



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday, December 5, 2007

*Conference Room, Hospice of
The Owens Valley*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

December 5, 2007 at 5:30 P.M.

In the Conference Room of the Hospice of the Owens Valley

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 October 17 2007 regular meeting.
4. Financial and Statistical Reports for the months of September and October 2007 – John Halfen.
5. Administrator's Report – John Halfen.
 - A. Building Update (*possible action*)
 - Health Care Reform Proposals
 - B. Employee Patient Advocate
 - Possible Medicare RAC moratorium
 - C. New Employee
 - Healthcare Finance News
 - D. FYI Section:
 - Fires trigger hospital evacuations
 - E. Other
6. Chief of Staff Report – Richard Nicholson, M.D.
 - A. Policy & Procedure approvals (*action items*):
 1. *Maternal & Infant Drugs of Abuse Screening*
 2. *Reporting of Adverse Events to the State*
 3. *Medical Staff Professional Conduct*
 - B. Physician Reappointments (*action item*)
 - C. Proctoring Assignments
 - D. Sunshine Committee Donation
7. Old Business
 - A. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 2957 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District.
 - B. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 152-H Pioneer Lane, Bishop, California. Negotiation will be with the designee(s) of Pioneer Medical Associates and/or Alice Casey, M.D. and Clifford Beck, M.D. (*action item*).
8. New Business

- A. Election of officers, Board of Directors (*action item*).
 - B. Contract Amendment, Lara Jeanine Arndal, M.D. (*action item*).
 - C. Contract Amendment, George Kibler, M.D. (*action item*).
 - D. Consideration of proposed Resolution 07-06 authorizing and approving Master Lease and Escrow Agreement with General Electric (G.E.) Government Finance Incorporated for Radiology equipment (*action item*).
 - E. Forklift Purchase (*action item*).
 - F. Employee Cost of Living Adjustment (COLA) (*action item*).
 - G. Amendment to 457B Plan (*action item*).
 - H. Beck & Casey Purchase and Lease Back (*action item*).
 - I. Demolition Bid and Contract (*action item*).
 - J. HCS Laundry Lease (*action item*).
 - K. Purchase of Additional Siemens monitor (*action item*).
 - L. Purchase of portable Ultrasound machine for OB Unit (*action item*).
 - M. Consideration of an Employee Grievance (*possible action*).
9. Reports from Board members on items of interest.
10. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest.
11. Adjournment to closed session to:
- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
 - B. Instruction of negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of real property (Government Code Section 54956.8).
 - C. Instruction of negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of a second real property (Government Code Section 54956.8).
 - D. Discussion with counsel of pending litigation and whether or not the District shall initiate litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).
 - E. Discussion with counsel of pending litigation and whether or not the District shall initiate a second litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).

F. Confer with legal counsel regarding Worker's Compensation and Disability litigation brought against the District by Scott Wright (Government Code Section 54956.9(a)).

G. Confer with legal counsel regarding pending litigation against the District by an employee (Government Code Section 54956.9(a)).

12. Return to open session, and report of any action taken in closed session.

13. Opportunity for members of the public to address the Board of Directors on items of interest.

14. Adjournment

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- CALL TO ORDER The meeting was called to order at 5:35 p.m. by Peter Watercott, President.
- PRESENT Peter Watercott, President
D. Scott Clark, M.D., Vice President
John Ungersma, M.D., Treasurer
Michael Phillips, M.D. Secretary
M.C. Hubbard, Director
- ALSO PRESENT John Halfen, Administrator
Richard Nicholson, M.D., Chief of Staff
Douglas Buchanan, Esq., District Legal Counsel
Sandy Blumberg, Administrative Secretary
- ALSO PRESENT FOR
RELEVANT PORTION(S) Dianne Shirley, R.N., Performance Improvement Coordinator
- PUBLIC COMMENTS
ON AGENDA Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
- MINUTES The minutes of the September 19, 2007 regular meeting were approved, following corrections being made to the names of two reporting persons.
- FINANCIAL AND
STATISTICAL REPORTS John Halfen, Chief Financial Officer reviewed with the Board the financial and statistical reports for the month of August 2007. Mr. Halfen noted the statement of operations shows a bottom line excess of revenues over expenses of \$307,563. Mr. Halfen called attention to the following:
- *Inpatient and outpatient revenue were significantly over budget*
 - *Total expenses were slightly over budget*
 - *Wages, salaries, and benefits were over budget*
 - *The Balance Sheet did not experience significant change*
 - *Total assets continue to grow steadily*
 - *Year-to-date net income is \$1,028,512*
- Mr. Halfen noted that professional fees are high due to new physicians coming on board who were not included in original budget projections. He also noted that employee salaries and benefits are on track for the year. It was moved by D. Scott Clark, M.D., seconded by Michael Phillips, M.D. and passed to approve the financial and statistical reports for August of 2007 as presented.
- ADMINISTRATOR'S
REPORT
- BUILDING UPDATE Mr. Halfen reported progress continues on construction of the new Support and Radiology buildings. Bids for asbestos removal for Phase II of the building project came in significantly lower than expected. The

new estimate for the overall cost for Phase II is \$38,000,000 or \$705 per square foot, however this estimate may prove to be higher than the actual cost. The construction industry is currently experiencing a slow-down particularly in the area of residential construction, which may eventually affect prices in the commercial construction industry as well. Mr. Halfen will provide a more in-depth up-to-date construction report at the next regular meeting of the District Board. Mr. Halfen also reported that the Office of Statewide Healthcare Planning and Development⁶ (OSHPD) has yet to approve plans for the connector between the new Radiology building and the main hospital building, so the Hospital may seek a temporary occupancy permit in the interim while the approval process is finalized.

PROPOSED STATE TAX
ON HOSPITALS

Mr. Halfen reported that the California Hospital Association recently showed support for a proposal to tax hospitals in order to help fund healthcare reform. The proposal initially includes an exemption for small hospitals (under 50 beds) and Critical Access Hospitals, but the concept is widely considered by the healthcare industry to be misguided and somewhat alarming in nature. Mr. Halfen will update the Board on any future progress of a tax proposal of this type.

FOLLOW-UP ON M.
KELLEY CONCERNS

Mr. Halfen reported that Tracy Aspel, RN, Rural Health Clinic (RHC) Nurse Manager recently followed up on the concerns of area resident Mike Kelley that were expressed at the last regular meeting of the District Board. Ms. Aspel explained the functions of the Clinic to Mr. Kelley, who no longer has questions or concerns in regard to this matter

MECHANICAL
ENGINEERING

Mr. Halfen informed the Board it is possible the Hospital may decide not to use NTD Stichler's mechanical engineers for Phase II of the building project, due to a lack of confidence in the quality of their work. Construction managers are looking into the possibility of hiring an outside mechanical engineering company either to complete or oversee the project, with Ainsworth Engineering currently being the frontrunner under consideration. Mr. Halfen stated that any new proposal for mechanical engineering services will be presented to the Board for approval

CHIEF OF STAFF
REPORT

Chief of Staff Richard Nicholson, M.D. reported the Medical Staff recently received a resignation letter from Alec E. Dennes, Jr., M.D. who has moved out of the area and no longer needs to be an active member of the Northern Inyo Hospital (NIH) Medical Staff. It was moved by Doctor Clark, seconded by Doctor Phillips, and passed to accept the resignation of Doctor Dennes as presented.

OLD BUSINESS

REAFFIRMATION OF
NEGOTIATOR

Mr. Halfen asked for reaffirmation of himself as negotiator regarding the potential acquisition of real property at 2957 Birch Street, Bishop,

California. Negotiation will be with the designee(s) of Southern Mono

County Healthcare District. It was moved by Doctor Clark, seconded by M.C. Hubbard and passed to reaffirm Mr. Halfen as negotiator as requested.

NEW BUSINESS

AFFIRMATION OF
NEGOTIATOR

Mr. Halfen asked for affirmation of himself as negotiator regarding a potential acquisition of real property at 152-H Pioneer Lane, Bishop, California. Negotiation will be with the designee(s) of Pioneer Medical Associates and / or Alice Casey, M.D. and Clifford Beck, M.D.. It was moved by M.C. Hubbard, seconded by Doctor Phillips, and passed to affirm John Halfen as negotiator as requested, with Doctor Clark abstaining from the vote.

AUDITED FINANCIAL
STATEMENTS

Mr. Halfen referred to the Hospital's financial statements for the fiscal year ending June 30 2007, which were recently audited by K.C. Miller and Associates. It was moved by John Ungersma, M.D., seconded by Doctor Phillips, and passed to approve the audited financial statements for the fiscal year ending June 30 2007 as presented.

NETWORK SWITCH
UPGRADE

Adam Taylor, Information Technology Director presented a proposal to purchase new network switches for NIH at a cost of \$148,812. The purchase would upgrade the Hospital's current network infrastructure and provide equipment needed for installation in the new buildings currently under construction. The switches currently in use at NIH are five years old and do not support technologies that will soon be necessary for routine hospital operations. Additionally, the new switches would be much faster and would move larger amounts of data more efficiently. The equipment was included in this year's proposed budget, for an amount \$36,000 higher than this proposal. Following discussion it was moved by Ms Hubbard, seconded by Doctor Ungersma, and passed to approve the purchase of new network switches as proposed, with Doctor Clark abstaining from the vote.

INFUSION PUMPS

Pharmacy Director Jillene Freis presented a proposal to purchase new infusion pumps for patient controlled analgesia, to replace the aging pumps currently in use at the Hospital. Because parts for the Hospital's current infusion pumps will be obsolete in 2008, new pumps were included in the budget for this year, at a price \$20,000 higher than this proposal. Ms. Freis was able to obtain a lower price than expected for the equipment, and considering that four of the Hospital's 15 pumps are already inoperable the purchase is necessary to maintain quality patient care. Following discussion, it was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the purchase of new infusion pumps as presented.

**BOARD MEMBER
REPORTS**

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. Mr. Watercott then mentioned he recently traveled across the country, and while on his trip he appreciated rest areas and other stopping points which provided opportunities for wireless internet access for travelers. He expressed his wish that NIH provide wireless internet access for patients and visitors to the Hospital, and Information Technology (IT) Director Adam Taylor responded that the technology is in place to make wireless access possible. The IT Department is currently understaffed, but with two new employees coming on board in November and December, it may be possible to get wireless access up and running in the relatively near future.

Mr. Watercott also noted an acquaintance of his recently was a patient at Renown Hospital in Reno, and following their stay they received a "get well" card signed by nursing staff at Renown wishing the patient a speedy recovery. Mr. Watercott feels our patients might appreciate a gesture of this type, and feels this practice should be considered for implementation at NIH.

**OPPORTUNITY FOR
PUBLIC COMMENT**

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

CLOSED SESSION

At 6:37pm 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. Instruction of negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of real property (Government Code Section 54956.8).
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- D. Discussion with counsel of pending litigation and whether or not the District shall initiate litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).
- E. Discussion with counsel of pending litigation and whether or not the District shall initiate a second litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).

**RETURN TO OPEN
SESSION**

At 8:15 pm the meeting was returned to open session. Mr. Watercott announced the Board took no reportable action.

OPPORTUNITY FOR
PUBLIC COMMENT

Mr. Watercott again asked if any members of the public wished to comment on any items listed on the agenda for this meeting or on any items of interest. No comments were heard.

ADJOURNMENT

The meeting was adjourned at 8:16 p.m.

Peter Watercott, President

Attest:

Michael Phillips, M.D., Secretary

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NORTHERN INYO HOSPITAL
Balance Sheet
September 30, 2007

<u>Assets</u>	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current assets:			
Cash and cash equivalents	1,081,125	1,139,398	1,341,678
Short-term investments	15,328,248	14,988,947	12,719,858
Assets limited as to use	63,439	48,122	1,057,115
Plant Expansion and Replacement Cash	6,743,527	8,000,350	10,944,955
Other Investments (Partnership)	386,880	386,880	386,880
Patient receivable, less allowance for doubtful accounts 796,584	8,217,278	8,132,234	7,625,080
Other receivables	220,298	182,838	207,225
Inventories	2,085,412	2,083,549	2,077,353
Prepaid expenses	708,920	792,278	620,550
Total current assets	<u>34,835,128</u>	<u>35,754,595</u>	<u>36,980,693</u>
Assets limited as to use:			
Internally designated for capital acquisitions	456,613	456,207	455,329
Specific purpose assets	487,392	487,089	482,715
	<u>944,005</u>	<u>943,296</u>	<u>938,044</u>
Revenue bond construction funds held by trustee	915,472	872,949	788,195
Less amounts required to meet current obligations	63,439	48,122	1,057,115
Net Assets limited as to use:	<u>1,796,038</u>	<u>1,768,123</u>	<u>669,125</u>
Long-term investments	<u>5,741,537</u>	<u>5,741,537</u>	<u>5,741,537</u>
Property and equipment, net of accumulated depreciation and amortization	<u>20,752,942</u>	<u>19,418,525</u>	<u>17,498,027</u>
Unamortized bond costs	<u>324,970</u>	<u>325,456</u>	<u>326,426</u>
Total assets	<u><u>63,450,614</u></u>	<u><u>63,008,235</u></u>	<u><u>61,215,807</u></u>

NORTHERN INYO HOSPITAL

Balance Sheet

September 30, 2007

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current liabilities:			
Current maturities of long-term debt	190,000	240,000	270,000
Accounts payable	935,828	647,084	559,389
Accrued salaries, wages and benefits	2,963,837	2,840,174	2,565,601
Accrued interest and sales tax	62,430	357,724	168,394
Deferred income	(5,875)	31,138	105,164
Due to third-party payors	3,722,611	3,499,388	3,219,011
Due to specific purpose funds	-	-	-
Total current liabilities	<u>7,868,830</u>	<u>7,615,507</u>	<u>6,887,558</u>
Long-term debt, less current maturities	22,180,000	22,180,000	22,180,000
Bond Premium	402,654	403,859	406,270
Total long-term debt	<u>22,582,654</u>	<u>22,583,859</u>	<u>22,586,270</u>
Net assets:			
Unrestricted	32,511,739	32,321,779	31,259,264
Temporarily restricted	487,392	487,089	482,715
Total net assets	<u>32,999,131</u>	<u>32,808,868</u>	<u>31,741,979</u>
Total liabilities and net assets	<u><u>63,450,614</u></u>	<u><u>63,008,235</u></u>	<u><u>61,215,807</u></u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of September 30, 2007

	MTD		MTD		YTD		YTD	
	Actual	Budget	Variance \$	Variance %	Actual	Budget	Variance \$	Variance %
	MTD Actual	MTD Budget	Variance \$	%	YTD Actual	YTD Budget	Variance \$	%
Unrestricted revenues, gains and other support:								
In-patient service revenue:								
Routine	544,289	592,334	(48,045)	(8.1)	1,959,439	1,777,038	182,401	10.3
Ancillary	1,926,593	1,926,340	253	-	6,342,843	5,778,957	563,886	9.8
Total in-patient service revenue	2,470,883	2,518,674	(47,791)	-1.9%	8,302,282	7,555,995	746,287	9.9%
Out-patient service revenue	3,263,522	3,542,358	(278,836)	(7.9)	11,346,822	10,626,990	719,832	6.8
Gross patient service revenue	5,734,405	6,061,032	(326,627)	(5.40)	19,649,104	18,182,985	1,466,119	8.1
Less deductions from patient service revenue:								
Patient service revenue adjustments								
Contractual adjustments	174,758	180,594	5,836	3.2	405,095	541,791	136,696	25.2
Contractual adjustments	2,265,785	2,407,909	142,124	5.9	8,402,818	7,223,718	(1,179,100)	(16.3)
Total deductions from patient service revenue	2,440,542	2,588,503	147,961	5.7	8,807,914	7,765,509	(1,042,405)	(13.4)
Net patient service revenue	3,293,862	3,472,529	(178,667)	-5%	10,841,190	10,417,476	423,714	4%
Other revenue	22,826	26,497	(3,671)	(13.9)	81,422	79,475	1,947	2.5
Transfers from Restricted Funds for Other Operating Expenses	-	65,541	(65,541)	(100.0)	-	196,621	(196,621)	(100.0)
Total Other revenue	22,826	92,038	(69,212)	(75.2)	81,422	276,096	(194,674)	(70.5)
Total revenue, gains and other support	3,316,688	3,564,567	(247,879)	(75.3)	10,922,613	10,693,572	229,041	(70.5)
Expenses:								
Salaries and wages	1,225,881	1,303,350	77,469	5.9	3,831,559	3,910,052	78,493	2.0
Employee benefits	749,574	780,287	30,713	3.9	2,119,417	2,340,838	221,421	9.5
Professional fees	266,138	208,152	(57,986)	(27.9)	832,154	624,434	(207,720)	(33.3)
Supplies	389,138	467,888	78,750	16.8	1,310,138	1,403,686	93,548	6.7
Purchased services	160,720	153,588	(7,132)	(4.6)	459,146	460,700	1,554	0.3
Depreciation	123,622	162,839	39,217	24.1	370,096	488,521	118,425	24.2
Interest	32,271	32,271	0	-	96,812	96,816	4	-
Bad debts	130,872	150,682	19,810	13.2	459,178	452,047	(7,131)	(1.6)
Other	136,805	198,066	61,261	30.9	557,114	594,205	37,091	6.2
Total expenses	3,215,020	3,457,123	242,103	7.0	10,035,614	10,371,299	335,685	3.2
Operating income (loss)	101,668	107,444	(5,776)	(82.3)	886,998	322,273	564,725	(73.7)
Other income:								
District tax receipts	37,013	41,816	(4,803)	(11.5)	111,039	125,446	(14,407)	(11.5)
Interest	68,716	83,333	(14,617)	(17.5)	265,680	250,003	15,677	6.3
Other	6,650	4,663	1,987	42.6	18,839	13,986	4,853	34.7
Grants and Other Non-Restricted contributions	-	12,500	(12,500)	(100.0)	10,000	37,500	(27,500)	(73.3)
Partnership Investment Income	-	-	-	N/A	-	-	-	N/A
Total other income, net	112,379	142,312	(29,933)	(21)	405,559	426,935	(21,376)	(5.0)
Non-Operating Expense								
Medical Office Expense	9,179	10,111	932	9.2	31,239	30,332	(907)	(3.0)
Urology Office	15,314	6,721	(8,593)	(127.9)	43,252	20,165	(23,087)	(114.5)
Total Non-Operating Expense	24,494	16,832	(7,662)	(45.5)	74,491	50,497	(23,994)	(47.5)
Excess (deficiency) of revenues over expenses	189,553	232,924	(43,371)	(18.6)	1,218,066	698,711	519,355	74.3

NORTHERN INYO HOSPITAL
Statement of Operations--Statistics
As of September 30, 2007

	Month		Year		YTD Actual	YTD Budget	Variance	Year Percentage
	Month Actual	Month Budget	Month Variance	Month Percentage				
Operating statistics:								
Beds	25.00	25.00	N/A	N/A	25.00	25.00	N/A	N/A
Patient days	283.00	271.00	12.00	1.04	1,024.00	813.00	211.00	1.26
Maximum days per bed capacity	750.00	750.00	N/A	N/A	2,300.00	2,300.00	N/A	N/A
Percentage of occupancy	37.73	36.13	1.60	1.04	44.52	35.35	9.17	1.26
Average daily census	9.43	9.03	0.40	1.04	11.13	8.84	2.29	1.26
Average length of stay	3.11	3.08	0.03	1.01	3.36	3.08	0.28	1.09
Discharges	91.00	88.00	3.00	1.03	305.00	264.00	41.00	1.16
Admissions	101.00	89.00	12.00	1.13	308.00	267.00	41.00	1.15
Gross profit-revenue depts.	3,706,324.78	3,956,919.00	(250,594.22)	0.94	13,384,653.25	11,870,702.00	1,513,951.25	1.13
Percent to gross patient service revenue:								
Deductions from patient service revenue and bad debts								
Salaries and employee benefits	44.84	45.24	(0.40)	0.99	47.16	45.24	1.92	1.04
Occupancy expenses	34.41	34.38	0.03	1.00	30.25	34.38	(4.13)	0.88
General service departments	2.92	3.54	(0.62)	0.82	2.63	3.54	(0.91)	0.74
Fiscal services department	5.66	5.65	0.01	1.00	5.06	5.65	(0.59)	0.90
Administrative departments	4.87	4.56	0.31	1.07	4.06	4.56	(0.50)	0.89
Operating income (loss)	4.25	5.46	(1.21)	0.78	4.38	5.46	(1.08)	0.80
Excess (deficiency) of revenues over expenses	1.35	1.70	(0.35)	0.79	4.19	1.70	2.49	2.46
	3.31	3.84	(0.53)	0.86	6.20	3.84	2.36	1.61
Payroll statistics:								
Average hourly rate (salaries and benefits)	40.07	41.24	(1.17)	0.97	38.42	41.24	(2.82)	0.93
Worked hours	43,815.63	44,676.00	(860.37)	0.98	135,260.79	134,028.00	1,232.79	1.01
Paid hours	49,245.37	50,524.00	(1,278.63)	0.97	154,729.97	151,572.00	3,157.97	1.02
Full time equivalents (worked)	254.74	259.74	(5.00)	0.98	258.13	255.78	2.35	1.01
Full time equivalents (paid)	286.31	293.74	(7.43)	0.97	295.29	289.26	6.03	1.02

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of September 30, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	189,553.35	1,218,065.78
Net Assets due/to transferred from unrestricted	-	-
Net assets released from restrictions used for operations	-	33,125.00
Net assets released from restrictions used for payment of long-term debt	-	-
Contributions and interest income	406.46	1,283.95
Increase in unrestricted net assets	<u>189,959.81</u>	<u>1,252,474.73</u>
Temporarily restricted net assets:		
District tax allocation	-	37,499.32
Net assets released from restrictions	-	(33,125.00)
Restricted contributions	-	-
Interest income	302.60	302.60
Increase (decrease) in temporarily restricted net assets	<u>302.60</u>	<u>4,676.92</u>
Increase (decrease) in net assets	190,262.41	1,257,151.65
Net assets, beginning of period	32,808,868.18	31,741,978.94
Net assets, end of period	<u><u>32,999,130.59</u></u>	<u><u>32,999,130.59</u></u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of September 30, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	190,262.41	1,257,151.65
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	123,622.26	370,095.74
Provision for bad debts	130,871.56	459,178.37
Loss (gain) on disposal of equipment	(10.43)	134.57
(Increase) decrease in:		
Patient and other receivables	(253,375.13)	(1,064,449.27)
Other current assets	81,494.21	(96,429.68)
Plant Expansion and Replacement Cash	1,256,822.69	4,201,428.02
Increase (decrease) in:		
Accounts payable and accrued expenses	80,099.63	557,671.91
Third-party payors	223,223.00	503,600.00
Net cash provided (used) by operating activities	<u>1,833,010.20</u>	<u>6,188,381.31</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,458,039.84)	(3,625,011.17)
Purchase of investments	(339,301.04)	(2,608,390.07)
Proceeds from disposal of equipment	10.43	(134.57)
Net cash provided (used) in investing activities	<u>(1,797,330.45)</u>	<u>(6,233,535.81)</u>
Cash flows from financing activities:		
Long-term debt	(51,205.55)	(83,616.65)
Issuance of revenue bonds	(42,523.01)	(127,276.75)
Unamortized bond costs	485.24	1,455.72
Increase (decrease) in donor-restricted funds, net	(709.06)	(5,960.87)
Net cash provided by (used in) financing activities	<u>(93,952.38)</u>	<u>(215,398.55)</u>
Increase (decrease) in cash and cash equivalents	(58,272.63)	(260,553.05)
Cash and cash equivalents, beginning of period	<u>1,139,397.89</u>	<u>1,341,678.31</u>
Cash and cash equivalents, end of period	<u><u>1,081,125.26</u></u>	<u><u>1,081,125.26</u></u>

BUDGET VARIANCE ANALYSIS

Sep-07 PERIOD ENDING PRIOR TO AUDIT

In the month, NIH was

4% over budget in IP days;over in IP Ancillary and under in OP Revenue resulting in

**\$ (326,627) (-5.4%) under in gross patient revenue from budget and
\$ (178,667) (-5.1%) under in net patient revenue from budget**

Total Expenses were:

**\$ (242,103) (-7.0%) under budget. Wages and Salaries were
\$ (77,469) (-5.9%) under budget and Employee Benefits
\$ (30,713) (-3.9%) under budget
\$ 112,379 of other income resulted in a net income of
\$ 189,553 \$ (43,371) under budget.**

The following expense areas were over budget for the month:

**\$ 57,986 28% Professional Fees; registry staff & Physicians
\$ 7,132 5% Purchased Services; includes software licenses**

Other Information:

**44.84% Contractual Percentages for month
47.16% Contractual Percentages for Year**

\$ 1,218,066 Year-to-date Net Revenue

Special Notes for Month:

Northern Inyo Hospital
Investments as of 9/30/07

ID	Purchase Date	Maturity Date	Institution	Rate	Principal Invested
1	02-Sep-07	01-Oct-07	Local Agency Investment Fund	5.23%	292,942.75
2	27-Sep-07	01-Oct-07	Local Agency Investment Fund	5.23%	10,179,243.14
3	30-Apr-07	25-Oct-07	United States Treasury Bills	4.88%	379,981.77
4	28-Nov-05	28-Nov-07	Federal Home Loan Bank-MBS	5.00%	500,000.00
5	18-Sep-07	01-Dec-07	Cantella & Co., Inc	4.50%	54,452.57
6	27-Dec-05	27-Dec-07	Federal Home Loan Bank-FNC	5.00%	500,000.00
7	24-Jan-03	24-Jan-08	Capital One Bank	4.31%	100,000.00
8	24-Jan-03	24-Jan-08	Capital One, F.S.B.	4.30%	100,000.00
9	24-Jan-03	24-Jan-08	Key Bank USA	3.50%	100,000.00
10	30-Aug-07	28-Feb-08	United States Treasury Bills	4.08%	379,296.77
11	18-Mar-05	18-Mar-08	First Federal Bank	4.00%	100,000.00
12	23-Mar-07	24-Mar-08	Farmers Bank	5.00%	100,000.00
13	05-Jul-07	22-Apr-08	Federal Home Loan Mtg Corp-MBS	5.24%	492,680.00
14	14-Dec-04	27-May-08	Cantella & Co., Inc	3.50%	225,000.00
15	11-Mar-05	11-Jun-08	Community Bank	4.00%	98,000.00
16	11-Mar-05	11-Jun-08	Equity Bank	4.00%	100,000.00
17	20-Jun-07	15-Jun-08	FANNIE MAE FNMA-MBS	5.29%	486,750.00
Short Term Investments			Maturing Fiscal Year 2008		14,188,347.00
18	30-Jan-06	28-Jul-08	Federal Home Loan Bank-FNC	5.00%	500,000.00
19	21-Apr-05	07-Oct-08	Federal Home Loan Bank-MBS	4.00%	1,335,000.00
20	15-Oct-03	15-Oct-08	R-G Crown Bank	4.00%	97,000.00
21	31-Oct-05	27-Oct-08	Federal Home Loan Bank-MBS	5.00%	500,000.00
22	26-May-05	26-Nov-08	Federal Home Loan Bank-FNC	4.50%	1,000,000.00
23	04-Jan-05	05-Jan-09	Mututal Bank	4.36%	99,000.00
24	07-Jan-04	07-Jan-09	Bear Stearns Security	4.08%	100,000.00
25	20-Feb-07	20-Feb-09	Federal Home Loan Bank-FNC	5.28%	500,000.00
26	21-Sep-07	01-Apr-09	Citigroup Med Term Note	3.38%	239,293.07
			Maturing Fiscal Year 2009		4,370,293.07
27	18-Sep-07	01-Nov-09	Cantella & Co., Inc	4.50%	104,989.86
28	21-Sep-07	01-Nov-09	Citigroup Med Term Note	6.88%	702,986.88
29	30-Dec-04	30-Dec-09	Capital City Bank and Trust	4.75%	99,000.00
30	22-Apr-05	22-Apr-10	Bank of Waukegan	4.75%	99,000.00
			Maturing Fiscal Year 2010		1,005,976.74
31	23-Jul-07	23-Jul-10	Federal Home Loan Bank-MBS	5.50%	500,000.00
32	24-Feb-06	24-Feb-11	Federal Home Loan Bank-MBS	6.00%	1,000,000.00
			Maturing Fiscal Year 2011		1,500,000.00
Long-Term Investments					6,876,269.81
			Total Investments		21,064,616.81

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2007

Month	Operations Checking Account				Time Deposit Month-End Balances									
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Premium Interest Checking	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	936,738	3,349,146	3,230,137	1,055,747	519	17,418,118	525,863	25,122	2,798	5,734	715,405	744,735	16,654	15,331,544
February	1,055,747	3,012,726	3,529,773	538,700	8	18,118,118	525,863	25,122	2,789	5,834	716,060	786,899	16,717	15,376,250
March	538,700	3,711,798	3,700,602	549,896	0	19,014,106	526,320	25,141	2,900	5,839	716,764	829,159	16,775	13,996,056
April	549,896	7,165,639	5,972,745	1,742,790	0	16,533,747	473,447	25,141	2,900	5,839	429,339	872,431	17,616	13,275,050
May	1,742,790	3,030,162	4,660,401	112,551	0	20,225,400	473,447	25,141	3,029	5,839	429,769	934,534	17,680	10,891,486
June	112,551	5,152,683	4,224,606	1,040,628	0	18,456,227	473,766	25,157	3,031	5,842	430,173	788,259	17,745	10,944,955
July *	1,040,628	3,387,765	3,921,993	506,401	0	20,781,983	440,641	25,157	3,031	5,842	430,618	830,478	17,810	8,999,586
August	506,401	4,397,557	4,059,627	844,331	0	20,725,316	478,140	25,157	3,031	5,842	431,050	872,949	17,876	8,000,350
September	844,331	3,624,606	4,136,051	332,887	0	21,064,617	478,437	25,173	3,033	5,846	431,441	915,472	17,935	6,743,527
Prior Year														
October	1,279,553	3,513,782	3,902,742	890,593	1,568,930	17,134,630	16,934	24,970	2,796	5,729	713,160	965,952	16,501	15,740,837
November	890,593	4,105,103	4,512,789	482,906	74,468	17,384,630	16,934	25,100	2,796	5,729	713,912	1,032,481	16,530	15,802,765
December	482,906	3,745,997	3,292,165	936,738	545	17,384,630	528,988	25,122	2,798	5,734	714,632	702,720	16,591	15,802,073

* Cash for July corrected after report due to late posting of Medicare deposits

Notes: (1) The difference between the Total and Project Revenue Bond Funds represents amounts held by the trustee to make payments on the District's behalf and about \$575,000 to cover the Bond Reserve Account Requirement with respect to the Series 1998 Bonds. The Project amount represents the balance available to spend on the building project; however, the district accumulates invoices and only requests reimbursement quarterly.
(2) The Bond and Interest Fund now contains the Debt Service amount from the County for both the original Bond and the 2005 Bond.

Financial Indicators

	Target	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06	Nov-06	Oct-06
Current Ratio	>1.5-2.0	4.43	4.69	4.97	5.37	5.35	5.40	4.76	5.35	5.54	5.48	5.43	4.77
Quick Ratio	>1.33-1.5	4.04	4.29	4.56	4.95	4.93	5.00	4.38	4.95	5.11	5.06	5.01	4.44
Days Cash on Hand	>75	303.54	283.51	310.04	353.49	289.37	354.74	327.83	331.37	327.96	349.52	339.70	363.56

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2007	DIAGNOSTIC RADIOLOGY			MAMMOGRAPHY			NUCLEAR MEDICINE			ULTRASOUND			CT SCANNING			MRI			LABORATORY			EKG/ EEG			PHYSICAL THERAPY			RESPIRATORY THERAPY			RURAL HEALTH CLINIC			TOTALS		
	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07	05	06	07						
JANUARY	340	312	308	202	229	198	47	29	36	102	107	166	151	123	112	86	85	86	1968	1686	1621	127	103	139	313	302	335	16	12	19	1014	1029	941	4366	4017	3961
FEBRUARY	323	250	263	203	211	194	52	60	38	119	135	157	142	111	102	77	92	71	1753	1633	1662	83	82	84	306	361	302	12	19	19	921	970	965	3991	3924	3857
MARCH	413	329	269	201	83	122	52	52	29	113	133	144	161	126	95	92	105	76	2105	1853	1734	81	132	100	315	425	340	12	14	16	1240	1099	1095	4785	4351	4020
APRIL	349	254	258	232	237	246	40	35	46	137	109	139	180	107	123	84	84	105	1815	1984	1767	97	84	85	378	397	300	18	21	14	1103	915	883	4433	4227	3966
MAY	304	283	262	221	241	230	54	41	85	98	122	150	161	110	131	96	88	100	1782	1741	1743	85	95	112	333	374	295	17	18	18	971	958	1007	4122	4051	4133
JUNE	302	257	264	208	220	243	47	32	37	117	128	149	146	119	128	81	111	101	1902	1828	2203	87	104	90	420	370	260	15	10	7	1016	859	864	4341	4038	4346
JULY	236	228	275	145	134	192	46	35	46	119	128	155	113	121	109	84	71	113	1742	1615	1618	93	93	94	375	379	276	15	13	17	982	946	887	3920	3761	3782
AUGUST	254	289	256	237	275	266	50	47	59	123	135	149	128	120	126	90	97	130	1838	1741	1850	86	132	115	389	408	289	23	14	17	1059	1020	1064	4277	4256	4311
SEPTEMBER	278	281	224	179	229	218	65	45	75	110	128	149	135	99	101	81	78	55	1784	1542	1667	102	111	83	350	355	254	18	11	9	1011	917	1047	4113	3764	3882
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
CALENDAR YEAR	2799	2413	2378	1828	1859	1899	453	376	451	1038	1121	1358	1317	1036	1027	771	811	837	16889	15623	15865	841	936	902	3179	3371	2651	146	132	136	9287	8713	8753	38348	36391	36256
MONTHLY AVERAGES	311	288	264	203	207	211	50	42	50	115	125	151	146	115	114	86	90	93	1854	1736	1763	93	104	100	353	375	295	16	15	15	1032	888	973	4281	4043	4029

NORTHERN INYO HOSPITAL
STATISTICS

MONTHS	SURGERIES											
	IP	OP	TOTAL	BIRTHS	ADMITS	ER VISITS	OP REFERRALS	ADMITS (W/NB)	PT DAYS (W/O NB)	PT DAYS (W/NB)	DISCH (W/NB)	
2007	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	
JANUARY	35 / 40 / 38	65 / 72 / 73	100 / 112 / 111	17 / 19 / 17	49 / 60 / 47	540 / 563 / 510	3048 / 3135 / 3331	109 / 128 / 111	275 / 370 / 289	320 / 410 / 350	115 / 124 / 106	
FEBRUARY	29 / 29 / 24	81 / 62 / 59	110 / 91 / 83	15 / 20 / 19	54 / 44 / 14	422 / 467 / 521	2777 / 3100 / 2891	121 / 108 / 107	319 / 235 / 231	358 / 303 / 291	111 / 113 / 105	
MARCH	34 / 50 / 25	78 / 101 / 53	112 / 151 / 78	20 / 26 / 17	59 / 63 / 49	606 / 543 / 460	3163 / 3387 / 3079	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	127 / 149 / 116	
APRIL	27 / 31 / 31	68 / 81 / 59	95 / 112 / 90	9 / 18 / 17	43 / 54 / 49	466 / 474 / 525	3119 / 3145 / 3231	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	104 / 116 / 112	
MAY	41 / 31 / 38	74 / 73 / 95	115 / 104 / 133	16 / 20 / 19	49 / 53 / 40	594 / 564 / 580	2868 / 3313 / 3343	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103	
JUNE	32 / 49 / 27	60 / 76 / 70	92 / 125 / 97	16 / 16 / 12	53 / 44 / 41	631 / 552 / 511	3287 / 3235 / 3186	113 / 107 / 104	288 / 307 / 297	318 / 342 / 323	126 / 97 / 107	
JULY	40 / 31 / 41	89 / 59 / 85	129 / 90 / 126	21 / 30 / 24	51 / 36 / 49	587 / 619 / 624	2997 / 3012 / 3109	128 / 129 / 132	306 / 313 / 388	345 / 371 / 445	122 / 126 / 127	
AUGUST	30 / 40 / 35	84 / 117 / 115	114 / 157 / 150	14 / 26 / 26	66 / 54 / 46	716 / 580 / 565	3276 / 3401 / 3402	117 / 138 / 126	292 / 350 / 353	321 / 408 / 421	116 / 134 / 140	
SEPTEMBER	48 / 35 / 36	93 / 86 / 90	141 / 121 / 126	22 / 14 / 18	52 / 42 / 55	567 / 470 / 515	3063 / 2952 / 2897	127 / 110 / 118	325 / 289 / 283	372 / 320 / 326	123 / 118 / 109	
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
CALENDAR YEAR	316 / 338 / 295	692 / 727 / 699	1008 / 1063 / 994	150 / 189 / 169	476 / 450 / 389	5129 / 4832 / 4811	27698 / 28680 / 28689	1048 / 1093 / 1032	2754 / 2872 / 2701	3078 / 3280 / 3096	1047 / 1083 / 1025	
MONTHLY AVERAGE	35 / 37 / 33	77 / 81 / 78	112 / 118 / 110	17 / 21 / 19	53 / 50 / 43	570 / 537 / 535	3,078 / 3,187 / 3,177	116 / 121 / 115	306 / 319 / 300	342 / 364 / 344	116 / 120 / 114	

