV, and subject to the joint and survivor annuity requirements under this Section IV, distribution on behalf of any employee, including a 5-percent owner, who has made a designation under section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (a "section 242(b)(2) election") may be made in accordance with all of the following requirements (regardless of when such distribution commences):

(A) The distribution by the plan is one which would not have disqualified such plan under section 401(a)(9) of the Internal Revenue Code as in effect prior to amendment by the Deficit Reduction Act of 1984.

(B) The distribution is in accordance with a method of distribution designated by the employee whose interest in the plan is being distributed or, if the employee is deceased, by a beneficiary of such employee.

(C) Such designation was in writing, was signed by the employee or the beneficiary, and was made before January 1, 1984.

(D) The employee had accrued a benefit under the plan as of December 31, 1983.

(E) The method of distribution designated by the employee or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the employee's death, the beneficiaries of the employee listed in order of priority.

(ii) A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the employee.

(iii) For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the employee, or the beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in Sections 4.6(n)(i)(A) and 4.6(n)(i)(E).

(iv) If a designation is revoked any subsequent distribution must satisfy the requirements of section 401(a)(9) of the Code and the regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy section 401(a)(9) of the Code and the regulations thereunder, but for the section 242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life).

(v) In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in section 1.401(a)(9)-8, Q&A-14 and Q&A-15 of the Treasury regulations shall apply.

4.7 Mandatory Commencement of Benefits. The payment of benefits under this Plan to the Participant shall begin no later than the 60th day after the close of the Plan Year in which the later of (a) and (b) occurs:

- (a) the date on which the Participant attains his Normal Retirement Age, and
- (b) the date on which the Participant terminates his service (including termination, death, or disability) with the Employer.

Notwithstanding the foregoing, if the amount of the required payment cannot be ascertained by the date payments are to commence, or it is not possible to make such payments because the Plan Administrator has been unable to locate the Participant after reasonable efforts to do so, a payment retroactive to the required commencement date may be made no later than 60 days after the earliest date on which the Participant is located, whichever is applicable.

4.8 Election of Direct Eligible Rollover Distribution:

(a) This Section 4.8 applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section 4.8, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

(b) Definitions:

(i) Eligible Rollover Distribution: An "Eligible Rollover Distribution" is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the

Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Section 401(a)(9) of the Code; and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities).

(ii) Eligible Retirement Plan: An "Eligible Retirement Plan" is an individual retirement account described in Section 408(a) of the Internal Revenue Code, an individual annuity described in Section 408(b) of the Code, an annuity plan described in Section 403(a) of the Code, or a qualified trust described in Section 401(a) of the Code, that accepts an Eligible Rollover Distribution. An eligible retirement plan shall also mean an annuity contract described in section 403(b) of the Code and an eligible plan under section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in section 414(p) of the Code. However, in the case of a nonspouse beneficiary, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity, which is then treated as an inherited account.

(iii) Distributee: A "Distributee" includes an Employee or former Employee. In addition, the Employee's or former Employee's Surviving Spouse and the Employee's or former Employee's Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Section 414(p) of the Code, are Distributees with regard to the interest of the Spouse or former Spouse. Effective January 1, 2008, a Distributee shall also include a nonspouse beneficiary.

(iv) Direct Rollover: A "Direct Rollover" is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

SECTION V. VESTING

5.1 Vested Percentage. A Participant shall vest in a percentage of his Accrued Benefit on the basis of his completed Years of Credited Service as follows:

<u>Completed Years of Credited Service</u>	<u>Vested Percentage</u>
4 or Less	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or More	100%

Notwithstanding anything herein to the contrary, a Participant shall be 100% vested upon attainment of Normal Retirement Age.

5.2 Full Vesting upon Total and Permanent Disability. Notwithstanding anything herein to the contrary, a Participant shall be 100% vested in his Accrued Benefit upon Total and Permanent Disability.

5.3 Amendment to Vesting Schedule. No amendment to the vesting schedule shall deprive a Participant of his nonforfeitable right to benefits accrued to date of the amendment. Further, if the vesting schedule of the Plan is amended, each Participant with at least 3 Years of Credited Service with the Employer may elect, within a reasonable period of time after the adoption of the amendment, to have his nonforfeitable percentage computed under the Plan without regard to such amendment, unless the Participant's nonforfeitable percentage computed under the Plan, as amended, at any time cannot be less than such percentage determined without regard to such amendment. The period during which the election may be made shall commence with the date the amendment is adopted and shall end on the later of:

- (a) 60 days after the amendment is adopted;
- (b) 60 days after the amendment becomes effective; or
- (c) 60 days after the Participant is issued a written notice of the amendment by the

Plan Administrator.

Commencement of Vested Deferred Benefits. A terminated Participant who has a vested benefit in accordance with this Section V. Vesting may elect:

(a) to commence his retirement income benefits at any time on or after his Early Retirement Date, if eligible, or his Normal Retirement Date as provided in Section III. Retirement Benefits,

(b) to receive a lump sum cash distribution at the time of his termination in lieu of a monthly annuity at retirement. Such single sum payment shall be the Actuarial Equivalent of his pension benefit on the Life Annuity form.

SECTION VI. SURVIVOR BENEFITS

6.1 Preretirement Lump Sum Death Benefit. If a Participant dies after becoming vested in a percentage of his Accrued Benefit and before he has received any distribution to which he was entitled prior to his Annuity Starting Date, his designated Beneficiary shall be entitled to receive as a survivor benefit a lump sum payment which is the Actuarial Equivalent, determined as of the date of distribution, of his vested Accrued Benefit as described in Section 3.1 at his date of death.

SECTION VII. FUNDING AND CONTRIBUTIONS

7.1 Funding Policy. The Employer shall establish a policy for funding the cost of benefits under the Plan. Such policy shall be established after consultation with the Actuary for the Plan. The Employer shall make contributions in such amounts and at such times as it shall determine necessary to carry out the funding policy and sufficient to fund the benefits provided by the Plan on an actuarially sound basis. Forfeitures arising under the Plan shall reduce the Employer's contributions to the Plan and will not be applied to increase the benefits any Participant would otherwise receive under the plan.

7.2 Reversion of Contributions to the Employer. Contributions to the Plan may not be returned to the Employer, except in the following instances:

(a) If the amount of a contribution is incorrect, such as an amount based on an arithmetical error or a mistake in fact, the amount in excess of the correct amount may be returned to the Employer within one year after payment of the contributions.

(b) If the plan fails to qualify under Section 401(a) of the Internal Revenue Code, contributions made to the Plan may be returned to the Employer within one year after the date of denial of qualification of the Plan.

(c) If the Plan is terminated, contributions may be returned to the Employer as provided under the provisions of Section 8.2.

7.3 Employee Contribution. No Employee contributions are required or allowed.

SECTION VIII. AMENDMENT AND TERMINATION

8.1 Amendment of the Plan. Although the Employer expects the Plan as adopted to remain in effect indefinitely, the Employer reserves the right to amend this Plan at any time or from time to time to the extent that it may deem advisable without the consent of any Participant by an instrument in writing executed in the name of the Employer by an officer or officers duly authorized to execute such instrument.

In no event will any amendment to this Plan:

(a) deprive any Participant of any Accrued Benefit under this Plan or the nonforfeitable right to such benefit, except that no amendment made pursuant to mandatory provisions of the Internal Revenue Code or any other Federal or state statute relating to employee benefit plans, or any official regulations or ruling issued under such Internal Revenue Code or statute, will be considered as depriving any Participant or his Beneficiaries of any such benefit;

(b) change the duties, liabilities, or responsibilities of the named or other fiduciaries without their written consent;

(c) alter the basic purposes of this Plan to provide for the use of funds or assets held under this Plan other than for the benefit of Participants and their Beneficiaries; or

(d) deprive the Insurance Company of any of its exemptions and immunities with respect to any Contract(s) issued by it prior to receipt by the Insurance Company of notice of such amendments.

No amendment to the Plan (including a change in the actuarial basis for determining optional early retirement benefits) shall be effective to the extent that it has the effect of decreasing a Participant's Accrued Benefit. Notwithstanding the preceding sentence, a Participant's Accrued Benefit may be reduced to the extent permitted under Section 412(c)(8) of the Code. For purposes of this Subsection, a Plan amendment which has the effect of (i) eliminating or reducing an early retirement benefit or a retirement-type subsidy, or (ii) eliminating an optional form of benefit, with respect to benefits attributable to service before the amendment shall be treated as reducing the Accrued Benefit. In the case of a retirement-type subsidy, the preceding sentence shall apply only with respect to a Participant who satisfies (either before or after the amendment) the preamendment conditions for the subsidy. In general, a retirement-type subsidy is a subsidy that continues after retirement, but does not include a qualified disability benefit, a medical benefit, a Social Security supplement, a death benefit (including life insurance), or a plant shutdown benefit (that does not continue after retirement age). Furthermore, no amendment to the Plan shall have the effect of decreasing a Participant's vested interest determined without regard to such amendment as of the later of the date such amendment is adopted or becomes effective.

8.2 Termination or Partial Termination of the Plan. It is intended by the Employer that the Plan constitutes a permanent plan for providing benefits for Employees. However, the Employer reserves the right to terminate this Plan in whole or in part at any time without the consent of any Participant by an instrument in writing executed in the name of the Employer under its corporate seal by any officer or officers duly authorized to execute such instrument. Thereafter, no Employee affected by such termination will become a Participant nor will any Participant affected by such termination accrue additional benefits hereunder. Upon termination or partial termination of the Plan, the rights of all affected Participants to benefits accrued to the date of such termination, to the extent then funded, are nonforfeitable.

Upon the termination or partial termination of the Plan, the available Plan assets will be allocated, subject to Section 8.4, to provide benefits consistent with the provisions of existing Federal regulations. If after satisfaction of all liabilities of the Plan with respect to Participants, there is a balance remaining, then such balance will be returned to the Employer, provided such return does not result in disqualification of the Plan.

8.3 Termination for Other Reasons. This Plan and the Employer's liability under it will also terminate upon a final decree or judgment so directing issued by a court of competent jurisdiction, or the Employer's legal dissolution, adjudication as a bankrupt, the making of a general assignment to or for the benefit of creditors, or merger or consolidation with any other corporation or business organization, except that this Plan may be continued in full force and effect by any other corporation or business organization which employs some or all of the Participants, if such corporation or business organization agrees to assume the liabilities of the Employer under this Plan. Upon such agreement such other corporation or business organization will become the Employer for the purpose of this Plan.

8.4 Pre-termination Restrictions - Effective January 1, 1992.

(a) Restriction of Benefits. In the event of plan termination, the benefit of any highly-compensated Employee, as defined in Section 414(q) of the Code, (and any highly-compensated former Employee) is limited to a benefit that is nondiscriminatory under Section 401(a)(4) of the Code.

(b) Restrictions on Distributions.

(i) Limit on Annual Payments. The annual payments to an Employee described in Subsection (ii) below are restricted to an amount equal in each year to the payments that would be made on behalf of the Employee under:

(A) a straight life annuity that is the actuarial equivalent of the accrued benefit and other benefits to which the Employee is entitled under the Plan (other than a social security supplement), and

(B) the amount of the payments that the Employee is entitled to receive under a social security supplement. The restrictions in this Subsection (b) do not apply, however, if any one of the following requirements is satisfied:

(1) after payment to an Employee described in Subsection (ii) below of all benefits payable to the Employee under the Plan, the value of Plan assets equals or exceeds 110 percent of the value of current liabilities, as defined in Section 412(1)(7) of the Code,

(2) the value of the benefits payable to the Employee under the Plan for an Employee described in Subsection (ii) below is less than 1 percent of the value of current liabilities before distribution, or

(3) the value of the benefits payable to the Employee under the Plan for an Employee described in Subsection (ii) below does not exceed the amount described in Section 411(a)(11)(A) of the Code (restrictions on certain mandatory distributions).

(ii) Employees Whose Benefits Are Restricted. The Employees whose benefits are restricted on distribution include all highly-compensated Employees and highly-compensated former Employees. In any one year, the total number of Employees whose benefits are subject to restriction under this Subsection can be limited by the Plan to a group of not less than 25 highly-compensated Employees and highly-compensated former Employees. If the group of affected Employees is so limited by the Plan, the group must consist of those highly-compensated Employees and highly-compensated former Employees with the greatest compensation in the current or any prior year. Plan provisions defining or altering the group of Employees whose benefits are restricted under this Section 8.4 may be amended at any time without violating Section 411(d)(6) of the Code.

(iii) Benefit Defined. For purposes of this Section 8.4, the term "benefit" includes, among other benefits, loans in excess of the amounts set forth in Section 72(p)(2)(A) of the Code, any periodic income, any withdrawal values payable to a living Employee, and any death benefits not provided for by insurance on the Employee's life.

(iv) Determination of Current Liabilities. For purposes of this Section 8.4, the Employer may calculate the value of current liabilities, as defined in Section 412(1)(7) of the Code, as of the end of the Plan's most recent Plan Year. Alternatively, the Employer is permitted to determine current liabilities as of a later date.

(v) Determination Date for Assets and Liabilities. For purposes of this Section 8.4, the value of Plan assets and the value of current liabilities must be determined as of the same date.