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2008
As of September 30, 2007

MONTH	APPROVED	BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 1995-96		Hospital Information System	\$1,300,000
FY 2006-07		Platelet Incubator/Agitator Purchase (non-budget)	2,600
		QuadraMed Tempus One Scheduling System (Includes Surgery Module)	233,750
		GE Centricity RHC Electronic Health Record Software	75,950
		Hologic Stereotactic Breast Biopsy System	156,000
		AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,768,300</u>
FY 2007-08		Biomerieux Blood Culture Instrument	44,375
		Manageware Infant Security Solution	45,001 *
		Contract Management Software	3,499
		GE Pelvic Ultrasound for RHC	44,170
		Network Switch Upgrade	171,957
		Gemstar Pain Management Devices	32,777
		AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>341,779</u>
		Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	1,768,300
		Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>341,779</u>
		Year-to-Date Board-Approved Amount to be Expended	2,065,078
		Year-to-Date Administrator-Approved Amount	79,883 *
		Actually Expended in Current Fiscal Year	45,001 *

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2008
As of September 30, 2007

MONTH APPROVED BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	<u>AMOUNT</u>
TOTAL FUNDS APPROVED TO BE EXPENDED	<u>2,189,961</u>
Total-to-Date Spent on Incomplete Board Approved Expenditures (Hospital Information System and Building Project)	1,199,399
 Reconciling Totals:	
Actually Capitalized in the Current Fiscal Year Total-to-Date	124,883
Plus: Lease Payments from a Previous Period	0
Less: Lease Payments Due in the Future	0
Less: Funds Expended in a Previous Period	0
Plus: Other Approved Expenditures	<u>2,065,078</u>
ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>2,189,961</u></u>

Donations by Auxiliary	0
Donations by Hospice of the Owens Valley	0
Donations by Others (Barry Miller & Associates for Infant Security System)	<u>5,000</u>
	<u><u>5,000</u></u>

***Completed Purchase**

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

****Completed in prior fiscal year**

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2008
 As of September 30, 2007**

MONTH		AMOUNT
APPROVED	BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	
	Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:	
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
	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, 2008
As of September 30, 2007

Administrator-Approved Item(s) Month Ending August 31, 2007	Department	Amount	Month Total 18,467	Grand Total 46,927
INTERIOR PAINT-MEDICAL OFFICE BUILDING	MEDICAL OFF BUILDING	6,018		
DS4000 EXP810 EXPANSION UNIT	IT	15,625		
KRONOS WORKFORCE MANAGER LICENSE ACCOUNTING		11,314		
Month Ending September 30, 2007			32,956	79,883

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NORTHERN INYO HOSPITAL

Balance Sheet October 31, 2007

Assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current assets:			
Cash and cash equivalents	2,503,003	1,081,125	1,341,678
Short-term investments	12,818,234	15,328,248	12,719,858
Assets limited as to use	747,775	63,439	1,057,115
Plant Expansion and Replacement Cash	6,095,837	6,743,527	10,944,955
Other Investments (Partnership)	386,880	386,880	386,880
Patient receivable, less allowance for doubtful accounts 744,560	8,042,246	8,217,278	7,625,080
Other receivables	577,010	220,298	207,225
Inventories	2,089,484	2,085,412	2,077,353
Prepaid expenses	714,564	708,920	620,550
Total current assets	<u>33,975,032</u>	<u>34,835,128</u>	<u>36,980,693</u>
Assets limited as to use:			
Internally designated for capital acquisitions	457,047	456,613	455,329
Specific purpose assets	43,397	487,392	482,715
	<u>500,443</u>	<u>944,005</u>	<u>938,044</u>
Revenue bond construction funds held by trustee	958,132	915,472	788,195
Less amounts required to meet current obligations	<u>747,775</u>	<u>63,439</u>	<u>1,057,115</u>
Net Assets limited as to use:	<u>710,800</u>	<u>1,796,038</u>	<u>669,125</u>
Long-term investments	<u>6,873,115</u>	<u>5,741,537</u>	<u>5,741,537</u>
Property and equipment, net of accumulated depreciation and amortization	<u>22,229,685</u>	<u>20,752,942</u>	<u>17,498,027</u>
Unamortized bond costs	<u>324,485</u>	<u>324,970</u>	<u>326,426</u>
Total assets	<u>64,113,117</u>	<u>63,450,614</u>	<u>61,215,807</u>

NORTHERN INYO HOSPITAL

Balance Sheet October 31, 2007

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current liabilities:			
Current maturities of long-term debt	190,000	190,000	270,000
Accounts payable	863,862	935,828	559,389
Accrued salaries, wages and benefits	2,919,260	2,963,837	2,565,601
Accrued interest and sales tax	157,714	62,430	168,394
Deferred income	458,902	(5,875)	105,164
Due to third-party payors	3,664,308	3,722,611	3,219,011
Due to specific purpose funds	-	-	-
Total current liabilities	<u>8,254,045</u>	<u>7,868,830</u>	<u>6,887,558</u>
Long-term debt, less current maturities	22,180,000	22,180,000	22,180,000
Bond Premium	401,448	402,654	406,270
Total long-term debt	<u>22,581,448</u>	<u>22,582,654</u>	<u>22,586,270</u>
Net assets:			
Unrestricted	33,234,228	32,511,739	31,259,264
Temporarily restricted	43,397	487,392	482,715
Total net assets	<u>33,277,625</u>	<u>32,999,131</u>	<u>31,741,979</u>
 Total liabilities and net assets	 <u>64,113,117</u>	 <u>63,450,614</u>	 <u>61,215,807</u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of October 31, 2007

			MTD	MTD			YTD	YTD
	MTD Actual	MTD Budget	Variance \$	Variance %	YTD Actual	YTD Budget	Variance \$	Variance %
Unrestricted revenues, gains and other support:								
In-patient service revenue:								
Routine	510,544	592,334	(81,790)	(13.8)	2,469,983	2,369,372	100,611	4.3
Ancillary	1,889,444	1,926,340	(36,896)	(1.9)	8,232,287	7,705,297	526,990	6.8
Total in-patient service revenue	2,399,989	2,518,674	(118,685)	-4.7%	10,702,271	10,074,669	627,602	6.2%
Out-patient service revenue	3,769,831	3,542,358	227,473	6.4	15,116,653	14,169,348	947,305	6.7
Gross patient service revenue	6,169,820	6,061,032	108,788	1.80	25,818,924	24,244,017	1,574,907	6.5
Less deductions from patient service revenue:								
Patient service revenue adjustments	222,973	180,594	(42,379)	(23.5)	628,069	722,385	94,316	13.1
Contractual adjustments	2,301,340	2,407,909	106,569	4.4	10,704,159	9,631,627	(1,072,532)	(11.1)
Total deductions from patient service revenue	2,524,314	2,588,503	64,189	2.5	11,332,227	10,354,012	(978,215)	(9.5)
Net patient service revenue	3,645,506	3,472,529	172,977	5%	14,486,696	13,890,005	596,691	4%
Other revenue	33,092	26,497	6,595	24.9	114,514	105,972	8,542	8.1
Transfers from Restricted Funds for Other Operating Expenses	393,995	65,541	328,454	501.1	393,995	262,162	131,833	50.3
Total Other revenue	427,087	92,038	335,049	364.0	508,509	368,134	140,375	38.1
Total revenue, gains and other support	4,072,593	3,564,567	508,026	364.0	14,995,206	14,258,139	737,067	38.1
Expenses:								
Salaries and wages	1,298,606	1,303,350	4,744	0.4	5,130,166	5,213,402	83,236	1.6
Employee benefits	687,231	780,287	93,056	11.9	2,806,648	3,121,125	314,477	10.1
Professional fees	342,072	208,152	(133,920)	(64.3)	1,174,226	832,586	(341,640)	(41.0)
Supplies	461,271	467,888	6,617	1.4	1,771,409	1,871,574	100,165	5.4
Purchased services	150,567	153,588	3,021	2.0	609,713	614,288	4,575	0.7
Depreciation	124,270	162,839	38,569	23.7	494,365	651,360	156,995	24.1
Interest	32,271	32,271	0	-	129,083	129,087	4	-
Bad debts	217,899	150,682	(67,217)	(44.6)	677,077	602,729	(74,348)	(12.3)
Other	191,858	198,066	6,208	3.1	748,971	792,271	43,300	5.5
Total expenses	3,506,044	3,457,123	(48,921)	(1.4)	13,541,659	13,828,422	286,763	2.1
Operating income (loss)	566,549	107,444	459,105	365.4	1,453,547	429,717	1,023,830	36.0
Other income:								
District tax receipts	37,013	41,816	(4,803)	(11.5)	148,052	167,262	(19,210)	(11.5)
Interest	88,485	83,333	5,152	6.2	354,165	333,336	20,829	6.3
Other	5,010	4,663	347	7.4	23,849	18,649	5,200	27.9
Grants and Other Non-Restricted Contributions	-	12,500	(12,500)	(100.0)	10,000	50,000	(40,000)	(80.0)
Partnership Investment Income	-	-	-	N/A	-	-	-	N/A
Total other income, net	130,508	142,312	(11,804)	(8)	536,067	569,247	(33,180)	(5.8)
Non-Operating Expense								
Medical Office Expense	16,508	10,111	(6,397)	(63.3)	47,747	40,443	(7,304)	(18.1)
Urology Office	8,493	6,721	(1,772)	(26.4)	51,745	26,886	(24,859)	(92.5)
Total Non-Operating Expense	25,001	16,832	(8,169)	(48.5)	99,492	67,329	(32,163)	(47.8)
Excess (deficiency) of revenues over expenses	672,056	232,924	439,132	188.5	1,890,122	931,635	958,487	102.9

NORTHERN INYO HOSPITAL
Statement of Operations--Statistics
As of October 31, 2007

	Month Actual	Month Budget	Month Variance	Month Percentage	YTD Actual	YTD Budget	YTD Variance	Year Percentage
Operating statistics:								
Beds	25.00	25.00	N/A	N/A	25.00	25.00	N/A	N/A
Patient days	263.00	271.00	(8.00)	0.97	1,287.00	1,084.00	203.00	1.19
Maximum days per bed capacity	775.00	775.00	N/A	N/A	3,075.00	3,075.00	N/A	N/A
Percentage of occupancy	33.94	34.97	(1.03)	0.97	41.85	35.25	6.60	1.19
Average daily census	8.48	8.74	(0.26)	0.97	10.46	8.81	1.65	1.19
Average length of stay	3.33	3.08	0.25	1.08	3.35	3.08	0.27	1.09
Discharges	79.00	88.00	(9.00)	0.90	384.00	352.00	32.00	1.09
Admissions	72.00	89.00	(17.00)	0.81	380.00	356.00	24.00	1.07
Gross profit-revenue depts.	4,024,108.40	3,956,919.00	67,189.40	1.02	17,408,761.65	15,827,621.00	1,581,140.65	1.10
Percent to gross patient service revenue:								
Deductions from patient service revenue and bad debts	44.45	45.24	(0.79)	0.98	46.51	45.24	1.27	1.03
Salaries and employee benefits	32.15	34.38	(2.23)	0.94	30.71	34.38	(3.67)	0.89
Occupancy expenses	3.30	3.54	(0.24)	0.93	2.79	3.54	(0.75)	0.79
General service departments	5.46	5.65	(0.19)	0.97	5.16	5.65	(0.49)	0.91
Fiscal services department	4.17	4.56	(0.39)	0.91	4.09	4.56	(0.47)	0.90
Administrative departments	4.68	5.46	(0.78)	0.86	4.45	5.46	(1.01)	0.82
Operating income (loss)	8.78	1.70	7.08	5.16	5.28	1.70	3.58	3.11
Excess (deficiency) of revenues over expenses	10.89	3.84	7.05	2.84	7.32	3.84	3.48	1.91
Payroll statistics:								
Average hourly rate (salaries and benefits)	37.95	41.24	(3.29)	0.92	38.30	41.24	(2.94)	0.93
Worked hours	46,971.04	44,676.00	2,295.04	1.05	182,231.83	178,704.00	3,527.83	1.02
Paid hours	52,268.77	50,524.00	1,744.77	1.03	206,998.74	202,096.00	4,902.74	1.02
Full time equivalents (worked)	266.88	253.84	13.04	1.05	260.33	255.29	5.04	1.02
Full time equivalents (paid)	296.98	287.07	9.91	1.03	295.71	288.71	7.00	1.02

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of October 31, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	672,055.89	1,890,121.67
Net Assets due/to transferred from unrestricted	-	-
Net assets released from restrictions used for operations	443,995.00	477,120.00
Net assets released from restrictions used for payment of long-term debt	(393,995.00)	(393,995.00)
Contributions and interest income	433.24	1,717.19
Increase in unrestricted net assets	<u>722,489.13</u>	<u>1,974,963.86</u>
Temporarily restricted net assets:		
District tax allocation	-	37,499.32
Net assets released from restrictions	(443,995.00)	(477,120.00)
Restricted contributions	-	-
Interest income	-	302.60
Increase (decrease) in temporarily restricted net assets	<u>(443,995.00)</u>	<u>(439,318.08)</u>
Increase (decrease) in net assets	278,494.13	1,535,645.78
Net assets, beginning of period	32,999,130.59	31,741,978.94
Net assets, end of period	<u>33,277,624.72</u>	<u>33,277,624.72</u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of October 31, 2007

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	278,494.13	1,535,645.78
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	124,269.60	494,365.34
Provision for bad debts	217,898.77	677,077.14
Loss (gain) on disposal of equipment	-	134.57
(Increase) decrease in:		
Patient and other receivables	(399,579.52)	(1,464,028.79)
Other current assets	(9,715.20)	(106,144.88)
Plant Expansion and Replacement Cash	647,690.43	4,849,118.45
Increase (decrease) in:		
Accounts payable and accrued expenses	443,517.63	1,001,189.54
Third-party payors	(58,303.00)	445,297.00
Net cash provided (used) by operating activities	<u>1,244,272.84</u>	<u>7,432,654.15</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,601,012.96)	(5,226,024.13)
Purchase of investments	1,378,436.42	(1,229,953.65)
Proceeds from disposal of equipment	-	(134.57)
Net cash provided (used) in investing activities	<u>(222,576.54)</u>	<u>(6,456,112.35)</u>
Cash flows from financing activities:		
Long-term debt	(1,205.55)	(84,822.20)
Issuance of revenue bonds	(42,660.23)	(169,936.98)
Unamortized bond costs	485.24	1,940.96
Increase (decrease) in donor-restricted funds, net	443,561.76	437,600.89
Net cash provided by (used in) financing activities	<u>400,181.22</u>	<u>184,782.67</u>
Increase (decrease) in cash and cash equivalents	1,421,877.52	1,161,324.47
Cash and cash equivalents, beginning of period	<u>1,081,125.26</u>	<u>1,341,678.31</u>
Cash and cash equivalents, end of period	<u>2,503,002.78</u>	<u>2,503,002.78</u>

BUDGET VARIANCE ANALYSIS

Oct-07 PERIOD ENDING PRIOR TO AUDIT

In the month, NIH was

			under budget in IP days; under in IP Ancillary and
		-3%	over in OP Revenue resulting in
\$ 108,788	(1.8%) over in gross patient revenue from budget and
\$ 172,977	(5.0%) over in net patient revenue from budget

Total Expenses were:

\$ 48,921	(1.4%) over budget. Wages and Salaries were
\$ (4,744)	(-0.4%) under budget and Employee Benefits
\$ (93,056)	(-11.9%) under budget
\$ 130,508			of other income resulted in a net income of
\$ 672,056	\$ 439,132		over budget.

The following expense areas were over budget for the month:

\$ 133,920	64%	Professional Fees; registry staff & Physicians
\$ 67,217	45%	Bad Debt Expense

Other Information:

44.45%	Contractual Percentages for month
46.51%	Contractual Percentages for Year

\$ 1,890,122 Year-to-date Net Revenue

Special Notes for Month:

Positive Information from Cost Report Filing for 2007 Fiscal Year resulted in our ability to begin reducing the 3rd party payable to Medicare.

Northern Inyo Hospital
Summary of Cash and Investment Balances
Calendar Year 2007

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	Premium Interest Checking	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	936,738	3,349,146	3,230,137	1,055,747	519	17,418,118	525,863	25,122	2,798	5,734	715,405	744,735	16,654	15,331,544
February	1,055,747	3,012,726	3,529,773	538,700	8	18,118,118	525,863	25,122	2,789	5,834	716,060	786,899	16,717	15,376,250
March	538,700	3,711,798	3,700,602	549,896	0	19,014,106	526,320	25,141	2,900	5,839	716,764	829,159	16,775	13,996,056
April	549,896	7,165,639	5,972,745	1,742,790	0	16,533,747	473,447	25,141	2,900	5,839	429,339	872,431	17,616	13,275,050
May	1,742,790	3,030,162	4,660,401	112,551	0	20,225,400	473,447	25,141	3,029	5,839	429,769	934,534	17,680	10,891,486
June	112,551	5,152,683	4,224,606	1,040,628	0	18,456,227	473,766	25,157	3,031	5,842	430,173	788,259	17,745	10,944,955
July *	1,040,628	3,387,765	3,921,993	506,401	0	20,781,983	440,641	25,157	3,031	5,842	430,618	830,478	17,810	8,999,586
August	506,401	4,397,557	4,059,627	844,331	0	20,725,316	478,140	25,157	3,031	5,842	431,050	872,949	17,876	8,000,350
September	844,331	3,624,606	4,136,051	332,887	0	21,064,617	478,437	25,173	3,033	5,846	431,441	915,472	17,935	6,743,527
October	332,887	5,621,707	5,376,158	578,436	0	19,686,180	34,442	25,173	3,033	5,846	431,874	958,132	17,996	6,095,837
Prior Year														
November	890,593	4,105,103	4,512,789	482,906	74,468	17,384,630	16,934	25,100	2,796	5,729	713,912	1,032,481	16,530	15,802,765
December	482,906	3,745,997	3,292,165	936,738	545	17,384,630	528,988	25,122	2,798	5,734	714,632	702,720	16,591	15,802,073

* Cash for July corrected after report due to late posting of Medicare deposits

Notes: (1) The difference between the Total and Project Revenue Bond Funds represents amounts held by the trustee to make payments on the District's behalf and about \$575,000 to cover the Bond Reserve Account Requirement with respect to the Series 1998 Bonds. The Project amount represents the balance available to spend on the building project; however, the district accumulates invoices and only requests reimbursement quarterly.
(2) The Bond and Interest Fund now contains the Debt Service amount from the County for both the original Bond and the 2005 Bond.

Northern Inyo Hospital
Investments as of 10/31/07

ID	Purchase Date	Maturity Date	Institution	Rate	Principal Invested
1	15-Oct-07	01-Nov-07	Local Agency Investment Fund	5.14%	296,272.00
2	15-Oct-07	01-Nov-07	Local Agency Investment Fund	5.14%	9,302,630.73
3	28-Nov-05	28-Nov-07	Federal Home Loan Bank-MBS	5.00%	500,000.00
4	18-Sep-07	01-Dec-07	Cantella & Co., Inc	4.50%	54,452.57
5	24-Jan-03	24-Jan-08	Capital One Bank	4.31%	100,000.00
6	24-Jan-03	24-Jan-08	Capital One, F.S.B.	4.30%	100,000.00
7	24-Jan-03	24-Jan-08	Key Bank USA	3.50%	100,000.00
8	30-Aug-07	28-Feb-08	United States Treasury Bills	4.08%	379,296.77
9	18-Mar-05	18-Mar-08	First Federal Bank	4.00%	100,000.00
10	23-Mar-07	24-Mar-08	Farmers Bank	5.00%	100,000.00
11	05-Jul-07	22-Apr-08	Federal Home Loan Mtg Corp-MBS	5.24%	492,680.00
12	25-Oct-07	24-Apr-08	United States Treasury Bills	3.88%	379,674.56
13	14-Dec-04	27-May-08	Cantella & Co., Inc	3.50%	225,000.00
14	11-Mar-05	11-Jun-08	Community Bank	4.00%	98,000.00
15	11-Mar-05	11-Jun-08	Equity Bank	4.00%	100,000.00
16	20-Jun-07	15-Jun-08	FANNIE MAE FNMA-MBS	5.29%	486,750.00
Short Term Investments			Maturing Fiscal Year 2008		12,814,756.63
17	30-Jan-06	28-Jul-08	Federal Home Loan Bank-FNC	5.00%	500,000.00
18	15-Oct-03	15-Oct-08	R-G Crown Bank	4.00%	97,000.00
19	31-Oct-05	27-Oct-08	Federal Home Loan Bank-MBS	5.00%	500,000.00
20	09-Oct-07	24-Nov-08	Citigroup Med Term Note	5.33%	1,330,153.95
21	26-May-05	26-Nov-08	Federal Home Loan Bank-FNC	4.50%	1,000,000.00
22	04-Jan-05	05-Jan-09	Mututal Bank	4.36%	99,000.00
23	07-Jan-04	07-Jan-09	Bear Stearns Security	4.08%	100,000.00
24	20-Feb-07	20-Feb-09	Federal Home Loan Bank-FNC	5.28%	500,000.00
25	21-Sep-07	01-Apr-09	Citigroup Med Term Note	3.38%	239,293.07
			Maturing Fiscal Year 2009		4,365,447.02
26	18-Sep-07	01-Nov-09	Cantella & Co., Inc	4.50%	104,989.86
27	21-Sep-07	01-Nov-09	Citigroup Med Term Note	6.88%	702,986.88
28	30-Dec-04	30-Dec-09	Capital City Bank and Trust	4.75%	99,000.00
29	22-Apr-05	22-Apr-10	Bank of Waukegan	4.75%	99,000.00
			Maturing Fiscal Year 2010		1,005,976.74
30	23-Jul-07	23-Jul-10	Federal Home Loan Bank-MBS	5.50%	500,000.00
31	24-Feb-06	24-Feb-11	Federal Home Loan Bank-MBS	6.00%	1,000,000.00
			Maturing Fiscal Year 2011		1,500,000.00
Long-Term Investments					6,871,423.76
Total Investments					19,686,180.39

Financial Indicators

	Target	Oct-07	Sep-07	Aug-07	Jul-07	Jun-07	May-07	Apr-07	Mar-07	Feb-07	Jan-07	Dec-06
Current Ratio	>1.5-2.0	4.12	4.43	4.69	4.97	5.37	5.35	5.40	4.76	5.35	5.54	5.48
Quick Ratio	>1.33-1.5	3.71	4.04	4.29	4.56	4.95	4.93	5.00	4.38	4.95	5.11	5.06
Days Cash on Hand	>75	267.90	303.54	283.51	310.04	353.49	289.37	354.74	327.83	331.37	327.96	349.52

Financial Indicators

Nov-06
5.43
5.01
339.70

NORTHERN INYO HOSPITAL
STATISTICS

10 MONTHS 2007	SURGERIES						ER			OP			ADMITTS			PT DAYS (W/O NB)			PT DAYS (W/NB)			DISCH (W/NB)					
	IP		OP		TOTAL		BIRTHS			ADMITTS			VISITS			REFERRALS			ADMITTS			PT DAYS			DISCH		
	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	05 / 06 / 07	
JANUARY	35 / 40 / 38	65 / 72 / 73	100 / 112 / 111	17 / 19 / 17	49 / 60 / 47	540 / 563 / 510	3048 / 3135 / 3331	109 / 128 / 111	275 / 370 / 299	320 / 410 / 350	115 / 124 / 106																
FEBRUARY	29 / 29 / 24	81 / 62 / 59	110 / 91 / 83	15 / 20 / 19	54 / 44 / 14	422 / 467 / 521	2777 / 3100 / 2991	121 / 108 / 107	319 / 255 / 251	358 / 303 / 291	111 / 113 / 105																
MARCH	34 / 50 / 25	78 / 101 / 53	112 / 151 / 78	20 / 26 / 17	59 / 63 / 49	606 / 543 / 460	3163 / 3387 / 3079	123 / 152 / 117	356 / 333 / 286	395 / 399 / 322	127 / 149 / 116																
APRIL	27 / 31 / 31	68 / 81 / 59	95 / 112 / 90	9 / 18 / 17	43 / 54 / 48	466 / 474 / 525	3119 / 3145 / 3251	97 / 114 / 105	244 / 310 / 245	262 / 346 / 276	104 / 116 / 112																
MAY	41 / 31 / 38	74 / 73 / 95	115 / 104 / 133	16 / 20 / 19	49 / 53 / 40	594 / 564 / 560	2968 / 3313 / 3343	113 / 111 / 112	349 / 345 / 299	385 / 381 / 342	103 / 106 / 103																
JUNE	32 / 49 / 27	60 / 76 / 70	92 / 125 / 97	16 / 16 / 12	53 / 44 / 41	631 / 552 / 511	3287 / 3235 / 3186	113 / 107 / 104	288 / 307 / 297	318 / 342 / 323	126 / 97 / 107																
JULY	40 / 31 / 41	89 / 59 / 85	129 / 90 / 126	21 / 30 / 24	51 / 36 / 49	587 / 619 / 624	2997 / 3012 / 3109	128 / 129 / 132	306 / 313 / 388	345 / 371 / 445	122 / 126 / 127																
AUGUST	30 / 40 / 35	84 / 117 / 115	114 / 157 / 150	14 / 26 / 26	66 / 54 / 46	716 / 580 / 565	3276 / 3401 / 3402	117 / 138 / 126	292 / 350 / 353	321 / 408 / 421	116 / 134 / 140																
SEPTEMBER	48 / 35 / 36	93 / 86 / 90	141 / 121 / 126	22 / 14 / 18	52 / 42 / 55	567 / 470 / 515	3063 / 2952 / 2897	127 / 110 / 118	325 / 289 / 283	372 / 320 / 326	123 / 118 / 109																
OCTOBER	28 / 26 / 37	86 / 62 / 94	114 / 88 / 131	4 / 16 / 15	40 / 43 / 30	494 / 523 / 560	3061 / 3290 / 3378	90 / 108 / 87	237 / 269 / 263	247 / 301 / 296	97 / 97 / 93																
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /																
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /																
CALENDAR YEAR	344 / 362 / 332	778 / 789 / 793	1122 / 1,151 / 1,125	154 / 205 / 184	516 / 493 / 419	5623 / 5355 / 5371	30759 / 31970 / 31967	1138 / 1201 / 1119	2991 / 3141 / 2964	3323 / 3581 / 3392	1144 / 1180 / 1118																
MONTHLY AVERAGE	34 / 36 / 33	78 / 79 / 79	112 / 115 / 113	15 / 21 / 18	52 / 49 / 42	562 / 536 / 537	3,076 / 3,197 / 3,197	114 / 120 / 112	299 / 314 / 296	332 / 358 / 339	114 / 118 / 112																

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2007	DIAGNOSTIC RADIOLOGY		MAMMOGRAPHY		NUCLEAR MEDICINE		ULTRASOUND		CT SCANNING		MRI		LABORATORY		EKG/ EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS	
	05 / 06 / 07	340 / 312 / 308	202 / 229 / 198	203 / 211 / 194	52 / 60 / 38	102 / 107 / 166	119 / 135 / 157	142 / 111 / 102	77 / 92 / 71	1753 / 1633 / 1662	83 / 82 / 84	306 / 361 / 302	16 / 12 / 19	1014 / 1029 / 941	127 / 103 / 139	313 / 302 / 335	12 / 19 / 19	921 / 970 / 965	1240 / 1099 / 1085	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966
JANUARY	340 / 312 / 308	202 / 229 / 198	203 / 211 / 194	52 / 60 / 38	102 / 107 / 166	119 / 135 / 157	142 / 111 / 102	77 / 92 / 71	1753 / 1633 / 1662	83 / 82 / 84	306 / 361 / 302	16 / 12 / 19	1014 / 1029 / 941	127 / 103 / 139	313 / 302 / 335	12 / 19 / 19	921 / 970 / 965	1240 / 1099 / 1085	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
FEBRUARY	323 / 250 / 263	201 / 83 / 122	201 / 83 / 122	52 / 52 / 29	113 / 133 / 144	161 / 126 / 95	161 / 126 / 95	92 / 105 / 76	2105 / 1853 / 1734	81 / 132 / 100	315 / 425 / 340	12 / 14 / 16	1240 / 1099 / 1085	81 / 132 / 100	315 / 425 / 340	12 / 14 / 16	1240 / 1099 / 1085	1240 / 1099 / 1085	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
MARCH	413 / 329 / 269	201 / 83 / 122	201 / 83 / 122	52 / 52 / 29	113 / 133 / 144	161 / 126 / 95	161 / 126 / 95	92 / 105 / 76	2105 / 1853 / 1734	81 / 132 / 100	315 / 425 / 340	12 / 14 / 16	1240 / 1099 / 1085	81 / 132 / 100	315 / 425 / 340	12 / 14 / 16	1240 / 1099 / 1085	1240 / 1099 / 1085	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
APRIL	349 / 254 / 258	232 / 237 / 246	232 / 237 / 246	40 / 35 / 46	137 / 109 / 139	180 / 107 / 123	180 / 107 / 123	84 / 84 / 105	1815 / 1984 / 1767	97 / 84 / 85	378 / 397 / 300	18 / 21 / 14	1103 / 915 / 883	97 / 84 / 85	378 / 397 / 300	18 / 21 / 14	1103 / 915 / 883	1103 / 915 / 883	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
MAY	304 / 263 / 262	221 / 241 / 230	221 / 241 / 230	54 / 41 / 85	98 / 122 / 150	161 / 110 / 131	161 / 110 / 131	96 / 88 / 100	1782 / 1741 / 1743	85 / 95 / 112	333 / 374 / 295	17 / 18 / 18	971 / 958 / 1007	85 / 95 / 112	333 / 374 / 295	17 / 18 / 18	971 / 958 / 1007	971 / 958 / 1007	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
JUNE	302 / 257 / 264	208 / 220 / 243	208 / 220 / 243	47 / 32 / 37	117 / 128 / 149	146 / 119 / 128	146 / 119 / 128	81 / 111 / 101	1902 / 1828 / 2203	87 / 104 / 90	420 / 370 / 260	15 / 10 / 7	1016 / 859 / 864	87 / 104 / 90	420 / 370 / 260	15 / 10 / 7	1016 / 859 / 864	1016 / 859 / 864	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
JULY	236 / 228 / 275	145 / 134 / 192	145 / 134 / 192	46 / 35 / 46	119 / 126 / 155	113 / 121 / 109	113 / 121 / 109	84 / 71 / 113	1742 / 1615 / 1618	93 / 93 / 94	375 / 379 / 276	15 / 13 / 17	952 / 946 / 887	93 / 93 / 94	375 / 379 / 276	15 / 13 / 17	952 / 946 / 887	952 / 946 / 887	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
AUGUST	254 / 269 / 256	237 / 275 / 256	237 / 275 / 256	50 / 47 / 59	123 / 135 / 149	128 / 120 / 126	128 / 120 / 126	90 / 97 / 130	1838 / 1741 / 1850	86 / 132 / 115	389 / 408 / 289	23 / 14 / 17	1059 / 1020 / 1064	86 / 132 / 115	389 / 408 / 289	23 / 14 / 17	1059 / 1020 / 1064	1059 / 1020 / 1064	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
SEPTEMBER	278 / 251 / 224	179 / 229 / 218	179 / 229 / 218	65 / 45 / 75	110 / 126 / 149	135 / 99 / 101	135 / 99 / 101	81 / 78 / 55	1784 / 1542 / 1667	102 / 111 / 83	350 / 355 / 254	18 / 11 / 9	1011 / 917 / 1047	102 / 111 / 83	350 / 355 / 254	18 / 11 / 9	1011 / 917 / 1047	1011 / 917 / 1047	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
OCTOBER	288 / 265 / 287	186 / 233 / 223	186 / 233 / 223	37 / 44 / 58	93 / 116 / 173	123 / 123 / 101	123 / 123 / 101	97 / 79 / 92	1724 / 1757 / 1877	110 / 102 / 116	322 / 345 / 284	21 / 27 / 12	980 / 923 / 1129	110 / 102 / 116	322 / 345 / 284	21 / 27 / 12	980 / 923 / 1129	980 / 923 / 1129	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	
CALENDAR YEAR	3087 / 2678 / 2666	2014 / 2092 / 2122	2014 / 2092 / 2122	490 / 420 / 509	1131 / 1237 / 1531	1440 / 1159 / 1128	1440 / 1159 / 1128	868 / 890 / 929	18413 / 17380 / 17742	951 / 1038 / 1018	3501 / 3716 / 2935	167 / 159 / 148	10267 / 9636 / 9882	951 / 1038 / 1018	3501 / 3716 / 2935	167 / 159 / 148	10267 / 9636 / 9882	10267 / 9636 / 9882	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	
MONTHLY AVERAGES	309 / 268 / 267	201 / 209 / 212	201 / 209 / 212	49 / 42 / 51	113 / 124 / 153	144 / 116 / 113	144 / 116 / 113	87 / 89 / 93	1841 / 1738 / 1774	95 / 104 / 102	350 / 372 / 294	17 / 16 / 15	1027 / 964 / 988	95 / 104 / 102	350 / 372 / 294	17 / 16 / 15	1027 / 964 / 988	1027 / 964 / 988	1103 / 915 / 883	4366 / 4017 / 3961	3891 / 3924 / 3857	4785 / 4351 / 4020	4433 / 4227 / 3966	

**Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2008
As of October 31, 2007**

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 1995-96	Hospital Information System	\$1,300,000
FY 2006-07	Platelet Incubator/Agitator Purchase (non-budget)	2,600
	QuadraMed Tempus One Scheduling System (Includes Surgery Module)	233,750
	GE Centricity RHC Electronic Health Record Software	75,950
	Hologic Stereotactic Breast Biopsy System	156,000
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,768,300</u>
FY 2007-08	Biomerieux Blood Culture Instrument	44,375
	Manageware Infant Security Solution	45,001 *
	Contract Management Software	4,400 *
	GE Pelvic Ultrasound for RHC	47,351 *
	Network Switch Upgrade	171,957
	Gemstar Pain Management Devices	32,777
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>345,860</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	1,768,300
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>345,860</u>
	Year-to-Date Board-Approved Amount to be Expended	2,017,409
	Year-to-Date Administrator-Approved Amount	86,392 *
	Actually Expended in Current Fiscal Year	96,751 *

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2008
 As of October 31, 2007**

MONTH APPROVED BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	<u>AMOUNT</u>
TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>2,200,552</u></u>
Total-to-Date Spent on Incomplete Board Approved Expenditures (Hospital Information System and Building Project)	1,199,399
 Reconciling Totals:	
Actually Capitalized in the Current Fiscal Year Total-to-Date	183,143
Plus: Lease Payments from a Previous Period	0
Less: Lease Payments Due in the Future	0
Less: Funds Expended in a Previous Period	0
Plus: Other Approved Expenditures	<u>2,017,409</u>
ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>2,200,552</u></u>
Donations by Auxiliary	0
Donations by Hospice of the Owens Valley	0
Donations by Others (Barry Miller & Associates for Infant Security System)	<u>5,000</u>
	<u><u>5,000</u></u>

***Completed Purchase**

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

****Completed in prior fiscal year**

**Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2008
 As of October 31, 2007**

MONTH	APPROVED	AMOUNT
BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES		
Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:		
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
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, 2008
As of October 31, 2007**

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
SECURECHECK-PRO UPGRADE	ACCOUNTING	3,213		
SONY AIT-4 TAPE DRIVES	IT	3,297		
Month Ending October 31, 2007			6,509	86,392

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3. Fires trigger CA hospital evacuations

Four San Diego area hospitals and several nursing homes have been forced to evacuate by the wild fires affecting seven southern California counties.

Mountains Community Hospital in Lake Arrowhead, Pomerado Hospital in Poway, Aurora Behavioral Healthcare San Diego and Fallbrook Hospital have closed, and their more than 1,600 medical patients have been evacuated and moved to other facilities. Since wildfires began in San Diego County Oct. 21, Scripps Health has treated 166 patients, Sharp Healthcare has treated 380 patients and UCSD Medical Center Regional Burn Center has treated at least 16 patients from the fire. Scripps and Sharp also provided staff to the area's medical operation center, which is activated during disasters, and hospital medical supplies and cots were dispatched to evacuation sites. Most San Diego County hospitals have reported canceling all elective surgeries and admissions.