SECTION IX. PLAN FIDUCIARIES AND ADMINISTRATION

9.1 Named Fiduciaries. There will be one or more named fiduciaries appointed by the Employer who will have authority to control and manage the operation and administration of the Plan. If there is more than one named fiduciary, such authority will be joint and several. The named fiduciary or fiduciaries will establish a policy for funding the Plan and a method for carrying out that policy and will annually, at a stated time of the year, review such funding policy and method. Such funding policy and method and the reasons therefor will be recorded in a document in writing which will be filed with the records of the Plan.

Notwithstanding anything to the contrary herein, the named fiduciary or fiduciaries may allocate to any one or more of themselves any one or more fiduciary responsibilities and may designate persons other than named fiduciaries to carry out fiduciary responsibilities under the Plan, in which event, a named fiduciary to whom such one or more fiduciary responsibilities have not been allocated or who has made such designation will not be liable for any act or omission of the person to whom the responsibilities were allocated or designated in carrying out the same, except to the extent required by Federal law or regulation. The named fiduciary or fiduciaries may alter, amend or revoke any such allocation or designation at their discretion.

Any designation or allocation of fiduciary responsibilities is to be evidenced by document in writing which shall be filed with the records of the Plan.

9.2 Duties and Liabilities of Fiduciaries. All fiduciaries under the Plan, whether named or by law, will discharge their duties with respect to the Plan solely in accordance with the standards required by law and no provision of this Plan will be deemed to impose any higher standards.

9.3 Legal and Other Activities. The Employer and named fiduciaries may retain legal counsel and hire such clerical, accounting, actuarial and consulting advisors, and assistants as they deem appropriate and may pay them appropriate compensation out of Plan assets.

9.4 Plan Administration. The Plan Administrator shall be responsible for performing the following administrative functions within the policies, interpretations, rules, practices and procedures established by the Employer in accordance with the respective areas of named fiduciary responsibility:

(a) Determine the amounts and time of payment of benefits and the rights of Participants and Beneficiaries to Plan benefits, to take any action necessary to assure timely payment of benefits under the Plan, and to assure a full and fair review for any person who is denied a claim to any benefit under the Plan;

(b) Maintain Plan records, to communicate appropriate information to the Employer, to communicate to Participants and their Beneficiaries, and to submit required reports to appropriate authorities;

(c) Employ other persons, including the employment of counsel, to render advice and to assist in the administration of the Plan;

(d) Employ, on behalf of Plan Participants, an Actuary;

(e) Take any action necessary or appropriate to assure that the Plan is administered for the exclusive purpose of providing benefits to Participants and their Beneficiaries in accordance with the Plan and defraying reasonable expenses of administering the Plan, subject to the requirement of any applicable law; and

(f) Generally, operate and administer the Plan in all matters for which the Plan Administrator has been designated.

9.5 Administrative Expenses. The cost of administering the Plan including fees incurred in connection with retaining clerical or professional assistance, may be paid by the Employer or out of Plan assets, except that the cost of any group annuity contract entered into with the Insurance Company will be paid out of Plan assets held under such group annuity contract.

9.6 Claims Procedures. If any request for a Plan benefit made by a Participant or a Beneficiary is wholly or partially denied, the Plan Administrator shall notify the person requesting the benefit, in writing, of such denial, including in such notification the following information:

(a) The specific reason or reasons for such denial;

(b) Specific references to pertinent Plan provisions upon which the denial is based;

(c) A description of any additional material or information which may be needed to clarify or to perfect the request, and an explanation of why such information is required; and

(d) An explanation of the Plan's review procedure with respect to the denial of benefits.

Any Participant or Beneficiary whose request has been denied may appeal to the Plan Administrator for a review of the denial by making a written request therefor within 60 days of receipt of the notification of denial. Such Participant or Beneficiary may examine documents pertinent to the review and may submit to the Plan Administrator written issues and comments. The Plan Administrator shall make its decision on review not later than 60 days after receipt of a request for review. The Plan Administrator's decision on review shall contain specific reasons for its decision, including specific references to those Plan provisions upon which its decision is based.

Any further review, judicial or otherwise, of the decision on review shall be based on the record before the Plan Administrator and limited to whether, in the particular instance, the Plan Administrator acted arbitrarily or capriciously in the exercise of its discretion. In no event shall any such further review,

judicial or otherwise, be on a de novo basis as the Plan Administrator has discretionary authority to determine eligibility for benefits and to construe the terms of this Plan.

SECTION X. GENERAL PROVISIONS

10.1 Evidence of Survival. Where a benefit is contingent upon the survival of any person, evidence of such person's survival must be furnished either by personal endorsement of the check drawn for such payment or by other evidence satisfactory to the Employer.

10.2 Misstated Information. If any information has been misstated on which a benefit under the Plan with respect to a person was based, such benefit shall not be invalidated but the amount of the benefit shall be adjusted to the proper amount as determined on the basis of the correct information. Overpayments, if any, with interest as determined by the Employer may be charged against any payments accruing with respect to the person. The Employer reserves the right to require proof of age of any person entitled to a benefit under this Plan.

10.3 Beneficiary. Any benefit payable to a Beneficiary upon the death of a Participant, shall be paid to the Beneficiary last designated by him before his death, provided such Beneficiary survives him. If more than one person is so designated, they shall share equally unless their respective interests have been specified. If there is no surviving designated Beneficiary at the date of death, any benefit payable shall be paid to any one or more of the following surviving relatives of the deceased: spouse, children, mother, father, brothers or sisters, or to the estate of the deceased.

A Participant may designate a Beneficiary or change a previous designation only by written notice on a form prescribed for such purpose. However, the Participant's spouse must consent in writing to any such change or revocation, and such written consent must acknowledge the effect of the election and be witnessed by a Plan representative or a notary public. No such designation or change shall be effective until received; but once it has been so received, it shall take effect as of the date the notice was signed, subject to any payment made or other action taken before such receipt.

10.4 Liability of the Employer. Subject to the provisions of the Plan, the Employer's liability is limited to the payment of contributions as required under the Plan. Each Participant, or any other person claiming a right to any payment under the Plan, is entitled to look only to the Plan assets except as may otherwise be required by any Federal law or regulation. Contributions will in no event be considered to be compensation.

10.5 Employment. Nothing herein contained will be deemed to give any Employee the right to be retained in the employment of the Employer or to interfere with the right of the Employer to discharge any Employee at any time.

10.6 Contract. The Employer has entered into a Contract(s) with the Insurance Company for the purpose of funding and providing benefits under the Plan. Such Contract(s) may contain any terms or

provisions satisfactory to the Employer and the Insurance Company, and will be available for inspection at the principal office of the Plan Administrator and such other places as may be prescribed by governmental regulations.

10.7 Payment in Case of Incompetency. If in the judgement of the Employer, any person entitled to receive a payment hereunder is incapable for any reason of personally receiving and giving a valid receipt of the payment of a benefit hereunder, the Employer may cause such payment or any part thereof to be made: (a) to the duly appointed guardian or to the legal representative of such person, or (b) to any person or institution contributing to or providing for the care and maintenance of such person, provided that no prior claim for said payment has been made by a duly appointed guardian or legal representative of such person. The Employer shall not be required to see to the proper application of any such payment made in accordance with the provisions hereof and any such payment shall be a payment for the account of such person and shall constitute discharge of any liability or obligation of the Plan for the amount so paid.

10.8 Nonalienation of Benefits. No person has the right to assign, transfer, hypothecate, encumber, commute or anticipate, or otherwise subject to lien his interest in any benefits under the Plan, nor may any benefits under the Plan be subject to the claims of any creditor.

Notwithstanding the foregoing, the Employer may comply with a qualified domestic relations order, as that term is defined in Section 414(p) of the Code, which creates, assigns, or recognizes a right to any benefit payable with respect to a Participant to an alternate payee at such time and in such manner as provided in the qualified domestic relations order.

10.9 Mergers, Consolidations or Transfers. In the case of any merger or consolidation with, or transfer of assets or liabilities to any other plan, and if the plan is terminated immediately after such merger, consolidation or transfer, each Participant in this Plan will be entitled to receive a benefit which is at least equal to the benefit the Participant would have been entitled to receive immediately before the merger, consolidation or transfer if the Plan had then terminated.

10.10 Construction. This Plan shall be construed, administered, and enforced to the extent state law is applicable, according to the laws of the State of California.

10.11 Plan Not Modified by Any Contract. The provisions of this Plan will not be deemed to be modified or altered by any of the terms of any Contract(s) issued by the Insurance Company.

IN WITNESS WHEREOF, the Employer has caused this Plan to be executed by an authorized individual as of this _____ day of _____, 20____.

Northern Inyo County Local Hospital District
(Employer)

By: _____

Attest: _____

**NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT RETIREMENT PLAN**

APPENDIX. A

ACTUARIAL EQUIVALENT BASIS

For participants who first commenced participation before July 1, 2009, the actuarial equivalent basis is the UP-1984 Mortality Table set back 4 years for a Participant and plus 1 year for a joint annuitant, if any, and interest at 8% per annum.

For participants who first commenced participation on or after July 1, 2009, the actuarial equivalent basis is the RP 2000 Mortality Table for Males, set back 4 years for a Participant and set back 2 years for a joint annuitant, if any, and interest at 6.5% per annum.

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March 5, 2009

Ms. Georgan Stottlemyre
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514-2599

Dear Georgan:

I have calculated COBRA rates for plan year 2009-2010 per your request. These rates represent "worst case" or maximum costs, including claims at the aggregate level or maximum claims liability, stop-loss premiums, administration and ASO fees. They do not include the 2% permissible additional administrative load; if you wish to add this, just multiply my rates by 1.02.

		<u>Basic Plus</u>	<u>Basic</u>
Medical/Dental/RX/Vision:	Single	\$ 793.72	\$ 706.41
	Family	\$1,971.60	\$1,754.72
Medical/RX/Vision:	Single	\$ 706.41	\$ 619.10
	Family	\$1,754.72	\$1,537.84
Dental Only:	Single	\$ 87.31	\$ 87.31
	Family	\$ 216.88	\$ 216.88

Note dental was calculated using the standard industry assumption of approximately 11% of total costs. Your actual dental claims were 11% of total claims. You are not required to offer dental alone since it is not considered a "core" coverage. You may wish to offer medical only or medical/dental combined.

These rates are suggested rates only and provided at your request. You may use any rates you choose. Let me know if you wish to use these rates this plan year. As soon as I receive your approval, I will notify Pinnacle Claims Management for their billing purposes.

Regards,

Terri Zinchiak

:tz

Northern Inyo Hospital
Northern Inyo Hospital - COBRA Rate Schedule
(currently, 2002/2003 with 2% administrative fee is in use)

		2002/2003		2009/2010			
		Suggested	1.02	Suggested	1.02		
Basic Plus Plan							
Medical/dental/vision/RX: Total combined	Single	\$ 635.98	\$ 648.70	\$ 793.72	\$ 809.59	24.80%	
	Family	\$ 1,579.77	\$ 1,611.37	\$ 1,971.60	\$ 2,011.03	24.80%	
Medical/vision/RX only:	Single	\$ 559.66	\$ 570.85	\$ 706.41	\$ 720.54	26.22%	
	Family	\$ 1,390.20	\$ 1,418.00	\$ 1,754.72	\$ 1,789.81	26.22%	
Dental only:	Single	\$ 76.32	\$ 77.85	\$ 87.31	\$ 89.06	14.40%	
	Family	\$ 189.57	\$ 193.36	\$ 216.88	\$ 221.22	14.41%	
Basic Plan							
Medical/dental/vision/RX: Total combined	Single	\$ 564.69	\$ 575.98	\$ 706.41	\$ 720.54	25.10%	
	Family	\$ 1,402.70	\$ 1,430.75	\$ 1,754.72	\$ 1,789.81	25.10%	
Medical/vision/RX only:	Single	\$ 496.92	\$ 506.86	\$ 619.10	\$ 631.48	24.59%	
	Family	\$ 1,234.38	\$ 1,259.07	\$ 1,537.84	\$ 1,568.60	24.58%	
Dental only:	Single	\$ 67.77	\$ 69.13	\$ 87.31	\$ 89.06	28.83%	
	Family	\$ 168.32	\$ 171.69	\$ 216.88	\$ 221.22	28.85%	

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N I H

*People you know,
caring for people you love*

**NORTHERN
INYO HOSPITAL**
Northern Inyo County Local Hospital District

150 Pioneer Lane
Bishop, California 93514
(760) 873-5811 voice
(760) 872-2768 fax

July 24, 2009

Dear Board of Directors:

The Personnel Payroll Advisory Committee (PPAC) has been meeting regularly again since April 2009.

As one of the first items of business, PPAC Members have spent time reviewing the PPAC Guidelines. Since the PPAC Guidelines were last amended as of May 17, 1995, the PPAC has made several suggested changes. On behalf of the PPAC, I am attaching PPAC Guidelines with the changes identified.

Thank you for your time and attention to the PPAC Guidelines. I look forward to your discussion of the suggested amendments and will be available for questions at your meeting on September 16, 2009.