"Hospitals in San Diego County have pulled together under extraordinary conditions to care for their patients and community during this disaster," said Lois Suder, chief operating officer for the California Hospital Association. "They have performed remarkably during this devastating event, especially when some of the hospital workers have lost their own homes and been displaced. We've established the Hospital Worker's Fire Relief Fund to help these courageous people rebuild their homes and lives."

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Differences Between Speaker Núñez and Gov. Schwarzenegger Health Care Reform Proposals

	<p>Assembly Speaker Núñez AB 8 (As amended – 9/7/07)</p>	<p>Assembly Speaker Fabian Núñez AB XIX (As Proposed to be Amended on November 8, 2007)</p>	<p>Governor Schwarzenegger Legislative Language</p>
<p>“Pay or Play”</p>	<p>Employers would be required to spend at least 7.5% of payroll on employee health care expenditures or pay an equivalent amount to a state fund. Employers must elect to “pay or play” for their full-time employees, and “pay or play” for their part-time employees.</p>	<p>Sliding scale based on employer payroll. Employers with payrolls at or above \$350,000 annually would be required to spend at least 6.5% of payroll on employee health care expenditures or pay an equivalent amount to a state fund. Employers with payrolls below \$100,000 would pay % and employers of payroll between \$100,000 and \$250,000 would pay %.</p> <p>Employers must elect to “pay or play” for their employees with wages above \$25,000/year, and “pay or play” for their employees below \$25,000 per year.</p>	<p>States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include employer fees that range from 0% to 4% for employers not expending an equivalent amount for health care services, with employers of 10 or more full-time equivalent employees required to pay 4%.</p>

Individual Mandate	<p style="text-align: center;">Assembly Speaker Núñez AB 8 (As amended – 9/7/07)</p> <p>None. Employees would be required to accept coverage (a “take up” requirement) unless they have other group or public program coverage, or if the cost of coverage meeting specified criteria exceeds 5% of wages paid by their employer.</p>	<p style="text-align: center;">Assembly Speaker Fabian Núñez AB XIX (As Proposed to be Amended on November 8, 2007)</p> <ul style="list-style-type: none"> • All Californians must enroll in and maintain minimum coverage. • The Managed Risk Medical Insurance Board (MRMIB) would define what constitutes minimum coverage. • The minimum health coverage would be required to include the same scope of services as required under the Knox-Keene Act (the body of law regulating health plans in California), plus prescription drugs. • MRMIB would be required to exempt individuals for whom coverage is not affordable, or who have a financial hardship. 	<p style="text-align: center;">Governor Schwarzenegger Legislative Language</p> <ul style="list-style-type: none"> • All Californians must enroll in and maintain minimum health coverage. • The Secretary of Health and Human Services Agency determines the minimum health coverage. • The minimum health coverage would be required to include hospital, medical and preventive services.
County Funding Shift to State	None.	States legislative intent that the bill be financed in part by revenues from counties to support the cost of state assumption of covering medically indigent adults that are currently county financial liability.	States legislative intent that the bill be financed by revenue from counties to support the cost of enrolling people otherwise entitled to county-funded care.

	Assembly Speaker Núñez AB 8 (As amended – 9/7/07)	Assembly Speaker Fabian Núñez AB XIX (As Proposed to be Amended on November 8, 2007)	Governor Schwarzenegger Legislative Language
Medi-Cal Coverage Expansion	Expands health plan coverage using Medicaid funds to parents and caretaker relatives with family incomes at or below 300% FPL (at or below \$51,510 for a family of 3 in 2007).	Expands coverage to parents and caretaker relatives with family incomes at or below 300% FPL (at or below \$51,510 for a family of 3 in 2007) and expands coverage to single adults with incomes less than 250% FPL (at or below \$42,925 for a family of 3 in 2007).	Expands coverage to parents and caretaker relatives with family incomes at or below 250% FPL (at or below \$42,925 for a family of 3 in 2007) and expands coverage to single adults with incomes less than 250% FPL.
Hospital Fee	None.	Agreed to include on ballot.	States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include fees paid by hospitals at a rate of 4% of patient revenues.
Leasing the State Lottery	None.	None.	States legislative intent that the bill be financed contributions from employers, individuals, government and health care providers, and the financial support include additional public funds obtained through licensing the State Lottery.
Tobacco Tax Increase	None.	Increases the tax on a package of cigarettes by \$2 per pack, and an equivalent amount for other tobacco products.	None.
Tax Credit/Subsidy for Affordability	None.	250-450% FPL	250-350% FPL

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Attached for your information is a Media Statement that CHA has just issued regarding the introduction today of federal legislation calling for a one-year moratorium on the controversial Medicare Recovery Audit Contractor (RAC) program. California Reps. Lois Capps (D-Santa Barbara) and Devin Nunes (R-Tulare) are the co-authors of H.R. 4105.

As many of you are probably aware, the RAC program has been riddled with flaws since it was launched as a demonstration project in three states (California, New York and Florida) in early 2006. Here in California, the program contractor - PRG-Schultz International - has routinely denied 90 percent or more of all the Medicare inpatient rehabilitation claims it has reviewed in the past 18 months. As a result of this unusually high denial rate, the RAC program has caused serious concerns among providers. Increasingly, hospitals are facing the choice of having to turn away patients with legitimate medical needs or risk being denied payment for the treatment they provide.

The one-year moratorium called for in H.R. 4105 will allow both CMS and the GAO to thoroughly review the RAC program and report back to Congress before it is expanded nationwide. Unless the moratorium is enacted, the RAC program will be expanded to all 50 states in March 2008.

Reps. Capps and Nunes have worked tirelessly on behalf of California's hospitals and the patients they serve. CHA is extraordinarily grateful to them both.

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NORTHERN INYO HOSPITAL POLICY AND PROCEDURE

Title: Maternal and Infant Drugs of Abuse Screening	
Scope: Multi-Department	Department: Nursing, Lab, Medical Staff
Source:	Effective Date:

PURPOSE:

To comply with Health & Safety Code Section 123605, and Penal Code Section 11165.3 and to help protect infants who have been exposed to drugs or alcohol prenatally and thus who may be at risk for withdrawal or parental neglect.

POLICY:

1. NIH will arrange for a Needs Assessment by the Inyo County Child Protective Services (hereafter CPS) Social Worker or other qualified Health Care Provider (hospital social worker/physician/nurse) for all infants with a history of passive exposure to drugs and alcohol.
2. Arrangements will be made for appropriate follow-up services prior to the infant's discharge.

The attending physician will order The Drugs of Abuse Screen (detecting amphetamines, cannabis [hereafter THC], cocaine, opiates, benzodiazepines, phencyclidines, barbiturates and tricyclic antidepressants) when indicated. If alcohol is to be tested for, it requires a blood sample and is a separate test. The urine test provides only a preliminary result. A more specific alternate chemical method must be used in order to obtain a confirmed analytical result. Physician should order the confirmatory testing as soon as possible, as turn around times may be less than optimal.

Maternal High Risk Factors:

- a. Late prenatal care (hereafter PNC) (<4visits), or no PNC
 - b. History of substance use (in the last 4 years)
 - c. Suspicion of substance use based on physician or nursing observations (e.g., tracks, signs of intoxication or withdrawal, etc.)
 - d. Actively undergoing treatment in a substance abuse program
 - e. Home deliveries
 - f. Suspected or confirmed placental abruption
 - g. Pre-term labor
 - h. Low birth weight infant
 - i. Past births of substance-exposed newborns
3. Physician will order testing on any mother who is suspected of (i.e., per Maternal High Risk Factors listed above) or self-reports using alcohol or illicit drugs. Patient will have a urine drug screen obtained to establish the presence of drug metabolite. These mothers will be questioned as to any history of alcohol or drug use and will be informed that it is hospital policy that any mother with any risk factors will be tested for Drugs Of Abuse, as will their infants (It should be explained that these substances may have significant effects on their baby, which may influence the care they need).

4. Upon admission of a mother who meets the above criteria, the labor nurse will obtain a physician's order (or determine if there is a standing order) and will then obtain the mother's urine sample (minimum of 10ml) before she receives any analgesia or sedation, and send the sample ASAP to the lab for a Drugs of Abuse Screen. When the labor nurse is collecting the urine sample, the mother is to be notified of the following:
 - a. We are going to screen her urine for drugs of abuse.
 - b. We will be collecting and screening the baby's first urine.
5. If the mother's urine tests positive, we will ask her to pump her breasts and discard the milk until a clean screen is obtained, except THC.
6. The nurse's notes are to reflect that all of the above was communicated to the mother and that she understood. The nurse must also carefully chart all of the signs and symptoms of the mother's suspected or self-reported substance abuse. If the patient refuses a drug screen, the nurse must document in her nurses notes and report incident to physician.
7. Any infant who is questionably symptomatic for withdrawal, i.e. showing clinical signs associated with withdrawal from alcohol or drugs, including jitteriness, irritability, seizures, hyper or hypo-tonia, apnea, tachypnea, abnormal cry, sleep and feeding patterns, microcephaly, among others, will have a urine bag placed. Their urine will be obtained and held until an order can be obtained from the Pediatrician.
8. Collection of urine for Drugs of Abuse Screen specimen and completion of Laboratory Requisition slip:
 - a. Verify the identification of the individual to be tested using the arm band and compare identification to the addressograph on the request slip and specimen container.
 - b. If possible, have the mother urinate directly into the correctly labeled specimen container.
 - c. Close the lid on the specimen container, and identify specimen by:
 - d. On Laboratory Requisition slip writes: "Urine for Drugs of Abuse Screen."
 - e. Verify correct addressograph information on the lab slip to the information on the specimen.
 - f. Send specimen to the Lab immediately.
9. Chart in nurses notes that specimen was obtained and taken to the Lab.
10. Mothers who are toxicology positive for any of the above, with the exception of THC, should not breastfeed. If they want to breastfeed, they must pump and discard the milk until their toxicology screen is negative. Mothers who are stable on methadone may be allowed to breastfeed, depending on their dose and per orders from the pediatrician.
11. Notify physicians of maternal risk factors and the results of the Drugs of Abuse Screen for the mother and the infant, and any pertinent history or symptoms. If this occurs during the night, inform the physicians in the morning.
12. Notify Social Services of admission of "at-risk" mom and baby. The hospital social worker will:
 - a. Perform a Perinatal Substance Use Needs Assessment. If history of substance abuse is THC only and is greater than 2 years old, interviewer will determine need for completion of Needs Assessment Form.

- b. Inform mother of effects of perinatal substance use and the toxicology results for her and her baby, and recommend referrals. Provide handouts on risks, effects, and comforting techniques. Demonstrate comforting methods.
 - c. Make a Public Health Nurse (hereafter PHN) referral on all mothers who have a history of substance use, or meet any other high-risk criteria. If there is concern warranting a PHN visit immediately following discharge, the PHN will be notified by phone.
 - d. Notify the County CPS of all patients with a drug history, regardless of toxicology results.
 - e. Make a referral to Child Protective Services in writing based on the Needs Assessment. The physicians caring for both mother and infant must be notified.
13. If the hospital social worker is not available, and if another qualified staff member, including a registered nurse, cannot accomplish these tasks, the pediatrician should be notified.

Committee Approval	Date
Perinatal-Pediatrics Committee	10-16-2007
Medical Staff Executive Committee	
Hospital Administration	
NICLHD Board of Directors	

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Reporting of Adverse Events to the State	
Scope: Hospitalwide	Department:
Source:	Effective Date:

PURPOSE:

To comply with Section 1279.1 of the California Health and Safety Code.

POLICY:

NIH shall report "Adverse Events" listed in this policy to the California Department of Public Health (successor to DHS, same phone number) no later than five days after such an event has been detected, or, if an event is an ongoing urgent or emergent threat to the welfare, health, or safety of patients, personnel, or visitors, not later than 24 hours after the Adverse Event has been detected.

PROCEDURE:

1. NIH employees/supervisors involved in or aware of a possible Adverse Event shall report same immediately after performing any urgent or emergent patient care functions. The verbal and written reporting shall follow the appropriate chain of command, i.e., one's direct supervisor. Evidence of possible Adverse Events potentially reportable to the Department of Public Health will be reported to the Administrator or designee using the standard Quality Review Report form, including as much detail as possible.
2. Administrator/designee shall immediately notify the Chief of Staff and the patient's attending physician or covering physician.
3. The attending physician shall consult with the relevant Chief of Service, Chief of the Medical Staff/designee, and Administrator/designee to determine if the possible adverse event meets the criteria for reporting to the California Department of Public Health. The Chief of Staff or designee shall assure that a determination of any clinical or medical practice issues is made without delay, even if the attending/responsible practitioner and/or applicable Chief of Service is/are unavailable. If determined that criteria is met, Administrator/designee will notify the Performance Improvement Coordinator and the event will be reported in a timely fashion.
4. Immediately upon determination that an adverse event has been 'detected,' the Chief of Staff or designee shall assure that the patient or responsible person is notified of the adverse event by the attending or responsible practitioner, or by an officer of the Medical Staff. When the patient or responsible person is informed of the adverse event, a standardized medical record entry may be made, such as : "the patient or responsible person received notice relative to the California Adverse Reporting Law."
5. All documentation of the Medical Staff's evaluation of clinical or medical practice issues relating to possible adverse events shall be maintained as confidential documents of the Medical Executive Committee, so as to preserve their protection under Evidence Code, Section 1157.
6. The Chief of Staff or designee shall report adverse events to the Medical Executive Committee together with a summary of evaluations of clinical or medical practice issues. The Medical Executive Committee shall refer the matter to the appropriate Service or Committee or shall itself take action related to the findings.

7. Adverse events reportable under this policy are:

a. Surgical events, including the following:

- i. Surgery performed on a wrong body part that is inconsistent with the documented informed consent for that patient. A reportable event under this subparagraph does not include a situation requiring prompt action that occurs in the course of surgery or a situation that is so urgent as to preclude obtaining informed consent.
- ii. Surgery performed on the wrong patient.
- iii. The wrong surgical procedure performed on a patient, which is a surgical procedure performed on a patient that is inconsistent with the documented informed consent for that patient. A reportable event under this subparagraph does not include a situation requiring prompt action that occurs in the course of surgery, or a situation that is so urgent as to preclude the obtaining of informed consent.
- iv. Retention of a foreign object in a patient after surgery or other procedure, excluding objects intentionally implanted as part of a planned intervention and objects present prior to surgery that are intentionally retained.
- v. Death during or up to 24 hours after induction of anesthesia after surgery of a normal, healthy patient who has no organic, physiologic, biochemical, or psychiatric disturbance and for whom the pathologic processes for which the operation is to be performed are localized and do not entail a systemic disturbance.

b. Product or device events, including the following:

- i. Patient death or serious disability associated with the use of a contaminated drug, device, or biologic provided by the health facility when the contamination is the result of generally detectable contaminants in the drug, device, or biologic, regardless of the source of the contamination or the product.
- ii. Patient death or serious disability associated with the use or function of a device in patient care in which the device is used or functions other than as intended. For purposes of this subparagraph, "device" includes, but is not limited to, a catheter, drain, or other specialized tube, infusion pump, or ventilator.
- iii. Patient death or serious disability associated with intravascular air embolism that occurs while being cared for at NIH, excluding deaths associated with neurosurgical procedures known to present a high risk of intravascular air embolism.

c. Patient protection events, including the following:

- i. An infant discharged to the wrong person.
- ii. Patient death or serious disability associated with patient disappearance for more than four hours, excluding events involving adults who have competency or decision-making capacity.
- iii. A patient suicide or attempted suicide resulting in serious disability while being cared for at NIH due to patient actions after admission, excluding deaths resulting from self-inflicted injuries that were the reason for admission to the health facility.

- d. Care management events, including the following:
 - i. A patient death or serious disability associated with a medication error, including, but not limited to, an error involving the wrong drug, the wrong dose, the wrong patient, the wrong time, the wrong rate, the wrong preparation, or the wrong route of administration, excluding reasonable differences in clinical judgment on drug selection and dose.
 - ii. A patient death or serious disability associated with a hemolytic reaction due to the administration of ABO-incompatible blood or blood products.
 - iii. Maternal death or serious disability associated with labor or delivery in a low-risk pregnancy while being cared for in a facility, including events that occur within 42 days post delivery and excluding deaths from pulmonary or amniotic fluid embolism, acute fatty liver of pregnancy, or cardiomyopathy.
 - iv. Patient death or serious disability directly related to hypoglycemia, the onset of which occurs while the patient is being cared for at NIH.
 - v. Death or serious disability, including kernicterus, associated with failure to identify and treat hyperbilirubinemia in neonates during the first 28 days of life. For purposes of this subparagraph, "hyperbilirubinemia" means bilirubin levels greater than 30 milligrams per deciliter.
 - vi. A Stage 3 or 4 ulcer, acquired after admission, excluding progression from Stage 2 to Stage 3 if Stage 2 was recognized upon admission.
 - vii. A patient death or serious disability due to spinal manipulative therapy performed at NIH.
- e. Environmental events, including the following:
 - i. A patient death or serious disability associated with an electric shock while being cared for at NIH, excluding events involving planned treatments, such as electric countershock.
 - ii. Any incident in which a line designated for oxygen or other gas to be delivered to a patient contains the wrong gas or is contaminated by a toxic substance.
 - iii. A patient death or serious disability associated with a burn incurred from any source while being cared for at NIH.
 - iv. A patient death associated with a fall while being cared for at NIH.
 - v. A patient death or serious disability associated with the use of restraints or bedrails while being cared for at NIH.
- f. Criminal events, including the following:
 - i. Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed health care provider.
 - ii. The abduction of a patient of any age.
 - iii. The sexual assault on a patient within or on the grounds of NIH.
 - iv. The death or significant injury of a patient or staff member resulting from a physical assault that occurs within or on the grounds of NIH.
- g. An adverse event or series of adverse events that cause the death or serious disability of a patient, personnel, or visitor.

8. For purposes of this policy, "Serious disability" means a physical or mental impairment that substantially limits one or more of the major life activities of an individual, or the loss of bodily function, if the impairment or loss lasts more than 7 days or is still present at the time of discharge, or the loss of a body part.

Committee	Approved	Revised
Policy and Procedure Committee		
Medical Executive Committee		
Administration		
Board of Directors		

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Professional Conduct. Prohibition of Disruptive or Discriminatory Behavior	
Scope: Hospitalwide	Department:
Source: Medical Staff	Effective Date:

POLICY

All Medical Staff members shall conduct themselves at all times while on Hospital premises in a courteous, professional, respectful, collegial, and cooperative manner. This applies to interactions and communications with or relating to Medical Staff colleagues, AHPs, nursing and technical personnel, other caregivers, other Hospital personnel, patients, patients' family members and friends, visitors, and others. Such conduct is necessary to promote high quality patient care and to maintain a safe work environment. Disruptive, discriminatory, or harassing behavior, as defined below, are prohibited and will not be tolerated.

Definitions

- A. "Disruptive Behavior" is marked by disrespectful behavior manifested through personal interaction with practitioners, Hospital personnel, patients, family members, or others, which:
1. interferes, or tends to interfere with high quality patient care or the orderly administration of the Hospital or the Medical Staff; or
 2. creates a hostile work environment; or
 3. is directed at a specific person or persons, would reasonably be expected to cause substantial emotional distress, and serves no constructive purpose in advancing the goals of health care.
- B. "Discrimination" is conduct directed against any individual (e.g., against another Medical Staff member, AHP, Hospital employee, or patient) that deprives the individual of full and equal accommodations, advantages, facilities, privileges, or services, based on the individual's race, religion, color, national origin, ancestry, physical disability, mental disability, medical disability, marital status, sex, gender, or sexual orientation.
- C. "Sexual harassment" is unwelcome verbal or physical conduct of a sexual nature, which may include verbal harassment (such as epithets, derogatory comments or slurs), physical harassment (such as unwelcome touching, assault, or interference with movement or work), and visual harassment (such as the display of derogatory or sexual-themed cartoons, drawings or posters). Sexual harassment includes unwelcome advances, requests for sexual favors, and any other verbal, visual, or physical conduct of a sexual nature when (1) submission to or rejection of this conduct by an individual is used as a factor in decisions affecting hiring, evaluation, retention, promotion, or other aspects of employment; or (2) this conduct substantially interferes with the individual's employment or creates an intimidating, hostile, or offensive work environment. Sexual harassment also includes conduct indicating that employment and/or employment benefits are conditioned upon acquiescence in sexual activities.

Examples of Prohibited Conduct

Examples of prohibited, disruptive conduct may include, but are not limited to, any of the conducts described below if it is found to interfere, or tend to interfere, with patient care or the orderly administration of the Hospital or Medical Staff; or, if it creates a hostile work environment; or, if it is directed at a specific person or persons, causes substantial emotional distress, and has no legitimate purpose:

- A. Any striking, pushing, or inappropriate touching of Hospital Staff or others;
- B. Any conduct that would violate Medical Staff and/or Hospital policies relating to discrimination and/or sexual harassment;
- C. Forcefully throwing, hitting, pushing, or slamming objects in an expression of anger or frustration;
- D. Yelling, screaming, or using an unduly loud voice directed at patients, Hospital employees, other practitioners, or others;
- E. Refusing to respond to a request by any care-giver for orders, instructions, or assistance with the care of a patient, including, but not limited to, repeated failure to respond to calls or pages;
- F. Use of racial, ethnic, epithetic, or derogatory comments, or profanity, directed at Hospital employees or others;
- G. Criticism which is unreasonable and unprofessional of Hospital or Medical Staff personnel (including other practitioners), policies or equipment, or other negative comments that undermine patient trust in the Hospital or Medical Staff in the presence or hearing of patients, patients' family members, and/or visitors;
- H. Use of medical record entries to criticize Hospital or Medical Staff personnel, policies, or equipment, other practitioners, or others;
- I. Unauthorized use and/or disclosure of confidential or personal information related to any employee, patient, practitioner, or other person;
- J. Use of threatening or offensive gestures;
- K. Intentional filing of false complaints or accusations;
- L. Any form of retaliation against a person who has filed a complaint against a practitioner alleging violation of the above standard of conduct;
- M. Use of physical or verbal threats to Hospital employees, other practitioners, or others, including, without limitation, threats to get an employee fired or disciplined;

- N. Persisting to criticize, or to discuss performance or quality concerns with particular Hospital employees or others after being asked to direct such comments exclusively through other channels;
- O. Persisting in contacting a Hospital employee or other person to discuss personal or performance matters after that person or a supervisory person, the Chief Executive Officer (“CEO”), or designee, or Medical Staff leader, has requested that such contacts be discontinued [NOTE: MEDICAL STAFF MEMBERS ARE ENCOURAGED TO PROVIDE COMMENTS, SUGGESTIONS AND RECOMMENDATIONS RELATING TO HOSPITAL EMPLOYEES, SERVICES OR FACILITIES; WHERE SUCH INFORMATION IS PROVIDED THROUGH APPROPRIATE ADMINISTRATIVE OR SUPERVISORY CHANNELS];
- P. Obstructing the peer review process by intentionally refusing, without justification, to attend meetings or respond to questions about the practitioner’s conduct or professional practice when the practitioner is the subject of a focused review or investigation.

PROCEDURE

Hospital Staff Response to Disruptive or Discriminatory Behavior or Sexual Harassment (“Walk Away Rule”)

Any Hospital employee (“Caregiver”) who believes that he or she is being subjected to disruptive or discriminatory behavior or sexual harassment within the meaning of this Policy by a Medical Staff member is authorized and directed to take the following actions:

- A. Promptly contact the Caregiver’s immediate supervisor to report the situation and to arrange for the transition of patient care as necessary in order to permit the Caregiver to avoid conversing or interacting with the Practitioner;
- B. Discontinue all conversation or interaction with the Practitioner except to the extent necessary to transition patient care responsibility safely and promptly from the Caregiver to another qualified person as directed by the Caregiver’s supervisor;
- C. Continue work or patient care activity elsewhere as directed; and
- D. Consult with supervisory personnel or with the Director of Human Resources about filing a written report of the alleged incident.

Enforcement

- A. Allegations
 - 1. All allegations of disruptive behavior, discrimination, or sexual harassment, as defined above, by a Practitioner involving a patient or involving another member of the Medical or AHP staff shall be forwarded, in writing, to Medical Staff Administration. If the allegations involve the Chief of Staff, the Vice Chief of Staff shall take over the responsibilities of the Chief of Staff under this section. If the allegations involve a member

of the Medical Executive Committee, that member shall not participate or be present during the Medical Executive Committee's consideration of the matter. If the Chief of Staff determines that the allegations are supported by reliable evidence, the Chief of Staff shall forward the allegation to the Medical Executive Committee ("MEC") for action consistent with these Bylaws. Pursuant to Section 7.1.2.5.2 of these Bylaws, the Chief of Staff shall also consult with the Administrator.

2. Allegations of disruptive behavior, discrimination, or sexual harassment, as defined above, by a Practitioner, directed toward hospital employees or persons other than patients and Medical Staff members, will be immediately forwarded to the Chief of Staff. The Chief of Staff, or designee, shall promptly conduct an initial evaluation. If the Chief of Staff or designee determines that the complaint may be valid, she or he shall inform the Hospital Administrator and shall then proceed as provided herein.
3. Initial complaints of disruptive behavior, discrimination, or sexual harassment by a Practitioner shall be documented on an incident reporting form and shall be maintained in the Medical Staff Office. Where possible, reports should include:
 - a. Name(s) of individual(s) involved;
 - b. Date, time and place of incident;
 - c. A factual description and detailing of the incident;
 - d. All witnesses to the incident including any patient or patient's family member or visitor;
 - e. The immediate effects or consequences of the incident; and
 - f. Any action taken by anyone to intervene or remedy the incident.

B. Initial Investigation and Mediation

1. The Chief of Staff shall promptly establish an Ad Hoc Committee to investigate the complaint. If the complaining party is a Hospital employee, the Ad Hoc Committee shall include: the Chief of Staff or designee, the Chair of the practitioner's Clinical Department, or designee, the complaining employee's immediate supervisor, and the Director of Nursing. The Ad Hoc Committee shall take written statements from the complaining party, any witnesses, and the accused. The complaining party shall be informed of the process to investigate and respond to such allegations and shall be informed that retaliation for making such allegations will not be tolerated. The complaining party shall also be informed that if he or she makes a written statement, the statement may be made available to the Practitioner who is the subject of the allegations.
2. All witness statements and investigation documents shall be maintained in the Medical Staff Office as confidential, peer review documents.
3. If the complaint appears to be supported by reliable evidence, the Ad Hoc Committee shall meet with the Practitioner who is the subject of the complaint and advise the Practitioner of his or her obligations under this policy; that a complaint has been made; and that no retaliation against any complaining person, witness or investigator will be tolerated. The Chair of the Ad Hoc Committee shall provide the Practitioner with sufficient information to understand and respond to the allegations made by the complaining party. The Practitioner shall be permitted to respond orally or in writing to the allegations. Any

written statement provided by the Practitioner and all documentation of the investigation created by the Chief of Staff or designee, or by the Ad Hoc Committee, shall be maintained as confidential Medical Staff documents. The Ad Hoc Committee meeting with the Practitioner shall not constitute a hearing and the Practitioner shall not be entitled to legal counsel or other representation during the meeting. The Practitioner may, of course, seek legal counsel outside the meeting process.

4. The Chief of Staff of Staff or designee shall advise the Hospital Administrator of the complaint and the status of the investigation. Although legal counsel are not permitted to be present during interviews or meetings provided for in these provisions, the Chief of Staff or designee are encouraged to consult with Medical Staff legal counsel and the Practitioner, at his or her own expense, may consult legal counsel outside the investigation and meeting process.
5. The Chief of Staff or designee and Hospital Administrator shall take appropriate steps to assure that employees, witnesses and others are protected from discrimination, harassment, or retaliation pending the resolution of the complaint.
6. The Ad Hoc Committee shall attempt, if feasible and appropriate, to persuade the parties to agree to a resolution of the complaint, which would be produced in written form and signed by both parties.
7. If the Practitioner is determined to be at fault, the Ad Hoc Committee may enter into a voluntary conduct agreement with the Practitioner; may refer the Practitioner to the Medical Staff Assistance Committee; may refer the Practitioner for counseling or evaluation; or may coordinate other steps to reach an effective voluntary resolution of the issue.

C. Formal Action

1. If the Ad Hoc Committee, or its Chair, concludes that the matter cannot be resolved through voluntary actions and agreements, the Chair shall refer the matter to the MEC with a request for formal corrective action in accordance with Article 8 of the Bylaws. In the event of such referral, any member of the Medical Executive Committee who is the subject of the investigation shall not participate or be present during the Medical Executive Committee's consideration of the matter, except as is provided in subparagraph 2 or 3, below.
2. If immediate action must be taken in response to an imminent risk to the health or safety of any person, any person authorized under Section 7.1 to request corrective action may summarily suspend the Practitioner's Medical Staff membership and privileges in accordance with Section 7.2 of the Bylaws. In that event, the Practitioner shall be entitled to request an interview with the MEC to review the suspension within five (5) days of the suspension. The provisions of the Bylaws shall be followed for review of summary suspensions.
3. If the MEC initiates a corrective action investigation of the complaint, it shall, where feasible, assure that the investigation, although not constituting a hearing, shall include the following elements:

- a. The Practitioner shall be entitled to review, but not retain, copies of statements made by complaining parties and witnesses. The Practitioner shall also be entitled to receive a summary of other adverse information considered relevant to the investigation.
- b. The Practitioner shall be entitled to respond to the adverse statements and information and to submit oral or written information in response, subject to such conditions and limitations as the MEC may determine.
- c. If the MEC determines that there is substantial evidence that a violation of this policy has occurred, it may do any one or more of the following:
 - 1) Issue a written or oral reprimand. If a written or oral reprimand is issued, the Practitioner shall be entitled to reply orally or in writing to the MEC. A copy of any written reprimand and any written reply shall be maintained in the Practitioner's credentials file. A written reprimand shall not be considered medical disciplinary action, shall not be reported to the Medical Board of California or the National Practitioner Data Bank, and shall not entitle the Practitioner to a hearing or appeal under Article 8 of the Bylaws.
 - 2) Recommend that the Practitioner undertake psychoanalysis, therapy, counseling, or training.
 - 3) Recommend other corrective action in accordance with Article 8 of the Bylaws.
 - 4) If the MEC recommends action, which would entitle the Practitioner to request a Medical Staff hearing, special notice to the Practitioner shall be given in accordance with Section 8.6.2 of the Bylaws.

D. Action by the District Board or Designee

If the District Board determines that the MEC's action is inadequate, or if the MEC takes no action after the investigation, the District Board, after complying with applicable law, may do or recommend any one or more of the actions listed in Section C.4) above.

- E. If either the MEC or the District Board recommends corrective action, which, if adopted, would require a report to the Medical Board of California or the National Practitioner Data Bank, the Practitioner shall be notified of the proposed action and of his or her right to request a hearing in accordance with the Bylaws.

Committee	Approved	Revised
Medical Executive Committee		
Administration		
Board of Directors		

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NORTHERN INYO HOSPITAL
Northern Inyo County Local Hospital District
150 Pioneer Lane, Bishop, California 93514

Medical Staff Office
(760) 873-2136 voice
(760) 872-5836 fax
maggie.egan@nih.org

TO: NIH Clinical Departments

FROM: Maggie Egan, Medical Staff Coordinator

DATE: November 7, 2007

RE: Proctoring Assignments

The Medical Staff Executive Committee has made the following proctoring assignments for current Provisional Medical Staff Members:

Provisional Staff Member	Proctor
L. Jeanine Arndal, M.D.	David Greene, M.D.
J. Daniel Cowan, M.D.	Curtis Schweizer, M.D.
Robbin Cromer-Tyler, M.D.	D. Scott Clark, M.D.
Vasuki Sittampalam, M.D.	Nickoline Hathaway, M.D.
Reda Tadros, M.D.	Kenneth Saeger, M.D.
Bret Winter, M.D.	John Perry, M.D.

Copies of hospital privileges granted to the Provisional Staff members were distributed previously to the appropriate clinical departments and can be viewed on DMS.

If you have any questions or concerns, please contact me at extension 2236.

Thank you.

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PROPOSED AMENDMENT TO AGREEMENTS WITH LARA JEANINE ARNDAL, M.D.

Hospital Administration recommends the following changes be made to the agreements with Lara Jeanine Arndal, M.D.:

1. Change to the term of the *Agreement for Emergency Call Coverage for RHC* (section 3.01) to read: “The term of this Agreement shall be two (2) 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 the Hospital.”
2. Change to the malpractice insurance reimbursement percentage in the *RHC Staff Physician Agreement* (Section 3.02) to read: “The Hospital agrees to reimburse the physician 80% of the malpractice premium paid by the physician for the first year, and 20% of the malpractice insurance premium paid by the physician for the second year.”
3. Eliminate reference to benefits in the *RHC Staff Agreement* (section 6.01.B)
4. Change to the malpractice insurance reimbursement percentage in the *Private Practice Physician Income Guarantee and Practice Management Agreement* (section 3.02) to include a 20% reimbursement to the physician for the second year of practice.
5. Correction to the privileges in the *RHC Staff Physician Agreement* (section 1.03) to read: “obstetrical and gynecology privileges”, rather than “family practice privileges”.

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PROPOSED AMENDMENT TO AGREEMENT FOR RHC CALL WITH GEORGE KIBLER, M.D.

Hospital Administration recommends the following changes be made to the agreement for RHC Call with George Kibler, M.D.:

1. Increase in Dr. Kibler's compensation provision (section 2.02) to \$1,500 / week
2. Eliminate reference to Mandatory Call (Section 1.06)
3. Eliminate mention of need for additional physician recruitment (Section 2.04)
4. Effective date of amendment will be 12-24-2007

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November 1, 2007

GE
Government Finance

8400 Normandale Lake Blvd, Suite 470
Minneapolis, MN 55437
USA

T 800 346 3164
F 952 897 5601
www.ge.com/governmentfinance

MR. JOHN HALFEN
NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT DBA
NORTHERN INYO HOSPITAL
150 PIONEER LANE
BISHOP, CA 93514

RE: MASTER LEASE AGREEMENT

Dear: Mr. John Halfen

GE Government Finance, Inc., (GEGF) is pleased to have the opportunity to finance the radiology expansion equipment. Our goal is to make this process easy for you. The enclosed step-by-step instructions will assist you in completing the documentation. You may choose to forward each item as it is completed or wait until all documentation is complete and send us the package at one time.

To facilitate a funding on December 6, 2007, please forward the completed documentation to the undersigned by December 5, 2007. If you are aware of any possible delays which will prevent closing this transaction, please notify me. *If the completed documentation is not received by December 6, 2007, please be advised that the payment schedule may be adjusted to reflect the then current interest rates and payment dates and will be forwarded to you when a new funding date is established.*

If you have any questions regarding the documentation and funding process, please call me at 800-346-3164 ext. 5678. Any questions regarding the pricing, payment schedule or structure of this transaction, should be directed to **Michelle Van der Vieren** at ext. **5618**.

GEGF looks forward to working with you to complete this financing and others in the future.

Sincerely,

Janeen Hnasko

Documentation Specialist

KEY PROCESSES FOR LEASE AGREEMENT COMPLETION

The documentation consists of a Master Lease Agreement which sets forth the standard terms and conditions for the financing of equipment. Each Lease is documented by an Equipment Schedule to the Master Lease Agreement (Exhibit A). The Equipment Schedule sets forth the specific description of Equipment, the Lease Term and Rental Payments and incorporates the Master Lease Agreement by reference.

LEASE AGREEMENT EXECUTION

The following items are needed to close this Lease Transaction:

- _____ SIGNED Master Lease Agreement
- _____ SIGNED Exhibit A
- _____ SIGNED Payment Schedule
- _____ ORIGINAL Legal Opinion addressed to GEGF – Exhibit B
- _____ Copy of Resolution
- _____ SIGNED 8038G
- _____ Copy of Insurance Certificate *or* SIGNED Self-Insurance Questionnaire and Addendum
- _____ SIGNED Addendum to Equipment Schedule
- _____ SIGNED Escrow Agreement
- _____ Invoice Information Form

Once these items are completed, please forward them to GEGF at the following address:

ATTN.: JANEEN HNASKO
GE GOVERNMENT FINANCE, INC.
8400 NORMANDALE LAKE BLVD., SUITE 470
MINNEAPOLIS, MN 55437

RESOLUTION PASSAGE

A resolution or ordinance is required to be passed by your governing body to authorize your execution of the Master Lease Agreement and the financing of the Equipment described in the Equipment Schedule. Minutes of the meeting of the governing body in which the transaction was approved will also suffice. Please fax a copy of any Minutes for GEGF's review to ensure no other information is needed.

If you intend to be reimbursed for expenditures made for the Equipment prior to the date of the Lease, a REIMBURSEMENT RESOLUTION must be passed to formalize your intentions. If you have already made payments for the Equipment, you can pass a resolution up to 60 days following the expenditure and still receive reimbursement payments under the Lease Agreement.

We can provide sample drafts of the approving resolution and the reimbursement resolution upon your request.

ATTORNEY REVIEW

Your attorney must review the document package immediately so he/she can provide a legal opinion in the form of Exhibit B to the Master Lease Agreement. The legal opinion should be prepared on your counsel's letterhead and must be dated on or after the day the documents are executed.

INSURANCE SUBMISSION

Your insurance carrier should be instructed to issue a Certificate of Insurance showing GE Government Finance, Inc. as **LOSS PAYEE** and **ADDITIONAL INSURED**. A sample has been provided for your carrier's review. Please instruct them to:

FAX A COPY TO: GE Government Finance, Inc. - (952) 897-5601,

and

MAIL THE ORIGINAL TO:

GE Government Finance, Inc.
20225 Water Tower Blvd., Suite 300
Brookfield, WI 53045
Attn: Insurance Department

(This is the same address that should be used on the Certificate of Insurance)

If you are self insured, please complete the enclosed Self Insurance Questionnaire and forward it to GEGF with your document package.

☐ IRS Form 8038

The Internal Revenue Code requires that the Issuer (Lessee) of a tax-exempt obligation file a Form 8038 with the IRS. For your convenience, we have enclosed a partially completed Form 8038-G (the "Form") for your review. The information that we provided on the Form should be used for illustrative purposes only, and is not intended to be used as a substitute for your own careful review and consideration of the requested information. By providing this Form to you we are not providing legal or tax advice. It is your responsibility to ensure that the Form is correctly and completely prepared before filing with the IRS. Please review the Form carefully and, if it has not been inserted, insert your Federal ID Number in Box 2 of the Form (top right-hand corner). If the Form meets with your approval, please execute it and insert the date of execution as well as the typewritten or printed name and title of the official who signed the Form. Please return the executed Form with the other Documents and we will file it with the IRS on your behalf.

☐ BLANK EXHIBITS (included if new Master Lease Agreement)

Forms of Exhibits A, B and C are attached to the Master Lease Agreement in blank. These forms will be completed for each takedown under the Master Lease Agreement. The Exhibits are provided for your information as samples; they should not be completed or executed at this time.

☐ ESCROW AGREEMENT COMPLETION

Please sign and date the Agreement and forward to GEGF.

An Arbitrage and Tax Certificate is also required with any escrow funded transaction. Please complete the form, Exhibit B to the Escrow Agreement, by filling in the information where blanks have been marked, date it and send to GEGF.

IF YOU HAVE ANY QUESTIONS, PLEASE CALL JANEEN HNASKO AT 800-346-3164 EXT.5678..

GE Government Finance, Inc. (GEGF)

IMPORTANT! Your Invoice Information

Directions: Please complete this form and return with your signed Lease Agreement or FAX to 952-897-5601

Please make any necessary corrections to the following information:

Customer name NORTHERN INYO COUNTY LOCAL Account #: 8600603-001
HOSPITAL DISTRICT DBA
NORTHERN INYO HOSPITAL

Contact name JOHN HALFEN Title _____

Contact phone 760-873-5811 Fax 760-872-2768

Federal Tax id# 95-6005449 E-mail Address John.halfen@nih.org

1. Where would you like your invoice sent?

Billing address _____
City/state/zip _____
Attention _____ Phone _____
Department _____

2. What information would you like on your invoice?

- Purchase Order number (if checked, list PO number: _____) Expiration date _____
Purchasing Contact _____ Phone Number _____
- Equipment serial number, model number and description
- Equipment location _____
- Department/Agency _____

3. How many days in advance of your payment due date would you like your invoice mailed to you?

- 45 days 60 days 90 days

4. We can provide you with one invoice that incorporates the billing for all your GEGF accounts that have the same due date. Would you like to receive one combined invoice?

- Yes No

5. GEGF offers an Electronic Payment System (EPS) in which GEGF initiates the transfer of funds to pay your Rental Payments, saving you time and money. Please read the enclosed information, complete the enclosed form and return with your documents.

6. To help us plan for possible future enhancements to invoices, what other information would you like to see on your invoice?



**AUTHORIZATION AGREEMENT
FOR PRE-ARRANGED PAYMENTS (DEBITS)**

I (We) authorize GENERAL ELECTRIC COMPANY to initiate debit entries for my (our) payment due each month under my (our) lease/line, maxiservice, lease agreement, promissory note, installment and/or service contract and the Financial Institution indicated below to debit with the amounts thereof the account listed below:

Bank Name: _____
Bank Address: _____
City: _____ State: _____ Zip: _____

The following information can be provided from your check so please attach a copy of your voided check:

Account Name: _____
Nine-digit Bank ID Number: _____
Your Bank Account Number: _____

I (We) further authorize GENERAL ELECTRIC COMPANY to adjust the dollar amount transferred from my (our) account to correspond to periodic changes in the payment due under the terms of my (our) contract.

Please check (X) to authorize GENERAL ELECTRIC COMPANY to automatically debit all current or past due property taxes (if applicable). Yes . No . (If NO, Please remit payment due by other payment method).

Rules and Regulations

1. I (We) understand that due to the difference in timing between the first due date and the booking of the contract, the initial debit may be for more than one monthly payment but will not be for more than the actual total monthly amounts due at that time.
2. I (We) understand that I (we) will continue to receive an invoice each month as notification of the amount to be debited from my (our) account.
3. I (We) have the right to stop a transfer of money from my (our) account by notifying my (our) financial institution either orally or in writing at least three (3) business days before the payment date.
4. If a deduction is made in error I (we) have the right to be paid immediately by my (our) bank for the amount of the erroneous deduction provided that I (we) notify my (our) bank about the erroneous deduction within fifteen (15) days after my (our) account statement is issued or forty-five (45) days after the deduction was made or by notifying General Electric Medical Systems (414-798-4494).

I (we) have read this Agreement and fully understand my (our) rights and obligations under this Agreement.

44 _____
Signature

Date

HOW TO GET FUNDS OUT OF ESCROW

GE Government Finance, Inc., (GEGF) appreciates doing business with you. Enclosed in this packet are complete instructions to assist you with each request.

Following is a list of items needed to complete an escrow disbursement:

- Completed Payment Request Form (including signature);**
- If backed by a Letter of Credit (LOC), you will need to get the LOC bank's signature on each disbursement request before sending to GEGF;**
- Equipment Invoice(s) with detailed description of Equipment (i.e. serial numbers);**
- Proof of payment if Payee is Lessee (i.e. copy of canceled checks);**
- If vehicle, title application and MSO with GE Government Finance, Inc., listed as first lienholder; and**
- Insurance Certificate**

IF YOU HAVE ANY QUESTIONS PLEASE CALL:

800-346-3164 ext. 5678

**Janeen Hnasko, Documentation Specialist
8400 Normandale Lake Blvd., Suite 470
Minneapolis, MN 55437**

CERTIFICATE OF INSURANCE

ISSUE DATE

**PRODUCER
BROKER/AGENCY**

INCLUDE PHONE NUMBER PLEASE

COMPANIES AFFORDING COVERAGE

COMPANY LETTER A

COMPANY LETTER B

COMPANY LETTER C

COMPANY LETTER D

COMPANY LETTER E

INSURED

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS		
A	GENERAL LIABILITY				GENERAL AGGREGATE	\$	
	COMMERCIAL GENERAL LIABILITY				PRODUCTS COMP/OP AGG	\$	
					CLAIMS MADE ___ OCCUR	PERSONAL & ADV INJURY	\$
	OWNER'S AND CONTRACTOR'S PROT				EACH OCCURRENCE	\$	
	AGGREGATE LIMITS OF INSURANCE PER PROJECT				FIRE DAMAGE (Any one fire)	\$	
						MED EXPENSE (Any one person)	\$
B	AUTOMOBILE LIABILITY	SHOW LIMITS OF LIABILITY			COMBINED SINGLE LIMIT	\$	
	ANY AUTO				BODILY INJURY (Per person)	\$	
	ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$	
	SCHEDULED AUTOS				PROPERTY DAMAGE	\$	
	HIRED AUTOS						
	NON-OWNED AUTOS						
GARAGE LIABILITY							
C	EXCESS LIABILITY				EACH OCCURRENCE	\$	
	UMBRELLA FORM				AGGREGATE	\$	
	OTHER THAN UMBRELLA FORM						
D	WORKER'S COMPENSATION AND EMPLOYER'S LIABILITY				STATUTORY LIMITS		
					EACH ACCIDENT	\$	
					DISEASE-POLICY LIMIT	\$	
					DISEASE-EACH EMPLOYEE	\$	
	OTHER				PHYSICAL DAMAGE MUST BE FOR THE LOAN AMOUNT SPECIFIED BELOW, INDICATE DEDUCTIBLES		

Sample

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

BELOW NAMED CERTIFICATE HOLDER IS **LOSS PAYEE AND ADDITIONAL INSURED**
LIST VEHICLE/EQUIPMENT HERE INCLUDING YEAR, MAKE, MODEL, SERIAL # AND LOAN AMOUNT

CERTIFICATE HOLDER

GE Government Finance, Inc.
or its successors and assigns
20225 Watertower blvd., Suite 300
Brookfield, WI 53045

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT. BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

Authorized Representative

MASTER LEASE AGREEMENT

THIS MASTER LEASE AGREEMENT ("Agreement"), dated as of the Agreement Date, is made and entered into by and between GE Government Finance, Inc., a corporation duly organized and existing under the laws of the state of Delaware, as lessor ("Lessor"), whose principal business address is as shown on the execution page hereof; and the lessee identified on the execution page hereof ("Lessee"), a governmental entity whose address is as shown on the execution page hereof.

In consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE I: DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. The following terms have the meanings specified below unless the context clearly requires otherwise.

Agreement Date: The date so designated on the execution page hereof.

Contractor: Each of the manufacturers or vendors from whom Lessee has ordered or with whom Lessee has contracted for the manufacture, delivery and/or installation of the Equipment.

Contracts: This Agreement, each Equipment Schedule and each Escrow Agreement (if applicable).

Counsel: An attorney duly admitted to the practice of law before the highest court of the State.

Date of Issue: With respect to each Lease, the date Interest starts to accrue as indicated in the related Equipment Schedule.

Determination of Taxability: Any determination, decision, decree or advisement by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by Lessor or counsel nationally recognized on the subject of municipal bonds, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

- (a) the date when Lessee files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred;
- (b) the effective date of any federal legislation enacted or federal rule or regulation promulgated after the date of this Agreement that causes an Event of Taxability; or
- (c) if upon sale, lease or other deliberate action within the meaning of Treas. Reg. § 1.141-2(d), the failure to receive an unqualified opinion of counsel nationally recognized on the subject of municipal bonds to the effect that such action will not cause interest on the related Lease to become includable in the gross income of the recipient.

Equipment: All items of property described in Equipment Schedules.

Equipment Group: The Equipment listed in a single Equipment Schedule.

Equipment Schedule: A schedule consisting of the separate but like numbered pages of an Exhibit A that was completed with respect to an Equipment Group and executed by Lessor and Lessee.

Escrow Agent: The escrow agent under an Escrow Agreement, and its successors and assigns permitted pursuant to the terms of such Escrow Agreement.

Escrow Agreement: If applicable, an Escrow Agreement among Lessor, Lessee and Escrow Agent relating to the disbursement of the Lease Proceeds under a Lease.

Events of Default: With respect to each Lease, those events described in Section 12.1.

Event of Taxability: With respect to any Lease: (i) the application of the Lease Proceeds in such manner that such Lease becomes an "arbitrage bond" within the meaning of Code Sections 103(b)(2) and 148, with the result that Interest on such Lease is or becomes includable in a holder's gross income (as defined in Code Section 61); or (ii) if as the result of any act, failure to act or use of the Lease Proceeds or change in use of the Equipment or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement or the related Equipment Schedule by Lessee or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, the Interest on such Lease is or becomes includable in a holder's gross income (as defined in Code Section 61).

Fiscal Year: The 12-month fiscal period of Lessee which commences in every year and ends in every year on the dates shown on the execution page hereof.

Funding Date: With respect to each Lease, the earlier of the date Lessor makes payment to the Contractor(s) for the purchase price of the related Equipment Group or the date Lessor deposits funds with an Escrow Agent.

Gross-Up Rate: With respect to any Lease, an interest rate equal to the Interest stated for such Lease plus a rate sufficient such that the total Interest to be paid on any Payment Date would, after such Interest was reduced by the amount of any federal, state or local income tax (including any interest or penalties) actually imposed thereon, equal the amount of Interest due with respect to such Lease.

Interest: The portion of any Rental Payment designated as and comprising interest as shown in the related Equipment Schedule.

Lease: With respect to each Equipment Group, this Agreement and the related Equipment Schedule, which shall constitute a separate contract relating to such Equipment Group. This Agreement contains the general terms and conditions with respect to each Lease. Lessor may assign its rights under various Leases to different assignees. Each such assignee has the rights only in the Lease it owns; a Non-Appropriation or Event of Default under a Lease owned by Lessor or an assignee does not affect any of the Leases not owned by Lessor or by such assignee.

Lease Date: The date so designated in an Equipment Schedule.

Lease Proceeds: The proceeds of a Lease as shown on the related Equipment Schedule.

Lease Term: The period during which a Lease is in effect as specified in Section 4.1.

Lessor: GE Government Finance, Inc. and, for purposes of determining the ownership of a Lease, shall include Lessor, General Electric Capital Corporation and their affiliates.

Lien: Any mortgage, security interest, lease, lien, pledge, charge, encumbrance or claim of any kind.

Net Proceeds: Any insurance proceeds or condemnation awards paid with respect to any Equipment remaining after payment therefrom of all expenses incurred in the collection thereof.

Non-Appropriation: With respect to any Lease, the failure of Lessee's governing body to appropriate money for any Fiscal Year of Lessee sufficient for the continued performance by Lessee of all of Lessee's obligations under such Lease, as evidenced by the passage of a bill or resolution specifically prohibiting Lessee from performing any of its obligations under such Lease, and from using any moneys to pay any Rental Payments due under such Lease for a designated Fiscal Year.

Payment Date: The date upon which any Rental Payment is due and payable as provided in the related Equipment Schedule.

Principal: The portion of any Rental Payment designated as principal in the related Equipment Schedule.

Prepayment Price: With respect to any Lease and as of any Payment Date the amount so designated and set forth opposite each such date in the related Equipment Schedule.

Prior Interest Payment: Payment of Interest on a Lease made on or prior to the date of any Determination of Taxability.

Rental Payment: With respect to any Lease, the payment due from Lessee to Lessor on each Payment Date during the Lease Term as shown in the related Equipment Schedule.

Specifications: The bid specifications and/or purchase order pursuant to which Lessee has ordered any Equipment from a Contractor.

State: The State in which Lessee is located.

State and Federal Law or Law: The Constitution and any law of the State and any charter, ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Section 1.2. Exhibits.

Exhibit A: Form of equipment schedule executed by Lessor and Lessee describing an Equipment Group, and setting forth the Rental Payments and Prepayment Prices.

Exhibit B: Form of opinion of Counsel to Lessee.

ARTICLE II: REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 2.1. Representations, Warranties and Covenants of Lessee. Lessee represents and warrants and covenants as follows:

(a) Lessee is the State or a political subdivision of the State, possessing the power to tax, the power of eminent domain or police power, duly organized and existing under the Constitution and laws of the State, and Lessee's exact legal name is as set forth on the execution page hereof. Lessee is authorized under the Constitution and laws of the State to enter into the Contracts and the transactions contemplated hereby and thereby, and to perform all of its obligations under this Agreement and each Lease.

(b) The execution and delivery of the Contracts by the officer of Lessee executing such documents has been duly authorized by appropriate official action, and such action is in compliance with all public bidding and other State and Federal Laws applicable to the Contracts and the acquisition and financing of the Equipment by Lessee. No bid protest or other challenge to the award of the Lease to Lessor has been made or is threatened. All requirements have been met and procedures have occurred in order to ensure the enforceability of the Contracts against Lessee and the Contracts and any related documents constitute the legal, valid and binding obligations of Lessee, enforceable in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

(c) Lessee has not non-appropriated any transaction similar to the Leases.

(d) None of the execution and delivery of the Contracts or any related document, the consummation of the transactions contemplated by the Contracts or the fulfillment of or compliance with the terms therein violates any law, rule, regulation or order, conflicts with or results in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessee is now a party or by which it is bound, or constitutes a default under any of the foregoing or results in the creation or imposition of any prohibited Lien or encumbrance of any nature whatsoever upon any of the property or assets of Lessee under the terms of any instrument or agreement.

(e) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessee's knowledge, threatened against or affecting Lessee, challenging Lessee's authority to enter into this Agreement or any Lease or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement or any Lease hereunder or any other transaction of the Lessee which is similar hereto, or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement or any Lease, including, but not limited to, Lessee's acquisition of Equipment.

(f) Lessee owns the real estate and facilities where the Equipment will be located free and clear of any Liens and, during the Lease Term, will continue to own such property and shall keep it free and clear of Liens.

(g) Lessee has or will have good and absolute title to all Equipment and all proceeds thereof, free and clear of all Liens except for the security interest created pursuant to this Agreement and each Equipment Schedule.

(h) Each Lease is a "state or local bond" within the meaning of Section 103 of the Code.

(i) Lessee will take no action that would cause the Interest portion of the Rental Payments to become includable in gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations promulgated thereunder (the "Regulations"), and Lessee will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the Interest portion of the Rental Payments does not become includable in gross income of the recipient for federal income tax purposes under the Code and Regulations; all as amended from time to time (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion). Lessee will submit to the Secretary of the Treasury information reporting statements and other information relating to each Lease at the times and in the forms required by the Code and the Regulations.

(j) Lessee reasonably expects that it will not sell or otherwise dispose of all or part of an Equipment Group during the related Lease Term.

(k) Lessee has not and will not create or establish any sinking fund, reserve fund or other similar fund to pay Lease Payments.

(l) Lessee acknowledges that in determining whether all or a portion of the Lease Proceeds of each Lease is used, directly or indirectly, for a private use, use by an entity other than Lessee pursuant to a management contract or other service contract must be examined. Lessee covenants that all agreements between Lessee and such private entities shall meet the requirements of Section 1.141-3(b)(4) of the Regulations and Internal Revenue Service Procedure 97-13.

(m) Lessee will have the sole use and possession of the Equipment. Lessee will use the Equipment only to perform essential governmental or proprietary functions of Lessee within the scope of Lessee's authority. Lessee will not permit the Equipment to be used in, for or by any private commercial activity.

(n) No portion of any Lease Proceeds will be used directly or indirectly to replace funds of Lessee or used directly or indirectly to acquire securities or obligations which may be reasonably expected, on the date of execution of each Equipment Schedule, to produce a yield materially higher than the yield of the Lease. All of the Lease Proceeds for each Lease will be expended on Equipment with due diligence and in no event later than three (3) years from the related Funding Date.

(o) No Lease is or will be part of a transaction or series of transactions that (i) attempts to circumvent the provisions of Section 148 of the Code or the Regulations which enables Lessee to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage; or (ii) increases the burden on the market for tax-exempt obligations in any manner, including without limitation by selling obligations, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary.

(p) Lessee acknowledges that the continued exclusion of Interest on the Leases from gross income of the recipients thereof for purposes of federal income taxation depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the rebate requirement described below. Lessee hereby

agrees and covenants that it will not permit at any time or times any of the proceeds of any Lease or other funds of Lessee to be used, directly or indirectly, to acquire any asset or obligation the acquisition of which would cause any Lease to be "arbitrage bonds" for purposes of Section 148 of the Code. Lessee further agrees and covenants that it shall do and perform all acts and things necessary in order to ensure that the requirements of Section 148 of the Code are met, including the rebate requirements of Section 148(f) of the Code. Section 148(f) of the Code requires the payment to the United States of the excess of the amount earned on the investment of proceeds over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the yield on the Lease, together with any income attributable to such excess. In connection with the rebate requirement, Lessee shall maintain (or cause to be maintained) records of all amounts paid to the United States pursuant to this Section and records of the rebate calculations pertaining to the investment of the proceeds of the Leases until six years after the final retirement of each Lease.

(q) Lessee has not and will not create or establish any sinking fund, reserve fund or other similar fund to pay Rental Payments.

(r) Payment of Rental Payments and other amounts due under each Lease is not directly or indirectly guaranteed, in whole or in part, by the United States or any agency or instrumentality thereof.

(s) Upon execution of this Agreement and each Equipment Schedule, Lessee will provide to Lessor an opinion of its Counsel in the form attached hereto as Exhibit B and a certified copy of the resolution adopted by its governing body with respect to this Agreement and each Lease or evidence of other official action authorizing this Agreement and each Lease.

(t) Lessee acknowledges that it received no legal, financial, tax or accounting advice from Lessor.

(u) Lessee acknowledges that (i) under Article XII of this Agreement, upon an Event of Default, Lessor or the assignee, if any, of the related Lease may elect to terminate the related Lease and each other Lease that is owned by Lessor or such respective assignee and (ii) upon a Non-Appropriation the related Lease and each other Lease that is owned by Lessor or such respective assignee shall terminate and Lessee is required upon the occurrence of (i) or (ii) to deliver all Equipment subject to the affected Leases as instructed by Lessor or such respective assignee under Section 12.3 hereof.

ARTICLE III: LEASE OF EQUIPMENT

Section 3.1. Acquisition of Equipment. Lessee shall advise Lessor of its desire to finance equipment, the equipment cost, the Contractor of the equipment, expected delivery date and the desired lease terms for such equipment. By execution hereof, Lessor has made no commitment to finance any equipment for Lessee. Nothing herein shall obligate Lessor to finance any equipment for Lessee until Lessor has executed a related Equipment Schedule. If Lessor, in its sole discretion, determines the proposed equipment may be subject to a Lease hereunder, Lessor shall furnish to Lessee a proposed Equipment Schedule relating to the Equipment Group completed insofar as possible. Lessee shall order the Equipment Group from the appropriate Contractor or Contractors. In no event shall Lessee enter into any contract with any Contractor or issue a purchase order which references Lessor. Lessor shall have no obligation to make any payment to a Contractor or reimburse Lessee for any payment it made to a Contractor for an Equipment Group (or, if the alternative procedure described in Section 3.3 hereof is utilized, consent to a disbursement by the Escrow Agent) until five (5) business days after Lessor has received all of the following in form and substance satisfactory to Lessor: (a) an Equipment Schedule executed by Lessor and Lessee; (b) a resolution or evidence of official action taken by or on behalf of the Lessee to authorize the acquisition of the Equipment Group on the terms provided in the related Equipment Schedule; (c) evidence of insurance with respect to the Equipment Group in compliance with Article VI of this Agreement; (d) Contractor invoice(s) and/or bill of sale relating to the Equipment Group and if such invoices have been paid by Lessee, evidence of payment thereof and, if applicable, evidence of official intent to reimburse such payment as required by the Regulations; (e) if applicable, the original certificate of title or manufacturer's certificate of origin and title application if any of the Equipment Group is subject to certificate of title laws; (f) a completed and executed Form 8038-G or -GC or evidence of filing thereof with the Secretary of Treasury; (g) an opinion of Counsel and (h) any other documents or items required by Lessor.

Section 3.2. Lease; Enjoyment; Inspection. Lessor hereby leases to Lessee each Equipment Group made subject to an Equipment Schedule, and Lessee hereby leases from Lessor such Equipment Group, upon the

terms and conditions set forth in this Agreement and in the related Equipment Schedule. During the Lease Term, Lessee shall peaceably and quietly have and hold and enjoy the Equipment Group, except as expressly set forth in this Agreement. Lessee agrees that Lessor and its agents shall have the right at all reasonable times to examine and inspect the Equipment, and Lessor and its agents shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by Lessee to perform its obligations hereunder. Notwithstanding the designation of GE Government Finance, Inc. as Lessor, GE Government Finance, Inc. does not own the Equipment and by this Agreement and each Lease is merely financing the acquisition thereof for Lessee. Lessor has not been in the chain of title of the Equipment, does not operate, control or have possession of the Equipment and has no control over the Lessee or the Lessee's operation, use, storage or maintenance of the Equipment. Lessee is solely responsible for the selection of the Equipment, and the manufacturer and vendor thereof, and is solely responsible for the use, maintenance, operation and storage of the Equipment.

Section 3.3. Alternative Procedure; Escrow Agreement. Notwithstanding the provisions of Section 3.1, if, upon agreement by Lessor and Lessee as to any Equipment Group to be acquired and leased by Lessee under this Agreement, Lessor and Lessee enter into an Escrow Agreement with an Escrow Agent establishing an Escrow Fund from which the Equipment Group cost is to be paid (a) Lessor and Lessee shall immediately complete and execute an Equipment Schedule relating to the Equipment Group; (b) the amount deposited by Lessor into the Escrow Fund shall be repaid by the Rental Payments due under the related Lease; and (c) the Rental Payments relating to the Equipment Group shall have an aggregate Principal component equal to the amount of Lessor's deposit into the Escrow Fund and shall be due and payable as provided in the related Equipment Schedule commencing upon the deposit of funds by Lessor into the Escrow Fund. Lessee acknowledges and agrees that no disbursements shall be made from an Escrow Fund except for portions of the Equipment Group which are operationally complete and functionally independent and which may be utilized by Lessee without regard to whether the balance of the Equipment Group is delivered and accepted.

ARTICLE IV: TERM

Section 4.1. Term. This Agreement shall be in effect from the Agreement Date and is incorporated by reference into each Equipment Schedule executed hereunder; provided, however, no Equipment Schedules shall be executed after any Non-Appropriation or Event of Default. Each Lease with respect to an Equipment Group shall be in effect for a Lease Term commencing upon the Lease Date and ending as provided in Section 4.6.

Section 4.2. Termination by Lessee. In the sole event of Non-Appropriation, the Lease as to which the Non-Appropriation occurred and each Lease hereunder owned by the same entity that owns the Lease as to which the Non-Appropriation occurred, shall terminate, in whole, but not in part, as to all Equipment subject to such Leases, effective upon the last day of the Fiscal Year for which funds were appropriated, in the manner and subject to the terms specified in this Article. Lessee may effect such termination by giving Lessor or the affected assignee a written notice of termination and by paying any Rental Payments and other amounts which are due and have not been paid at or before the end of its then current Fiscal Year. Lessee shall endeavor to give notice of such termination not less than one hundred twenty (120) days prior to the end of the Fiscal Year for which appropriations were made, and shall notify Lessor or the affected assignee of any anticipated termination. In the event of termination of any Leases as provided in this Section, Lessee shall comply with the instructions received from Lessor in accordance with Section 12.3.

Section 4.3. Intent To Continue Lease Term; Appropriations. Lessee presently intends to continue each Lease hereunder for its entire Lease Term and to pay all Rental Payments relating thereto. The person or entity in charge of preparing Lessee's budget will include in the budget request for each Fiscal Year the Rental Payments to become due in such Fiscal Year. The parties acknowledge that appropriation for Rental Payments is a governmental function which Lessee cannot contractually commit itself in advance to perform and this Agreement does not constitute such a commitment. However, Lessee reasonably believes that moneys in an amount sufficient to make all Rental Payments can and will lawfully be appropriated and made available to permit Lessee's continued utilization of the Equipment in the performance of its essential functions during the applicable Lease Terms. Lessee will use funds appropriated for this Agreement for no other purpose other than to pay Rental Payments and other amounts due hereunder.

Section 4.4. Effect of Termination. Upon termination of a Lease as provided in Section 4.2, Lessee shall not be responsible for the payment of any additional Rental Payments coming due in succeeding Fiscal Years, but if

Lessee has not complied with the instructions received from Lessor in accordance with Section 12.3, the termination shall nevertheless be effective, but Lessee shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments that would thereafter have come due if the Lease had not been terminated and which are attributable to the number of days after which Lessee fails to comply with Lessor's or the related assignee's instructions and for any other loss suffered by Lessor or the related assignee as a result of Lessee's failure to take such actions as required.

Section 4.5. Nonsubstitution. If any Lease is terminated by Lessee in accordance with Section 4.2, to the extent permitted by State Law, Lessee agrees not to purchase, lease, rent, borrow, seek appropriations for, acquire or otherwise receive the benefits of any personal property to perform the same functions as, or functions taking the place of, those performed by any of the Equipment subject to the terminated Leases, and agrees not to permit such functions to be performed by its own employees or by any agency or entity affiliated with or hired by Lessee, for a period of three hundred sixty-five (365) days succeeding such termination; provided, however, these restrictions shall not be applicable in the event the Equipment Groups shall be sold by Lessor and the amount received from such sale, less all costs of such sale, is sufficient to pay the then applicable Prepayment Prices relating thereto as set forth in the related Equipment Schedule; or to the extent that the application of these restrictions is unlawful and would affect the validity of this Agreement or any Lease.

Section 4.6. Termination of Lease Term. The Lease Term with respect to any Lease will terminate upon the occurrence of the first of the following events: (a) the termination of a Lease by Lessee in accordance with Section 4.2; (b) the payment of the Prepayment Price by Lessee pursuant to Article X; (c) an Event of Default by Lessee and Lessor's or the related assignee's election to terminate such Lease pursuant to Article XII; or (d) the payment by Lessee of all Rental Payments and all other amounts authorized or required to be paid by Lessee pursuant to such Lease.

ARTICLE V: RENTAL PAYMENTS

Section 5.1. Rental Payments. Lessee agrees to pay Rental Payments due under each Lease during the related Lease Term in the amounts and on the dates specified in the related Equipment Schedule. A portion of each Rental Payment is paid as and represents the payment of Interest as set forth in the related Equipment Schedule, and the first Rental Payment will include Interest accruing from the Date of Issue. Lessor is authorized to insert the due date of the first Rental Payment on the related Equipment Schedule. All Rental Payments shall be paid to Lessor, or to such assignee(s) to which Lessor has assigned such Rental Payments as specified in Article XI, at such place as Lessor or such assignee(s) may from time to time designate by written notice to Lessee. Lessee shall pay the Rental Payments exclusively from moneys legally available therefor, in lawful money of the United States of America.

Section 5.2. Current Expense. The obligations of Lessee, including its obligation to pay the Rental Payments due in any Fiscal Year, shall constitute a current expense of Lessee for such Fiscal Year and shall not constitute an indebtedness of Lessee within the meaning of the Constitution and laws of the State. Nothing herein shall constitute a pledge by Lessee of any taxes or other moneys (other than moneys lawfully appropriated from time to time by or for the benefit of Lessee for this Agreement and the Net Proceeds of the Equipment) to the payment of any Rental Payment or other amount coming due hereunder.

Section 5.3. Rental Payments To Be Unconditional. Except as provided in Section 4.2, the obligation of Lessee to make Rental Payments or any other payments required hereunder shall be absolute and unconditional in all events. Lessee must make payments no matter what happens. Notwithstanding any dispute between Lessee and Lessor or between Lessee and Contractor or any other person, Lessee shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall Lessee assert any right of set-off or counterclaim against its obligation to make Rental Payments or other payments required hereunder. Lessee's obligation to make Rental Payments or other payments shall not be abated through accident, unforeseen circumstances, failure of the Equipment to be delivered or to perform as desired, damage or destruction to the Equipment, loss of possession of the Equipment or obsolescence of the Equipment.

Section 5.4. Gross-Up Rate. Upon the occurrence of an Event of Taxability, Lessee shall make future Rental Payments calculated at the Gross-Up Rate. Also, Lessee shall make immediately, upon demand of Lessor or its

assignee, a payment sufficient to supplement the Prior Interest Payments at the Gross-Up Rate and such obligation shall survive the termination of this Agreement and the Lease Terms.

ARTICLE VI: INSURANCE AND RISK OF LOSS

Section 6.1. Liability and Property Insurance. Lessee shall, at its own expense, procure and maintain continuously in effect during each Lease Term: (a) public liability insurance for personal injuries, death or damage to or loss of property arising out of or in any way relating to the Equipment sufficient to protect Lessor from liability in all events, with a coverage limit of not less than \$1,000,000 per occurrence unless a different coverage minimum with respect to particular Equipment is required by Lessor and specified in the related Equipment Schedule, and (b) insurance against such hazards as Lessor may require, including, but not limited to, all-risk casualty and property insurance and flood insurance, in an amount equal to the greater of the full replacement cost of the Equipment with new equipment having substantially similar Specifications or the applicable Prepayment Price of each Equipment Group.

Section 6.2. Workers' Compensation Insurance. If required by State Law, Lessee shall carry workers' compensation insurance covering all employees on, in, near or about the Equipment, and upon request, shall furnish to Lessor certificates evidencing such coverage throughout the Lease Term.

Section 6.3. Requirements for All Insurance. All insurance policies required by this Article shall be taken out and maintained with insurance companies acceptable to Lessor; and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties and loss payees at least thirty (30) days before the cancellation or revision becomes effective. No insurance shall be subject to any co-insurance clause. Each insurance policy required by this Article shall name Lessor as an additional insured party and loss payee without regard to any breach of warranty or other act or omission of Lessee and shall include a lender's loss payable endorsement for the benefit of Lessor. Prior to the delivery of Equipment, Lessee shall deposit with Lessor evidence satisfactory to Lessor of such insurance and, prior to the expiration thereof, shall provide Lessor evidence of all renewals or replacements thereof.

Section 6.4. Risk of Loss. As between Lessor and Lessee, Lessee assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to any Equipment and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others. Whether or not covered by insurance, Lessee hereby assumes responsibility for and agrees to reimburse Lessor and its assignees for and, to the extent permitted by law, will indemnify and hold Lessor and its assignees harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of this Agreement, the transactions contemplated hereby and the Equipment, including but not limited to, (a) the selection, manufacture, purchase, acceptance or rejection of Equipment or the ownership of the Equipment, (b) failure of Equipment to be delivered, the delivery, lease, possession, maintenance, use, condition, return or operation of the Equipment, (c) the condition of the Equipment sold or otherwise disposed of after possession by Lessee, (d) the conduct of Lessee, its officers, employees and agents, (e) a breach of Lessee of any of its covenants or obligations hereunder and (f) any claim, loss, cost or expense involving alleged damage to the environment relating to the Equipment, including, but not limited to investigation, removal, cleanup and remedial costs. This provision shall survive the termination of this Agreement.

Section 6.5. Damage to or Destruction of Equipment. Lessee shall provide a complete written report to Lessor immediately upon any loss, theft, damage or destruction of any Equipment and of any accident involving any Equipment. If all or any part of the Equipment is lost, stolen, destroyed or damaged beyond repair ("Damaged Equipment"), Lessee shall as soon as practicable after such event either: (a) replace the same at Lessee's sole cost and expense with equipment having substantially similar Specifications and of equal or greater value to the Damaged Equipment immediately prior to the time of the loss occurrence, such replacement equipment to be subject to Lessor's approval, whereupon such replacement equipment shall be substituted in the applicable Lease and the other related documents by appropriate endorsement or amendment; or (b) pay the applicable Prepayment Price of the Damaged Equipment. Lessee shall notify Lessor of which course of action it will take within fifteen (15) days after the loss occurrence. If, within forty-five (45) days of the loss occurrence, (a) Lessee fails to notify Lessor; (b) Lessee and Lessor fail to execute an amendment to the applicable Equipment

Schedule to delete the Damaged Equipment and add the replacement equipment or (c) Lessee has failed to pay the applicable Prepayment Price, then Lessor may, at its sole discretion, declare the applicable Prepayment Price of the Damaged Equipment, to be immediately due and payable, and Lessee is required to pay the same. The Net Proceeds of insurance with respect to the Damaged Equipment shall be made available by Lessor to be applied to discharge Lessee's obligation under this Section. The payment of the Prepayment Price and the termination of Lessor's interest in the Damaged Equipment is subject to the terms of Section 10.3 hereof.

ARTICLE VII: OTHER OBLIGATIONS OF LESSEE

Section 7.1. Use; Permits. Lessee shall exercise due care in the installation, use, operation and maintenance of the Equipment, and shall not install, use, operate or maintain the Equipment illegally, improperly, carelessly or for a purpose or in a manner contrary to that contemplated by this Agreement. Lessee shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Equipment. Lessee shall comply with all State and Federal Laws applicable to the installation, use, possession and operation of the Equipment, and if compliance with any such State and Federal Law requires changes or additions to be made to the Equipment, such changes or additions shall be made by Lessee at its expense. Lessee shall comply with all license and copyright requirements of any software license used in connection with the Equipment. Lessee shall not use any item of Equipment to haul, convey, store, treat, transport or dispose of any "hazardous substances" or "hazardous waste" as such terms are defined in any federal, state or local law, rule or regulation pertaining to the protection of the environment (together, "Environmental Laws"). Lessee agrees that if Lessee is required to deliver any item of Equipment to Lessor or Lessor's agent, the Equipment shall be delivered free of all substances which are regulated by or form a basis for liability under any Environmental Law. Lessee shall comply with all license and copyright requirements of any software used in connection with the Equipment.