Sincerely,

Georgan L. Stottlemyre
Human Resources Manager / PPAC Chairperson

PERSONNEL/PAYROLL ADVISORY COMMITTEE (PPAC) GUIDELINES

OF

NORTHERN INYO HOSPITAL

Approved:

D. ~~Scott Clark, M.D.~~ Peter J. Watercott, Board President

Adopted: November 17, 1993

Amended: May 17, 1995

Amended: Date of Board Meeting

NORTHERN INYO HOSPITAL
PERSONNEL/PAYROLL ADVISORY COMMITTEE GUIDELINES

Introduction

Since 1985 there has existed at Northern Inyo Hospital a Fringe Benefit Advisory Committee. The role of this Committee has been to make recommendations to the Hospital Board of Directors concerning the employees' fringe benefits package and personnel policies. In September 1993 a petition, signed by hospital employees, was submitted to the Hospital Administrator requesting that the Fringe Benefit Advisory Committee be discontinued, and a new committee be formed. These guidelines outline the mission, composition, and functions of the new committee.

Name

The name of this Committee is the Northern Inyo Hospital Personnel/Payroll Advisory Committee.

Mission

The mission of the Committee is to provide the Northern Inyo Hospital Administrator and Board of Directors with written recommendations regarding the Northern Inyo Hospital Personnel Policies, Payroll Policies and Guidelines, and the fringe benefit package offered by the Hospital to its employees.

Composition

The Committee shall be composed of ~~nine~~ eleven Northern Inyo Hospital employees. Included in this total shall be:

- The Director of Personnel/Human Resources Manager, who shall serve as Chairperson of the Committee and who shall be entitled to vote only when it is necessary to break a tie vote of the Committee and may present agenda items.
- The Director of Finance/Controller, appointed by position, non-voting, may present agenda items.
- The Hospital Administrator, appointed by position, non-voting, may present agenda items.
- The Employee Advocate, appointed by position, non-voting, may present agenda items.

The remaining six ~~seven~~ voting Committee members who may present agenda items shall be selected as follows:

- One department head/manager elected by secret ballot by department heads/managers. Managers appear on the Northern Inyo Hospital Organization Chart – refer to current copy.
- Two non-department head/management employees from the nursing services elected by secret ballot by non-department head/management employees from the nursing services. Please see appendix with list of areas included in nursing services.
- One non-department head/management employee from any one of the following departments ancillary services elected by secret ballot by non-department head/management employees from these departments: Clinical Laboratory, Pathology, Respiratory Therapy, Physical Therapy, EKG/EEG, Pharmacy, and Radiology ancillary services. Please see appendix with list of areas included in ancillary services.

- One non-department headmanagement employee from any one of the following departments support services elected by secret ballot by non-department headmanagement employees from these departments: Environmental Services, Dietary, Purchasing, Maintenance, and Laundry and Linen support services. Please see appendix with list of areas included in support services.
- One non-department headmanagement employee from any one of the following departments administrative services elected by secret ballot by non-department headmanagement employees from these departments: Safety and Risk Management, Administration, Social Services, Fiscal Services, Medical Records, and Medical Library administrative services. Please see appendix with list of areas included in administrative services.
- One non-management employee from non-hospital-based employees elected by secret ballot by non-management employees from non-hospital-based employees. Please see appendix with list of areas included in non-hospital-based employees.

Nominations

In November of each year the Committee will invite nominations for employees to be elected to the Committee. Department headsManagers may nominate another department headmanager, non-department headmanagement employees from the nursing services may nominate another non-department headmanagment employee from the nursing services, etc. Nominations shall be submitted in writing to the Committee Chairperson, who shall ensure that the names of those nominated appear on the election ballots as candidates.

Elections and Terms

Elections shall be held by secret ballot in December of each year.

To be elected to the Committee, an employee must receive a majority of votes cast. If there are more than two candidates for a Committee seat, and no candidate receives a majority of votes cast, then there shall be a runoff election between the two candidates receiving the most votes.

If only one candidate is nominated for a Committee seat, no election will be necessary and that candidate shall be considered to be the elected member.

Those elected to the Committee shall serve two-year terms starting on the first day of January of the following year. (So that the terms may be staggered, the ~~department head, one of the two nursing service employees, and the representative from the Clinical Laboratory, Pathology group elected in December 1993~~ will be elected to initial terms of just one year.)members representing management, one of the two nursing services, support services, and non-hospital-based employees will be elected in odd years and start in even years while members representing one of the two nursing services, ancillary services, and administrative services will be elected in even years and start in odd years.

In case of a vacancy on the Committee, the Committee will invite nominations, and a special secret ballot election shall be held to elect a person to serve the remainder of the vacant term.

Meetings

The Committee shall meet on an as needed basis, and not less than four times a year. Meetings shall be scheduled by the Committee Chairperson. Special meetings shall be called upon written request signed by at least five members of the Committee and submitted to the Committee Chairperson. Committee members are paid their regular wages by the Hospital for time spent in Committee meetings.

All meetings of the Committee are open to any interested persons. When employees are invited to attend a Committee meeting by the Committee Chairperson, time spent by the invited employees at the Committee meeting will be paid by the hospital.

Attendance Requirements

Unless excused for good cause by the remaining members of the Committee, any elected Committee member who is absent from three meetings during a twelve month period will be removed from the Committee, and a vacancy will be declared. In the case of such a vacancy, the Committee will invite nominations, and a special secret ballot election shall be held to elect a person to serve the remainder of the vacant term. To be excused, Committee members must make their request to the Committee Chairperson prior to the meeting.

Meeting Agenda

Voting and non-voting members may submit agenda items on the PPAC Agenda Item Submission form or present unscheduled discussion items and announcements. Agenda items must be submitted two weeks before a scheduled meeting to allow time for the agenda to be prepared and posted as required.

The agenda for each Committee meeting shall be written, and posted in the Northern Inyo Hospital dining room for at least two days one week prior to the time of each Committee meeting. An Everyone On Email (Business Only) email will also be sent out with the agenda attached at least one week prior to the time of each Committee meeting.

Meeting Minutes

Minutes of each meeting shall be written by a non-Committee member selected by the Committee secretary. Minutes A draft of the minutes of each meeting shall be distributed in an Everyone On Email (Business Only) email as well as posted in the Northern Inyo Hospital dining room for at least one week, to members of the Committee in a timely manner. Minutes Approved minutes of each Committee meeting shall be distributed in an Everyone On Email (Business Only) email as well as posted in the Northern Inyo Hospital dining room for at least one week, in a timely manner and for a reasonable period of time.

Order of Business

The order of business at Committee meetings shall include:

1. Call to Order
2. Approval of Previous Meeting Minutes
3. Unfinished Business
4. New Business
5. Unscheduled discussion items and announcements
6. Adjournment

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Title 18 ZONING

Chapter 18.45 C-1 DISTRICTS GENERAL COMMERCIAL AND RETAIL

18.45.020 Permitted uses.

The following principal uses are permitted in the C-1 district, when entirely conducted within an enclosed building:

A. Retail stores, including:

1. Bakery,
2. Book or stationery store,
3. Confectionery store,
4. Drugstore, pharmacy,
5. Dry goods or notions store,
6. Florist or gift shop,
7. Grocery, fruit or vegetable stores,
8. Hardware, plumbing or electrical appliance store,
9. Jewelry store,
10. Meat market or delicatessen store,
11. Apparel and department stores,
12. Amusement enterprises,
13. Antiques stores,
14. Automobile and trailer sales, provided that repair work be conducted wholly within a building,
15. Furniture stores,
16. Secondhand stores if conducted wholly within completely enclosed building,
17. Bar, cocktail lounge, and eating and drinking establishments,
18. Liquor store,
19. Sporting goods store;

B. Office or ground space:

1. Automobile parking lot,
2. Offices, business or professional, including financial and insurance;

C. Services:

1. Bank,
2. Barbershop and beauty parlor,
3. Cafe or restaurant (including dancing or entertainment),
4. Church,
5. Clothes cleaning agency and/or pressing establishment,
6. Club or lodge (nonprofit), fraternal or religious association,

7. Community center,
 8. Dressmaker or millinery shop,
 9. Clinic,
 10. Laundry agency,
 11. Library,
 12. Photographer,
 13. Post office,
 14. Shoe store and repair,
 15. Tailor,
 16. Motion picture theater,
 17. Blueprinting or photostatting,
 18. Cleaning and pressing establishment,
 19. Carpenter shop, if conducted wholly within a completely enclosed building and no more than five persons are employed on the premises,
 20. Conservatory of music,
 21. Drive-in business,
 22. Fortunetelling, clairvoyance or astrology,
 23. Interior decorating store,
 24. Locksmith shop,
 25. Massage parlor,
 26. Medical and dental laboratories,
 27. Mortuary,
 28. Newspaper plants,
 29. Public garage, including automobile repairing, and incidental body work, painting or upholstering, if all operations are conducted wholly within a completely enclosed building; provided, however, that where a public garage is located on a lot which does not abut an alley and is within sixty-five feet of a lot in any R district, the garage wall which parallels the nearest line of such district shall have no opening other than stationary windows,
 30. Public services, including electric distributing substation, fire or police station, telephone exchange, and similar uses,
 31. Theater,
 32. Wedding chapel,
 33. Automobile service station, including facilities for general repair or mechanical washing;
- D. Other uses similar to above if approved by the planning commission. (Ord. 943 § 4 (part), 1994.)

Inyo County Code

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[Title 18 ZONING](#)

[Chapter 18.45 C-1 DISTRICTS GENERAL COMMERCIAL AND RETAIL](#)

18.45.030 Conditional uses.

The following are conditional uses in the C-1 district, and shall be permitted only if approved by the planning commission:

- A. Frozen food locker plants (excluding wholesale processing or cold storage);
- B. Plumbing shop;
- C. Printing, lithographing, publishing or reproducing;
- D. Distributors of petroleum products if location is approved by the planning commission;
- E. Furniture warehouse, for storing personal household goods, provided the ground floor front is devoted to stores;
- F. Ice storage house;
- G. Trade school, if location is approved by the planning commission;
- H. Stadium and commercial recreation enterprise;
- I. Warehouses and storage facilities;

J-1. Combination signs, electronic signs, informational kiosks and directory boards, off-site directional signs, off-site advertising signs not exceeding fifty square feet in sign area, tall wall signs, and three-dimensional signs in compliance with the provisions of Chapter 18.75 and subject to the requirements of Sections 18.45.060 and 18.45.070;

J-2. Manufactured home sales displays. (Ord. 1108 § 3, 2006; Ord. 1007 § 17, 1998; Ord. 943 § 4 (part), 1994.)

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BYLAWS OF THE NORTHERN INYO HOSPITAL AUXILIARY

ARTICLE I NAME

The name of this organization shall be the NORTHERN INYO HOSPITAL AUXILIARY.

ARTICLE II PURPOSE

The purpose of this organization shall be to render service to the Northern Inyo Hospital and patients through ways approved or proposed by the Governing Board of the Hospital.

ARTICLE III TYPES OF MEMBERSHIP

Section 1. Membership in the Auxiliary shall be open to persons who are interested in Northern Inyo Hospital. All Auxiliary memberships shall be renewed annually. Prior to Active Membership, a Counselor will educate and inform the prospective member as to the function, purpose, and history of the Auxiliary.

Section 2. There shall be the following types of memberships:

- a. ACTIVE - shall pay annual dues and participate in service programs of the Auxiliary to the extent of 50 hours minimum per year. Any Active Member in good standing shall have the right to vote, participate in meetings, and to hold office in the Auxiliary.
- b. ASSOCIATE - shall be interested in the purpose of the Auxiliary, pay annual dues, but have no active membership responsibilities. Any Associate Member in good standing shall have the right to vote, may participate in meetings and chair Standing Committees of the Auxiliary.
- c. LIFE - A Life Membership may be purchased at a one time price of \$100.00. Any Life Member in good standing shall have the right to vote, participate in meetings and to hold office in the Auxiliary.
- d. HONORARY LIFE - shall be those individuals chosen in recognition of outstanding service to the Auxiliary or the Hospital, and shall pay no dues. Any Honorary Life Member in good standing shall have the right to vote, participate in meetings, and to hold office in the Auxiliary.

Section 3. Reinstatement. Any person whose membership has been terminated for nonpayment of dues may be reinstated by paying dues in full for the current year.

ARTICLE IV OFFICERS

- Section 1. The elected officers of the Auxiliary shall be a President, a Vice-President, a Recording Secretary, a Corresponding Secretary and a Treasurer.
- Section 2. Officers of the Auxiliary shall be elected for terms of one year. No officer shall be eligible for more than three consecutive terms in the same office.

ARTICLE V DUTIES OF OFFICERS

- Section 1. The President shall be the chief executive officer of the Auxiliary and the Executive Board, and shall have the supervision of general management of the Auxiliary. The President shall appoint the Parliamentarian, chairmen of the standing committees, special committees as occasion may demand, and chairmen caused by vacancies. The President shall be a member ex officio of all standing committees of the Auxiliary, except the Nomination Committee. The President shall work closely with the Hospital Administrator and perform all duties pertaining to the office.
- Section 2. The Vice-President shall be in charge of membership, and shall be Chairman of the Membership Committee. In the absence, disability or resignation of the President, the Vice-President shall have the executive powers and perform duties of the President.
- Section 3. The Recording Secretary shall be responsible for keeping an accurate record of meetings of the Northern Inyo Hospital Auxiliary and of the Executive Board, in books belonging to the Auxiliary. These minutes shall be open to the inspection of any member at any reasonable time.
- Section 4. The Corresponding Secretary shall be responsible for the Auxiliary's general correspondence.
- Section 5. The Treasurer shall be responsible for keeping an accurate record of all financial affairs of the Auxiliary, and shall present a financial report at each General Meeting. All expenses, other than routine operating, must be approved by the members at a General Meeting, except for emergencies. The Treasurer's book shall be audited at the end of each fiscal year by three members appointed by the President.
- Section 6. The Parliamentarian shall be the Chairman of the Bylaws Committee, keep a current list of the Standing Rules, and shall advise the Auxiliary Board on the validity of any question of Parliamentary Law.

ARTICLE VI
THE EXECUTIVE BOARD

- Section 1.** The Executive Board shall consist on the officers of the Auxiliary, the immediate past President and the chairmen of the standing committees. The Administrator of the Hospital shall be an ex officio member of the Executive Board.
- Section 2.** All actions of the Executive Board are subject to the approval of the Northern Inyo Hospital Board of Directors or its representative, the Hospital Administrator. With this limitation, management and control of property and funds, the affairs of the Auxiliary shall be administered by the Executive Board. The Executive Board shall adopt its own rules of procedure not inconsistent with the Bylaws of the Auxiliary.
- Section 3.** Regular meetings of the Executive Board shall be held once a month, except as determined by the Board, at such time and place as the Board and/or the President may determine. Meetings are ordinarily scheduled the second Wednesday of each month. Special meetings of the Board may be held at any time and place determined by the President, and in addition, shall be called when requested in writing by not fewer than five members of the board.
- Section 4.** Five members shall constitute a quorum at any meeting of the Board. In the absence of a quorum, the meeting shall be adjourned.

ARTICLE VII
GENERAL MEETINGS

- Section 1.** There shall be regular meetings of the Auxiliary membership, the number to be determined by the Executive Board.
- Section 2.** The time and place of the General Meetings may be determined by the President and/or the Executive Board. Meetings are ordinarily scheduled the third Wednesday of each month. Meetings are to be held at Northern Inyo Hospital, unless otherwise designated.
- Section 3.** The Annual Meetings shall be held in May of each year for the Installation of Officers and Presentations of Awards.
- Section 4.** Ten voting members present shall constitute a quorum of any General Meeting of the Auxiliary.

**ARTICLE VII
COMMITTEES**

Section 1. **Standing Committees** - There shall be Standing Committees necessary to conduct the business and program of the Auxiliary. The personnel of such committees shall consist of members designated by the Chairman of the Committee with the approval of the President. The duties of each committee will be outlined in detail in the Chairman's Procedure Book. These Chairman become members of the Executive Board of the Northern Inyo Hospital Auxiliary.

Section 2. **Nominating Committee** - shall be put into being, and act as prescribed in Article IX.

Section 3. **Special Committees** - may be created when necessary by the President, with the approval of the Executive Board.

**ARTICLE IX
ELECTION PROCEDURES**

Section 1. **The Nominating Committee** - shall consist of three members appointed by the Board.

- a. Suggested nominations for officers of the Auxiliary shall be received by the Nominating Committee from the membership. From these suggestions, and as a result of its own deliberations, the Nominating Committee shall submit to the April General Meeting a slate of candidates for officers during the ensuing year. Nominations may also be accepted from the floor.
- b. Members of the Nominating Committee may be candidates for office.

Section 2. **The Election** of officers shall be held at the April Meeting. The new officers shall be installed at the May Meeting, and take office on June 1.

**ARTICLE X
FUNDS**

Section 1. All fund-raising activities, other than regular membership dues, shall be subject to the approval of the Hospital Administration, and the funds shall be expended only for those purposes approved by the Auxiliary.

Section 2. All dues or contributions paid or made to the Auxiliary become the property of the Auxiliary, and the members or contributors shall have no further claim or rights thereto.

Section 3. All documents made, accepted or executed by the Auxiliary shall be signed by the President and/or representative.

Section 4. All checks drawn against the General Funds of the Auxiliary shall be signed by two authorized signatures on file at the banking institution.

**ARTICLE XI
FISCAL YEAR**

The fiscal year of the Auxiliary shall commence on June 1, and shall end on May 31.

**ARTICLE XII
DISSOLUTION**

In the event of the dissolution of this organization, or in the event it ceases to carry out the objects and purposes herein set forth, all business, property, and assets of the organization shall be distributed and devoted to the promotion and advancement of the Northern Inyo Hospital of Bishop, California. In no event shall any of the assets or property be distributed to members, either for reimbursement of any sum subscribed, donated, or contributed by such members, or for any other such purpose; it being the intent that in the event of the dissolution of this organization, or upon its ceasing to carry out the objects and purposes herein set forth, the property and assets then owned by the organization shall be devoted to the promotion and advancement of the welfare of Northern Inyo Hospital of Bishop, California.

**ARTICLE XIII
AMENDMENTS**

The Bylaws of the Auxiliary may be altered, repealed, or amended by the affirmative vote of two-thirds of the members present and voting, at any regular or special meeting of the Auxiliary, provided that notice of the proposed alteration, repeal or amendment, be contained in a written notice of the meeting two weeks in advance.

**ARTICLE XIV
APPROVAL AND ADOPTION**

These Bylaws, after approval of the Northern Inyo Hospital Board of Directors, shall be effective immediately.

APPROVED: _____, 2009
Peter J. Watercott, Northern Inyo Hospital Board of Directors

APPROVED: _____, 2009
John Halfen, Administrator, Northern Inyo Hospital

ADOPTED BY NORTHERN INYO HOSPITAL AUXILIARY:

President: _____, 2009

Recording Secretary: _____, 2009

BYLAWS COMMITTEE: Judy Fratella, Bert Johnson, Sharon Thompson, June Wilkins, and Vivian Mitchel.

STANDING RULES OF THE NORTHERN INYO HOSPITAL AUXILIARY

1. Annual dues are payable on June 1, and are delinquent on July 1, of the same year. Dues shall be prorated for members joining after January 31, at the rate of \$ 1.00 per month for the remaining fiscal year. Active member dues are \$7.00 per year, and Associate member dues are \$ 10.00 per year. A one time Life Membership is \$ 100.00.
2. Board Members are expected to attend all meetings of the Executive Board. Any member shall be expected to resign from his/her position if conditions necessitate continued absence.
3. Lost Auxiliary pins will be replaced at current cost by the member.
4. All persons, including Auxiliary Members, are eligible to accept any item that is used in a drawing.
5. In order to retain Active Membership in the Auxiliary, all active members are required to serve a minimum of 50 hours per year, either in the performance of In-Hospital service or in Auxiliary projects, or both.
 - a. Members are required to record their hours of service in the Volunteer Hours book.
 - b. All Active Auxiliary Members are eligible for service awards. Hours are cumulative, and upon a members' completion of 100 hours, an Auxiliary Service pin will be awarded.
 - c. Service pin guards denoting the number of hours served are presented annually to those who have completed 500 hours, and multiples of 500 thereafter, at the Awards and Installation Luncheon in May.
 - d. The President shall receive 500 additional hours for services not recorded.
6. Uniforms shall be worn for all official Auxiliary activities except General Meetings, at which name tags shall be worn; if not, a penalty of \$ 0.25 shall be assessed.
7. Officers and Committee Chairmen are required to update and forward procedure manuals to incoming Officers and Chairmen.
8. Chairmen of Standing Committees shall be appointed by the President unless otherwise provided for in the By-laws. The duties of their Committees shall be as follows:

ART ROTATION - supervise art exhibits and keep necessary records.

ARCHIVES - record and store all pertinent Auxiliary records.

AUDITING COMMITTEE - conduct an annual audit of the Auxiliary books.

BLOOD DRIVE - oversee all aspects of the Auxiliary Blood Drives.

BOUTIQUE - organize and implement Auxiliary boutiques.

CANDY SHOP - purchase merchandise and stock the Candy Shop.

DESK SCHEDULING - maintain the monthly desk schedule.

DESK TRAINING - train members for duty at the visitors' desk and in the Gift Shop.

GIFT SHOP - supervise all aspects of the Gift Shop, including the purchase and display of merchandise.

HISTORIAN - keep an up-to-date history of the Auxiliary through a scrapbook collection of clippings, photographs, and other items of interest.

HOSPITALITY - act as official hostess at General Meetings and other Auxiliary functions.

HOURS RECORDER - keep a Master File Record of hours and awards.

MEMBERSHIP - (Chairman: Vice President) keep an accurate list of the membership and provide for the needs of new members, **by working with the Membership Counselor** to educate and inform the new members of the purpose, function, and history of the Auxiliary. Orientation will be completed within 30 days. Dues will then be payable, and the uniform purchased.

MEMBERSHIP COUNSELOR - as an experienced member, will educate and inform the prospective member of the purpose, function, and history of the Auxiliary.

MEMORIALS - record and acknowledge memorial gifts received.

NEWSLETTER - edit, produce, and distribute a monthly newsletter.

PARLIAMENTARIAN - advise the President in parliamentary procedure.

PROGRAM - plan informative programs for the membership.

PUBLICITY - provide publicity concerning the Auxiliary's activities in the community.

TELEPHONE - assist the President in informing the membership by telephone.

VENDING MACHINE - Coca Cola Company services the vending machine at the hospital, and the Auxiliary receives the profits.

WORKSHOP - coordinate creative Workshop ideas; supervise the gift and craft Workshops.

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**NORTHERN INYO HOSPITAL
PRIVATE PRACTICE PHYSICIAN
INCOME GUARANTEE**

This Agreement is made and entered into on this 1st day of October, 2009 by and between Northern Inyo County Local Hospital District ("District") and Thomas Boo, M.D. ("Physician").

RECITALS

- A. District, which is organized and exists under the California Local Health Care District Law, *Health & Safety Code section 32000, et seq.*, operates Northern Inyo Hospital ("Hospital"), a general acute care hospital serving northern Inyo County, California, including the communities of Bishop and Big Pine.
- B. Physician is a physician, engaged in the private practice of medicine, licensed to practice medicine in the State of California, and a member of the American College Board of Family Practice. Physician desires to relocate his practice ("Practice") to Bishop, California, and practice medicine in the Rural Health Clinic ("Clinic").

IN WITNESS WHEREOF THE PARTIES AGREE AS FOLLOWS:

**I.
COVENANTS OF PHYSICIAN**

Physician shall relocate his Practice to medical offices ("Offices") provided by District at the Rural Health Clinic.

1.01. Physician shall provide Hospital with the benefit of his direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the provision of urology medical services. The scope of services to be performed by Physician is described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.

1.02. Medical Staff Members hip and Service: Physician shall:

- a) Apply for and maintain Provisional or Active Medical Staff ("Medical Staff") membership with urology family practice privileges sufficient to support a full time urology outpatient RHC family practice, for the term of this Agreement.

- b) Provide on-call coverage to the Hospital's Emergency Services within the scope of privileges granted to physician by Hospital and as required by the Hospital Medical Staff.
 - c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, services, and other costs and expenses of whatever nature, for which he may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract he may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a twelve (12) month period, when said sub-contract is with a related organization.
 - d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.
 - e) District expressly agrees that said services might be performed by such other qualified physicians as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, has been granted privileges by the Hospital Medical Staff, and has received approval in writing from the Hospital.
- 1.03 Physician shall enter into a Rural Health Clinic Staff Physician agreement and abide by all of its terms and conditions.

II.

COVENANTS OF THE HOSPITAL

- 2.01. **Income Guarantee.** The Hospital guarantees that the Compensation earned by the Physician, from all sources in the District will be equal to a minimum of \$170,000 per annum for a full-time practice equivalent.
- 2.02. **Reconciliation.** The Hospital will reconcile the amounts paid to the Physician for a given Calendar quarter against one fourth of the guarantee amount. If the paid amount is less than the guaranteed amount, the Hospital will remit the difference within thirty days of the end of the reconciled quarter. Said reconciliations will occur on a cumulative basis such that an overage or underage for any given quarter will be carried forward to the subsequent quarter. Said accumulations will continue for the term of this agreement.

III.
TERM AND TERMINATION

- 3.01. Term.** The term of this Agreement shall be ~~three~~ two years beginning on the Monday next following the day upon which Physician is granted clinical privileges at Hospital and provisional membership on the Active Medical Staff of Hospital and scheduled for work. The Agreement may be renewed, by written instrument signed by both parties, no later than 120 days before its expiration date.
- 3.02. Termination.** Notwithstanding the provisions of section 3.01, this Agreement may be terminated:
- a) By Physician at any time, without cause or penalty, upon one hundred and eighty (180) days' prior written notice to the other party in the first year and ninety (90) days notice thereafter.
 - b) Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
 - c) Immediately upon closure of the Hospital or Practice;
 - d) By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment; or
 - e) By either party in the event of a material breach by the other party and, in such event, the non-breaching party shall have the right to terminate this Agreement after providing thirty (30) days' written notice to the breaching party, explaining the breach, unless such breach is cured to the satisfaction of the non-breaching party within the thirty (30) days.
- 3.03. Rights Upon Termination.** Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

IV.
PROFESSIONAL STANDARDS

- 4.01. Medical Staff Membership.** It is a condition of this Agreement that Physician obtains Provisional or Active Medical Staff membership on the Hospital Medical Staff with appropriate

clinical privileges and maintain such membership and privileges throughout the term of this Agreement.