Section 7.2. Maintenance of Equipment by Lessee. Lessee shall keep the Equipment at the address specified in the related Equipment Schedule and shall notify Lessor in writing prior to moving the Equipment to another address. Lessee shall, at its own expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Equipment in such condition, and in compliance with State and Federal Laws, ordinary wear and tear excepted. Lessee shall maintain Equipment in a condition suitable for certification by the manufacturer thereof (if certification is available) in accordance with any insurance policy provision, applicable prevailing industry standards and, if applicable, the manufacturer's specifications therefor. In the event that any parts or accessories forming part of any item or items of Equipment become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, Lessee, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Equipment and, as such, shall be subject to the terms of this Agreement.

Section 7.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this Section, Lessee shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Equipment, the Rental Payments or any part thereof, or which become due during the Lease Term, whether assessed against Lessee or Lessor. Lessee shall also pay when due all utilities and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, and all special assessments and charges lawfully made by any governmental body that may be secured by a lien on the Equipment. Lessee shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by Lessor, its successors or assigns, unless such tax is made in lieu of or as a substitute for any tax, assessment or charge which is the obligation of Lessee under this Section.

Section 7.4. Advances. If Lessee shall fail to perform any of its obligations under this Article, Lessor may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and Lessee shall be obligated to repay all such advances on demand, with interest at the rate of 18% per annum or the maximum rate permitted by law, whichever is less, from the date of the advance to the date of repayment.

ARTICLE VIII: TITLE; SECURITY INTEREST; LIENS

Section 8.1. Title. During the Lease Term, legal title to and ownership of all Equipment and any and all repairs, replacements, substitutions and modifications thereto shall be in Lessee and Lessee shall take all actions necessary to vest such title and ownership in Lessee.

Section 8.2. Security Interest. Lessee grants to Lessor a continuing, first priority security interest in and to the Equipment, all repairs, replacements, substitutions and modifications thereto or thereof and in investments and funds held under the Escrow Agreement (if applicable) and all proceeds of the foregoing in order to secure Lessee's payment of all Rental Payments and the performance of all other obligations to be performed by Lessee. Each Equipment Group constitutes security and collateral for Lessee's obligations under all Leases that are owned by the same entity. Lessee shall deliver or cause to be delivered to Lessor the original certificates of title relating to all vehicular Equipment. If requested by Lessor, Lessee shall obtain a landlord and/or mortgagee's consent and waiver with respect to the Equipment. Upon termination of a Lease with respect to any Equipment Group through exercise of Lessee's option to prepay pursuant to Article X or through payment by Lessee of all Rental Payments and other amounts relating thereto, Lessor's security interest in such Equipment Group shall terminate, and Lessor shall execute and deliver to Lessee such documents as Lessee may reasonably request to evidence the termination of Lessor's security interest in such Equipment Group. Lessee authorizes Lessor to file financing statements and amendments thereto describing the Equipment and containing any other information required by the applicable Uniform Commercial Code and all proper terminations of the filings of other secured parties with respect to the Equipment, in such form and substance as Lessor, in its sole discretion, may determine. Lessee ratifies its prior authorization for Lessor to file financing statements and amendments thereto describing the Equipment and containing any other information required by the Uniform Commercial Code if filed prior to the date hereof.

Section 8.3. Liens. During the Lease Term, Lessee shall not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to the Equipment, other than the respective rights of Lessor and Lessee as herein provided. Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such Lien. Lessee shall reimburse Lessor for any expenses incurred by Lessor to discharge or remove any Lien.

Section 8.4. Modification of Equipment. Lessee will not, without the prior written consent of Lessor, affix or install any accessory equipment or device on any of the Equipment if such addition will change or impair the originally intended functions, value or use of the Equipment.

Section 8.5. Personal Property. The Equipment is and shall at all times be and remain personal property and not fixtures.

ARTICLE IX: WARRANTIES

Section 9.1. Selection of Equipment. The Equipment and the Contractor have been selected by Lessee, and Lessor shall have no responsibility in connection with the selection of the Equipment, the ordering of the Equipment, its suitability for the use intended by Lessee, the acceptance by the Contractor or its sales representative of the order submitted, or any delay or failure by the Contractor or its sales representative to manufacture, deliver or install the Equipment for use by Lessee.

Section 9.2. Contractor's Warranties. Lessor hereby assigns to Lessee for and during the related Lease Term, all of its interest, if any, in all Contractor's warranties, guarantees and patent indemnity protection, express or implied, issued on or applicable to an Equipment Group, and Lessee may obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense. Lessor has no obligation to enforce any Contractor's warranties or obligations on behalf of itself or Lessee.

Section 9.3. Disclaimer of Warranties. LESSEE ACKNOWLEDGES THAT IT SELECTED THE EQUIPMENT WITHOUT ASSISTANCE OF LESSOR, ITS AGENTS OR EMPLOYEES. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE EQUIPMENT. IN NO EVENT SHALL LESSOR BE LIABLE FOR ANY INCIDENTAL

OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE EQUIPMENT OR LESSEE'S USE OF THE EQUIPMENT.

ARTICLE X: OPTION TO PREPAY

Section 10.1. When Available. Provided there has been no Non-Appropriation or Event of Default, Lessee shall have the option to prepay its obligations in whole but not in part under any Lease on any Payment Date for the then applicable Prepayment Price.

Section 10.2. Exercise of Option. Lessee shall give notice to Lessor of its intention to exercise its option with respect to any Lease not less than thirty (30) days prior to the Payment Date on which the option will be exercised and shall deposit with Lessor on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due under the related Lease (including the Rental Payment due on the Payment Date on which the option is exercised) and the applicable Prepayment Price.

Section 10.3. Release of Lessor's Interest. On receipt of the Prepayment Price in good funds with respect to any Lease, such Lease shall terminate and Lessee shall become entitled to the related Equipment Group AS IS, WHERE IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY LESSEE, except that such Equipment Group shall not be subject to any lien or encumbrance created by or arising through Lessor.

ARTICLE XI: ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING

Section 11.1. Assignment by Lessor. All of Lessor's right, title and/or interest in and to this Agreement or any Lease hereunder, including, but not limited to, the Rental Payments and other amounts payable by Lessee and Lessor's interest in the Equipment, its rights upon Non-Appropriation and Events of Default and its rights to provide consents under a Lease may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time, without the consent of Lessee. Upon assignment of a Lease by Lessor, Lessor's assignee shall have all rights of Lessor in and to the assigned Lease. No such assignment (except an assignment to an affiliate of Lessor or to an entity whose common stock is directly or indirectly one hundred percent (100%) owned by Lessor's parent or indirect parent if Lessor continues to bill and collect Rental Payments) shall be effective as against Lessee unless and until written notice of the assignment is provided to Lessee. If requested, Lessee will acknowledge in writing receipt of such notice. Lessee shall keep a complete and accurate record of all such assignments; provided, however, in the event Lessor assigns its interest in this Agreement or in a Lease to an affiliate or to another entity related to Lessor, Lessor shall maintain a record of such assignment for the benefit of Lessee.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Agreement nor any Lease hereunder or any Equipment may be sold, assigned, subleased, transferred, pledged or mortgaged by Lessee.

ARTICLE XII: EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following are Events of Default under each Lease:

(a) Failure by Lessee to pay any Rental Payment or other payment required to be paid when due and the continuation of said failure for a period of ten (10) days (other than by reason of Non-Appropriation).

(b) Failure by Lessee to maintain insurance as required by Article VI.

(c) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Clauses (a) and (b) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected.

(d) The determination by Lessor that any representation or warranty made by Lessee in this Agreement was untrue in any material respect upon execution of this Agreement or any Equipment Schedule.

(e) Lessee's improper filing of an amendment or termination statement relating to a filed financing statement describing any of the Equipment.

Section 12.2. Remedies on Default. Whenever any Event of Default shall have occurred, Lessor shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Lessor, with or without terminating any Lease, may declare all Rental Payments due or to become due with respect to any or all Leases owned by it or an assignee of Lessor may declare all Rental Payments due or to become due with respect to all Leases owned by such assignee during the Fiscal Year in effect when the default occurs to be immediately due and payable by Lessee, whereupon such Rental Payments shall be immediately due and payable.

(b) Lessor and its assignees, with or without terminating any Lease, may enter the premises where the Equipment is kept and disable the Equipment subject to all Leases owned by it or the same assignee to prevent further use thereof by Lessee and/or may repossess any or all of the Equipment by giving Lessee written notice to deliver the Equipment in the manner provided in Section 12.3; or in the event Lessee fails to do so within ten (10) days after receipt of such notice, Lessor may enter upon Lessee's premises where the Equipment is kept and take possession of such Equipment and charge Lessee for costs incurred in repossessing the Equipment, including reasonable attorneys' fees. Lessee hereby expressly waives any damages occasioned by such repossession. Notwithstanding the fact that Lessor has taken possession of the Equipment, Lessee shall continue to be responsible for the Rental Payments due with respect thereto during the Fiscal Year then in effect.

(c) If Lessor or its assignees terminates any Lease and, in its discretion, takes possession and disposes of the Equipment or any portion thereof, the proceeds of any such disposition shall be applied to pay the following items in the following order: (i) all costs (including, but not limited to, attorneys' fees) incurred in securing possession of the Equipment; (ii) all expenses incurred in completing the disposition; (iii) any sales or transfer taxes; (iv) the applicable Prepayment Prices; and (v) the balance of any Rental Payments owed by Lessee during the Fiscal Year then in effect. Any disposition proceeds remaining after the requirements of Clauses (i), (ii), (iii), (iv) and (v) have been met shall be paid to Lessee.

(d) Lessor may take any other remedy available, at law or in equity, with respect to such Event of Default, including those requiring Lessee to perform any of its obligations or to pay any moneys due and payable to Lessor and Lessee shall pay the reasonable attorneys' fees and expenses incurred by Lessor in enforcing any remedy hereunder.

Section 12.3. Delivery of Equipment; Release of Lessee's Interest. Upon termination of any Lease hereunder prior to the payment of all Rental Payments or the applicable Prepayment Price in accordance with the related Equipment Schedule: (i) Lessor may enter upon Lessee's premises where the Equipment is kept and disable the Equipment to prevent its further use by Lessee and (ii) Lessee shall promptly, but in any event within ten (10) days after such termination, at its own cost and expense: (a) perform any testing and repairs required to place the Equipment in the condition required by Article VII; (b) if deinstallation, disassembly or crating is required, cause the Equipment to be deinstalled, disassembled and crated by an authorized manufacturer's representative or such other service person as is satisfactory to Lessor; and (c) deliver the Equipment to a location specified by Lessor, freight and insurance prepaid by Lessee. If Lessee refuses to deliver the Equipment in the manner designated, Lessor may repossess the Equipment and charge to Lessee the costs of such repossession. Upon termination of a Lease in accordance with Sections 4.2 or 12.2, at the election of Lessor and upon Lessor's written notice to Lessee, full and unencumbered legal title and ownership of the Equipment subject thereto shall pass to Lessor, Lessee shall have no further interest therein and Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence the passage of legal title and ownership to Lessor and termination of Lessee's interest in the Equipment.

Section 12.4. No Remedy Exclusive. No remedy conferred upon or reserved to Lessor by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement. No delay or omission to exercise any right or power accruing upon any

default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by Lessor.

Section 12.5. Late Charge. Whenever any Event of Default under Section 12.1, Clause (a) shall have happened and be continuing, Lessor shall have the right, at its option and without any further demand or notice, to require a late payment charge accruing from the tenth day after the Payment Date until the payment is made equal to the lesser of five cents (\$.05) per dollar of the delinquent amount or the lawful maximum, and Lessee shall be obligated to pay the same immediately upon receipt of Lessor's written invoice therefor; provided, however, that this Section shall not be applicable if or to the extent that the application thereof would affect the validity of this Agreement.

ARTICLE XIII: ADMINISTRATIVE PROVISIONS

Section 13.1. Notices. All notices, certificates, or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the addresses specified on the execution page hereof; provided that Lessor and Lessee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates, or other communications will be sent.

Section 13.2. Financial Information. Lessee will provide Lessor with current financial statements, budgets, proof of appropriation for the ensuing Fiscal Year and such other financial information relating to the ability of Lessee to continue this Agreement and any Lease as may be requested by Lessor.

Section 13.3. Binding Effect. This Agreement and each Lease hereunder shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 13.4. Severability. In the event any provision of this Agreement or any Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.5. Entire Agreement, Amendments, Changes and Modifications. THE CONTRACTS REPRESENT AND (i) CONSTITUTE THE ENTIRE AGREEMENT OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, (ii) SUPERSEDE ALL OTHER WRITINGS, COMMUNICATIONS, UNDERSTANDINGS, AGREEMENTS, PURCHASE ORDERS, SOLICITATION DOCUMENTS (INCLUDING, WITHOUT LIMITATION, ANY REQUEST FOR PROPOSAL AND RESPONSES THERETO AND OTHER RELATED DOCUMENTS (TOGETHER, THE "**BID DOCUMENTS**")) AND ANY REPRESENTATIONS, EXPRESS OR IMPLIED ("**PRIOR UNDERSTANDINGS**"), AND MAY NOT BE CONTRADICTED OR AMENDED BY PRIOR UNDERSTANDINGS, AND (iii) MAY BE AMENDED OR MODIFIED ONLY BY WRITTEN DOCUMENTS DULY AUTHORIZED, EXECUTED AND DELIVERED BY THE PARTIES.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN ANY BID DOCUMENT, LESSOR IS NOT BOUND BY ANY PROVISION OF ANY BID DOCUMENT.

Lessee hereby expressly acknowledges and agrees that (i) no Contractor or any of its representatives is an agent of Lessor or authorized to waive or alter any Contract, and (ii) Lessor shall not be chargeable with or assume any of the obligations or liabilities of any Contractor under any agreement between Lessee and Contractor or any Bid Document.

Section 13.6. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions, Articles, Sections or Clauses hereof.

Section 13.7. Further Assurances and Corrective Instruments. Lessor and Lessee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Equipment hereby leased or intended so to be, or for otherwise carrying out the expressed intention of this Agreement.

Section 13.8. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument, provided that only the original of this Agreement and each Equipment Schedule marked "Original - Chattel Paper" on the execution page thereof shall constitute chattel paper under the Uniform Commercial Code.

Section 13.9. Applicable Law. This Agreement and each Lease shall be governed by and construed in accordance with the laws of the State.

Section 13.10. Usury. It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary herein or in the related Equipment Schedule, in no event shall this Agreement or any Lease hereunder require the payment or permit the collection of Interest or any amount in the nature of Interest or fees in excess of the maximum amount permitted by applicable law. Any such excess Interest or fees shall first be applied to reduce Principal, and when no Principal remains, refunded to Lessee. In determining whether the Interest paid or payable exceeds the highest lawful rate, the total amount of Interest shall be spread through the applicable Lease Term so that the Interest is uniform through such term.

Section 13.11. Lessee's Performance. Time is of the essence. Lessor's failure at any time to require strict performance by Lessee of any of Lessee's obligations shall not waive or diminish Lessor's rights thereafter to demand strict compliance by Lessee.

Section 13.12. Third Party Beneficiaries. Nothing herein shall be construed or interpreted to give any person other than Lessee and Lessor any legal or equitable right, remedy or claim under or in respect of this Agreement or any Lease. Lessor and Lessee agree that no Contractor is a third party beneficiary of this Agreement and there are no third party beneficiaries of this Agreement.

Section 13.13. Waiver of Jury Trial. Lessor and Lessee hereby waive any right to trial by jury in any action or proceeding with respect to, in connection with or arising out of this Agreement or any Lease.

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EXECUTION PAGE OF MASTER LEASE AGREEMENT

Agreement Date: October 25, 2007

Fiscal Year Commencement Date: January 1

Fiscal Year End Date: December 31

IN WITNESS WHEREOF, Lessor has caused this Agreement to be executed in its corporate name by its duly authorized officer, and Lessee has caused this Agreement to be executed in its name by its duly authorized officer.

NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT DBA NORTHERN INYO HOSPITAL,
Lessee

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: Vice President
Date: _____

Address: 150 Pioneer lane
Bishop, CA 93514

Address: 8400 Normandale Lake Blvd.
Suite 470
Minneapolis, MN 55437-1079

Attention: John Halfen

Attention: Risk Management

Telephone: 760-873-5811
Facsimile: 760-872-2768

Telephone: 800-346-3164
Facsimile: 952-897-5601

EQUIPMENT SCHEDULE NO. 001

EXHIBIT A
Schedule of Equipment, Rental Payments, Etc.

The following Equipment comprises an Equipment Group which is the subject of the Master Lease Agreement dated as of October 25, 2007 (the "Agreement"), between the undersigned Lessor and Lessee. The Agreement is incorporated herein in its entirety, and Lessee hereby reaffirms all of its representations and warranties contained in the Agreement. Lessee warrants that no Non-Appropriation and no Event of Default or any event which, with the passage of time or the giving of notice, would constitute a default has occurred under any Lease subject to the Agreement. In accordance with the requirements of applicable State Law, Lessee has appropriated or obtained sufficient appropriations to pay the Rental Payments due under this Lease in the current Fiscal Year and such funds have not been expended for any other purpose.

Lease Date: October 25, 2007

Lease Proceeds: \$3,348,470.10

EQUIPMENT GROUP

- 1. Location. The Equipment Group is located at the following address. If requested by Lessor, Lessee will provide the complete legal descriptions of the property where the Equipment Group is located.

Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

- 2. Use. Lessee will use the Equipment Group to perform the following essential governmental or proprietary functions: Replace existing CT equipment and provide health care services.

- 3. Description. The following description of the Equipment Group is supplemented by the description of items of Equipment in the Contractor's invoices delivered by Lessee to Lessor and/or by the description of Equipment in Payment Request Forms executed by Lessor to authorize disbursements from an Escrow Account.

<u>Quantity</u>	<u>Cost</u>	<u>Description</u>	<u>Serial Number*</u>
	\$3,348,470.10	Radiology/Diagnostic Expansion Equipment	

*If serial numbers are not available at the date of signing this Equipment Schedule, Lessee hereby authorizes Lessor to insert the serial numbers when available and Lessor shall provide Lessee with a copy of the completed Equipment Schedule.

DISBURSEMENT OF LEASE PROCEEDS

Lessee hereby instructs Lessor to disburse the Lease Proceeds as follows:

Payee	Amount
<u>Marshall and Ilsley Trust</u> <u>Company, N.A.</u> <u>"Escrow Set Up"</u>	<u>\$3,348,470.10</u>

If the Lease Proceeds are not disbursed to an Escrow Agent, Lessee certifies that the entire Equipment Group described herein has been delivered and installed in accordance with Lessee's Specifications, is in good working order and is fully operational and, for purposes of this Lease, is fully and finally accepted by Lessee on or before the date below Lessee's signature.

RENTAL PAYMENTS

Lessee will make Rental Payments consisting of Principal and Interest at the annual rate as set forth in the attached Payment Schedule.

**NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT DBA NORTHERN INYO HOSPITAL**
Lessee

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____

By: _____

Title: _____

Title: Vice President

Date: _____

Date: _____

Attachment: Payment Schedule

Original - Chattel Paper

GE GOVERNMENT FINANCE, INC.

PAYMENT SCHEDULE RELATING TO EQUIPMENT SCHEDULE NO. 001

Date of Issue: December 6, 2007

Funding Date: December 6, 2007

Coupon Rate 4.3600%

Date	Number	Total Payment	Principal Component	Interest Component	Principal Balance*	Purchase Price*
Dec-06-07	0	0.00	0.00	0.00	3,348,470.10	3,515,893.61
Jan-01-08	1	10,138.42	0.00	10,138.42	3,348,470.10	3,515,893.61
Feb-01-08	2	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Mar-01-08	3	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Apr-01-08	4	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
May-01-08	5	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Jun-01-08	6	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Jul-01-08	7	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Aug-01-08	8	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Sep-01-08	9	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Oct-01-08	10	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Nov-01-08	11	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Dec-01-08	12	12,166.11	0.00	12,166.11	3,348,470.10	3,515,893.61
Jan-01-09	13	62,212.66	50,046.55	12,166.11	3,298,423.55	3,430,360.49
Feb-01-09	14	62,212.66	50,228.39	11,984.27	3,248,195.16	3,378,122.97
Mar-01-09	15	62,212.66	50,410.88	11,801.78	3,197,784.28	3,325,695.65
Apr-01-09	16	62,212.66	50,594.04	11,618.62	3,147,190.24	3,273,077.85
May-01-09	17	62,212.66	50,777.87	11,434.79	3,096,412.37	3,220,268.86
Jun-01-09	18	62,212.66	50,962.36	11,250.30	3,045,450.01	3,167,268.01
Jul-01-09	19	62,212.66	51,147.52	11,065.14	2,994,302.49	3,114,074.59
Aug-01-09	20	62,212.66	51,333.36	10,879.30	2,942,969.13	3,060,687.90
Sep-01-09	21	62,212.66	51,519.87	10,692.79	2,891,449.26	3,007,107.23
Oct-01-09	22	62,212.66	51,707.06	10,505.60	2,839,742.20	2,953,331.89
Nov-01-09	23	62,212.66	51,894.93	10,317.73	2,787,847.27	2,899,361.16
Dec-01-09	24	62,212.66	52,083.48	10,129.18	2,735,763.79	2,845,194.34
Jan-01-10	25	62,212.66	52,272.72	9,939.94	2,683,491.07	2,793,995.80
Feb-01-10	26	62,212.66	52,462.64	9,750.02	2,631,028.43	2,742,959.28
Mar-01-10	27	62,212.66	52,653.26	9,559.40	2,578,375.17	2,692,926.43
Apr-01-10	28	62,212.66	52,844.56	9,368.10	2,525,530.61	2,643,896.53
May-01-10	29	62,212.66	53,036.57	9,176.09	2,472,494.04	2,595,868.86
Jun-01-10	30	62,212.66	53,229.26	8,983.40	2,419,264.78	2,548,842.72
Jul-01-10	31	62,212.66	53,422.66	8,790.00	2,365,842.12	2,502,817.38
Aug-01-10	32	62,212.66	53,616.77	8,595.89	2,312,225.35	2,456,792.11
Sep-01-10	33	62,212.66	53,811.57	8,401.09	2,258,413.78	2,411,766.19
Oct-01-10	34	62,212.66	54,007.09	8,205.57	2,204,406.69	2,367,740.89
Nov-01-10	35	62,212.66	54,203.32	8,009.34	2,150,203.37	2,324,714.47

Dec-01-10	36	62,212.66	54,400.25	7,812.41	2,095,803.12	2,158,677.21
Jan-01-11	37	62,212.66	54,597.91	7,614.75	2,041,205.21	2,082,029.31
Feb-01-11	38	62,212.66	54,796.28	7,416.38	1,986,408.93	2,026,137.11
Mar-01-11	39	62,212.66	54,995.37	7,217.29	1,931,413.56	1,970,041.83
Apr-01-11	40	62,212.66	55,195.19	7,017.47	1,876,218.37	1,913,742.74
May-01-11	41	62,212.66	55,395.73	6,816.93	1,820,822.64	1,857,239.09
Jun-01-11	42	62,212.66	55,597.00	6,615.66	1,765,225.64	1,800,530.15
Jul-01-11	43	62,212.66	55,799.01	6,413.65	1,709,426.63	1,743,615.16
Aug-01-11	44	62,212.66	56,001.74	6,210.92	1,653,424.89	1,686,493.39
Sep-01-11	45	62,212.66	56,205.22	6,007.44	1,597,219.67	1,629,164.06
Oct-01-11	46	62,212.66	56,409.43	5,803.23	1,540,810.24	1,571,626.44
Nov-01-11	47	62,212.66	56,614.38	5,598.28	1,484,195.86	1,513,879.78
Dec-01-11	48	62,212.66	56,820.08	5,392.58	1,427,375.78	1,455,923.30
Jan-01-12	49	62,212.66	57,026.53	5,186.13	1,370,349.25	1,384,052.74
Feb-01-12	50	62,212.66	57,233.72	4,978.94	1,313,115.53	1,326,246.69
Mar-01-12	51	62,212.66	57,441.67	4,770.99	1,255,673.86	1,268,230.60
Apr-01-12	52	62,212.66	57,650.38	4,562.28	1,198,023.48	1,210,003.71
May-01-12	53	62,212.66	57,859.84	4,352.82	1,140,163.64	1,151,565.28
Jun-01-12	54	62,212.66	58,070.06	4,142.60	1,082,093.58	1,092,914.52
Jul-01-12	55	62,212.66	58,281.05	3,931.61	1,023,812.53	1,034,050.66
Aug-01-12	56	62,212.66	58,492.81	3,719.85	965,319.72	974,972.92
Sep-01-12	57	62,212.66	58,705.33	3,507.33	906,614.39	915,680.53
Oct-01-12	58	62,212.66	58,918.63	3,294.03	847,695.76	856,172.72
Nov-01-12	59	62,212.66	59,132.70	3,079.96	788,563.06	796,448.69
Dec-01-12	60	62,212.66	59,347.55	2,865.11	729,215.51	736,507.67
Jan-01-13	61	62,212.66	59,563.18	2,649.48	669,652.33	676,348.85
Feb-01-13	62	62,212.66	59,779.59	2,433.07	609,872.74	615,971.47
Mar-01-13	63	62,212.66	59,996.79	2,215.87	549,875.95	555,374.71
Apr-01-13	64	62,212.66	60,214.78	1,997.88	489,661.17	494,557.78
May-01-13	65	62,212.66	60,433.56	1,779.10	429,227.61	433,519.89
Jun-01-13	66	62,212.66	60,653.13	1,559.53	368,574.48	372,260.22
Jul-01-13	67	62,212.66	60,873.51	1,339.15	307,700.97	310,777.98
Aug-01-13	68	62,212.66	61,094.68	1,117.98	246,606.29	249,072.35
Sep-01-13	69	62,212.66	61,316.66	896.00	185,289.63	187,142.53
Oct-01-13	70	62,212.66	61,539.44	673.22	123,750.19	124,987.69
Nov-01-13	71	62,212.66	61,763.03	449.63	61,987.16	62,607.03
Dec-01-13	72	62,212.66	61,987.16	225.50	0.00	0.00
T O T A L		<u>3,876,725.23</u>	<u>3,348,470.10</u>	<u>528,255.13</u>		

*After payment of Rental Payment due on such date.

**NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT DBA NORTHERN INYO HOSPITAL**
Lessee

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____

By: _____

Title: _____

Title: Vice President

Date: _____

Date: _____

EXHIBIT B
Opinion of Counsel
(to be typed on letterhead of counsel)

SAMPLE

[insert date which is date on or after date of Lessee's execution of documents]

GE Government Finance, Inc.
8400 Normandale Lake Blvd., Suite 470
Minneapolis, MN 55437

Northern Inyo County Local Hospital District dba
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Re: Master Lease Agreement dated as of October 25, 2007 by and between GE Government Finance, Inc. ("Lessor") and Northern Inyo County Local Hospital District dba Northern Inyo Hospital ("Lessee")

**[Counsel to expand opinion to include executed Addenda to Lease, if applicable,
and delete reference to Escrow Agreement, if not applicable]**

Ladies and Gentlemen:

I have acted as counsel to Lessee with respect to the Master Lease Agreement described above and various related matters, and in this capacity have reviewed a duplicate original or certified copy thereof, Equipment Schedule No. 001 attached thereto and executed pursuant thereto (together, the "Lease") and the Escrow Agreement dated as of October 25, 2007 (the "Escrow Agreement") among Lessor, Lessee and Marshall & Ilsley Trust Company N.A. as escrow agent. Capitalized terms used but not defined herein have the meanings ascribed to them in the Lease. Based upon the examination of these and such other documents as I deem relevant, it is my opinion that:

1. Lessee is [the state of California [a political subdivision of the State of California] (the "State"), duly organized, existing and operating under the Constitution and laws of the State.
2. Lessee is authorized and has power under applicable law to enter into the Lease and the Escrow Agreement, and to carry out its obligations thereunder and the transactions contemplated thereby.
3. The Lease and the Escrow Agreement have been duly authorized, approved, executed and delivered by and on behalf of Lessee, and are legal, valid and binding contracts of Lessee enforceable in accordance with their terms, except to the extent limited by State and Federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.
4. The authorization, approval and execution of the Lease and the Escrow Agreement and all other proceedings of Lessee relating to the transactions contemplated thereby and the acquisition of the Equipment have been performed in accordance with all applicable open meeting, public records, public bidding and all other laws, rules and regulations of the State.
5. The execution of the Lease and the Escrow Agreement and the appropriation of moneys to pay the Rental Payments coming due thereunder do not and will not result in the violation of any constitutional, statutory or other limitation relating to the manner, form or amount of indebtedness which may be incurred by Lessee.
6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease or the Escrow Agreement; the proper authorization, approval and/or execution of the Lease, the Escrow Agreement and other documents contemplated thereby; the

appropriation of moneys to make Rental Payments under the Lease for the current fiscal year of Lessee; or the ability of Lessee otherwise to perform its obligations under the Lease, the Escrow Agreement and the transactions contemplated thereby and, to the best of my knowledge, no such litigation or actions are threatened.

7. The equipment financed by the Lease is personal property, and when used by the Lessee will not be or become fixtures under the laws of the State.

8. The execution and delivery of the Lease and the Escrow Agreement and the performance by Lessee of its obligations thereunder will not violate or constitute a default under existing law or regulations or any court order or any agreement, bond, note, indenture or other obligation or instrument to which Lessee is a party or by which any of its properties are bound.

9. Resolution No. _____ of the governing body of Lessee authorizing and approving the Lease and the Escrow Agreement was duly and validly adopted by such governing body on _____, 20__, and such resolution has not been amended, modified, supplemented or repealed and remains in full force and effect.

10. This opinion may be relied upon by any assignee of the Lessor.

Very truly yours,

SAMPLE

(type name and title under signature)

QUESTIONNAIRE FOR SELF-INSURANCE

In connection with the Master Lease Agreement dated as of October 25, 2007 and Equipment Schedule No. 001 thereto (together, the "Lease"), made and entered into by and between GE Government Finance, Inc., as Lessor, and the lessee identified below, as Lessee, Lessee warrants and represents to Lessor as follows:

1. Property Insurance.

- Lessee is self-insured for damage or destruction to the Equipment.
YES NO (circle one)

If yes, the dollar amount limit for property damage to the Equipment under the Lessee's self-insurance program is \$_____.

- The Lessee maintains an umbrella insurance policy for claims in excess of Lessee's self-insurance limits for property damage to the Equipment as indicated above. YES NO (circle one)

If yes, the umbrella policy provides coverage for all risk property damage. YES NO (circle one)

If yes, the dollar limit for property damage to the Equipment under such umbrella policy is \$_____.

2. Liability Insurance.

- Lessee is self-insured for liability for injury or death of any person or damage or loss of property arising out of or relating to the condition or operation of the Equipment. YES NO (circle one)

If yes, the dollar limit for such liability claims under the Lessee's self-insurance program is \$_____.

- The Lessee maintains an umbrella insurance policy for claims in excess of Lessee's self-insurance limits for liability including injury or death of persons or damage to property as indicated in above. YES NO (circle one)

If yes, the umbrella policy provides coverage for liabilities for injury and death to persons as well as damage or loss of property arising out of or relating to the condition or operation of the Equipment. YES NO (circle one)

If yes, the dollar amount of the umbrella policy's limits for such liability coverage is \$_____.

- 3A. • Lessee maintains a self-insurance fund. YES NO (circle one)

If yes, please complete the following:

Monies in the self-insurance fund are subject to annual appropriation. YES NO (circle one)

The total amount maintained in the self-insurance fund to cover Lessee's self-insurance liabilities is \$_____.

- Amounts paid from the Lessee's self-insurance fund are subject to limitations for each claim. YES NO (circle one)

If yes, the dollar amount of limit per claim is \$_____.

- 3B. • If Lessee does not maintain a self-insurance fund, please complete the following:

Lessee obtains funds to pay claims for which it has self-insured from the following sources:

- The limitations on the amounts payable from the above sources for claims are as follows:

4. The following entity or officer has authority to authorize payment for a claim:

- In the event the entity or officer named in the prior response denies payment of a claim, does the claimant have recourse to another administrative officer, agency or the courts? YES NO (circle one)

If yes, to whom does the claimant have recourse?

5. Attached hereto are copies of certificates of insurance with respect to policies maintained by Lessee.

IN WITNESS WHEREOF, Lessee has caused this Questionnaire to be executed as a supplement to the representations of Lessee in the Lease by its duly authorized officer.

**Northern Inyo County Local Hospital District dba
Northern Inyo Hospital,
Lessee**

By: _____

Title: _____

Date: _____

Attachment

**ADDENDUM TO EQUIPMENT SCHEDULE NO. 001 TO
MASTER LEASE AGREEMENT RELATING TO SELF-INSURANCE**

THIS ADDENDUM is made as of October 25, 2007 between GE Government Finance, Inc. ("Lessor") and Northern Inyo County Local Hospital District dba Northern Inyo Hospital ("Lessee").

Recitals

A. Lessor and Lessee have entered into a Master Lease Agreement dated as of October 25, 2007 and the above-referenced Equipment Schedule dated as of October 25, 2007 (the "Lease"). Lessee desires to lease Equipment described in the Lease (the "Equipment") and Lessee has requested that Lessor lease such Equipment to Lessee.

B. With respect to the Lease, Lessee has requested that Lessor permit it to provide self-insurance for liability claims and property damage.

C. Lessor is willing to grant Lessee's request subject to the following terms and conditions.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements contained herein and in the Agreement, it is hereby agreed as follows:

1. All terms capitalized but not defined herein shall have the meanings ascribed to them in the Lease.

2. Lessee hereby represents and warrants that all representations and warranties contained in the Lease are true and correct as of the date hereof and that neither a Non-Appropriation nor any Event of Default or event which, with the passage of time or giving of notice or both, will constitute an Event of Default has occurred under the Lease.

3. All other terms and conditions of the Agreement not specifically amended by this Addendum shall remain in full force and effect and are hereby ratified and confirmed by Lessee.

4. Lessee represents and warrants that all representations and warranties contained in the Questionnaire for Self-Insurance delivered herewith (the "Questionnaire") are true and correct as of the date hereof.

5. Lessor acknowledges receipt of the Questionnaire and in reliance upon the information provided therein, agrees that Lessee may satisfy the requirements of Sections 6.1 through 6.3 of the Agreement with respect to above-referenced Equipment Schedule through self-insurance.

6. By written notice to Lessee, Lessor may revoke its agreement relative to the above-referenced Equipment Schedule to accept self-insurance in lieu of the insurance required by Sections 6.1 through 6.3 of the Lease at any time during the related Lease Term when Lessor deems itself insecure with respect to such self-insurance. Within thirty (30) days of receipt of notice from Lessor, Lessee agrees to obtain insurance in compliance with Sections 6.1, 6.2 and 6.3 of the Agreement and provide evidence thereof to Lessor.

IN WITNESS WHEREOF, the parties by their duly authorized officers have executed this Addendum as of the date and year first above written.

**Northern Inyo County Local Hospital District dba
Northern Inyo Hospital,
Lessee**

**GE GOVERNMENT FINANCE, INC.,
Lessor**

By: _____

By: _____

Title: _____

Title: Vice President

Date: _____

Date: _____

ESCROW AGREEMENT

THIS ESCROW AGREEMENT is made and entered into as of October 25, 2007, by and among Marshall & Ilsley Trust Company N.A. (the "Escrow Agent"), GE Government Finance, Inc., a corporation duly organized and existing under the laws of Delaware ("Lessor"), and Northern Inyo County Local Hospital District dba Northern Inyo Hospital ("Lessee"), a governmental entity of the State of California ("State").

In the joint and mutual exercise of their powers, and in consideration of the mutual covenants herein contained, the parties hereto recite and agree as follows:

ARTICLE 1: RECITALS

Section 1.01. Lessor and Lessee have entered into a Master Lease Agreement dated as of October 25, 2007 and Equipment Schedule No. 001 thereto dated as of October 25, 2007 (together, the "Lease"), whereby Lessor has agreed to finance for Lessee the acquisition of certain personal property described therein (the "Equipment") on the terms and conditions set forth in the Lease. This Agreement is not intended to alter or change the rights and obligations of Lessor and Lessee under the Lease, but is entirely supplemental thereto.

Section 1.02. The terms capitalized in this Agreement but not defined herein shall have the meanings given to them in the Lease.

Section 1.03. Upon the execution of the Lease and this Agreement and the delivery to Lessor by Lessee of all documents required to be delivered upon execution of the Lease, on the Funding Date Lessor is required to deposit or cause to be deposited with the Escrow Agent the sum of \$3,348,470.10, which is required to be credited to the Equipment Acquisition Fund established in Article 2 hereof and \$zero of which will be used to pay Escrow Agent's initial Administration Fee and the balance will be used to pay the purchase price of the items of Equipment (the "Equipment Cost"), and, to the extent not needed for this purpose, to pay or prepay Principal coming due under the Lease; all as hereinafter provided.

Section 1.04. Under the Lease, Lessee will cause each item of Equipment to be ordered from the Contractor therefor. The Equipment Cost to be paid to the Contractor supplying the item of Equipment shall be paid solely from the amount deposited with the Escrow Agent as described in Section 1.03 hereof, in accordance with this Agreement.

Section 1.05. Lessor and Lessee agree to employ the Escrow Agent to receive, hold, invest and disburse the moneys to be paid to the Escrow Agent by Lessor as described in Section 1.03, all as hereinafter provided; however, the Escrow Agent shall not be obligated to assume or perform any obligation of Lessee or Lessor or any Contractor with respect thereto or under the Lease by reason of anything contained in this Agreement.

Section 1.06. Each of the parties has authority to enter into this Agreement, and has taken all actions necessary to authorize the execution of this Agreement by the officers whose signatures are affixed hereto.

ARTICLE 2: EQUIPMENT ACQUISITION FUND

Section 2.01. The Escrow Agent shall establish a special escrow fund designated as the "GE Government Finance, Inc. Equipment Acquisition Fund" (the "Equipment Acquisition Fund"), shall keep such Fund separate and apart from all other funds and moneys held by it and shall administer such Fund as provided in this Agreement.

Section 2.02. All moneys paid to the Escrow Agent by Lessor pursuant to Section 1.03 of this Agreement shall be credited to the Equipment Acquisition Fund. The period from the date of deposit with the Escrow Agent to the date specified in Section 2.03 is herein referred to as the "Acquisition Period". The Escrow Agent shall disburse the moneys in the Equipment Acquisition Fund to pay (i) the amount specified in Section 1.03 for its initial Administration Fee and (ii) upon receipt with respect thereto of a Payment Request Form attached hereto as Exhibit A, executed by Lessor and Lessee, fully completed and with all supporting documents described therein attached thereto, the Equipment Cost of each item of Equipment. Upon receipt of a Payment Request Form with respect to any item of

Equipment, Escrow Agent shall disburse an amount equal to the Equipment Cost as shown therein directly to the person or entity entitled to payment as specified therein. Lessee agrees that it will submit Payment Request Forms only with respect to operationally complete and functionally independent portions of the Equipment which may be utilized by Lessee without regard to whether the balance of the Equipment is delivered and accepted (hereinafter, "Complete Portions of Equipment"). Lessee acknowledges and agrees that Lessor shall not approve any Payment Request Form which does not describe a Complete Portion of Equipment.

Section 2.03. (a) Upon request, Lessee shall furnish to the Escrow Agent copies of the purchase orders for all Equipment ordered pursuant to the Lease, showing the Equipment Cost and the estimated delivery dates. On January 31, 2009, the Escrow Agent shall pay to Lessor the entire remaining balance in the Equipment Acquisition Fund less an amount thereof equal to the Equipment Cost of all items of Equipment for which the Escrow Agent has received a Payment Request Form and which has not been paid. The amount paid to Lessor shall first be applied to any fee payable pursuant to the provisions of Section 2.03(b) hereof and any balance thereof, at Lessor's election, shall be applied to pay the Principal portion of the next Rental Payment thereafter coming due under the Lease or to pay and prepay a proportionate amount of the Principal portion of all Rental Payments thereafter coming due under the Lease. Within 15 days after receiving such amount Lessor shall notify Lessee as to how it will be applied, and shall furnish to Lessee a new Rental Payment Schedule reflecting any changes in Rental Payments due to any prepayment.

(b) If, on the date of disbursement of the balance of funds in the Equipment Acquisition Fund pursuant to Sections 2.03(a) and 2.04 hereof, less than 85% of the amount of the initial deposit made by Lessor pursuant to Section 1.03 hereof was used to pay the Equipment Cost of the Equipment (for purpose of this calculation, Escrow Agent's initial Administration Fee if disbursed from the Equipment Acquisition Fund is included in the Equipment Cost) then Lessee shall pay a fee to Lessor equal to the amount specified in Section 2.03(a)(1) times the prepayment premium, if any, included in the Prepayment Price, which would be payable by Lessee under the Lease had it elected to prepay the Lease on the date of the disbursement from the Equipment Acquisition Fund.

Section 2.04. Upon receipt of written notice from Lessor or Lessee that the Lease has been terminated pursuant to Sections 4.2 or 12.2 thereof, the Escrow Agent shall liquidate all investments held in the Equipment Acquisition Fund and transfer the proceeds thereof and all other moneys held in the Equipment Acquisition Fund to Lessor.

Section 2.05. The Escrow Agent shall only be responsible for the safekeeping and investment of the moneys held in the Equipment Acquisition Fund, and the disbursement thereof in accordance with this Article, and shall not be responsible for the authenticity or accuracy of such certifications or documents, the application of amounts paid pursuant to such certifications by the persons or entities to which they are paid, or the sufficiency of the moneys credited to the Equipment Acquisition Fund to make the payments herein required.

ARTICLE 3: MONEYS IN EQUIPMENT ACQUISITION FUND; INVESTMENT

Section 3.01. The moneys and investments held by the Escrow Agent under this Agreement are irrevocably held in trust for the benefit of Lessee and Lessor, and such moneys, together with any income or interest earned thereon, shall be expended only as provided in this Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either Lessee or Lessor. Lessor, Lessee and the Escrow Agent intend that the Equipment Acquisition Fund constitute an escrow account in which Lessee has no legal or equitable right, title or interest until satisfaction in full of all conditions contained herein for the disbursement of funds by the Escrow Agent therefrom. However, if the parties' intention that Lessee shall have no legal or equitable right, title or interest until all conditions for disbursement are satisfied in full is not respected in any legal proceeding, the parties hereto intend that Lessor have a security interest in the Equipment Acquisition Fund, and such security interest is hereby granted by Lessee, to secure payment of all sums due to Lessor under the Lease. For such purpose, the Escrow Agent hereby agrees to act as agent for Lessor in connection with the perfection of such security interest and agrees to note, or cause to be noted, on all books and records relating to the Equipment Acquisition Fund, Lessor's interest therein. Escrow Agent hereby accepts appointment as agent and agrees to establish and maintain the Equipment Acquisition Fund and the monies and securities therein as a financial intermediary or securities intermediary, as the case may be, for Lessor, as entitlement holder. Escrow Agent confirms that (i) the Equipment Acquisition Fund is a "securities account" as such term is defined in Section 8-501 of the applicable Uniform Commercial Code ("UCC"); (ii) Escrow Agent shall, subject to the terms of this Agreement, treat Lessor as entitled to exercise the rights that comprise any financial asset credited to the Equipment Acquisition Fund; (iii) all property delivered to Escrow Agent for deposit into the Equipment Acquisition Fund will be promptly credited to the Equipment Acquisition Fund; and (iv) all securities and other property underlying any financial assets credited to the Equipment Acquisition Fund shall be registered in

the name of the Escrow Agent, endorsed to Escrow Agent or in blank or credited to another securities account maintained in the name of Escrow Agent, and in no case will any financial asset credited to the Equipment Acquisition Fund be registered in the name of Lessee, payable to the order of Lessee or specially endorsed to Lessee. Escrow Agent agrees that each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Equipment Acquisition Fund shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the UCC. If at any time Escrow Agent shall receive an "entitlement order" (within the meaning of Section 8-102(a)(8) of the UCC) issued by Lessor and relating to the Equipment Acquisition Fund, Escrow Agent shall comply with such entitlement order without further consent by Lessee or any other person.

Section 3.02. Moneys held by the Escrow Agent hereunder shall be invested and reinvested by the Escrow Agent upon order of Lessee only in Qualified Investments, as defined in Section 3.05. Such investments shall be registered in the name of the Escrow Agent and held by the Escrow Agent for the benefit of Lessor. With the approval of Lessee, the Escrow Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Article. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available.

Section 3.03. The Escrow Agent shall, without further direction from Lessee, sell such investments as and when required to make any payment from the Equipment Acquisition Fund. Any income received on such investments shall be credited to the Equipment Acquisition Fund.

Section 3.04. The Escrow Agent shall furnish to Lessee and Lessor, reports accounting of all investments and interest and income therefrom. Such accounting shall be furnished monthly and shall also include a report of the balance in the Equipment Acquisition Fund, the amounts disbursed therefrom and the date of final disbursement pursuant to Section 2.03 hereof. Neither Lessor nor Escrow Agent shall be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with this Article (other than Escrow Agent in its capacity as obligor under any Qualified Investment). In the event funds in the Equipment Acquisition Fund are insufficient to pay the acquisition costs of the Equipment, Lessee shall deposit additional funds into the Equipment Acquisition Fund in an amount sufficient to pay the balance of the Equipment Cost.

Section 3.05. As used in this Agreement, the term "Qualified Investments" means (a) securities which are general obligations of or are guaranteed as to the payment of principal and interest by the United States of America; (b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; (c) commercial paper issued by corporations organized under the laws of a state of the United States which is rated in the highest rating category by Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. ("S&P") or Moody's Investors Service, Inc.; or (d) certificates of deposit issued by or other forms of deposit in any national or state bank to extent that such deposits are fully insured by the Federal Deposit Insurance Corporation or any successor agency which is backed by the full faith and credit of the United States. By execution of this Agreement, Lessee also consents to the investment and reinvestment by the Escrow Agent of any moneys held as part of the Equipment Acquisition Fund in shares of a money market fund (including a money market fund for which Escrow Agent and its affiliates provides advisory, custodial, administrative or similar services and receives fees), provided the (a) money market fund is registered under the Investment Company Act of 1940 and Investment Securities Act of 1933; (b) the money market fund has been rated by a nationally recognized statistical rating organization in one of that organization's three highest mutual fund rating categories; and (c) the money market fund's investments are limited to those "Qualified Investments" (a), (b) or (c) above. Derivative products are not "Qualified Investments."

ARTICLE 4: ESCROW AGENT'S AUTHORITY; INDEMNIFICATION

Section 4.01. The Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument, and may assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions hereof has been duly authorized to do so. The Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument deposited with it, nor as to the identity, authority or right of any person executing the same; and its duties hereunder shall be limited to those specifically provided herein.

Section 4.02. Unless the Escrow Agent is guilty of negligence or misconduct with regard to its duties hereunder, Lessee, to the extent permitted by law, and Lessor jointly and severally hereby agree to indemnify the Escrow Agent

and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement; and in connection therewith, to indemnify the Escrow Agent against any and all expenses, including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim.

Section 4.03. If Lessee or Lessor shall be in disagreement about the interpretation of the Lease or this Agreement, or about the rights and obligations, or the propriety of any action contemplated by the Escrow Agent hereunder, the Escrow Agent may, but shall not be required to, file an appropriate civil action to resolve the disagreement. The Escrow Agent shall be indemnified by Lessor and Lessee, to the extent permitted by law, for all costs, including reasonable attorneys' fees, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in such action is received.

Section 4.04. The Escrow Agent may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. The Escrow Agent shall otherwise not be liable for any mistakes of facts or errors of judgment, or for any acts or omissions of any kind unless caused by its negligence or misconduct.

ARTICLE 5: ESCROW AGENT'S COMPENSATION

Escrow Agent compensation for the services to be rendered hereunder is payable by Lessee and is set forth in the Escrow Fee Schedule attached as Exhibit B hereto. Escrow Agent is authorized to withdraw the sum specified in Section 1.03 hereof from the Equipment Acquisition Fund for payment of its initial Administration Fee. Lessee hereby agrees to pay/or reimburse Escrow Agent upon request for all expenses, disbursement and advances, ongoing annual administration or other charges, including reasonable attorney's fees, incurred or made by it in connection with carrying out its duties hereunder and agrees such fees and charges may be deducted from the investment earnings on the Equipment Acquisition Fund.

ARTICLE 6: CHANGE OF ESCROW AGENT

Section 6.01. A national banking association located in the United States or a state bank or trust company organized under the laws of a state of the United States, qualified as a depository of public funds, may be substituted to act as Escrow Agent under this Agreement upon agreement of the parties hereto. Such substitution shall not be deemed to affect the rights or obligations of the parties. Upon any such substitution, the Escrow Agent agrees to assign to such substitute Escrow Agent its rights under this Agreement.

Section 6.02. The Escrow Agent or any successor may at any time resign by giving mailed notice to Lessee and Lessor of its intention to resign and of the proposed date of resignation, which shall be a date not less than 30 days after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and the appointment of a successor Escrow Agent shall have been or are approved by Lessee and Lessor.

Section 6.03. The Escrow Agent may appoint an agent to exercise any of the powers, rights or remedies granted to the Escrow Agent under this Agreement, and to hold title to property or to take any other action which may be desirable or necessary.

ARTICLE 7: ADMINISTRATIVE PROVISIONS

Section 7.01. The Escrow Agent shall keep complete and accurate records of all moneys received and disbursed under this Agreement, which shall be available for inspection by Lessee or Lessor, or the agent of either of them, at any time during regular business hours.

Section 7.02. All notices hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail in registered form with postage fully prepaid to the party entitled thereto at its address specified beneath each party's signature, or at such address as the party may provide to the other parties hereto in writing from time to time.

Section 7.03. This Agreement shall be construed and governed in accordance with the laws of the State.

Section 7.04. Any provisions of this Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

Section 7.05. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Specifically, as used herein the term "Lessor" means any person or entity to whom Lessor has assigned its right to receive Rental Payments under the Lease and any payments due to Lessor hereunder from and after the date when notice of such assignment is filed with the Escrow Agent; provided, however, no notice of assignment to an affiliate or related entity by Lessor is required and when GE Government Finance, Inc. executes Payment Request Forms after such an assignment, it does so as servicer on behalf of its affiliated or related assignee.

Section 7.06. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 7.07. This Agreement shall terminate upon disbursement by the Escrow Agent of all moneys held by it hereunder.

Section 7.08. This Agreement (and, with respect to Lessor and Lessee, together with the Lease) constitutes the entire agreement of the parties relating to the subject matter hereof. Except as provided in the following sentence, this Agreement may not be modified, supplemented or amended without the written agreement of all parties hereto. Lessor and Lessee may agree to amend the date specified in the second sentence of Section 2.03(a) hereof to a date such that the Acquisition Period will not exceed three (3) years pursuant to a written agreement executed by Lessor and Lessee; Escrow Agent's consent to the extension of the Acquisition Period is not required but Escrow Agent shall be given notice of such extension.

Section 7.09. Lessor, Lessee and Escrow Agent hereby waive any right to trial by jury in any action or proceeding with respect to, in connection with or arising out of this Agreement.

ARTICLE 8: LESSEE'S TAX AND ARBITRAGE CERTIFICATE

Section 8.01. Lessee has executed a contract or purchase order providing for the acquisition and delivery of the Equipment with the Contractor(s) thereof. The Equipment will be acquired and installed with due diligence and, based upon the provisions of the contract or purchase order with the Contractor(s), the Equipment will be acquired and installed on or before January 31, 2009. All of the spend able proceeds of the Lease will be expended on the Equipment and related expenses no later than three years from the date of execution of the Lease and this Agreement.

Section 8.02. The original proceeds of the Lease, and the interest to be earned thereon, do not exceed the amount necessary for the purpose for which the Lease is issued.

Section 8.03. The interest of Lessee in the Equipment has not been and is not expected during the term of the Lease to be sold or disposed of by Lessee.

Section 8.04. No sinking fund, reserve fund or any similar fund is expected to be created by Lessee with respect to the Lease and the Rental Payments.

Section 8.05. Lessee hereby covenants to comply with all requirements of the Code and Regulations relating to the rebate of arbitrage profit to the United States of America. It is expected that all gross proceeds of the Lease will be expended on the Equipment no later than the day which is fourteen months after the date of issuance of the Lease.

Section 8.06. To the best of the knowledge and belief of the undersigned, the expectations of Lessee as set forth in this Article 8, are reasonable and there are no present facts, estimates and circumstances which would change the foregoing expectations.

Section 8.07. Lessee has not been notified of the listing or proposed listing of it by the Internal Revenue Service as an issuer whose arbitrage certificates may not be relied upon.

[REMAINDER OF PAGE INTENTIONALLY BLANK; EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Escrow Agreement as of the day and year first written above.

MARSHALL & ILSLEY TRUST COMPANY N.A.,
Escrow Agent

GE GOVERNMENT FINANCE, INC.,
Lessor

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Address: 11455 Viking Drive, #250
Eden Prairie, MN 55344

Address: 8400 Normandale Lake Blvd., Suite 470
Minneapolis, MN 55347-1079

Telephone: 952-918-1186
Facsimile: 952-918-1188

Attention: Risk Management
Telephone: 800-346-3164
Facsimile: 952-897-5601

**NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT DBA NORTHERN INYO HOSPITAL,**
Lessee

By: _____

Title: _____

Date: _____

Address: 150 Pioneer Lane
Bishop, CA 93514

Attention: John Halfen
Telephone: 760-873-5811
Facsimile: 760-872-2768

The following are authorized to execute Payment
Request Forms on behalf of Lessee:

Typed Name	Signature
_____	_____
_____	_____
_____	_____

EXHIBIT A
Payment Request Form No. _____ Relating to
Equipment Schedule No. 001

Marshall & Ilsley Trust Company N.A., Escrow Agent under an Escrow Agreement dated as of October 25, 2007 and among the said Escrow Agent, GE Government Finance, Inc., ("Lessor"), and Northern Inyo County Local Hospital District dba Northern Inyo Hospital ("Lessee"), is hereby requested to pay, from the Equipment Acquisition Fund held under said Escrow Agreement, to the persons, firms or corporations designated below as payee, the amount set forth opposite each such name, in payment of the Equipment Cost of the Equipment designated opposite such payee's name and account and described on the attached page(s). The Equipment comprises a portion of the Equipment described in the above-referenced Equipment Schedule. Upon execution of this Payment Request Form by Lessor and Lessee, the description of the Equipment Group subject to the above referenced Equipment Schedule is amended to include the equipment described below and in the attached invoices and/or bills of sale.

<u>Payee</u>	<u>Amount</u>	<u>Equipment</u>
--------------	---------------	------------------

The undersigned Lessee hereby certifies that:

1. The Equipment described above comprises a portion of the Equipment described in the above-referenced Equipment Schedule, and has been delivered to, tested and inspected by, and accepted by Lessee. The Equipment described herein is operationally complete and functionally independent and may be utilized by Lessee without regard to whether the balance of the Equipment Group is delivered and accepted.

2. If the Payment Request Form relates to a progress payment, the amounts remaining in the Equipment Acquisition Fund are sufficient to acquire and complete the Equipment Group to which the above-referenced Equipment Schedule relates. The amounts requested to be paid as set forth above have not been the basis of a prior request.

3. The representations and warranties of Lessee contained in the Lease are true and correct as of the date hereof.

4. No Non-Appropriation and no Event of Default, or event which with the giving of notice or passage of time or both would constitute an Event of Default, has occurred under the Lease.

5. Lessee has appropriated or has obtained appropriations of funds sufficient to pay all Rental Payments and all other amounts due under the Lease in the current Fiscal Year.

6. Attached hereto are the following documents:

- Equipment Invoice(s) with detailed description of Equipment (i.e., serial numbers);
- Proof of payment if Payee is Lessee (i.e., copy of canceled checks);
- If vehicle, title application and MSO with GE Government Finance, Inc. listed as first and only lienholder; and
- Insurance Certificate.

7. **Check if applicable:**

- This is the final Payment Request Form and Lessee certifies that the entire Equipment Group subject to the Lease has been delivered and installed in accordance with Lessee's Specifications and, for the purpose of the Lease, is fully and finally accepted by Lessee.

**NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT DBA NORTHERN INYO HOSPITAL,
Lessee**

**GE GOVERNMENT FINANCE, INC.,
Lessor**

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

8600603-001

EXHIBIT B

MARSHALL & ILSLEY TRUST COMPANY N.A.
(formerly known as M&I National Trust Company)

GE GOVERNMENT FINANCE, INC.
ESCROW FEE SCHEDULE

ADMINISTRATION FEE Two hundred fifty dollars (\$250.00) per year

- First year administration fee payable upon execution on escrow
- Ongoing annual administration fees will be charged against the account income
- Money Market vehicle: Marshall Money Market Fund Y Shares

REIMBURSEMENT OF EXPENSES

Out of pocket expenses for supplies and other items including but not limited to long distance charges, delivery expenses, insurance tax reporting forms, postage, checks and envelopes will be charged in addition to the above fees.

DISCLOSURE

When extraordinary duties or additional services are required or requested, additional fees will be charged. Fees are subject to adjustment as circumstances require.

M&I Investment Management Corp advise the Marshall Funds. M&I Investment Management Corp is an affiliate of Marshall & Ilsley Trust Company (formerly known as M&I National Trust Company). M&I Investment Management Corp receives an investment advisory fee for services provided to the Marshall Funds. In addition, Marshall & Ilsley Trust Company N.A. receives fees from the Marshall Funds for services as administrator, custodian and shareholder services agent. Marshall & Ilsley Trust Company N.A. will not charge an account-level investment management fee or account sweep fee for assets invested in the Marshall Funds.

Information Return for Tax-Exempt Governmental Obligations

Under Internal Revenue Code section 149(e)

See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name Northern Inyo County Local Hospital District dba Northern Inyo Hospital	2 Issuer's employer identification number 95 : 6005449		
3 Number and street (or P.O. box if mail is not delivered to street address) 150 Pioneer Lane	Room/suite	4 Report number 3 2007	
5 City, town, or post office, state, and ZIP code Bishop, CA 93514		6 Date of issue	
7 Name of issue Master Lease Agreement dated October 25, 2007		8 CUSIP number NA	
9 Name and title of officer or legal representative whom the IRS may call for more information		10 Telephone number of officer or legal representative ()	

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input checked="" type="checkbox"/> Health and hospital	12 \$3,348,470.10
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	December 1, 2013	\$ 3,348,470.10	\$ 3,348,470.10	6 years	4.3600 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest	22	NA	
23	Issue price of entire issue (enter amount from line 21, column (b))	23	\$3,348,470.10	
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	NA	
25	Proceeds used for credit enhancement	25	NA	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	NA	
27	Proceeds used to currently refund prior issues	27	NA	
28	Proceeds used to advance refund prior issues	28	NA	
29	Total (add lines 24 through 28)	29	NA	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	\$3,348,470.10	

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)			
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	NA	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	NA	years
33	Enter the last date on which the refunded bonds will be called	NA	
34	Enter the date(s) the refunded bonds were issued	NA	

Part VI Miscellaneous			
35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	NA
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	NA
b	Enter the final maturity date of the guaranteed investment contract	NA	
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	NA
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue	NA	
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box	<input type="checkbox"/>	
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box	<input type="checkbox"/>	
40	If the issuer has identified a hedge, check box	<input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Sign Here

Signature of issuer's authorized representative _____ Date _____ Type or print name and title _____



DOUGLAS BUCHANAN

ATTORNEY AT LAW
A PROFESSIONAL CORPORATION

363 ACADEMY AVENUE
BISHOP, CALIFORNIA 93514

DOUGLAS BUCHANAN

RACHEL WEKSLER
ADMITTED IN WYOMING

December 5, 2007

GE Government Finance, Inc.
8400 Normandale Lake Boulevard, Suite 470
Minneapolis, Minnesota 55437

Northern Inyo County Local Hospital District
150 Pioneer Lane
Bishop, California 93514

Re: Master Lease Agreement dated as of October 25, 2007 by and between GE Government Finance, Inc. ("Lessor") and Northern Inyo County Local Hospital District dba Northern Inyo Hospital ("Lessee")

Ladies and Gentlemen:

I have acted as counsel to Lessee with respect to the Master Lease Agreement described above and various related matters, and in this capacity have reviewed a duplicate original or certified copy thereof, Equipment Schedule No. 001 attached thereto and executed pursuant thereto (together, the "Lease") and the Escrow Agreement dated as of October 25, 2007 (the "Escrow Agreement") among Lessor, Lessee and Marshall & Ilsley Trust Company N.A. as escrow agent. Capitalized terms used but not defined herein have the meanings ascribed to them in the Lease. Based upon the examination of these and such other documents as I deem relevant, it is my opinion that:

1. Lessee is a political entity created and operated in the State of California (the "State") duly organized, existing, and operating under the Constitution and laws of the State, in particular the California Local Health Care District Law, *California Health & Safety Code §32000, et seq.*
2. Lessee is authorized and has power under applicable law to enter into the Lease and the Escrow Agreement, and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The Lease and the Escrow Agreement have been duly authorized, approved, executed and delivered by and on behalf of Lessee, and are legal, valid and binding contracts of Lessee enforceable in accordance with their terms, except to the extent limited by State and federal laws affecting remedies and by bankruptcy, reorganization or other laws of general application relating to or affecting the enforcement of creditors' rights.

4. The authorization, approval and execution of the Lease and the Escrow Agreement and all other proceedings of Lessee relating to the transactions contemplated thereby and the acquisition of the Equipment have been performed in accordance with all applicable open meeting, public records, public bidding and all other laws, rules and regulations of the State.

5. The execution of the Lease and the Escrow Agreement and the appropriation of moneys to pay the Rental Payments coming due thereunder do not and will not result in the violation of any constitutional, statutory or other limitation relating to the manner, form or amount of indebtedness which may be incurred by Lessee.

6. There is no litigation, action, suit or proceeding pending or before any court, administrative agency, arbitrator or governmental body that challenges the organization or existence of Lessee; the authority of Lessee or its officers or its employees to enter into the Lease or the Escrow Agreement; the proper authorization, approval and/or execution of the Lease, the Escrow Agreement and other documents contemplated thereby; the appropriation of moneys to make Rental Payments under the Lease for the current fiscal year of Lessee; or the ability of Lessee otherwise to perform its obligations under the Lease, the Escrow Agreement and the transactions contemplated thereby and, to the best of my knowledge, no such litigation or actions are threatened.


7. The equipment financed by the Lease is personal property, and when used by the Lessee will not be or become fixtures under the laws of the State.

8. The execution and delivery of the Lease and the Escrow Agreement and the performance by Lessee of its obligations thereunder will not violate or constitute a default under existing law or regulations or any court order or any agreement, bond, note, indenture or other obligations or instrument to which Lessee is a party or by which any of its properties are bound.

9. Resolution No. 07-06 of the Board of Directors of Northern Inyo County Local Hospital District, the governing body of Lessee, authorizing and approving the Lease and the Escrow Agreement was duly and validly adopted by such governing body on December 5, 2007, and such resolution has not been amended, modified, supplemented or repealed and remains in full force and effect.

10. This opinion may be relied upon by any assignee of the Lessor.

Very truly yours,



DOUGLAS BUCHANAN
District Legal Counsel

**THIS SHEET
INTENTIONALLY
LEFT BLANK**



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

*OJW
11-6-07*

150 Pioneer Lane
Bishop, California 93514
(760) 873-2178 voice
(760) 872-2768 fax

October 15, 2007

Re: Request for Electric Forklift

CURRENT PROPANE FORKLIFT:

Current Propane forklift has an overall width of 47 in. and warehouse will have 48" isles. Therefore this forklift would not operate safely with 1/2" clearance on either side.

Forklift has a 92 in. turning radius requiring multiple maneuvers to make turns in warehouse.

Propane fuel requires very good ventilation when used indoors requiring the doors to be open during indoor operation regardless of weather.

Internal combustion is noisy for indoor operation.

NEW ELECTRIC FORKLIFT:

New Electric Forklift has an overall width of 40.25 in allowing 4" on each side when maneuvering between isles.

Forklift has a 59.8 in. turning radius allowing easy maneuvering when moving freight indoors.

Electric power requires no ventilation for emissions.

Electric power is quiet for indoor operation.

COST:

\$33000

Includes forklift, battery, and charger.

Current forklift is not ideal for warehouse use. The Tri-Wheel Electric forklift has a much smaller footprint and will allow for the necessary maneuverability in the warehouse. The maintenance department would also use the electric forklift to perform repairs and routine maintenance in the support building. Electric forklift does not require additional ventilation and is much quieter than combustion when used indoors.

Neil Lynch

From: Scott Hooker
Sent: Monday, October 15, 2007 2:29 PM
To: Neil Lynch
Cc: Leon Freis
Subject: Forklift

Neil,

I am sending you this letter in support of your proposed purchase of a new electric fork lift. Along with your needs, Maintenance will use this forklift to perform repairs and maintenance in the new support building.

Thanks,

Scott



BAKERSFIELD: 4608 Saco Rd., 93308 ~ Ph: 661-393-2460
FRESNO: 4646 E. Jensen Ave., 93745 ~ Ph: 559-268-6621
SANTA MARIA: 1205 S. Blosser Rd., 93454 ~ Ph: 805-922-1767

Is pleased to submit the following quotation for:

NORTHERN INYO HOSPITAL

150 PIONEER LN
BISHOP, CA 93514
Attention: NEIL LYNCH

DATE: October 9, 2007
QUOTE #: JC439

(1) Clark Equipment TMX 20 4000# Capacity, Electric Counterbalanced Cushion Tire Forklift

SPECIFICATIONS:

Standard Equipment

AC Drive System
AC Lift/Steer System with Fully Proportional Lifting
Fully Enclosed Drive and Lift/Steer Motors
UL "E" Construction
83" Overhead Guard
Vinyl Covered Safety Seat
Parking Brake with Control Interrupt
Hydrostatic Power Steering
Multi-Function Diagnostic Dash Display with Hour Meter and Battery Discharge Indicator with Lift Interrupt
12V Overhead Guard Mounted Headlights with Converter
Clark Green Finish
Standard Warranty

Voltage	36 Volt
Hood Height	Standard Hood
Battery Compartment	38.8" W x 20.5" L x 31.0" H
Battery Lead Length/Connector	SB350 Grey - Position "A" - 18" Lead Length
Control	AC Drive, Lift and Steer System
Upright Height	Triple Stage MFH 188" OHL 83.0" FL 59.0"
Carriage	37" Hook Type Class II
Sideshifter	37" Class II - 8" Total Sideshift
Load Backrest	37" Wide x 48" High - Class II
Forks	42" x 4" x 1.5"
Mast Tilt	5° Back/3° Forward
Hose Adaptations	Double - 4 Hoses (Internal)
Auxiliary Control Valve	Double Function (4 Hoses)
Drive Tires	Rubber - 18 x 8 x 12.12 - Smooth
Steer Tires	Single Rubber - 18 x 7 x 12.12 - Smooth
Park Brake	Foot Activated Park Brake
Overhead Guard	83" Standard Overhead Guard
Seat	Safety Seat - Vinyl Covered
Front Work Lights	2 Headlights - OHG Mounted (12V)
Back-Up Alarm	Audible Back-up Alarm - Smart Type
Paint	Clark Green
Auxiliary Flow Cartridges	Not Specified 2.5 GPM & 5.5 GPM (Default)
Warranty	Standard - 12 Months/2000 Hrs - See Warranty Certificate



BAKERSFIELD: 4608 Saco Rd., 93308 ~ Ph: 661-393-2460
 FRESNO: 4646 E. Jensen Ave., 93745 ~ Ph: 559-268-6621
 SANTA MARIA: 1205 S. Blosser Rd., 93454 ~ Ph: 805-922-1767

Is pleased to submit the following quotation for:

NORTHERN INYO HOSPITAL

Other Equipment & Accessories
 CBI FPA-22-37-05 FORK POSITIONER

STATEMENT ON COMMITMENT TO SAFETY: Safety is an important part of Gray Lift's commitment to customer satisfaction. Gray Lift offers a full range of specialized safety equipment and warning devices, as well as operator training courses. With over 20 years of experience, our safety and training professionals stand ready to help you improve material handling safety in your operation.

OPERATOR TRAINING: Operator training is required by OSHA (See 29 CFR 1910.178). Operator training classes are available upon request. Contact us at 559-268-6621 for more information.

THIS QUOTE IS VALID for 30 days from date of quote. Please contact your Sales Representative with any questions. Thank you for the opportunity to quote your equipment needs.

FOB Delivered

Unit Total Including Accessories		\$ 23,577.00
Total Equipment And Accessories		\$ 23,577.00
Battery and Charger Costs		
(1) TOP POWER Battery	\$ 5,250.00	
(1) POWER GAURD Charger	\$ 1,795.00	
Total Battery And Charger Cost		\$ 7,045.00
	Subtotal:	\$ 30,622.00
	7.75% Sales Tax	\$ 2,373.21
		\$ 5.25
	Total Price :	\$ 33,000.46

CALIF TIRE TAX 3 @ \$1.75

ACCEPTED BY SELLER:
 NAME _____ TITLE _____

(This Quotation shall become a contract only upon signature by the Sales Manager or Seller at its business offices.)

Quotation Submitted By: Jim Curtis

ACCEPTED BY BUYER: _____

COMPANY NAME: _____

BY: _____

TITLE: _____

(SIGNATURE OF AUTHORIZED OFFICER OR REPRESENTATIVE REQUIRED)

ELECTRIC RIDERS

Tri-Wheel Multi-Tire Lift Trucks Electric 36 or 48 Volt

TMX12	2,500 lbs 1250 kg
TMX15S	3,000 lbs 1500 kg
TMX15	3,000 lbs 1500 kg
TMX17	3,500 lbs 1750 kg
TMX20	4,000 lbs 1815 kg
TMX25	5,000 lbs 2270 kg



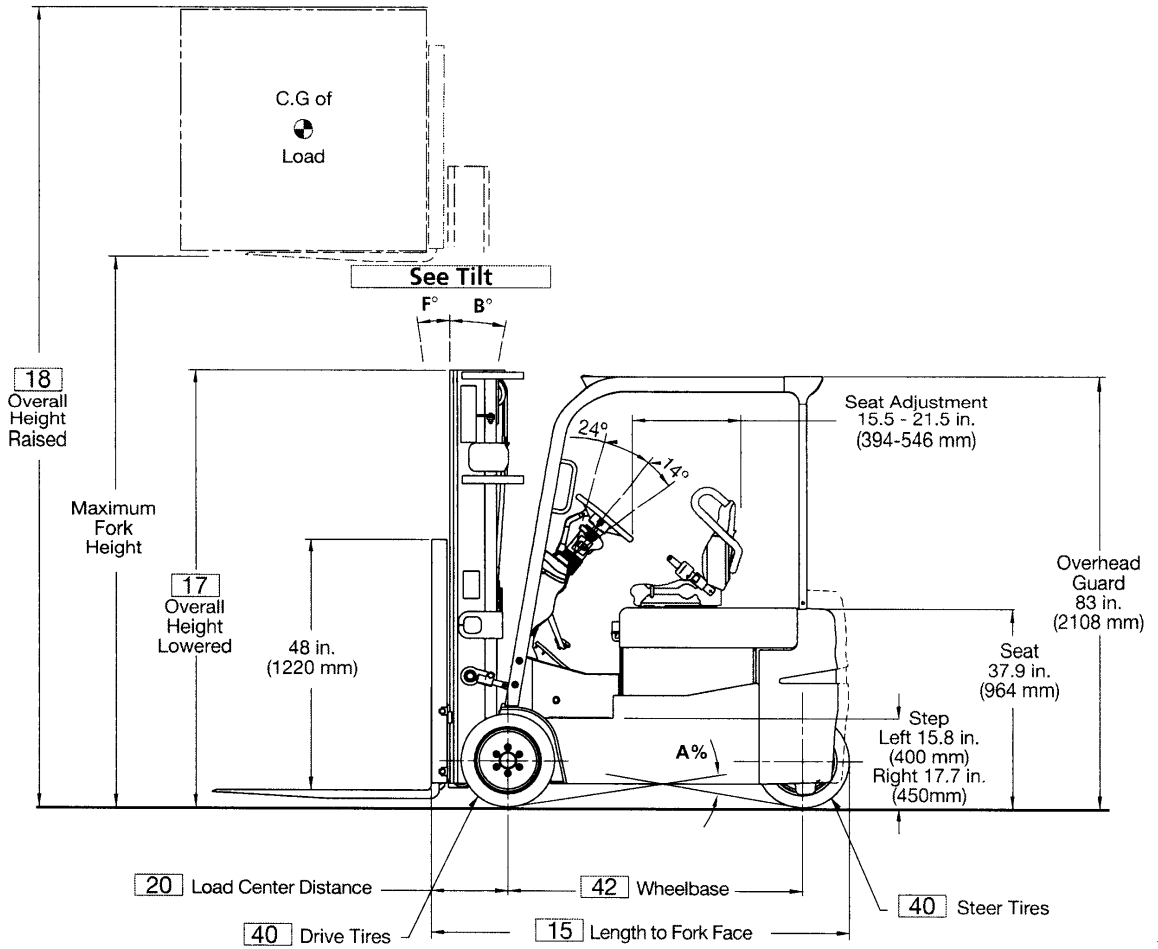
TMX12/15/15S 17/20/25



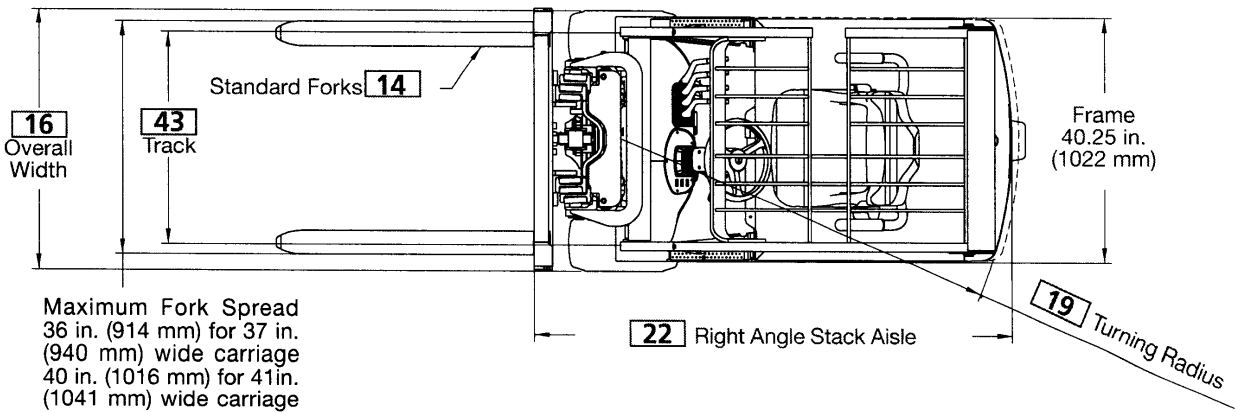
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For corresponding data see Specification Chart.