4.02. Licensure and Standards. Physician shall:

- a) At all times be licensed to practice medicine in the State of California;
- b) Comply with all policies, bylaws, rules and regulations of Hospital, Hospital Medical Staff, and Practice, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- c) Be a member in good standing of the Provisional or Active Medical Staff of Hospital;
- d) Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of Hospital;
- e) Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- f) Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.
- g) At all times conduct himself, professionally and publicly, in accordance with the standards of the medical profession, the American College of Urologists, the Hospital Medical Staff, and the District. Further, he shall not violate any California law which prohibits (1) driving a motor vehicle under the influence of alcohol or prescription drugs or the combined influence of such substances, (2) unlawful use of controlled substances, (3) being intoxicated in a public place in such a condition as to be a danger to himself or others, and/or (4) conduct justifying imposition of an injunction prohibiting harassment of Hospital employees in their workplace. Entry of any injunction, judgment, or order against Physician based upon facts, which constitutes the above offenses, shall be a material breach of this Agreement.

V.

GENERAL PROVISIONS

- 5.01. No Solicitation.** Physician agrees that he will not, either directly or indirectly, during and after the term of this Agreement, call on, solicit or take away, or attempt to call on, solicit or take away any patients or patient groups with whom Physician dealt or became aware of as a result of Physician's past, present or future affiliation with Hospital and Practice.
- 5.02. Access to Records.** To the extent required by Section 1861(v)(i)(I) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of Hospital's costs for services provided by Physician.

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this

Agreement at a cost of \$10,000.00 or more over a twelve (12) month period and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest, penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

- 5.03. **Amendment.** This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by both parties.
- 5.04. **No Referral Fees.** No payment or other consideration shall be made under this Agreement for the referral of patients, by Physician, to Hospital or to any nonprofit corporation affiliated with District.
- 5.05. **Repayment of Inducement.** The parties stipulate and agree that the income guaranteed to Physician under this Agreement, and the covenants of the District to provide office space, personnel, equipment, and certain other benefits, are the minimum required to enable Physician to relocate himself to Bishop, California; that he is not able to repay such inducement, and no such repayment shall be required.
- 5.06. **Assignment.** Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 5.07. **Attorneys' Fees.** If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover reasonable attorney's fees and costs. As used in this Section 7.07, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 5.08. **Choice of Law.** This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 5.09. **Exhibits.** All Exhibits attached and referred to herein are fully incorporated by this reference.

5.10. **Notices.** All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Thomas Boo, M.D.
153B Pioneer Lane
Bishop, C 93514

Notice may be given either personally or by first-class mail, postage prepaid, addressed to the party designated above at the address designated above, or an address subsequently specified in writing by the relevant party. If given by mail, notice shall be deemed given two (2) days after the date of the postmark on the envelope containing such notice.

- 5.11. **Records.** All files, charts and records, medical or otherwise, generated by Physician in connection with services furnished during the term of this Agreement are the property of the Rural Health Clinic (RHC). Physician agrees to maintain medical records according to RHC policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access, during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 5.12. **Prior Agreements.** This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement. This Agreement may be modified only by a writing signed by each party or his/its lawful agent.
- 5.13. **Referrals.** This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 5.14. **Severability.** If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 5.15. **Waiver.** The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.

- 5.16. **Gender and Number.** Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 5.17. **Authority and Executive.** By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.
- 5.18. **Construction.** This Agreement has been negotiated and prepared by both parties and it shall be assumed, in the interpretation of any uncertainty, that both parties caused it to exist.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Thomas Boo, M.D.

APPROVED AS TO FORM:

Douglas Buchanan
NICLHD Legal Counsel

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi-disciplinary care team. He/she provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.
9. Monitor and review clinical performance of non-physician providers (Nurse Practitioners)
10. Provide on-site clinical consultation to non-physician providers (Nurse Practitioners)

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RELOCATION EXPENSE AGREEMENT

THIS AGREEMENT, MADE AND ENTERED into this 1st day of October, 2009, by and between the NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, hereinafter referred to as "District" and, Thomas Boo M.D., hereinafter referred to as "Physician."

I

RECITALS

1.01. District is a Local Healthcare District, organized and existing under the California Local Health Care District Law, Health and Safety Code Section 32000, et seq., with its principal place of business in Bishop, California, at which location it operates Northern Inyo Hospital (hereinafter "Hospital").

1.02. Physician is licensed to practice medicine in the State of California, and is certified by the American Board of Family Practitioners. Physician has applied for membership on the Medical Staff of Northern Inyo Hospital. Physician warrants that he is qualified for membership on the Provisional and Active Medical Staffs at Hospital and that there is no impediment to his obtaining such membership.

1.03. The Board of Directors (hereinafter "Board") of District has determined, pursuant to Health & Safety Code section 32121.3, that the Northern Inyo Hospital Medical Staff requires an additional physician practicing family Practice and has determined that recruitment of such a physician would be in the best interests of the public health of the communities served by the District and would benefit the District.

1.04. Physician desires to relocate his practice in Bishop, California.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES SET FORTH BELOW, THE PARTIES AGREE AS FOLLOWS:

II

COVENANTS OF THE PARTIES

2.01. Physician agrees to relocate his practice in Bishop, California; to apply for and use his best efforts to obtain membership on the Provisional and Active Medical Staffs of Northern Inyo Hospital, with privileges in Family Practice, to maintain such memberships for an aggregate period of at least two (2) years and to maintain an active practice in family practice in the City of Bishop, California, for at least two (2) years.

2.02. District agrees to pay up to \$16,000.00, as incurred, to Physician for moving expenses (which shall include items such as moving company fees, U-Haul and other conveyance expenses, travel expenses, and lodging) to support his move to Bishop, California.

2.03. Physician agrees that should he fail to perform all of the acts promised in Section 2.01 above, that he shall, not later than thirty (30) days after being given written notice by the District, repay to the District, with interest at the rate of three and six tenths percent (3.6%) a prorated share, representing that portion of the two (2) years in which he is or will not be performing such acts, of those funds expended by the District pursuant to Section 2.02 above. For example, if Physician fulfills his obligations for 18 months, then he shall repay the District, with interest, \$4,000.00 (representing the product of $6/24 \times \$16,000.00$)

III

GENERAL PROVISIONS

3.01. This is the entire Agreement of the parties. It may not be modified except by a writing signed by each of the parties.

3.02. Any written notice given pursuant to the Agreement shall be deemed given when such notice is deposited in the U.S. Mail, first class postage prepaid, addressed to the respective parties as follows:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 Pioneer Lane
Bishop, CA 93514

Thomas Boo, M.D.
C/O Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

3.03. If either party brings legal action to enforce any rights or obligations under this Agreement, the Court shall have the power to award reasonable attorney's fees to the prevailing party.

3.04. The rights and obligations set forth in this Agreement are personal to all parties, and may not be assigned without the express written consent of all parties.

3.05. This Agreement shall be binding upon the heirs, successors, assigns, and personal representatives of the respective parties.

3.06. The parties acknowledge and agree, in accord with the requirements of Health & Safety Code section 32121.3(c) (2), that no payment or other consideration shall be made for the referral of patients to the District's hospital or to any affiliated non-profit corporation, and that no such payment or consideration is contemplated or intended.

3.07. This Agreement shall be interpreted according to the laws of California.

3.08. The term of this agreement shall be from the first day Physician is granted privileges and is available to fulfill this agreement obligations until the last day of the twenty-fourth month thereafter.

EXECUTED at Bishop, California, on the day and year first above written.

NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT

By _____
President, Board of Directors
Northern Inyo County Local
Hospital District

By _____
Thomas Boo, M.D.

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**NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC STAFF PHYSICIAN
PROFESSIONAL SERVICES AGREEMENT**

This Professional Services Agreement (this "Agreement"), dated as of October 1, 2009 is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Jennifer Scott, M.D. ("Physician").

RECITALS

A. Hospital operates a general acute care hospital, which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 Pioneer Lane, Bishop, California.

B. Physician is an individual duly licensed to practice medicine in the State of California, and he desires to relocate his practice to Bishop, California.

C. Hospital desires to obtain professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.

D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

1.01 Services. Hospital hereby engages Physician to serve as Clinic staff physician, and Physician hereby accepts such engagement on the terms and conditions set forth in this Agreement. In his capacity as staff physician, Physician shall provide Hospital with the benefit of his direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the Clinic. The scope of services to be performed by Physician are described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.

1.02 Limitation on Use of Space. No part of the Clinic's premises shall be used at any time by Physician as an office for the private practice of medicine or to see patients other than Clinic patients.

1.03 Covenants of Physician: Physician shall:

(a) Apply for and maintain Provisional or Active Medical Staff membership and the aforesaid family practice privileges for the term of this Agreement.

(b) Provide on-call coverage to the Hospital's Emergency Service within the scope of privileges granted him by Hospital.

(c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, and services, and other costs and expenses of whatever nature, for which he may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract he may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a 12-month period, when said sub-contract is with a related organization.

(d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.

(e) As much as is practical, Physician shall be on call or in actual physical presence to provide the emergency coverage required by this Agreement. However, District expressly agrees that said such other qualified physicians might perform services as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, and has received approval in writing by the Hospital.

(f) Assist in monitoring and reviewing the clinical performance of Clinic non-physician providers (nurse practitioners)

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make all decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.
- 2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic.
- 2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.
- 2.06 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.07 Clinic Hours. Specific shifts will be scheduled according to normal operating procedures of the Clinic.

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$80 per hour and \$17.50 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Community Pool. In addition to 3.01 above, Hospital shall contribute \$2.50 per patient seen into a pool of all patients seen by all participating contracted providers. Funds in the pool shall be distributed amongst all the contracted and eligible Physician providers quarterly (paid within 10 working days of the end of each quarter) in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. The Hospital District Board will adjudicate disputes.
- 3.03 Malpractice Insurance. Physician agrees to secure his own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement.
- 3.04 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to

Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

4.01 Term. The term of this Agreement shall be for a period of ~~two years~~ 90 days beginning on October 1st 2009. ~~the first day of the first shift scheduled for the physician to work ("Effective Date"), and ending on the last day of the twenty-fourth month thereafter.~~

4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:

- A. By either party, at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
- B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
- C. Immediately upon closure of the Hospital or Clinic;
- D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment.

4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.

5.02 Licensure and Standards. Physician shall:

- A. At all times be licensed to practice medicine in the State of California;

- B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- C. Be a member in good standing of the Active Medical Staff of the Hospital;
- D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
- E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine. Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.
- B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits, disability benefits, unemployment benefits, sick leave, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

6.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

7.01 No Solicitation. Physician agrees that he will not, either directly or indirectly, during and after the term of this Agreement, call on, solicit or take away, or attempt to call on, solicit or take away any patients or patient groups with whom Physician dealt or became aware of as a result of Physician's past, present or future affiliation with Hospital and Clinic.

7.02 Access to Records. To the extent required by Section 1861(v)(i)(I) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of Hospital's costs for services provided by Physician.

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve-month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

7.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.

7.04 Arbitration and Dispute Resolution.

A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the

Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.

B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.

7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.

7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.

7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.

7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.

7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Jennifer Scott, MD
153B Pioneer Lane
Bishop, CA 93514

7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.

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- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
 LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
 Peter J. Watercott, President
 Board of Directors

By _____
 Jennifer Scott, MD

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi-disciplinary care team. He/she provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.
9. Monitor and review clinical performance of non-physician providers (Nurse Practitioners)
10. Provide on-site clinical consultation to non-physician providers (Nurse Practitioners)

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NORTHERN INYO HOSPITAL



\$4,205,400 Lease Line of Credit

Healthcare Capital Services, L.L.C.

September 14, 2009



OVERVIEW OF PROPOSAL

Healthcare Capital Services is pleased to offer several options to finance equipment purchases for Northern Inyo. The finance alternatives include the following options:

Taxable Operating Lease

Master Lease with schedules as equipment is delivered.

Tax Exempt Lease Purchase Arrangements

Escrow Funding of Entire Purchase Price.

Master Lease with schedules added as equipment is delivered.

HCS does not recommend any one structure over the others. The following summarizes the major elements of each alternative.

Northern Inyo Hospital Summary of Lease Alternatives			
Terms	Operating Lease	Master	Escrow
Equipment	4,205,400.00	4,100,000.00	4,100,000.00
Term	4 yrs	4 yrs	4 yrs
Payment Period	Monthly	Quarterly	Quarterly
Payment	92,995.00	281,651.90	281,651.90
Total Payments	4,463,760.00	4,506,430.40	4,506,430.40
End of Term	Purch Option	Owens	Owens
Payment Factor	0.02211	0.02281	0.02281
Nominal Rate	2.95%	4.52%	4.52%
Rate	Indexed	Indexed	Fixed
Funding	Delivery	Delivery	Immediate
Commencement	Install	Install	Immediate
Arbitrage	No	No	Yes
Tax Opinion Fee	No	Yes	Yes

The Master Tax-Exempt Lease quote is based upon the current rate of 4.52%. The rate is indexed, so at the time a payment schedule is effective, the rate and corresponding payment, may be more or less.

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MASTER LEASE OPERATING LINE - \$4,205,400.00

EQUIP. DESCRIPTION: Turner Logistics Project

APPROX. EQUIP. COST: \$4,205,400.00

LESSOR: Healthcare Capital Services, its assigns or nominees.