TMX12/15/15S/17/20/25



Upright Table

Maximum Fork Height		Overall Height Lowered		Free Lift**	
in	mm	in	mm	in	mm
TMX 12/15S/15/17/20					
Standard					
100	2540	72.5	1842	4.3	109
110	2794	77.5	1969	4.3	109
• 121	3073	83	2108	4.3	109
129	3277	87	2210	4.3	109
143	3632	94	2388	4.3	109
Hi-Lo					
115	2921	77.5	1969	53	1346
• 126	3200	83	2108	59	1500
150	3810	95.5	2425	71	1803
Triple Stage					
156	3971	72.5	1840	48	1219
171	4346	77.5	1965	53	1355
• 188	4781	83	2110	59	1500
204	5184	89	2260	65	1650
219	5565	95.5	2420	71	1803
237	6017	103	2609	78	2004
Quad†					
222.5	5652	78.5	1994	53	1346
• 240.5	6109	83	2108	57	1448
258.5	6566	89	2261	63	1600
270.5	6871	93.5	2375	70	1778
TMX 25					
Standard					
Same as TMX 12-20 listed above					
Hi-Lo					
114	2896	77.5	1969	53	1346
• 125	3175	83	2108	59	1499
149	3785	95.5	2426	71	1803
Triple Stage					
155	3947	72.5	1840	49	1245
170	4322	77	1965	54	1372
• 187	4757	83	2110	59	1500
203	5160	89	2260	65.5	1664
218	5541	95.5	2425	71	1803
236	5993	103	2609	79	2004
Quad†					
222.5	5652	78.5	1994	53	1346
• 240.5	6109	83	2108	57	1448
258.5	6566	89	2261	63	1600
270.5	6871	93.5	2375	70	1778

Tilt Specifications*

Upright MFH(in / mm)	Tilt -B°/ F°
thru 151 (3835 mm)	8°/ 6°
152 (3860 mm) thru 240.5 (6109 mm)	5°/ 3°
241 (6121 mm) and over	3°/ 0°

*Standard tilt with MFH's noted. Contact Clark representative for information on optional tilt.

Grade Clearance

Model	A%
TMX 12/15S (13.75 BC)	35.6
TMX 15/17/20/25 (20.5 BC)	31.2
TMX 15/17/20/25 (25.22 BC)	28.6

Battery Compartment Dimensions

Width (W)		Length (L)		Height (H)	
in	mm	in	mm	in	mm
TMX 12/15S					
38.8	986	13.75	349	31.0	787
TMX 15/17/20/25					
38.8	986	20.5	521	31.0	787
38.8	986	25.0*	635	31.0	787

*Optional

Battery Termination: A-18

Standard Features

- Overhead guard
- 48 in. (1220 mm) load backrest
- Electric horn
- Single auxiliary hydraulic valve
- CLARK green paint w/non-glare black trim
- High visibility capacity plate/instructions/warning labels
- Operator manual attached to back of seat

Available Equipment

- Dual steer tires
- Cold storage protection
- UL type EE construction
- Overhead guard for drive-in type rack
- Unintro™, foot operated directional control
- Warning lights and audible alarms
- Mirrors
- 48 volt option

Notes

Performance may vary +5% and -10% due to motor and system efficiency tolerance. The performance shown represents nominal values which may be obtained under typical operating conditions of a machine.

Clark products and specifications are subject to change without notice.

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ANSI/ASME and Insurance Classification

Standard truck meets all applicable mandatory requirements of ASME-B56.1 Safety Standard for Powered Industrial Trucks at time of manufacture and Underwriters Laboratories requirements as to fire and electrical shock hazard only for "E" classification. For further information contact a Clark representative.

For Your Safety

Before operating a lift truck, an operator must:

- Be trained and authorized
- Read and understand the operator's manual
- Not operate a faulty lift truck
- Not repair a lift truck unless trained and authorized
- Have the overhead guard and load backrest extension in place

During operation, a lift truck operator must:

- Wear a seat belt
- Keep entire body inside truck cab
- Never carry passengers or lift people
- Keep truck away from people and obstructions
- Travel with lift mechanism as low as possible and tilted back

To park a lift truck, an operator must:

- Completely lower forks or attachments
- Shift into neutral
- Turn key off
- Set parking brake

Contact your Clark dealer for operator training information.

S P E C I F I C A T I O N S

General Information	1	Manufacturer		Clark	Clark	
	2	Model	Manufacturer's Designation	TMX 20	TMX 25	
	3	Load Capacity	lbs(kg)	4000 (2000)	5000 (2500)	
	4	Load Center	Fork Face to Load CG	in(mm)	24 (500)	
	5	Power Unit	Electric	36 volt 48 volt	36 volt 48 volt	
	6	Operator Type		Rider Counterbalanced	Rider Counterbalanced	
	7	Tire Type	Multi-Tire	Cushion Pneumatic	Cushion Pneumatic	
	8	Wheels (x=driven)	Front/Rear	2x / 1	2x / 1	
Basic Dimensions ¹	9	Upright ¹	Maximum Fork Height, Full Capacity	in(mm)	171 (4346)	170 (4322)
	10		Lift Height (preferred Triple Stage)	in(mm)	188 (4781)	187 (4757)
	11		Free Lift, Triple Stage	in(mm)	59 (1500)	59 (1500)
	13	Upright Tilt	Back/Forward, TSU upright	degrees	5 / 3	5 / 3
	14	Forks	Std. Fork Size (T x W x L)	in(mm)	1.5 x 4 x 42 (40 x 100 x 1067)	1.5 x 4 x 42 (40 x 100 x 1067)
	15	Overall Dimensions	Length to Fork Face	in(mm)	76.1 (1933)	76.1 (1933)
	16		Width	in(mm)	40.25 (1022)	42.25 (1073)
	17		Height, Upright Lowered (188 TSU)	in(mm)	83 (2108)	83 (2108)
	18		Height, Upright Extended (188 TSU)	in(mm)	236 (5994)	235 (5969)
	19	Turning Radius		in(mm)	59.8 (1519)	61.9 (1565)
	20	Load Center Distance	Center of Drive Axle to Fork Face	in(mm)	14.4 (366)	14.4 (366)
	21					
22	Right Angle Stack Aisle	Add Load Length and Clearance	in(mm)	74.2 (1885)	76.1 (1933)	
Performance ²	23	Stability	According to ANSI		Yes	Yes
	24	Speeds	Travel Speed, Max w/ Load	mph(kph)	9.3 (15.0) 9.3 (15.0)	7.5 (12.0) 7.5 (12.0)
	25		Travel Speed, Max w/o Load	mph(kph)	9.3 (15.0) 9.3 (15.0)	7.5 (12.0) 7.5 (12.0)
	26	Lift/Lower Speeds, Loaded	Triple Stage	fpm(ms)	61(.31)/86(.43) 74(.39)/86(.43)	45(.23)/86(.43) 53(.27)/86(.43)
	27	Lift/Lower Speeds, Empty	Triple Stage	fpm(ms)	104(.53)/77(.39) 118(.60)/77(.39)	89(.45)/77(.39) 95(.48)/77(.39)
	28	Drawbar Pull (S2-60 min.)	Loaded ⁵	lbs(N)	1790(7960) 1630(7250)	1790(7960) 1630(7250)
	29	Drawbar Pull (S2-5 min.)	Loaded ⁵	lbs(N)	4325(19235) 4325(19235)	4325(19235) 4325(19235)
	30	Gradeability @ 1mph	Loaded ⁶	%	32 32	27 27
34		Unloaded ⁶	%	19 19	16 16	
Weights ³	35	Service Weight	TSU Min Battery Weight (No Load)	lbs(kg)	8964 (4066)	10093 (4578)
	36	Axle Loading	With Load, Front ⁷	lbs(kg)	11692 (5405)	13401 (6206)
	37		With Load, Rear ⁷	lbs(kg)	1272 (661)	1692 (872)
	38		W/O Load, Front	lbs(kg)	4777 (2167)	4758 (2158)
	39		W/O Load, Rear	lbs(kg)	4187 (1899)	5335 (2420)
Chassis	40	Tires (Standard)	Number, Front/Rear		2 / 1	2 / 1
			Size, Front	in	18x8x12.12 18x9x8 16PR ⁴	18x9x12.12 NA
			Size, Rear	in	18x7x12.12 NA	18x6x12.12 ⁵ NA
	41		Size, Rear Dual Steer	in	15x5x11.25 15x4.5x8 ⁶	15x5x11.25 NA
	42	Wheelbase		in(mm)	52.7 (1339)	52.7 (1339)
	43	Track	Front, Cushion	in(mm)	32.3 (820)	33.3 (846)
	44		Front, Pneumatic	in(mm)	33.6 (853)	NA
	45	Ground Clearance	Min w/Load	in(mm)	3.25 (83)	3.25 (83)
	46		At Center of Wheelbase	in(mm)	4.1 (104)	4.1 (104)
	47	Service Brake	Type		Disc	Disc
	Parking Brake	Type		Hand lever actuated	Hand lever actuated	
48	Steering	Type		Hydrostatic	Hydrostatic	
Drive Line		Battery	Type		Lead-acid	Lead-acid
			Max Capacity (6 hr. Rate)	kWh	43.0	43.0
			Weight, Min	lbs(kg)	2590 (1176)	2590 (1176)
	49	Motors, Controls	Drive Motor, Diameter	in(mm)	7.9 (200)	7.9 (200)
	51		Hydraulic Motor Diameter	in(mm)	6.7 (170)	6.7 (170)
	52		Drive Motor Control		Inverter	Inverter
	53		Speed Control		Solid state	Solid state
	54		Hydraulic Motor Control		Inverter	Inverter
	55					
	56					
57						
		Hydraulic Pressure	For Attachments	psi/bar	Adjustable	Adjustable

Notes: See previous pages for notes.

The Clark TMX Series electric three-wheel lift truck is designed to handle the most demanding industrial applications. Its compact size and tight-ratio steering make it highly maneuverable. Powerful induction motors make it responsive. A large operator's compartment and un-cluttered floorboards make it easy to operate. A tight turning radius allows operation in more confined areas than four-wheel models. Capacities up to 5000 LB allow the Clark TMX to perform where other trucks can't.

Operator Comfort /Convenience

- Low step height
- Steel step plates and grab handles on both sides
- Low-effort hydrostatic power steering
- Easy reach hand applied parking brake
- High visibility uprights
- Tilting steering pylion
- Dash display with operating and diagnostic information
- Planned Maintenance Alert

The large operator's compartment, low step height, slip-resistant steel step plates and grab handles make entry and exit from either side of the vehicle easy. The high visibility upright and longitudinal bar design of the overhead guard combine to provide optimum visibility in all directions. The TMX is equipped with a seat belt, Clark safety wing seat and battery restraint system to help protect the operator.

Lift/lower, tilt and auxiliary function levers are conveniently located on the cowl. The levers are offset from the seat centerline so the operator's right hand naturally falls on the levers. The steering wheel is offset to the left, also placing it in the correct position relative to the operator. A dash display provides continuous battery status, hour meter and a wide range of operational and diagnostic codes. A lift interrupt circuit assists in protecting the battery by disabling hydraulic operation when the battery is approximately 80% discharged. Hydraulic cushioning provides smooth, quiet staging of the upright.

Motors

- 100% AC system
- All motors are totally enclosed
- High torque drive motors provide high draw bar pull and gradeability

All motors used on the TMX are brushless induction motors, known for their simple yet rugged design. By eliminating brushes, Clark has made brush changes a thing of the past and the motors no longer have to be pulled from the truck for the commutator to be turned. All motors are totally enclosed to seal out contaminants such as dust and water and are equipped with a temperature monitoring device that signals the control to cut back power should motor temperatures ever approach their limit. Thermal protection is standard on all motors, as are encoders that provide accurate speed feedback to the control. The heavy-duty drive motors produce outstanding draw bar pull (up to twice that of some competitors), allowing the TMX to ascend grades that were once only negotiable by internal combustion trucks.

Electrical Controls

- AC Traction and Pump Controls
- Drive system stall warning
- Three forms of regenerative braking: accelerator pedal release, brake pedal actuation and reversing of the directional lever
- Ramp start and controlled roll-back features
- Accurate speed control
- High acceleration rates and rapid reversal of direction possible
- Fully adjustable to meet your specific needs
- Advanced thermal protection system
- High operating efficiency

Every TMX comes standard with a hydraulic pump control and fully proportional lift. The pump motor only spins as fast as the operator requests, expending only the needed energy. All controls are sealed so they are environmentally protected and

frame mounted high off the ground behind the counterweight for protection. The controls have low audible noise, improved acceleration and most importantly, increased operating time per battery charge. Being totally solid state controls, there are no forward, reverse or bypass (1A) contactors to service or contactor tips to replace. The standard motor encoder allows vehicle speed to be accurately regulated even under varying load and operating conditions. Regenerative braking maximizes energy returned to the battery. Self diagnostic capabilities of the control and storage of status codes aid trouble shooting and minimize downtime.

Drive Line

- Reliable "plug-in" drive motor design
- Drive axle housing supports pin mounted upright for reduced lost load

"Plug-in" drive motors with heavy mounting flanges mate the splined armature shafts directly to the axle assembly for positive alignment, improved heat dissipation and reliability. The intermediate gear shaft extends inward providing an accessible location for the disc brake assemblies.

Brakes

- Responsive pre-reduction disc brake
- Long service life

The Carlisle brake system has two disc brake assemblies located externally on the inboard side of the axle housing for easy access. This design provides smooth and responsive braking as brake torque is multiplied 23.4:1. Long brake life is also a benefit. Easy reach hand parking brake mechanically actuates both service brake assemblies.

Hydraulic System

- Hydraulic valve has adjustable flow control to accommodate attachment needs
- Quick connect port allows convenient pressure check
- Continuous fluid filtration
- O-ring face seal fittings reduce leaks and are easily serviced

Continuous fluid filtration within the power steering system, a 25 micron return line filter and a 10 micron filler cap/breather combine to provide maximum filtering efficiency. The tilt cylinder's design allows in-truck packing replacement.

Steering

- Quiet operation
- Full hydrostatic power steering

High maneuverability is achieved with steering angle of up to 90 degrees and proportional reversing of the inside drive wheel in tight turns. The outside drive tire powers the turn while the inside tire is powered in reverse, enhancing traction on slick or wet surfaces. The heavy-duty steer axle mount with tapered roller bearings provides high durability.

Uprights

- All-roller construction reduces friction and energy consumption
- Lateral side-thrust rollers on the fork carriage reduce friction caused by off-center loads
- Full I-section inner and intermediate rails provide maximum section strength
- Uprights accommodate 3/8 inch I.D. internal hosing for auxiliary functions requiring high flow rate
- Hydraulic cushioning on primary and secondary cylinders

Clark standard and triple stage uprights feature nested rail construction with cylinders behind the rails giving improved operator visibility. Tilt cylinder mounts are self-aligning to minimize side loading on cylinder rods for increased seal life. Hydraulic counter-balance valve in tilt circuit is designed to prevent cavitation. Load lowering and flow limiting control valves regulate carriage lowering speed, even in the event of a line failure. ITA Class II carriages with upset forged hook type forks with retainers.

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The index for education and communication increased 0.4 percent in October. The index for education rose 0.7 percent, reflecting an increase of 0.8 percent in the index for tuition. College tuition costs rose 1.1 percent in October and were 6.1 higher than a year ago. The index for communication was virtually unchanged in October. Within this group, the index for telephone services rose 0.2 percent, reflecting a 0.5 percent increase in the index for land-line local charges. The indexes for personal computers and peripheral equipment declined 1.4 percent and the indexes for computer software and accessories and for internet services and electronic information providers decreased 0.2 and 0.6 percent, respectively.

The index for other goods and services increased 0.2 percent in October. The two major sub-indexes--tobacco and smoking products and personal care--each rose 0.2 percent. During the last 12 months, prices for tobacco and smoking products have increased 7.6 percent and prices for personal care have risen 2.5 percent.

CPI for Urban Wage Earners and Clerical Workers (CPI-W)

On a seasonally adjusted basis, the CPI for Urban Wage Earners and Clerical Workers increased 0.3 percent in October.

Table B. Percent changes in CPI for Urban Wage Earners and Clerical Workers (CPI-W)

Expenditure Category	Seasonally adjusted							Compound annual rate 3-mos. ended Oct. '07	Un-adjusted 12-mos. ended Oct. '07
	Changes from preceding month								
	2007								
	Apr.	May	June	July	Aug.	Sep.	Oct.		
All Items	.5	.8	.1	.1	-.2	.3	.3	1.6	3.7
Food and beverages	.4	.4	.5	.2	.4	.5	.3	4.8	4.4
Housing	.2	.2	.2	.2	.0	.2	.3	2.1	3.2
Apparel	-.4	-.3	-.9	.8	-.3	.1	.1	-.5	-1.3
Transportation	1.4	3.1	-.2	-.3	-1.4	.1	.4	-3.3	6.3
Medical care	.4	.3	.2	.7	.5	.4	.6	6.1✓	5.0✓
Recreation	.0	.2	-.1	-.1	-.1	.4	.3	2.1	.4
Education and communication	.3	.6	.0	.3	.3	.0	.3	2.4	2.2
Other goods and services	.1	.3	.3	.1	.1	.4	.2	3.0	4.1
Special Indexes									
Energy	2.6	5.8	-.7	-1.0	-3.4	.3	1.4	-6.5	15.1
Food	.4	.4	.5	.3	.4	.5	.3	4.9	4.5
All Items less food and energy	.2	.1	.2	.3	.2	.2	.2	2.2	2.0

Consumer Price Index data for November are scheduled for release on Friday, December 14, 2007, at 8:30 A.M. (EST).

Table 6. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W): Selected areas, all items index

(1982-84=100, unless otherwise noted)

CPI-W	Pricing schedule 1	All items									
		Indexes				Percent change to Oct.2007 from—			Percent change to Sep.2007 from—		
		July 2007	Aug. 2007	Sep. 2007	Oct. 2007	Oct. 2006	Aug. 2007	Sep. 2007	Sep. 2006	July 2007	Aug. 2007
U.S. city average	M	203.700	203.199	203.889	204.338	3.7 ✓	0.6	0.2	2.8	0.1	0.3
Region and area size²											
Northeast urban	M	217.879	217.379	217.486	218.151	3.3	.4	.3	2.3	-.2	.0
Size A - More than 1,500,000	M	218.523	218.445	218.791	219.275	3.4	.4	.2	2.2	.1	.2
Size B/C - 50,000 to 1,500,000 ³	M	131.521	130.684	130.447	131.080	3.2	.3	.5	2.3	-.8	-.2
Midwest urban	M	194.219	193.663	194.828	194.384	3.9	.4	-.2	3.2	.3	.6
Size A - More than 1,500,000	M	194.725	194.084	195.306	194.843	3.7	.4	-.2	2.9	.3	.6
Size B/C - 50,000 to 1,500,000 ³	M	126.738	126.435	127.139	126.879	4.3	.4	-.2	3.8	.3	.6
Size D - Nonmetropolitan (less than 50,000)	M	192.804	192.437	193.586	193.074	4.3	.3	-.3	3.4	.4	.6
South urban	M	198.673	198.063	198.873	199.319	4.1	.6	.2	3.1	.1	.4
Size A - More than 1,500,000	M	201.867	201.384	202.354	202.906	4.1	.8	.3	3.0	.2	.5
Size B/C - 50,000 to 1,500,000 ³	M	126.878	126.445	126.953	127.265	4.2	.6	.2	3.3	.1	.4
Size D - Nonmetropolitan (less than 50,000)	M	201.809	201.006	201.250	200.942	2.9	.0	-.2	2.2	-.3	.1
West urban	M	206.927	206.624	207.164	208.304	3.5	.8	.6	2.4	.1	.3
Size A - More than 1,500,000	M	208.388	208.225	208.921	210.025	3.5	.9	.5	2.3	.3	.3
Size B/C - 50,000 to 1,500,000 ³	M	128.840	128.546	128.642	129.419	3.5	.7	.6	2.4	-.2	.1
Size classes											
A ⁴	M	188.642	188.338	189.072	189.471	3.6	.6	.2	2.6	.2	.4
B/C ³	M	127.866	127.419	127.759	128.103	3.9	.5	.3	3.0	-.1	.3
D	M	199.207	198.559	199.289	199.275	3.5	.4	.0	2.7	.0	.4
Selected local areas⁵											
Chicago-Gary-Kenosha, IL-IN-WI	M	198.700	198.630	199.419	199.558	4.9 ✓	.5	.1	3.4	.4	.4
Los Angeles-Riverside-Orange County, CA ...	M	209.444	209.240	209.849	211.259	3.8 ✓	1.0	.7	2.2	.2	.3
New York-Northern N.J.-Long Island, NY-NJ-CT-PA	M	222.237	221.905	222.174	222.624	3.4	.3	.2	2.4	.0	.1
Boston-Brockton-Nashua, MA-NH-ME-CT	1	226.465	-	227.429	-	-	-	-	1.4	.4	-
Cleveland-Akron, OH	1	187.344	-	187.784	-	-	-	-	3.3	.2	-
Dallas-Fort Worth, TX	1	196.198	-	197.027	-	-	-	-	1.7	.4	-
Washington-Baltimore, DC-MD-VA-WV ⁶	1	133.766	-	134.277	-	-	-	-	3.4	.4	-
Atlanta, GA	2	-	200.162	-	200.714	5.1	.3	-	-	-	-
Detroit-Ann Arbor-Flint, MI	2	-	194.798	-	196.237	2.6	.7	-	-	-	-
Houston-Galveston-Brazoria, TX	2	-	182.425	-	183.426	2.5	.5	-	-	-	-
Miami-Fort Lauderdale, FL	2	-	211.041	-	213.454	5.1	1.1	-	-	-	-
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	2	-	217.331	-	218.061	3.3	.3	-	-	-	-
San Francisco-Oakland-San Jose, CA	2	-	211.620	-	213.133	3.4	.7	-	-	-	-
Seattle-Tacoma-Bremerton, WA	2	-	210.220	-	213.107	4.5	1.4	-	-	-	-

¹ Foods, fuels, and several other items priced every month in all areas; most other goods and services priced as indicated:
M - Every month.

1 - January, March, May, July, September, and November.
2 - February, April, June, August, October, and December.

² Regions defined as the four Census regions. See technical notes.

³ Indexes on a December 1996=100 base.

⁴ Indexes on a December 1986=100 base.

⁵ In addition, the following metropolitan areas are published semiannually and appear in Tables 34 and 39 of the January and July issues of the CPI Detailed Report: Anchorage, AK; Cincinnati-Hamilton, OH-KY-IN; Denver-Boulder-Greeley, CO; Honolulu, HI; Kansas City, MO-KS; Milwaukee-Racine, WI; Minneapolis-St. Paul, MN-WI; Phoenix-Mesa, AZ; Pittsburgh, PA; Portland-Salem, OR-WA; St. Louis, MO-IL; San Diego, CA;

Tampa-St. Petersburg-Clearwater, FL.

⁶ Indexes on a November 1996=100 base.

- Data not available.

NOTE: Local area indexes are byproducts of the national CPI program. Each local index has a smaller sample size than the national index and is, therefore, subject to substantially more sampling and other measurement error. As a result, local area indexes show greater volatility than the national index, although their long-term trends are similar. Therefore, the Bureau of Labor Statistics strongly urges users to consider adopting the national average CPI for use in their escalator clauses.

NOTE: Index applies to a month as a whole, not to any specific date.

Table 7. Chained Consumer Price Index for All Urban Consumers (C-CPI-U): U.S. city average, by expenditure category and commodity and service group

(December 1999=100, unless otherwise noted)

C-CPI-U	Relative importance, 2003-2004	Unadjusted indexes		Unadjusted percent change to Oct. 2007 from—	
		Sep. 2007	Oct. 2007	Oct. 2006	Sep. 2007
Expenditure category					
All items	100.000	120.423	120.700	3.0	0.2
Food and beverages	15.072	120.856	121.361	4.3	.4
Food	13.943	120.930	121.440	4.3	.4
Food at home	8.029	117.827	118.495	4.6	.6
Food away from home	5.914	125.125	125.407	4.0	.2
Alcoholic beverages	1.130	120.212	120.656	3.5	.4
Housing	42.173	125.956	125.886	2.9	-.1
Shelter	32.495	127.869	128.100	3.1	.2
Fuels and utilities	4.702	153.610	150.915	5.7	-1.8
Household furnishings and operations	4.977	95.253	95.274	-1.4	.0
Apparel	4.076	89.723	91.416	-1.5	1.9
Transportation	17.095	120.429	120.756	4.3	.3
Private transportation	15.988	121.090	121.371	4.5	.2
Public transportation	1.107	113.448	114.404	2.4	.8
Medical care	6.055	137.696	138.435	4.5	.5
Medical care commodities	1.458	123.099	123.448	1.2	.3
Medical care services	4.597	142.802	143.683	5.6	.6
Recreation	5.863	104.846	105.150	-.4	.3
Education and communication	6.190	106.565	106.709	1.6	.1
Education	2.751	163.011	163.793	5.4	.5
Communication	3.439	74.665	74.561	-1.4	-.1
Other goods and services	3.475	124.438	124.777	3.3	.3
Commodity and service group					
Services	58.763	129.317	129.432	3.2	.1
Commodities	41.237	109.441	109.912	2.7	.4
Durables	12.340	84.291	84.371	-2.1	.1
Nondurables	28.897	122.623	123.326	4.9	.6
All items less food and energy	78.707	115.583	115.953	1.8	.3
Energy	7.351	179.647	177.675	13.8	-1.1

Indexes for 2007 are initial estimates. Indexes for 2006 are interim adjustments.
NOTE: Index applies to a month as a whole, not to any specific date.

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Section 457 Deferred Compensation Questionnaire

The Lincoln National Life Insurance Company
PO Box 2340
Fort Wayne, IN 46802-2340

Process/Home Office Approval

This document must be used when submitting new 457(b) Deferred Compensation business to The Lincoln National Life Insurance Company (Lincoln Life). The submission for new business will be processed upon receipt of an annuity contract application, cover page (for Group Multi-Fund* only), service agreement and this questionnaire. If you need copies of any of these forms, please call a New Business Plan Installation Representative at 800 454-6265. If any of the forms noted above are received without appropriate signatures, the forms will be returned for completion.

Instructions

Employer Market

Group Multi-Fund* Individual Multi-Fund* Lincoln Alliance Program

457 Deferred Compensation plan

Governmental 457(b) plan Non-Governmental 457(b) plan LOSAP 457(e)(11) plan
(Fort Wayne only)

Governmental 457(b) plan - may be sponsored by a state or political subdivision, such as a county, city, town or instrumentality of a political subdivision. Public school districts fall under the category of Governmental 457(b).

Non-governmental 457(b) plan - may be sponsored by a tax-exempt or non-profit organization. Participation must be limited to a select group of management or highly compensated employees.

**Part I
Employer Information**

Employer/Legal name NORTHERN FUYO COUNTY LOCAL HOSPITAL DISTRICT
 Employer Tax ID number (9 digits as assigned by the IRS) 95-6005449
 Administrator's name JOHN HALFER
 Successor administrator's name _____
 Plan name _____
 Primary contact's name CARRIE PETERSEN
 Title COMPTROLLER
 Address 150 PICKEREN LANE
 City, State, ZIP BISHOP, CA 93514
 Phone number 760-873-2199 Fax number 760-873-2126 Email CARRIE.PETERSEN@NHLH.ORG
 State where contract holder/employer domiciled CALIFORNIA
 Effective date of this new plan or amendment 12-6-07

Select one

Citation to State or local law authorizing deferred compensation plan (governmental plan)
 Attach Board of Directors resolution authorizing deferred compensation plan (non-governmental plan)

Are there other Lincoln Life contracts associated with this employer? Yes No

Are there other carriers associated with this employer? Yes No

If "Yes," list the carriers:

AIG-Valic

Part I
Employer
Information
continued

Is this employer a member of an association: Yes No
If "Yes,"

Association name _____
Address _____
City, State, ZIP _____
Contact's name _____

Contribution Information

Date of first contribution: _____
Deposit contact, if other than the primary contact on front page

Name Carrie Petersen
Phone number (760) 873 Fax number _____ Email carrie.petersen@uh.

Remittance frequency: Employee deferral and/or Non-elective employer contributions

- Bi-weekly Semi-monthly Monthly
 Quarterly Semi-annually Annually

Deposit information

Data submission medium will be: Groupnet

Funds will be remitted via:

- Check Wire ACH Customer initiated payment

Product information

Group Multi-Fund* _____
Product number(s) _____

Individual Multi-Fund* _____
Product number(s) _____

Select one of the following (For Individual Multi-Fund* Only):

- Complete contract sent to the employer.
 Contract cover page only will be sent to the employer.
 No contract will be sent to the employer.

Who should receive the confirmation statements (For Individual Multi-Fund* Only):

- Employee
 Employer

Reporting information

Participant statements and employer valuation reports are issued as of each calendar quarter end.
Employer reports are to be mailed to:

- The employer's address given previously, and/or
 the following recipient:

Name _____
Company's name _____
Address _____
City, State, ZIP _____
Phone number _____ Fax number _____

Part II
Employer
Information

The employer authorizes telephone transfer privileges for each employee
 Yes No

Loan Feature (governmental plans only)

- Yes No

Withdrawal Options

- Unforeseeable emergency
 In-service withdrawal - \$5000 or less.
 Rollover Contributions - if separately accounted for (governmental plans only)

Contribution Sources

- Employee deferral
 Non-elective employer contribution

Retirement age 65
(Not earlier than (1) age 65 or (2) the age at which Employees have the right to retire and receive DB benefits without reduction or Normal Retirement Age in a Money Purchase Plan, if applicable.)

Total number of employees 351 Number participating in the plan 104

**Part III
457 Deferred
Compensation
Plans**

Is there a 457 plan document in place?
Do you want a Lincoln Life document? If "Yes," complete form 32209.
If other than Lincoln Life plan document, please provide copy

Yes No
 Yes No

**Part IV
Tax Information
Notice**

The Internal Revenue Code requires the plan administrator to withhold and report taxes, on Form W-2 for Non-Governmental 457(b) plans and on 457(e)(11) LOSAP plans or on Form 1099R for Governmental 457(b) plans, on all taxable distributions from all 457 retirement plans. The plan administrator is allowed to transfer this withholding responsibility. If you choose to transfer the withholding responsibility to Lincoln Life, we will:

- Make all checks for benefit distributions payable to the participant.
- Withhold and send all applicable taxes to the IRS if elected by the participant.
- Provide the required IRS Form W-2 or Form 1099-R prior to January 31 of the year following the year of the distribution for attachment to the participant's tax return.

You may only transfer this responsibility when you provide the proper information needed to report and withhold taxes.

Will tax reporting and federal income tax withholding be handled by Lincoln Life? Yes No

Non-governmental 457(b) and LOSAP 457(e)(11) plans - If you elect Lincoln Life to be the withholding agent, you must complete and attach IRS Form 2678, Employer Appointment of Agent.

**Part V
Agreement and
Signatures**

By signing below, you, the employer, understand and agree that the information in this document is, to the best of your knowledge, complete and accurate.

Employer's signature [Signature] Date 12-05-07
Organization's name NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

**Authorized
Individual(s) and
Signature(s)**

You authorize the following person(s) to sign on behalf of the contract owner.

Name (print or type) CARIE PETERSEN
Signature [Signature] Date 11-19-07

Name (print or type) Susan Batchelder
Signature [Signature] Date 11/19/07

Name (print or type) _____
Signature _____ Date _____

**Registered
Representative
Information**

Name DAN GIMNOPOULOS
Registered representative's signature _____ Date _____
Firm _____
Social Security number _____ License _____
SA Code _____ PC code _____ Mailcode _____
Phone number _____ Fax _____
Email _____

Note to Registered Representative: All Individual Multi-Fund* applications for 457(b) plans must indicate that the Employer is the Contract holder and the participant is the Annuitant. Both employer representative and plan participant must sign the application.



The Lincoln National Life Insurance Company
PO Box 2340
Fort Wayne IN 46802-2340

457(b) Plan Administration Service Agreement

Plan Name	Plan number
Employer	Phone number
Plan Administrator	
Service agreement effective date	

While this agreement is in effect, the employer and The Lincoln National Life Insurance Company ("Lincoln") agree as follows:

I. Responsibility of Lincoln

- (A) Lincoln will provide the services the employer elects in the 457(b) Deferred Compensation Election of Administrative Services form attached and incorporated herein by reference, contingent upon the employer meeting its obligations under Section II of this service agreement. The Election of Administrative Services will specify the services to be provided and the charge(s) applicable to the services provided.
- (B) Lincoln will bill the employer for services rendered. Payment is due upon receipt of the bill. If payment is not received within 30 days of the billing date, Lincoln reserves the right to discontinue services until payment is received.
- (C) Disclosure: Lincoln agrees not to disclose any participant data, which the employer furnishes pursuant to this agreement to others not associated with the provision of services covered by this agreement unless (1) prior written consent from the employer has been received, or (2) Lincoln acts pursuant to legal process.

II. Responsibility of the employer

- (A) The employer will provide to Lincoln all information requested relative to the plan and its administration that Lincoln deems necessary to provide the services specified in this agreement. Lincoln assumes no responsibility for the accuracy of the information provided.
- (B) The employer will review each report furnished by Lincoln and will notify Lincoln of any errors in the report. Notification of any error must be in writing and must be received by Lincoln at the address above within 60 days of the employer's receipt of the report.

All errors caused by Lincoln will be corrected free of charge. Errors by Lincoln that are not reported within 60 days and errors caused by the employer or any other party will be corrected at the direction of the employer. The employer will be responsible for all costs associated with the corrections.

- (C) Whenever any amendment or significant change to the operation of the plan is proposed, the employer will notify Lincoln in writing at least 30 days prior to the effective date of such proposed amendment or change to the plan. Lincoln reserves the right to adjust the service fees in the event such amendment or change alters the type or quantity of the services to be performed.

III. General Provisions

- (A) Terms of agreement: This agreement shall commence on the service agreement effective date and shall continue in force until discontinued under Section IV. This agreement will automatically be renewed as of its anniversary for each subsequent plan year unless at least 30 days prior to the anniversary either Lincoln or the employer elects to terminate this agreement.
- (B) Employer responsibility: by this agreement, Lincoln agrees to provide only the ministerial services listed in the Election of Administrative Services to the employer in connection with the plan. Decisions regarding the interpretation of plan provisions, including provisions involving benefits under the plan, shall be made by the employer. (Lincoln shall not, by the provision of services or otherwise, assume any employer responsibilities, or exercise any discretion or control over the plan.)
- (C) Calculation of Charges: The service charges due under this agreement will be the sum of the charges stated in the Election of Administrative Services. This agreement does not include any charges that may be contained in an annuity contract.