BASE TERM: Four (4) Years

LEASE RATE FACTOR: 0.022113

NOMINAL RATE: 2.95%

MONTHLY RENT: \$92,995.00

END OF TERM: In accordance with the terms and conditions of the Healthcare Capital Master Lease Agreement, at the conclusion of the Base Term, the Lessee may have the following options:

- A. Purchase the Equipment for Fair Market Value determined by both Lessee and Lessor. If an agreed upon Fair Market Value can not be determined, then the Lessee and Lessor each will engage an accredited appraiser from the American Society of Appraisers, and the average of the two appraisals will be the Fair Market Value;
- B. Upgrade and Continue Leasing;
- C. Return Equipment to Lessor.

DEPOSIT: Lessee shall provide Lessor with a deposit equal to one month's rent per schedule. The deposit shall be applied in full to the last month's rent of the subject Lease Schedule(s). If the transaction is not approved by Healthcare Capital as proposed herein, then this deposit shall be refundable in full.

RATE PROTECTION: The lease rate factor shall remain FIXED during the base term of the lease. Prior to funding, the lease rate factor shall be subject to a one-time adjustment to reflect any change in similar term U.S. Treasury Note yields as reflected in the *Wall Street Journal* The lease rate factor stated herein is based on the 7/21/09 *WSJ* For each 10 basis point change in said T-Note yield, the lease rate factor shall be subject to an adjustment of 0.000045.

PROGRESS PAYMENTS: It is noted that Lessor may make progress payments on behalf of Lessee and as such, Lessor has agreed to provide billing arrangements to accommodate Lessee's desired deliveries. Lessor shall bill Lessee each month a daily rental charge based on one/thirtieth (1/30) of the applicable net monthly rental for each progress payment, plus applicable sales/use taxes, if any. Lessor shall provide this billing accommodation to Lessee until the final item of leased property is delivered and installed. The date by which the final item of leased property is delivered and installed shall serve as the Final Commencement Date.

SECURITY DEPOSIT: None

NON-UTILIZATION FEES: None

TAX INDEMNIFICATION: None

DOCUMENTATION: Lessor's standard documentation as required by Lessor's legal department.

DOCUMENTATION FEES: Approximately \$100.00 per Lease Schedule.

CREDIT APPROVAL: Lessor has made a preliminary credit approval and shall communicate final approval upon receipt of most recent interim financial statements which contain no material adverse changes since the last completed fiscal year end.

CLOSING COSTS: Healthcare Capital Services documentation fee \$15,000.

TAX-EXEMPT ESCROW FUNDED LEASE - \$4,100,000.00

LESSEE: Northern Inyo Hospital

PLACEMENT AGENT: Healthcare Capital Services, L.L.C.

LESSOR: Zions Bank

ISSUE: Tax-Exempt Fixed Rate Equipment Lease.

PURPOSE: Purchase various medical and hospital general equipment.

COST OF EQUIPMENT: Up to \$4,100,000

FUNDING: Escrow Funded. Interest earnings accrue to benefit of Lessee. Escrow account to be provided by Zions Corporate Trust. \$1,500 fee due at closing for first year, \$1,000 annual fee for each additional year the escrow account remains open.

DEBT SERVICE: Quarterly in arrears.

MATURITY: 4 years.

BASE RATE: 4.52%. Valid for a period of 30 days.

TAX OPINION: Provided by Red Book Bond Firm.

LESSEE'S LEGAL OPINION: Valid legal and binding opinion to be provided by legal counsel to the Lessee.

SECURITY: First priority lien on the equipment to be financed.

REPORTING: Audited financial statements with 120 days of year end.
Unaudited quarterly statements within 45 days of end of fiscal quarter.

PREPAYMENT: Prepayment is to be based on 103% of the outstanding amount.

CLOSING COSTS: Healthcare Capital Services placement fee \$ 15,000.

TAX-EXEMPT MASTER LEASE - \$4,100,000.00

LESSEE: Northern Inyo Hospital

PLACEMENT AGENT: Healthcare Capital Services, L.L.C.

LESSOR: Zions Bank

ISSUE: Tax-Exempt Fixed Rate Equipment Lease.

PURPOSE: Purchase various medical and hospital general equipment.

COST OF EQUIPMENT: Up to \$4,100,000

FUNDING: Payment schedule when equipment is delivered and installed. The minimum equipment amount placed on each schedule shall be not less than \$300,000.

DEBT SERVICE: Quarterly in arrears.

MATURITY: 4 years.

BASE RATE: 4.52%. Valid for a period of 30 days.

The interest rate for each schedule share be equal to the above Base Rate plus the increase, if any, in the five year LIBOR Swap Rate which as of the date of this Proposal was 2.77%.

TAX OPINION: Provided by Red Book Bond Firm.

LESSEE'S LEGAL OPINION: Valid legal and binding opinion to be provided by legal counsel to the Lessee.

SECURITY: First priority lien on the equipment to be financed.

REPORTING: Audited financial statements with 120 days of year end.
Unaudited quarterly statements within 45 days of end of fiscal quarter.

PREPAYMENT: Prepayment is to be based on 102% of the outstanding amount.

CLOSING COSTS: Healthcare Capital Services placement fee \$ 15,000.

This is a proposal only and does not represent a commitment to finance. All terms herein shall be as set forth in a mutually agreed upon documentation duly executed on behalf of the respective parties.

Sincerely,
Brian P. Tosh
Healthcare Capital Services

ACCEPTANCE

We hereby accept your proposal and request HCS to approve the terms of this Proposal.

Accepted By: Northern Inyo Hospital

By: _____

Title: _____

Date: _____

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NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS

RESOLVED, by the Board of Directors (the "Board") of the Northern Inyo County Local Hospital District (the "District"), as follows:

WHEREAS, the District proposes to issue its revenue bonds to provide funds for the acquisition, construction, improvement and equipping of projects benefiting the District, including but not limited to any or all expenses incidental thereto or connected therewith.

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. The District proposes to issue its Northern Inyo County Local Hospital District Hospital Revenue Bonds, Series 2009 (the "Bonds"), for the purpose of financing the remodeling, expansion, improvement and equipping of the health facilities owned and operated by the District located in Bishop, California, and for reimbursing the District for costs thereof previously made, including but not limited to any or all expenses incidental thereto or connected therewith (the "Project"), and for the refinancing of a portion of bonds previously issued by the District.

Section 2. The estimated cost of the Project is \$10,000,000.

Section 3. The principal amount of the Bonds will not exceed \$12,000,000, inclusive of project costs, reimbursement costs, reserves and transaction costs financed with bond proceeds.

Section 4. The interest rate on the Bonds shall not exceed 12 percent per annum payable semi-annually.

Section 5. The Bonds will be revenue bonds, payable exclusively from the revenues of the District's health facilities, and are not to be secured by the taxing power of the District.

Section 6. The Secretary of the Board is directed to cause this resolution to be published pursuant to section 32318 of the California Health and Safety Code.

Section 7. This resolution shall take effect immediately.

PASSED AND ADOPTED this 16th day of September, 2009, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

By _____
President, Board of Directors
Northern Inyo County Local Hospital
District

I hereby certify that the foregoing resolution was duly adopted at a regular meeting of the Board of Directors of the Northern Inyo County Local Hospital District held on the 16th day of September, 2009.

By _____
Secretary, Board of Directors
Northern Inyo County Local Hospital
District

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

ORDINANCE NO. _____

**ORDINANCE APPROVING A FORMAL AGREEMENT FOR
THE SALE OF NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT REVENUE BONDS SERIES 2009**

WHEREAS, the Board of Directors (the "Board") of the Northern Inyo County Local Hospital District (the "District"), a local health care district organized and existing under and pursuant to The Local Health Care District Law of the State of California (the "Law"), has determined to issue its Northern Inyo County Local Hospital District Revenue Bonds, Series 2009, in an aggregate principal amount of not to exceed \$12,000,000 pursuant to the Law;

WHEREAS, the District has determined that it is in the best interest of the District to sell the bonds by private sale; and

WHEREAS, the Law requires the adoption of this ordinance prior to the sale of such bonds;

THE BOARD OF DIRECTORS OF THE NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT DOES ORDAIN AS FOLLOWS:

Section 1. The Northern Inyo County Local Hospital District Revenue Bonds, Series 2009 (the "Bonds"), shall be sold at private sale to such purchaser as the Board of Directors shall specify.

Section 2. The formal agreement between the District and said purchaser, in substantially the form of the bond purchase contract on file with the Secretary of the Board and presented to this meeting, is hereby approved. The President of the Board of Directors of the District, the chief executive officer, the chief financial officer or their designee is hereby authorized and directed to approve the final terms of the sale of the Bonds and to evidence the District's acceptance of the offer made thereby by executing and delivering the bond purchase contract in substantially said form, with such nonsubstantial changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The agreement between the District and the purchaser of the Bonds, and this ordinance, shall be subject to referendum as provided by Article 1 (commencing with section 9300) of Chapter 4 of Division 9 of the California Elections Code.

Section 4. The Secretary of the Board is directed to cause this ordinance to be published pursuant to section 32321 of the California Health and Safety Code.

Section 5. This ordinance shall take effect thirty days after the date of its adoption.

PASSED AND ADOPTED this 16th day of September, 2009, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

By _____
President, Board of Directors
Northern Inyo County Local Hospital
District

I hereby certify that the foregoing ordinance was duly adopted at a regular meeting of the Board of Directors of the Northern Inyo County Local Hospital District held on the 16th day of September, 2009.

By _____
Secretary, Board of Directors
Northern Inyo County Local Hospital
District

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BETA HEALTHCARE GROUP

A Public Entity

1443 Danville Boulevard
Alamo, CA 94507-1911
Tel 925-838-6070 Fax 925-838-6088
www.betahg.com

September 4, 2009

John Halfen
Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514-2599

**RE: July 1, 2008 – June 30, 2009 Healthcare Entity Comprehensive Liability (HCL)
Contribution Audit
Northern Inyo County Local Hospital District**

Dear Mr. Halfen:

Attached to this correspondence are the results of the HCL contribution audit for the July 1, 2008 through June 30, 2009 contract period. In accordance with the terms of the HCL coverage contract, BHG recalculated the contract period contribution using the actual exposures reported from July 1, 2008 through June 30, 2009 and compared that contribution to the quoted HCL contribution, which was based on estimated exposures. If the actual calculated contribution owed is greater than five percent of the estimated contribution, BHG will invoice your facility for the entire amount that exceeds the estimated contribution. If the actual calculated contribution owed decreases by more than five percent, BHG will refund to your facility the entire amount that is less than the estimated contribution, subject to the quoted minimum contribution.

The audit form provides a breakdown of the primary \$5 million limits and the excess limits above \$5 million if purchased by the member facility. The annual rate for the primary contribution is included on the form and the excess rate is also included if limits above \$5 million are purchased by the member facility.

Please review this form carefully and contact us within **ten** calendar days from the date of this letter if you find any discrepancies in the data. **If your facility agrees with the results of the audit, you do not need to do anything further.**


If the audit form states that there will be no adjustment, then the estimated contribution paid by the member during the contract period will satisfy the member's contribution obligation and BHG will take no further action.

If the audit form indicates an adjustment and your facility does not contact us within **ten** calendar days from the date of this letter regarding discrepancies in the data, BHG will send an invoice shortly thereafter for the additional contributions due or will issue a refund check. Any additional contribution owed will be invoiced and due within 30 days from the date of invoice. Contribution refunds will be mailed within two weeks following the completion of the audit.

Finally, as a reminder as explained in our April 21, 2009 correspondence, BETA will discontinue the formal contribution audit following the expiration of the HCL Coverage Contract for 2009/2010. Under the terms of the 2009/2010 HCL Coverage Contract, BETA will continue to require members to report to us any new exposures that are added to the coverage contract. New exposures are defined as the addition of a location, new service, new physician, surgeon, dentist, physician assistant, nurse anesthetist, nurse practitioner or midwife. If new exposures are added after the coverage effective date of the coverage contract, BETA will invoice the member for any additional contribution due.

As always, if you have any questions regarding the contribution audit or the information in this correspondence, please do not hesitate to contact your account manager or me.

Sincerely,

A handwritten signature in black ink that reads "Susy Clay". The signature is written in a cursive, flowing style.

Susy Clay
Director, Underwriting and Client Services

Attachments

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Summary For Northern Inyo County Local Hospital District

Estimated for 07/01/2008 - 06/30/2009		Actuals for 7/1/2008 - 6/30/2009		Variance %
	Exposure Units		Exposure Units	
Total Exposure Units	75,25		78,06	3.7%

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$184,112	\$190,949	\$6,837	3.7%
Excess Contribution	\$19,965	\$21,045	\$1,080	5.4%
Total	\$204,077	\$211,994	\$7,917	3.9%

Per the terms of the HCL coverage contract, estimated contract contributions are subject to an end of contract period audit. At the end of the contract period, actual exposures submitted to BHG are used to calculate the actual contribution owed for the year. If the actual contributions owed are greater than 5% of the estimated contract contribution, the member will be invoiced for the amount that exceeds the estimated contribution. If the actual contributions owed decrease by more than 5%, BHG will refund the member the amount that is less than the estimated contribution, subject to the minimum contribution of \$163,261.

Based on the results of BHG's 07/01/08 - 06/30/09 contribution audit, your facility will have **no contribution adjustment.**

Notes:

- Exposure units are calculated based on reported census
- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Northern Inyo County Local Hospital District

Exposure	Estimated for 07/01/2008 - 06/30/2009		Actuals for 7/1/2008 - 6/30/2009		Variance %
	Census	Exposure Units	Census	Exposure Units	
Acute Care Beds	3,617.00	9.91	3,399.00	9.30	-6.2%
Cribs and Bassinets	491.00	1.35	505.00	1.38	2.8%
Emergency Visits	1,029.00	3.53	1,228.00	4.21	19.3%
Non-Urgent ER Visits	5,905.00	4.60	6,714.00	5.23	13.7%
Outpatient Visits	32,589.00	25.38	34,258.00	26.68	5.1%
Reference Lab	7,196.00	1.06	7,042.00	1.04	-2.1%
Home Health	357.00	0.05	314.00	0.05	-12.3%
Surgeries: Outpatient	1,130.00	5.86	1,206.00	6.25	6.7%
Surgeries: Inpatient	327.00	3.31	300.00	3.04	-8.3%
Vaginal Deliveries	132.00	3.48	188.00	4.96	42.4%
C-Sections Deliveries	80.00	2.11	67.00	1.77	-16.3%
Physicians Group 3	4.56	1.01	1.77	0.39	-61.2%
Nurse Practitioner	36.24	3.10	34.80	2.97	-4.0%
	Total Exposure Units	64.75		67.27	3.9%

Primary Contribution = Total Exposure Units X Primary Annual Rate (actual dollar value listed below may vary due to rounding)

Primary Annual Rate: 2,399.28

Excess Contribution = Total Exposure Units X Excess Annual Rate(s).

Estimated Excess Exposure Units: 60.64

Actual Excess Exposure Units: 63.92

Excess Annual Rate = 329.24

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$155,361	\$161,410	\$6,049	3.9%
Excess Contribution	\$19,965	\$21,045	\$1,080	5.4%
Total	\$175,326	\$182,455	\$7,129	4.1%

Notes:

- Exposure units are calculated based on reported census

- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Northern Inyo County Local Hospital District ER

Exposure	Estimated for 07/01/2008 - 06/30/2009		Actuals for 7/1/2008 - 6/30/2009		Variance %
	Census	Exposure Units	Census	Exposure Units	
ER Providers - MDs, DOs, NPs	6,897.00	10.49	7,086.00	10.78	2.7%
Total Exposure Units		10.49		10.78	2.7%

Primary Contribution = Total Exposure Units X Primary Annual Rate (actual dollar value listed below may vary due to rounding)

Primary Annual Rate: 2,739.96

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$28,751	\$29,539	\$788	2.7%
Total	\$28,751	\$29,539	\$788	2.7%

Notes:

- Exposure units are calculated based on reported census
- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million



**NORTHERN
INYO HOSPITAL**
Northern Inyo County Local Hospital District

150 Pioneer Lane
Bishop, California 93514
(760) 873-5811 voice
(760) 872-2768 fax

*People you know,
caring for people you love*

September 16, 2008

Board of Directors
Northern Inyo Hospital

Re: Blood Gas Analyzer Replacement Request

Cost of New Blood Gas Analyzer (Siemens RP405): \$14,738.24

Financial Analysis:

	cost/yr reagents	cost/yr service agreement	Cost/yr 1st 5yrs
Current RL845 Costs	\$ 11,880.00	\$ 4,567.00	\$ 16,447.00
Purchase RP405	\$ 14,344.32	zero 1st 5 yrs , thereafter \$ 2,349	\$ 14,344.32
			\$ (2,102.68)

Purchase price amortized over 5 years:

Purchase price \$ 14,738.24 \$ 2,947.65 /year

Net Cost per year over the 1st 5 years: \$ 844.97/year

Tests Per Year 392 Add'l cost/test \$ 2.16 /test

We are faced with replacing the over 10 year old machine in the next 2 years

In addition to replacing old technology we would receive the following benefits:

- Instrument is approximately the size of an IV pump, is mounted on an IV stand, and would be stationed in ICU or ER.
- Blood gases would be run by RT within minutes of drawing sample, results print out of machine, improving turn-around and eliminating degradation of samples by transport to Lab.
- Machine runs self QC so no QC is run by lab.
- Maintenance takes approximately 5 minutes compared to approximately 90 minutes for old machine.

Respectfully Submitted

Leon Freis, R.Ph.
Director Administrative Support Services

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August 18, 2009

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
CARRIE PETERSEN
150 PIONEER LANE
BISHOP CA 93514-2556

Remitter #: CR 04672

Plan Name: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT 457(B) PLAN

RE: Pension Protection Act of 2006 (PPA) Amendment and other legislative and regulatory changes

Dear Plan Sponsor:

Our records indicate that Lincoln Financial Group provides document services for your 457(b) governmental retirement plan. Periodically, laws change and new regulatory guidance affect the operation of your plan and make it necessary to update your plan document. This mailing addresses these changes.

Previously you received a Pension Protection Act of 2006 (PPA) Operating Statement. Enclosed is the PPA Amendment which formalizes the prior operating statement(s). The Amendment also covers the plan provisions affected by the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART), Emergency Economic Stabilization Act of 2008 (EESA), and the Worker, Retiree and Employer Recovery Act of 2008 (WRERA).

By completing the enclosed Amendment during the required time period and operating in accordance with the plan document, you will be in compliance with the applicable laws and regulations. Please review the following carefully and complete any necessary action steps as provided below.

Enclosed Document	Action Required
Pension Protection Act (PPA) Amendment inclusive of HEART, EESA, and WRERA	<ul style="list-style-type: none"><input type="checkbox"/> Review the Amendment with any additional service provider, legal counsel, and/or tax advisor.<input type="checkbox"/> Adopt your Amendment. Proper authorization is required and may take the form of a board resolution, an officer directive, or any other format you decide is appropriate for your type of business.<input type="checkbox"/> Sign, date, and return a copy of the Amendment within 30 days, but <u>no later</u> than October 15, 2009.<input type="checkbox"/> File the Amendment with your plan document.<input type="checkbox"/> Operate your plan in accordance with the new laws based on the effective dates as reflected in the Amendment.

Please return the Amendment to:

Lincoln Financial Group
Attn: STACEY KRANTZ- 5H-04
P.O. Box 2340
Fort Wayne, IN 46801-2340
or Stacey.Krantz@lfg.com

Lincoln Financial is committed to providing you the highest quality retirement plan services. Your prompt attention to this material enhances our ability to service your plan. If you have any questions regarding the information presented, please contact STACEY KRANTZ at 800 454-6265, *4974 or via email at Stacey.Krantz@lfg.com.

Sincerely,



Brenda K. Gibson
Manager of Plan Document & Installation
Defined Contribution Customer Experience
Insurance and Retirement Solutions

Enclosure

cc: DAN GIANOPULOS

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

PAD0908-0488 EMBC0809-560

**THE PENSION PROTECTION ACT OF 2006,
THE HEROES EARNINGS ASSISTANCE AND RELIEF TAX ACT OF 2008
THE PROVISION IN THE EMERGENCY ECONOMIC STABILIZATION ACT OF 2008 KNOWN
AS THE HEARTLAND DISASTER TAX RELIEF ACT OF 2008 AND
THE WORKER, RETIREE AND EMPLOYER RECOVERY ACT OF 2008**

Plan Name: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT 457(B) PLAN
EIN: 95-6005449 REMITTER/PLAN: CR 04672

WHEREAS, the *employer* desires to amend the *plan* as provided herein in accordance with Section 8.02 of the *plan document* to reflect the applicable provisions of the Pension Protection Act of 2006 (PPA), the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART), the provision of the Emergency Economic Stabilization Act of 2008 (EESA) known as the Heartland Disaster Tax Relief Act of 2008, and the Worker, Retiree and Employer Recovery Act of 2008 (WRERA). Except as otherwise provided, this amendment (*amendment*) is intended to provide good faith compliance with the requirements of those provisions, and shall supersede any inconsistent provisions of the *plan*. All terms in this *amendment* in italics are defined terms and will have the same meaning as provided in the *plan document* unless provided otherwise herein;

WHEREAS, the *employer* has authorized its officers, and any one of them, to execute this *amendment* and to complete such other matters, if any, such officer or officers believe necessary to effectuate this *amendment*;

NOW THEREFORE, the Lincoln Financial Group 457(b) Governmental Deferred Compensation Plan (hereinafter together or separately the "*plan document*") shall be amended as follows, and is adopted by NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (*employer*) as of the date provided next to the *employer's* signature hereto.

Lincoln Financial Group 457(b) Governmental Deferred Compensation Plan Document is hereby amended as follows:

1. Section 2.04 entitled "*Compensation*" is hereby amended by the addition of the following paragraph to read as follows:

"Effective for *plan years* beginning after December 31, 2008, *compensation* includes differential pay received by *employees* who are called to active duty in the uniformed services. Differential pay is *compensation* paid by the *employer* equal to the difference between the *employee's compensation* paid by the *employer* and the *employee's* military compensation. This paragraph shall only apply if all *employees* are receiving differential pay on a reasonably equivalent basis, are eligible to participate in the *employer's plan*, and may make contributions based on the payments on reasonably equivalent terms."

2. Effective for *plan years* beginning after December 31, 2006, Section 5.01 entitled "Commencement of Benefit" is amended by the addition of the following paragraph to read as follows:

"Effective for distributions made after December 31, 2006, a special tax notice must be given to participants requesting a distribution no less than 30 days and no more than 180 days before the date of the distribution."

3. Section 5.05 entitled "Required Minimum Distributions" is amended by the addition of the following paragraph to read as follows:

"In accordance with the provisions of the Worker, Retiree and Employer Recovery Act of 2008, the *plan* hereby suspends the required minimum distributions for *plan participants* or their *beneficiaries* for the 2009 calendar year. However, on an individual basis, *participants* or *beneficiaries* shall have the right to continue their required minimum distribution payments upon notice to the *plan administrator*. Any required minimum distribution received for the 2009 calendar year may be rolled over to an individual retirement plan or annuity or other eligible retirement plan within the time period permitted by law. The *plan* is not required to apply the direct rollover rules, nor to provide the written notice and explanation of the direct rollover rights, nor apply the mandatory 20% withholding which applies to an eligible rollover distribution. An indirect rollover contribution of the distribution amount still may be made pursuant to the sixty (60) day rollover rule.

If a *participant* has died prior to the distribution of his benefit beginning in accordance with the required minimum distribution rules, then distribution of the *participant's* account must be completed within five (5) years after the death of the *participant*. Special rules apply for the spouse of a deceased *participant* and an election may be made to distribute the benefits over the lifetime or life expectancy of the designated *beneficiary*. In applying the five (5) year rule, the relief allows the 2009 calendar year to be ignored. For *beneficiaries* of deceased *participants*, 2009 will not be counted as part of the five (5) year period during which they must take a distribution."

4. Section 5.06 entitled "Unforeseeable Emergency" is amended by the addition of the following paragraphs to read as follows:

"(a) Notwithstanding any other provision herein, in the event of an unforeseeable emergency as defined in Section 2.15, a participant may make a request to the *plan administrator* for payment of all or a portion of the total amount deferred to the date of payment. If the application for payment is approved by the *plan administrator*, payment will be made within 60 days following such approval. Payment shall be limited strictly to that amount reasonably necessary to meet the situation constituting the unforeseeable emergency, including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from such distribution. Furthermore, payments may not be made to the extent that a hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the *participant's* assets (to the extent such liquidation does not itself cause severe financial hardship), or by cessation of deferrals under the plan. Any remaining amounts shall be paid in accordance with Articles V and VI of the *plan*.

(b) Notwithstanding the foregoing provisions of this Section 5.06, unforeseeable emergency withdrawals shall be permitted to *participants* that meet the definition of a 'Qualified Disaster Recovery Assistance Distribution.' A Qualified Disaster Recovery Assistance Distribution is a distribution made from the *plan* on or after the Applicable Disaster Date and before January 1, 2010 to a Qualified Storm Damage Individual. Such distribution cannot exceed \$100,000 per individual and is exempt from the 10% federal income tax on early distributions and the mandatory 20% federal tax withholding. Any distribution made will be included in the *participant's* gross income ratably over a three (3) taxable year period, beginning with the year in which the distribution occurred, unless the *participant* elects otherwise. A distribution made during the applicable time period may qualify as a Qualified Disaster Recovery Assistance Distribution even if it is not made as a result of the disaster, and different types of distributions (i.e., periodic payments, plan loan offsets, hardship withdrawals, in-service withdrawals or required minimum distributions) may be considered Qualified Disaster Recovery Assistance Distributions.

(1) The Applicable Disaster Date means the date on which severe storms, tornadoes and flooding occurred in the designated counties in the Midwestern areas as declared by the President of the United States of America on or after May 20, 2008 and before August 1, 2008 which entitled individuals to public assistance from the federal government under the Emergency Economic Stabilization Act of 2008 (EESA) and its provision entitled the Heartland Disaster Tax Relief Act of 2008 with respect to damages caused by such disasters.

(2) A Qualified Storm Damage Individual is a *participant* whose principal residence on the Applicable Disaster Date was located in the Midwestern Disaster Area and who incurred an economic loss as the result of severe storms, flooding or tornadoes. A *participant's* principal residence is defined as the main home where such *participant* lives most of the time. A temporary absence due to special circumstances such as illness, education, business, military services, evacuation or vacation, will not change the definition of a *participant's* principal residence. A complete list of affected counties in the Midwestern Disaster Area can be found in IRS Publication 4492-B.

(3) If permitted, the distribution may be repaid within three (3) years to an IRA, a qualified plan, a governmental Code Section 457(b) plan or a Code Section 403(b) plan in which the individual is a *participant* provided such plan accepts a rollover contribution. Repayment does not have to be made to the same plan from which the distribution was made. *Participants* who took a hardship distribution from a 457(b) plan to purchase a home in the Midwestern Disaster Area that was made six (6) months before the Applicable Disaster Date and where the home was not purchased due to the disaster, may have re-contributed such distribution to the *plan* and received favorable treatment provided such amounts were re-contributed before March 4, 2009."

5. Section 5.09 entitled "Service Credit" is deleted and replaced in its entirety as follows:

"A *participant* may direct the transfer of the account balance to a governmental defined benefit plan for the purchase of permissive service credits in accordance with Section 457(e)(17) of the *Code*. Amounts from a 457(b) governmental plan may be transferred to a state or local defined benefit plan for the specific purpose of purchasing service credits. It is the responsibility of the state or local defined benefit plan to determine whether it will limit the purchase of service credit to "qualified service credit" as described in 415(n)(3)(A) or expand to include "non-qualified service credit" as described in 415(n)(3)(C)."

6. Article V is amended to add a new Section 5.11 entitled "Payment for Certain Insurance" to read as follows:

"For distributions after December 31, 2006, a governmental plan may permit eligible retired public safety officers to make an election to have direct payments for premiums made from an eligible retirement plan to an insurer for qualified health insurance premiums. Up to \$3,000 of a distribution that meets the criteria is not included in the retiree's gross income each tax year.

An eligible retired public safety officer is described as a retired or disabled public safety officer, including law enforcement officers, firefighters, or rescue squad or ambulance crew.

A qualified health insurance premium means premiums for coverage for an eligible retired public safety officer, a spouse and dependents by an accident or health insurance plan or qualified long-term care insurance contract."

7. Article V is amended to add a new Section 5.12 entitled "Periods of Qualified Active Military Service Treated as Severance from Employment" to read as follows:

"*Employees* performing military service while on active duty for more than thirty (30) days will be considered to have a severance from employment during any period the *employee* is performing service in the uniformed services described in Code Section 3401(h)(2)(A)."

8. Section 6.02 entitled "Direct rollovers" is amended by the addition of the following paragraphs to read as follows:

"Effective for distributions made after December 31, 2006, in the case of an eligible rollover distribution to a non-spouse *beneficiary*, an eligible retirement plan is an individual retirement or individual retirement annuity as defined in Code Sections 408(a) and 408(b). A direct rollover of a distribution by a non-spouse *beneficiary* is a rollover of an eligible rollover distribution for purposes of Code Section 402(c) only. If an amount is distributed from a *plan* and is received by a non-spouse *beneficiary*, the distribution is not eligible for rollover treatment.

For distributions made after December 31, 2007, an eligible retirement plan shall include a Roth IRA as described in Code Section 408A; however, for taxable years beginning prior to January 1, 2010, the income restrictions that apply to a rollover from a traditional IRA into a Roth IRA will continue to apply."

9. Article XVII entitled "Protection under the Uniformed Services Employment and Reemployment Rights Act of 1994" is deleted and replaced in its entirety as follows:

"Article XVII Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA)

17.01 Notwithstanding any provision of this *plan* to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Section 414(u) of the *Code*. Also, if the written loan policy described in Section 19.01 so provides, loan repayments to be made by such individuals may be suspended under this plan by the *plan administrator* as permitted under Section 414(u)(4) of the *Code*.

17.02 For benefit accrual purposes, the *employer* may elect to treat an *employee* who dies or becomes disabled (as defined under the terms of the *plan*) while performing qualified military service with respect to the *employer* maintaining the *plan* as an *employee* who had resumed employment in accordance with the individual's reemployment rights under USERRA on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. In the case of any such treatment, and subject to the following paragraphs, any full or partial compliance by such *plan* with respect to the benefit accrual requirements with respect to such *employee* shall be treated as if such compliance were required under USERRA.

(a) With respect to the *employer* maintaining the retirement plan, all *employees* performing qualified military service who died or become disabled as a result of performing qualified military service, prior to reemployment by the *employer*, are to be credited with service and benefits on reasonably equivalent terms.

(b) The amount of deferred *compensation* of an *employee* treated as reemployed on the day before death or Disability shall be determined on the basis of the individual's average actual employee contributions or *employee elective deferrals* for the lesser of (1) the twelve (12) month period of Service with the *employer* immediately prior to qualified military service, or (2) if Service with the *employer* is less than such twelve (12) month period, the actual length of continuous Service with the Employer."

17.03 *Employees* performing military service while on active duty for more than thirty (30) days will be considered to have a severance from employment during any period the *employee* is performing service in the uniformed services described in Code Section 3401(h)(2)(A). If an *employee* who is a *plan participant* elects to receive a distribution of *elective deferrals* under this provision, the *participant* may not make an *employee elective deferral* or *employee* contribution during the six (6) month period beginning on the date of the distribution.

17.04 An *employee* who receives a qualified reservist distribution may repay to an individual retirement plan (in one or more contributions) the amount of the distribution at any time during the two (2) year period beginning after the end of the active duty period. The dollar limitations that would otherwise apply to IRA contributions will not apply to repayment contributions during such two (2) year period and no deduction is allowed for any contribution made under this provision."

10. Article XIX entitled "Participant Loans" is amended by adding the following new subparagraph (c) to Section 19.01 to read as follows:

"(c) A Qualified Storm Damage Individual [as defined at subparagraph 5.06(b)(2) herein] may take a loan from the *plan* that exceeds the maximum loan amount as referenced above at section 19.01(a). The maximum loan amount available to such individual cannot exceed the lesser of \$100,000 or 100% of the *participant's* vested account balance when taken or added to any outstanding loan balance during the applicable period. The applicable period is defined as the period beginning on October 3, 2008 and ending on December 31, 2009. Additionally, any Qualified Storm Damage Individual who had outstanding loan repayments due on or after the Applicable Disaster Date [as defined in subparagraph 5.06(b)(2)] and before January 1, 2010, may suspend repayments for one (1) year upon notifying the *plan administrator*. Any such suspension will not cause the loan to become a deemed distribution."

NOW THEREFORE, this *amendment* is hereby adopted as of date provided below.

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Employer

Date: _____

Signature of Officer

Typed or Printed Name & Title of Officer

**THIS SHEET
INTENTIONALLY
LEFT BLANK**



Turner Construction
Northern Inyo Hospital Construction
 150 Pioneer Lane
 Bishop, CA 93514
 phone: 760-873-7214
 fax: 760-873-7246

September 15, 2009

Mr. John Halfen
 Northern Inyo Hospital
 150 Pioneer Lane
 Bishop, CA 93514

RE: Northern Inyo Hospital Construction
 150 Pioneer Lane
 Bishop, CA 93514
Project # 1495401
Change Order Request Number COR - 012

Dear Mr. Halfen,

We have finalized the review and negotiations for PCO number 011 for the extra work associated with Addendum #5 for the following trades: structural concrete, structural steel and electrical. The window systems and mechanical/plumbing quotations are in final negotiations and will be submitted under separate cover. The approximate value of the remaining quotations to be submitted is \$180,000. The following is a detailed itemization of all extra costs:

Item	Description	Amount Proposed	Contractor
019	Addendum #5	\$347,480.00	Rex Moore Electrical
022	Addendum #5	\$32,167.00	Strocal
006	Addendum #5	\$156,677.00	Galletti & Sons
Level 001	Subguard	\$6,167.73	
Level 002	General Liability	\$5,424.92	
Level 003	Builder's Risk	\$5,479.17	
Level 004	Payment and Performance Bond	\$6,087.35	

Total Amount \$559,483.17

We have reviewed the scopes of work and have verified that they are in compliance with our contract agreement. See the attached for a detailed breakdown of the costs included in this Change Order Request.

Please return one (1) copy of this letter indicating your approval of this Change Order Request which increases our Contract by **Five hundred fifty nine thousand four hundred eighty three and 17/100 dollars (\$559,483.17)**. This approval will also authorize us to issue Subcontract Change Orders accordingly.

If you have any questions regarding this Change Order Request, please call me at your earliest convenience.

Sincerely,



Kathy Sherry
Project Manager

Approved By: _____ Date: _____
John Halfen
CEO - Northern Inyo Hospital

cc: File

GALLETTI & SONS, INC.

CONCRETE CONTRACTORS

STATE LICENSE #310653

55 Howe Road • Martinez, CA 94553-2039
(925) 939-4183 • FAX (925) 372-7003

Wednesday, July 15, 2009

Attn: Kathy Sherry
Turner Construction
150 Pioneer Lane
Bishop, CA 93514
Ph: (760)873-7214
Fax: (760)878-7246

Re: North Inyo Hospital
Delta 4 & 5 Revisions

Foreman	26 hours @ \$85.00/hr	\$2,210.00
Carpenter	69 hours @ \$72.00/hr	\$4,968.00
Labor	76 hours @ \$56.00/hr	\$4,256.00
Delivery		\$500.00
Pump	4 hours @ \$250.00/hr	\$1,000.00
Concrete	101 yards @ \$145.00/yard + Tax	\$16,036.00
Lumber & Acces.		\$950.00
Concrete Washout Disposal		\$303.00
Drilling		\$4,000.00
Reinforcing	(71,951 lbs)	<u>\$112,938.00</u>
	Sub-total	\$147,161.00
	15%	\$1,940.00
	10%	\$1,729.00
	5%	<u>\$5,847.00</u>
	Total	\$156,677.00

Please review and issue any necessary paperwork. If you have any questions or need additional assistance, please do not hesitate to contact us.

Sincerely,



Jesse Galletti
Project Manager
Galletti & Sons, Inc.

Strocal, Inc.

2324 Navy Drive Stockton, CA 95206-1161 (209) 948-4600 FAX 948-2005

March 12, 2009

Serial Letter 835-006

Turner Construction Company
150 Pioneer Lane
Bishop, CA 93514

Attn: Kathy Sherry

RE: Northern Inyo Hospital
Addendum 5 Drawings dated 1-30-09
Strocal Change Order Request 835-COR 006

Kathy:

Attached is a breakdown of costs associated with Addendum 5 Drawings dated 1-30-09.

Sheet S-2.2.1:

- 1 W12x19 on grid 2, between grids L & K.4 was changed to W16x26.
- Section 11c/S7.11 was added at the canopy between 5.6 & 6 lines, which adds new deck edge angles.
- 1 W12x19 on grid E.3, between grids 1.4 & 1.8 was changed to W16x26.
- 1 W16x26 near grids D.4 & 1.7 was changed to W16x40.
- 1 W12x19 near grids D.3 & 1.9 was changed to W14x22.
- 1 W24x55 on grid H.5, between 0.5 & 0.8 was changed to W14x26.

Sheet S-2.2.2:

- Section 11c/S7.11 was added at the canopy between 8.8 & 9.3 lines, which adds new deck edge angles.

Sheet S-2.2.3:

- Section 11c/S7.11 was added at the canopy between 1.2 & 1.6 lines, which adds new deck edge angles.
- Section 11c/S7.11 was added to the North Walkway Canopy, which adds new deck edge angles.

Sheet S-2.3:

- 1 W16x26 on grid 9.5, between grids E & E.6 was changed to W14x26.
- 1 W14x22 on grid B.5, between grids 8 & 9 was changed to W16x26.

Sheet S-3.1:

- Elevations 3 & 5/S3.1 have revised connection details at intermediate locations, resulting in increased gusset plate dimensions at 7 locations.
- Elevation 3/S3.1 revised connection details at base locations, resulting in increased gusset plate dimensions at 1 location.

Serial letter 835-006 COR 006 Addendum 5 Set 1_30_09

Sheet S-3.1 cont:

- Elevations 3 & 5/S3.1 have revised connection details at top locations, resulting in increased gusset plate dimensions at 2 locations.

Sheet S-7.2:

- Column Schedule for CBF7 was revised from W12x72 to W12x96, affecting (8) columns.
- Section 3/S-7.2 increased cap plate weld, affecting 6 locations.

Sheet S-7.5:

- 15/S-7.5 was revised, showing kicker angles deleted, affecting (2) locations.

Excluded from this price are details 8/S-7.4, 6/S-7.6 & 7/S-7.6.

Subtotal COR 002: **\$32,167.00**
Turner Subguard 1.15%: **\$370.00**
Total: **\$32,537.00**

Please issue a Change Order in the amount of **\$32,537.00** to cover this change.

The following request for detailing and shop extension is provided for information only at this time. All requests for field extensions need to be issued in a Change Order.

Schedule Extensions	Previous C.O.R	This C.O.R	**Total # of extension days
Shop Extensions	5 days	4 days	9 days
Detailing Extensions	0 days	4 days	4 days
*Combined impact of extensions to the shop			13 days
Field Extensions	2 days	0 days	2 days
*Combined impact of extensions to the Field			2 days

Notes:

*The accumulation of Detailing and Shop extensions can impact the start of erection. Strocal reserves the right to adjust the project start of erection and project durations due to the cumulative affect from multiple changes in the scope of work should it be deemed necessary at a later date.

**All requests for extensions need to be acknowledged in the GC's Change Order.

Do not hesitate to call should you have questions.

Respectfully,



Daniel B. Boss
Project Manager
Strocal Inc.

CC: Main File

END