(D) Lincoln's maximum liability is the amount of service fees paid under this contract. Any action brought under this contract must be filed within three (3) years of the occurrence causing the action. If the three year period during which suit can be brought on the contract is prohibited by the state in which the contract is executed, these limitations shall be amended to agree with the minimum period of limitation permitted by the state. Nothing in this contract will make Lincoln a party to the plan or will transfer to Lincoln any authority or control regarding management of the plan. In addition, this agreement cannot cause Lincoln to have any obligation to a plan participant or beneficiary. Lincoln will rely upon information furnished by the employer, plan or plan participant and has no duty to look beyond such information.

(E) Agreement amendment: Any or all of the terms of this agreement may be changed only by a written instrument signed by an officer of Lincoln and the employer.

(F) Lincoln will have the right to review and adjust the service fees charged under this contract at any time. If adjustment in the service fees are necessary, the employer will be notified of the adjustments before Lincoln initiates further service work. Lincoln reserves the right to make additional charges for servicing if substantial review of prior years' documents is necessary. Service fees are due upon receipt of the bill. If payment is not received within 30 days of the billing date, Lincoln reserves the right to discontinue services until payment is received.

(G) Lincoln shall not be liable for any damages for failure to perform any of the terms or provisions of this

agreement from any cause not within its control. Lincoln will not be responsible for any liability to any party other than that which may result from Lincoln's negligent performance under this contract.

IV. Termination

(A) Termination: This agreement will be terminated upon any of the following:

1. 30 days written notice from the employer to Lincoln,
2. 30 days written notice from Lincoln to the employer,
3. The employer's failure to make required payments for service charges billed,
4. Immediately upon discontinuance of the annuity contract issued by Lincoln for funding of the plan, or
5. Immediately upon termination of the plan.

(B) Effect of termination:

1. Upon termination of this agreement, any outstanding charges shall be payable immediately. Lincoln will provide no further services until all charges are paid in full.
2. Any service(s) provided at Lincoln's option after the actual date of termination will be provided at a rate to be determined at the time of termination and on a prepaid basis only. No services will be provided after termination unless and until all charges due have been paid. In such event, Lincoln will provide a listing of those services it is willing to provide after the date of termination.

(C) Governing Law: The agreement shall be governed and construed in accordance with the laws of the State of Indiana.

457(b) Deferred Compensation Election of Administrative Services

PLAN DOCUMENT SERVICES Yes No

I. Implementation Fee (Initial plan set-up)

The fee includes: plan design, preparation of plan document, and loan policy (if applicable).

Plans which require processing time in excess of five hours will be billed an additional fee of \$150 per hour. The client will be notified in advance of any additional billing.

*Please bill
DSU #
\$ 150*

II. Maintenance Fees

This fee will be charged for each plan amendment or restatement.

- Plan Document Restatement (Revising Existing Document) \$ 150
- Amendment (Employer Requested Changes to the Existing Document) \$ 100

Plans which require processing time in excess of two hours will be billed an additional fee of \$150 per hour. Amendment / restatement request received with a proposed effective date less than 30 days from date of receipt will be processed subject to Lincoln approval and will be billed an additional fee of \$150. The client will be notified in advance of any additional billing.

In witness hereof, Lincoln and the employer have signed this agreement.

Employer

By:

Title:

[Signature]
CEO

Date: 12-5-07

The Lincoln National Life Insurance Company (home office)

By:

Title:

Date:

The above-described fees are subject to change by Lincoln with 30 days advance notice to the employer.

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of _____, 2007, by and between CLIFFORD SHELDON BECK, M.D. and ALICE ELAINE CASEY, M.D., hereinafter jointly and severally described as “Sellers,” and NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, hereinafter described as “Buyer.”

I

RECITALS

1.01. Sellers. Sellers are, and at all times herein mentioned have been, husband and wife. Sellers are also, and at all times herein mentioned have been, practicing medicine at 152-H Pioneer Lane, in the City of Bishop, County of Inyo, State of California, as a general partnership under the firm name and style of “Bishop Pediatrics and Allergy.” All of the property which is the subject of this Agreement is the community property of the Sellers whether held by the marital community or in the name of the aforesaid partnership.

1.02. Buyer. Buyer is, and at all times herein mentioned has been, a California Local Health Care District organized and existing under the California Local Health Care Law, *Health & Safety Code §32000, et seq.*

1.03. The Partnership. Sellers are the owners of a 17.78% interest in PIONEER MEDICAL ASSOCIATION (hereinafter “the Partnership”) a general partnership organized and existing under the laws of California with its principal place of business at 152 Pioneer Lane, Bishop, California 93514.

1.04. The Real Property. The primary asset of the Partnership is a parcel of real property, upon which an improvement, commonly known as the Pioneer Medical Building, is located. Said parcel is more particularly described as Parcel 1 of Parcel Map 209 recorded in Book 3, Pages 25-26 of Parcel Maps, in the Office of the Inyo County Recorder, and is designated by the Inyo County Assessor as Parcel Number 11-240-14A. It is hereinafter described as “the Real Property.”

1.05. The Leasehold. Sellers occupy a 2,270 square foot medical office suite on the Real Property identified as Suite H which is hereinafter described as “the Leasehold.” With respect to said Leasehold Sellers are the tenants and the Partnership is the landlord.

1.06. The Purpose of this Agreement. Sellers desire to sell to Buyer, and Buyer desires to purchase and acquire from Sellers, (a) all of Sellers’ right, title and interest in and to

the Partnership, specifically including all of Sellers' interest, whether direct or indirect through the Partnership, in and to the real Property, and (2) the Leasehold. All of foregoing are hereinafter collectively described as "the Property."

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS, CONDITIONS AND PROMISES CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

II

PURCHASE AND SALE

1. Purchase and Sale. Buyer agrees to purchase from Sellers, and Sellers agree to sell to Buyers, the Property.

2. Purchase Price and Terms. The purchase price to be paid by Buyer to Sellers shall be FOUR HUNDRED, ELEVEN THOUSAND SEVENTY-FOUR DOLLARS (\$411,074) payable as follows:

2.1. The sum of TWENTY THOUSAND DOLLARS (\$20,000) which shall be deposited with the escrow agent at the opening of escrow, as described in Article III below, and credited to the purchase price upon the close of escrow.

2.2. Buyer shall deposit into escrow prior to closing the sum of THREE HUNDRED NINETY-ONE THOUSAND SEVENTY-FOUR DOLLARS (\$391,074) in cash, together with funds sufficient to pay Buyer's share of escrow and closing fees.

2.3 Said purchase price shall be allocated and reported by the parties as follows:

<u>Item</u>	<u>Amount</u>
Partnership Interest	\$ 1
<u>Leasehold</u>	<u>411,073</u>
Total	\$ 411,074

Each of the parties hereto acknowledges and agrees that the foregoing allocation will be used for income tax and/or property tax reporting purposes by both Buyer and Seller. The parties affirm and declare that the allocations stated above were determined in good faith by arms-length negotiation. Each party agrees to report the transaction for income tax and/or property tax purposes in accordance with the allocations stated above and not to thereafter take a position before any Court, tribunal, administrative board, hearing officer, or public official to the contrary except (1) with the written consent of the other parties hereto or (2) if the Internal Revenue

Service, Franchise Tax Board, Inyo County Tax Assessor or other taxing authority has taken a position with respect to the other party contrary to the allocations stated above, in which case a party may take a protective position by adopting the respective taxing agency's contention until the controversy between the taxing agency and the other party is resolved.

2.4. Immediately following the close of escrow the Buyer, contingent upon the approval of the Partnership, agrees to lease the Leasehold to Sellers, and Sellers agree to lease the Leasehold from Buyer, for a term of not less than five (5) years at a monthly rental of not less than \$1.25 per square foot. Said Lease shall allow its assignment, upon the consent of Buyer, to Charlotte Helvie, M.D., and shall further provide that such consent will not be unreasonably withheld, and may be subject to such additional terms and conditions as the parties may agree prior to the close of escrow.

III

ESCROW

1. **Escrow.** Immediately upon execution of this Agreement the parties shall jointly cause an escrow to be opened with Inyo-Mono Title Company (hereinafter "Inyo-Mono"), 873 North Main Street, Bishop, California, and shall jointly retain Inyo-Mono to act as the escrow holder. Escrow shall be deemed opened after the parties have delivered signed escrow instructions to the escrow holder. The parties shall instruct Inyo-Mono to insert the following material terms in said escrow holder's standard form Real Property Escrow Instructions:

1.1. **Title.** As of the date of this Agreement it appears that the title to the Real Property is vested in the Partnership. With respect to the interest of Sellers in and to the Real Property, either directly or indirectly by virtue of Sellers' interest in the Partnership, title to Sellers' interest in the Real Property is to be delivered to Buyer free of liens, encumbrances, easements, restrictions, rights and conditions of record of known to Sellers. Sellers shall furnish to Buyer at Sellers' expense, if available from escrow holder, a standard California Land Title Association (CLTA) policy issued by Inyo-Mono Title Company, whether as principal or agent, insuring the 17.78% interest in the Real Property of Buyer (either directly or indirectly through the 17.78% interest in the Partnership), subject only to the above. Except as otherwise provided for herein, Buyer shall have until _____ to disapprove any title exceptions disclosed in the current preliminary title report furnished as of the date of this Agreement as the expense of Sellers, by giving written notice of such disapproval to Sellers. If Sellers are unwilling or unable to eliminate any title matter disapproved by Buyer as set forth above, Buyer may elect to terminate this Agreement. Buyer may elect to obtain an American Land Title Association (ALTA) policy, provided that the closing date is not relayed as a result. In such event Buyer shall pay the premium amount in excess of the premium (including all costs associated therewith, including but not limited to engineering and survey fees) for the CLTA policy referenced above, which premium shall be the responsibility of Sellers.

1.2. Prorations. Property taxes, assessments of record, and any other related items or expenses shall be prorated as of the close of escrow. Any bond or assessment which is a lien against the Property shall be paid current by Sellers and the outstanding principal balance assumed by Buyer. As to the Real Property, Sellers' obligation to pay current shall be limited to 17.78% of such obligation. Transfer taxes, if any, shall be paid by Sellers.

1.3. Possession. Possession and occupancy of the Leasehold shall be delivered to Buyer upon close of escrow.

1.4. Vesting. Buyer shall inform the escrow holder, prior to closing, of the name and style in which its title is to be vested.

1.5. Escrow Fees and Costs. Escrow fees and costs, other than those expressly stated herein, shall be borne equally by the parties.

1.6. Closing. Escrow shall close upon a date to be mutually agreed by the parties, and which is hereinafter referred to as the "Closing Date."

1.7. Buyer's Right to Cancel. Buyer shall have the absolute to cancel this Agreement at any time during the escrow period based upon (1) any dissatisfaction or objection to the physical condition of the Property, (2) any failure of a condition, or (3) any other ground expressly stated or provided for in this Agreement, it being the express intent of the parties that Buyer's decision to accept the condition of the Property or raise an objection shall be within the sole and absolute discretion of Buyer. In the event Buyer elects to cancel this transaction as provided for herein, all deposits of Buyer shall immediately be returned to Buyer upon the demand of Buyer only. Escrow holder shall hold such instruction from Buyer for a period of twenty (20) days from the date of its receipt for the purpose of allowing Sellers to express any objection, in writing, thereto and claim a default on the part of the Buyer. In the event Sellers give timely notice of such objection and default, the escrow holder shall have the absolute right to interplead the funds on deposit, pursuant to such applicable written provisions as the escrow holder may require in its escrow instructions, in any court of competent jurisdiction.

2. Partnership and Leasehold. Upon the close of escrow, Sellers shall have (1) executed all documents necessary to transfer and assign to Buyer a 17.78% general partnership interest in Pioneer Medical Associates and (2) transferred, conveyed, and assigned to Buyer its Leasehold with the consent and approval of the Landlord already had and obtained. The aforesaid requirements are material conditions of this Agreement, failure of which will entitle the Buyer to cancel as provided in Paragraph 1.7 above.

2.1. The Partnership Interest. As a further condition precedent to Buyer's obligations as set forth herein, the parties shall have obtained the approval and consent of all general partners of the Partnership to admit Buyer as the holder of Sellers' 17.78% general partnership interest, and Buyer, acting in its sole and absolute discretion, shall have approved the

current form of the governing documents of the Partnership as of the Closing Date.

2.2. Lease for the Leasehold. As a further and additional condition precedent to the Buyer's obligations as set forth herein, the Partnership as Landlord and the Buyer as a tenant (pursuant to the assignment in Paragraph 2 above), shall have agreed, prior to the Closing Date, as to the form and material terms of a Lease of Suite H.

3. Conditions Precedent to the Obligations of Buyer. In addition to any other matter stated in this Agreement, each of the following shall be a condition precedent to the obligations of Buyer:

3.1. Due Diligence. Buyer shall have until ten (10) days after the opening of escrow (the "Due Diligence Date") to complete its due diligence review of the Property and approve or disapprove the Property, and its obligations under this Agreement, including, without limitation, the following:

(1) The physical condition of the Real Property and the Leasehold, including without limitation, (a) soils conditions, (b) size, dimensions and boundaries of the Real Property, (c) the building foundation, (d) structure, exterior and roof, (e) plumbing, electrical, mechanical, heating, ventilation, air condition and other systems of the Property's infrastructure;

(2) The cost and availability of utilities and other governmental or quasi-governmental services;

(3) The feasibility of any improvements planned by Buyer, including without limitation the cost and availability of building permits and other approvals necessary to construct such improvements, and the cost of such improvements;

(4) Title matters including, without limitation, the Permitted Exceptions as set forth in the Preliminary Title Report identified in Paragraph 1.7 above.

(5) Compliance with applicable laws, including without limitation, zoning and use restrictions, building codes, and health and safety laws;

(6) The cost and availability of financing.

(7) Whether the Real Property is within or affected by any geologic, seismic, flood or other special zone;

(8) Environmental matters including without limitation the potential existence of hazardous materials on, in or near the Real Property and/or Improvements.

3.2. Failure to Terminate. Should Buyer fail to cancel its obligations, as provided in Paragraph 3.1 above, on or before the Due Diligence Date, by giving written notice thereof to Sellers then, and in such event, Buyer shall be deemed to have completed its Due Diligence review and approved the Property.

3.3. Conditions Relating to Partnership and Leasehold. Buyer shall have satisfied the conditions pertaining to the Partnership and Leasehold as described in Paragraphs 2.1, 2.2 and 3.1 above.

3.4. Sellers' Performance. Performance by Sellers of all of their obligations, joint and several, under this Agreement.

3.5. Title Insurance. The Inyo-Mono Title Company shall have stated, in writing, that it is prepared to issue the title insurance policy described in Paragraph 1.1 above, upon the Closing Date, subject only to exceptions approved by the Buyer.

3.6. Right to Inspect. Buyer and its authorized agents, employees and representatives shall be given the right to inspect the books and records relating to the Partnership, to access same at reasonable dates and times, and to make copies and/or extracts from said books and records. Buyer shall also have the right to review, inspect, and approve copies of (1) books and records of the Partnership including, without limitation, income tax returns and filings for the three (3) fiscal years immediately preceding the date of this Agreement and filings, financial, credit and other information relating to the Partnership and (2) any and all contracts, licenses, leases, and other such information relating to the Partnership. Sellers shall cooperate with Buyers through the close of escrow to the end that Buyer and its agents, employees and representatives shall be afforded the opportunity to obtain all information and knowledge of the Partnership which, in the sole and absolute discretion of Buyer, is necessary for it to complete its Due Diligence Review and make an informed decision on whether to cancel this Agreement or close escrow. Buyer shall assure that its conduct during this process, and that of its agents, employees and representatives, is at all times unobtrusive and does not interfere with the ordinary course of the Partnership's business operations. Buyer shall defend, indemnify and hold Sellers financially free and harmless from any and all claims, demands, liabilities, obligations, and causes of action related to the activities of Sellers or their agents pursuant to this Paragraph 3.6. Sellers represent to Buyer that Sellers do not have custody, control, or current access to the foregoing books and records but will use their best efforts to assist Buyer in obtaining same as provided for above.

4. Closing Obligations of Sellers. Sellers shall deposit into escrow, for delivery to Buyers upon Closing, each of the following:

4.1. Instrument of Conveyance. A duly executed and acknowledged grant deed, and/or Amended Partnership Agreement, and/or other requisite instrument of conveyance of Seller's interest in and to the Real Property, including without limitation any instrument which

may be required by the escrow holder, in a form or forms satisfactory to Buyer.

4.2. Keys. Keys and security codes to all units, rooms, storage areas and other facilities of the Leasehold and the Real Property, excluding keys and security codes for areas under the exclusive control of non-parties to this Agreement.

4.3. Escrow Fees & Costs. All moneys required to pay Sellers' share of the escrow fees and costs, and title insurance.

5. Closing Obligations of Buyer. Buyer shall deposit into escrow, for delivery to Sellers upon Closing, each of the following:

5.1. Funds. All moneys required to be paid to Sellers as and for the purchase price, and all moneys required to pay Buyer's share of escrow fees and costs.

5.2. Assumption of Obligations. Its written assumption of Sellers' obligations under the Partnership.

6. Representations of Sellers.

6.1. Litigation. To Sellers' knowledge there exists no pending or threatened litigation involved the Property which has not been rectified by Sellers and which would materially or adversely affect the value or operation of the Property, and to the best of Sellers' knowledge, no governmental authority has commenced or is contemplating any investigation regarding any possible violations of any applicable statute, ordinance or regulation.

6.2. Other Interests. Other than the Parties to this Agreement there are no other individuals or entities who claim any right, title, or interest in and to the Property.

6.2. Alleged Violations. Sellers have received no written notice of any violation of any law, rule, or regulation affecting the Property which (1) has not been corrected or rectified by Sellers and (2) would materially or adversely affect the value of operation of the Property. Further, Sellers have no knowledge of the commencement, imminence, probability or possibility of any investigation, by any governmental entity, regarding any such violation.

6.3. Hazardous Substances. Except as disclosed to Buyer, in writing, by Sellers prior to the Closing Date, and except as may be incidental to the conduct of the business presently conducted at the Property, Sellers, and each of them, have no actual knowledge of (i) the presence, now or at any prior time, of any Hazardous Material or Toxic Substance located on the Property; (ii) spills of any Hazardous Material or Toxic Substance on the Property or from any adjacent property onto the Property, (iii) the use of asbestos or other Hazardous Material or Toxic Substance in the construction of any improvements located on the Property, or (iv) any notice of any violation or claimed violation of any law, rule, or regulation relating to Hazardous Materials

or Toxic Substances on the Property. "Hazardous Materials" as used herein shall mean petroleum base products, pesticides, paints and solvents, polychlorinated biphenyl, lead, cyanide, DDT, acids, ammonium compounds, PCBs, asbestos, and other chemical products and any substance or material defined or designated as a hazardous or toxic substance, or other similar term, by any federal, state, or local environmental statute, regulation, or ordinance. Sellers expressly agree to indemnify, defend, and hold Buyer financially free and harmless from any and all claims, demands, liabilities, actions, and causes of action which may be asserted against Buyer, or Buyer and Sellers, by any person, entity, or governmental entity relating to any hazardous waste, hazardous material, toxic substance, or any other matter subject to regulation under any local, state or federal law, act, ordinance, or regulation, except for any matter proven to have occurred subsequent to the Closing Date. The liability of Sellers to Buyer for the foregoing shall be limited to Sellers' 17.78% interest in the Partnership.

6.4. Survival of Warranties. All representations and warranties of Sellers set forth herein shall survive the Close of Escrow.

7. Brokers, Agents & Finders. Each party hereby represents and warrants to the other that, in connection with this transaction and the consummation hereof, each party has dealt with no broker, agent, finder, or other person acting in such capacity. In the event of a breach of the representations and warranties herein, the breaching party shall indemnify, defend, and hold the other party financially free and harmless from any and all claims, demands, commissions, liabilities, and actions, including attorney's fees and costs, which may be incurred by the non-breaching party.

8. Hold Harmless. Except as otherwise provided herein, Sellers shall indemnify, defend, and hold Buyer financially free and harmless from any and all claims, demands, liabilities, tax assessments, obligations, and causes of action, including attorney's fees and costs, accruing up to the Close of Escrow which may arise out of Sellers' ownership, occupancy, and/or possession of the Property.

9. Notices. Any notices to be given by either Party to any other shall be in writing and shall be transmitted either by (1) personal delivery, (2) first-class mail, registered or certified, postage prepaid with return receipt requested, (3) an overnight delivery service, including but not limited to Federal Express, or (4) facsimile transmission followed by a confirmation copy sent first-class mail, postage prepaid. Overnight delivery or mailed notices shall be addressed to the parties as listed below. Each Party may change his, her or its address by giving written notice in accordance with this Paragraph. In the event of mailing, notice shall be deemed given on the fifth (5th) day after deposit. The mailing addresses and facsimile telephone numbers of the Parties are:

FOR BUYER:

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

FAX: (760) 872-5802

with a copy to:

Douglas Buchanan
Attorney at Law
363 Academy Avenue
Bishop, California 93514

FAX: (760) 873-4007

FOR SELLERS:

Alice Casey, M.D.
Clifford Beck, M.D.
152 Pioneer Lane, Suite H
Bishop, California 93514

FAX: (760) 873-3266

10. Attorney's Fees & Costs. If any action is brought, at law or in equity, to enforce rights under this Agreement, or interpret the terms of this Agreement, the Court shall have the power to award a reasonable attorney's fee to the prevailing party. "Prevailing party" as used herein shall have the meaning set forth in Section 1032(a)(4) of the California *Code of Civil Procedure*.

11. Integration. The Parties intend this written Agreement to be the final and complete expression of the intentions and agreements of the Parties. This Agreement supersedes any and all prior or contemporaneous agreements, whether oral or written, between and among the Parties, and contains all of the covenants and agreements of the Parties. No other agreements, representations, inducements, or promises not contained in this Agreement shall be valid or binding. No modification of this Agreement shall be effective unless it is in writing and signed by the party, or parties, to be charged.

12. Waiver. The failure of any party to insist on strict compliance with any of the terms, covenants, or conditions of this Agreement by any other party shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power, at any one time or times, be deemed a waiver of relinquishment of that right or power for all or any other times.

13. Partial Invalidity. Should any part or provision of this Agreement be held, by a Court of competent jurisdiction, to be invalid, void or unenforceable, the remaining parts and

provisions shall nevertheless continue in full force and effect without being invalidated or impaired in any way.

14. Governing Law & Venue. This Agreement shall be interpreted and applied according to the laws of California, as modified by Paragraph 17 below. Inyo County shall be the exclusive venue for any legal action brought in the Superior Court of the State of California and the Eastern District of California shall be the exclusive venue for any legal action brought in the United States District Court.

15. Remedies. Enforcement of any provision of this Agreement shall be by proceedings at law or in equity against any persons or entities violating or attempting to violate any promise, covenant, or condition contained herein, either to restrain a violation, compel an action, to recover damages, and/or for declaratory relief.

16. Remedies Cumulative. All remedies provided by this Agreement, by operation of law, or otherwise, shall be cumulative, and the choice or implementation of any specific remedy shall not be deemed an election of remedies to the exclusion of any other remedy.

17. Joint Preparation. This Agreement shall be deemed to have been jointly prepared by the Parties and the provisions of *Civil Code §1654* shall not apply to any interpretation of this Agreement.

18. Acts & Execution. Each Party shall do all acts, and execute all documents and instruments, which may be required to carry out, and give effect to, the terms and provisions of this Agreement, including any matters which might arise or occur subsequent to the Close of Escrow.

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

BUYER:

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

by

PETER WATERCOTT, President
Board of Directors

SELLERS:

**BISHOP PEDIATRICS AND ALLERGY
A California General Partnership**

by

CLIFFORD SHELDON BECK, M.D.
Partner

ALICE E. CASEY, M.D.

CLIFFORD S. BECK, M.D.

LEASE AGREEMENT

This Lease Agreement is made and entered into on _____, 2007 by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Tenant") and PIONEER MEDICAL ASSOCIATES, a California general partnership (hereinafter "Landlord").

Recitals

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

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

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

D. Tenant desires to lease from Landlord, and Landlord desires to lease to Tenant, a 2,270 square foot suite known as "Suite H" in the aforesaid medical office building. Suite H is hereinafter referred to as "THE PREMISES."

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

I

TERM

1.01. Original Term. The term of this lease shall be for a period of three (3) years, commencing at 12:01 a.m. on _____, 2007 and ending at 12:01 a.m. on _____, 2010, unless sooner terminated as provided below.

1.02. Renewal Term. The Original Term described in Section 1.01 above shall automatically renew for an additional three (3) year term unless either party shall have given, no less than one-hundred twenty (120) days prior to the expiration of the original term, written notice, in the manner set forth in Section _____ below, of its intention not to renew.

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

II

RENT

2.01 Rental for Original Term. Tenant agrees to pay Landlord as and for rent for the Original Term the sum of \$34,0050.00 payable in monthly installments of \$2,837.50 commencing on the first day of _____, 2007, and continuing on the first day of each successive calendar month thereafter through the Original Term. Tenant shall pay all installments without deduction to Landlord at the address set forth in this lease for mailing notices to Landlord, or at any other place or places that Landlord may from time to time designate by written notice given to Tenant.

2.02. Rental for Renewal Term. Tenant agrees to pay to Landlord as rent for the Renewal Term the sum of \$34,050.00, payable in monthly installments of \$2,837.50 commencing on the first day of _____, 2010, and continuing on the 1st day of each calendar month thereafter through the Renewal Term. Tenant shall pay all installments without deduction to Landlord at the address set forth in this Lease for mailing notices to Landlord, or at any other place or places that Landlord may from time to time designate by written notice given to Tenant.

III

REPAIRS, MAINTENANCE & IMPROVEMENTS

3.01. Improvements to be made by Landlord. None.

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

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

(a) Be required to make repairs to the exterior roof, sidewalls, structural supports, and/or

foundations of the Building that are made necessary by the negligence or abuse of such property by Tenant or any employee, agent, sub-tenant or permittee of Tenant, or

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

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

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

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

3.06. Tenant Improvements and Trade Fixtures.

- (a) Any alterations, improvements, or installations, excepting trade fixtures, made by Tenant to the Premises shall at once become a part of the realty and belong to the Landlord. On expiration or earlier termination of this Lease, Tenant shall surrender the Premises and all improvements thereon to Landlord in good, sanitary and neat order,

condition and repair, excluding ordinary wear and tear.

(b) Tenant shall have the right to remove its trade fixtures from the Premises at the expiration or earlier termination of this Lease provided that Tenant is not then in default under this Lease and provided that Tenant shall repair any damage to the Premises caused by such removal.

3.07. Liens.

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

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

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

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

IV

USE OF PREMISES

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

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

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

V

INSURANCE & TAXES

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

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

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

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

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

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

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

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

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

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

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

VI

DESTRUCTION OF PREMISES

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

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

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

6.02. Termination of Lease for Certain Losses.

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

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

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

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

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

6.04. Abatement of Rent.

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

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

VII

CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

VIII

INDEMNIFICATION

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

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

IX

DEFAULTS & REMEDIES

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

(a) Continue this Lease in effect by not terminating Tenant's right to possession of the Premises, in which case Landlord shall be entitled to enforce all Landlord's rights and remedies under this Lease, including the right to recover the rent specified in this Lease as it becomes due under this Lease.

(b) Terminate this Lease and recover from Tenant:

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

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

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

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

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

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

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

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

(b) Any failure to perform any other covenant, condition, or agreement contained in this Lease when the failure is not cured within three days after written notice of the specific failure is given by Landlord to Tenant;

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

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

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

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

X

MISCELLANEOUS

10.01. Assignment and Subletting. Subject to the exception stated in Section 10.02 below, Tenant shall not encumber, assign, or otherwise transfer this Lease, any right or interest in this Lease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld. Tenant shall not sublet the Premises or any part of the Premises nor allow any other person, other than Tenant's agents, servants, and employees, to occupy the Premises or any part of the Premises without the prior written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld. Any encumbrance, assignment, transfer, or subletting without the prior written consent of Landlord, whether voluntary or involuntary, by operation of law or otherwise is void and shall, at the option of Landlord, terminate this Lease.

10.02. Charlotte Helvie, M.D. Tenant and Landlord specifically agree that the prohibitions set forth in Section 10.01 above shall not apply to an assignment or sub-lease, by Tenant, to Charlotte Helvie, M.D., a physician and surgeon who is a member of the American College of Pediatrics and of the Hospital Active Medical Staff, so long as she maintains active membership in both entities.

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

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

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

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

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

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

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

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

10.08. Integration & Modification. This Agreement is the sole and only agreement between Landlord and Tenant concerning the Leasing of the Premises to Tenant and the lease terms contained herein, and correctly sets forth the obligations of Landlord and Tenant to each other as of its date. Any agreements or representations respecting the Premises or their leasing by Landlord to Tenant not expressly set forth in this Agreement are of no effect, null, and void.

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

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

LANDLORD: Pioneer Medical Associates, a
California General Partnership

by

CLIFFORD BECK, M.D.
Managing Partner

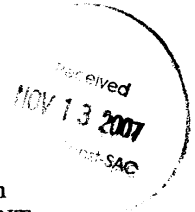
TENANT:NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

by

PETER WATERCOTT
President, Board of Directors

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ORIGINAL



**NORTHERN INYO HOSPITAL
TRADE CONTRACTOR AGREEMENT
(CONSTRUCTION MANAGEMENT)**

THIS AGREEMENT, made as of the 6th day of November in the year 2007 by and between Northern Inyo County Hospital District (hereinafter called "Owner") and **PROJECT DEVELOPMENT GROUP, INC. DBA PDG ENVIRONMENTAL, INC.** (hereinafter called the Contractor), a California corporation with offices located at 1801-C Via Burton, Fullerton, CA 92831; Phone: 714-780-0000, Fax: 714-780-0290, Attention: David McSkimming.

WITNESSETH, that the Owner and Contractor agree as follows:

ARTICLE I.

Description of Work. The Contractor shall perform and furnish all the work, labor, services, materials, plant, equipment, tools, scaffolds, appliances, and other things necessary for **Abatement & Demolition Work** (hereinafter called the "Work") for and at the **Northern Inyo County Hospital Expansion Project** (hereinafter called the "Project"), located on premises at **150 Pioneer Lane, Bishop, CA 93514** (hereinafter called the "Premises"), as shown and described in and in strict accordance with the Plans, Specifications, General Conditions, Special Conditions and Addenda thereto prepared by **NTDStichler Architects** (hereinafter called the "Architect") and in strict accordance with the Construction Management/Advisor Services Agreement (the "CMA Agreement") between Turner Construction Company ("Turner") and Owner, and in strict accordance with the additional provisions in pages 2A and 10A attached hereto as Exhibit "A" (the "Assignment") and made a part hereof, and this Agreement (hereinafter called the "Contract Documents").

The Contractor represents and agrees that it has carefully examined and understands this Agreement and the other Contract Documents, has investigated the nature, locality and site of the Work and the conditions and difficulties under which it is to be performed and that it enters into this Agreement on the basis of its own examination, investigation and evaluation of all such matters and not in reliance upon any opinions or representations of Turner or Owner or of any of their respective officers, agents, servants, or employees.

With respect to the Work to be performed and furnished by the Contractor hereunder, the Contractor agrees to be bound to Owner and Turner (if this Agreement is assigned, as set forth hereafter) by each and all of the terms and provisions of the CMA Agreement and the other Contract Documents, and to assume toward Turner all of the duties, obligations and responsibilities that Turner by those Contract Documents assumes toward the Owner, and the Contractor agrees further that Turner shall have the same rights and remedies as against the Contractor as the Owner under the terms and provisions of the CMA Agreement and the other Contract Documents has against Turner

with the same force and effect as though every such duty, obligation, responsibility, right or remedy were set forth herein full. The terms and provisions of this Agreement with respect to the Work to be performed and furnished by the Contractor hereunder are intended to be and shall be in addition to and not in substitution for any of the terms and provisions of the CMA Agreement and the other Contract Documents. This Agreement, the provisions of the CMA Agreement and the other Contract Documents are intended to supplement and complement each other and shall, where possible, be thus interpreted. If, however, any provision of this Agreement irreconcilably conflicts with a provision of the CMA Agreement and the other Contract Documents, the provision imposing the greater duty or obligation on the Contractor shall govern.

Relationship. Although this Agreement may be assigned to Turner, the Contract Documents shall not be construed to create a contractual relationship of any kind between Turner and the Architect, or between Turner or the Architect and the Contractor, or any subcontractor or supplier to the Project, except to the extent expressly provided in an executed assignment agreement.

Further in the event of an assignment of this Agreement to Turner, Turner and the Architect, shall be entitled to performance of the obligations of the Contractor and to enforcement thereof, but, until such assignment occurs, nothing contained herein shall be deemed to give the Contractor or any third party any claim or right of action against Turner or the Architect which does not otherwise exist without regard to this Agreement. The Contractor and its subcontractors shall not be deemed to be beneficiaries of any of the acts or services of Turner, which are performed for the sole benefit of the Owner. Contractor shall forward all communications to the Owner and Architect through Turner and hereby acknowledges and agrees that any instructions, reviews, advice, approvals, orders or directives that are rendered to it by Turner are specifically authorized and directed by the Owner to the Contractor through Turner acting on behalf of the Owner.

The Contractor shall supervise and direct the Work using Contractor's best skill and attention. Contractor shall be solely responsible for all construction means, methods, techniques, sequences, and procedures and for safety precautions and programs in connection with the Work and hereby agrees with respect hereto that neither Turner nor the Architect will be responsible therefore or have control or charge thereof. Contractor further assumes entire responsibility for the acts and omissions of its agents or employees, subcontractors, suppliers, any of their agents or employees, or any other persons performing any of the Work and agrees that neither Turner nor the Architect will be responsible for or have control or charge over any such acts or omissions. Contractor further agrees that neither Turner nor the Architect will be responsible for Contractor's failure to carry out the Work in accordance with the Contract Documents.

Owner's Assignment Options. Turner, at the time of execution of this Agreement, is functioning as an Agent Construction Manager. The Owner may, at its option, execute an assignment of this Agreement to Turner, wherein Turner assumes Owner's obligations and rights and Contractor shall be obligated to perform for Turner. In order to effectuate this re-structuring, the Owner will execute an assignment in the form attached as Exhibit "B" to this Agreement and forward it together with a copy of its CMA Agreement with Turner for countersignature by the

Contractor and Turner. Upon the full execution by all parties of the Assignment and delivery of such executed documents to all three parties together with any surety issuing guarantees or bonds in respect of this Agreement, Turner's Construction Management Agreement shall be deemed to be the principal document constituting the prime contract between the Owner and Turner. In the event Owner, at its continuing option and as is provided within the Assignment document, wishes to reverse such assignment, the transaction will nonetheless continue its existence (unless and until terminated in accordance with the terms of this Agreement) but the structure and all documents and the capacities of the parties will revert to their original state at the execution of this Agreement. The Owner, Contractor and Turner agree to do all things necessary to carry into effect the intent of this paragraph.

ARTICLE II.

Contract Documents. The Plans, Specifications, General Conditions, Special Conditions, Addenda and the CMA Agreement, hereinabove mentioned, are available for examination by the Subcontractor at all reasonable times at the office of the Construction Manager ("CMA"), Turner; all of the aforesaid, including this Agreement, being hereafter sometimes referred to as the Contract Documents. The Contractor represents and agrees that it has carefully examined and understands this Agreement and the other Contract Documents, has investigated the nature, locality and site of the Work and the conditions and difficulties under which it is to be performed and that it enters into this Agreement on the basis of its own examination, investigation, and evaluation of all such matters and not in reliance upon any opinions or representations of Turner, or of the Owner, or any of their respective officers, agents, servants, or employees.

This Agreement and the other Contract Documents are intended to supplement and complement each other and shall, where possible, be thus interpreted. If, however, any provision of this Contract Agreement irreconcilably conflicts with a provision of the other Contract Documents, the provision of the other Contract Documents, the provision imposing the greater duty or obligation on the Contractor shall govern.

The parties recognize that problems and disputes between them may occur and that it is preferable for them to reach an amicable resolution of same without the need to resort to formal dispute resolution procedures. In that regard, they each pledge to participate in good faith in voluntary and non-binding mediation procedures. However, in the event that such disputes are not resolved by mediation or another ADR procedure as Owner and the Contractor may agree then such disputes shall be resolved at Owner's sole option according to law. Further, the Contractor agrees that Owner shall have the exclusive right to join the Contractor as a party in any dispute resolution procedure (including without limitation, ADR procedures, binding arbitration or other judicial or non-judicial proceeding) between the Owner and such other Contractors or parties as may be appropriate, where in the judgment of Owner the issues in dispute are related to the work or performance of the Contractor. Furthermore, the Contractor expressly agrees to waive its right to trial by jury in case Owner elects to resolve the dispute in litigation.

ARTICLE III.

Time of Completion. The Contractor shall commence the Work when notified to do so by Owner and shall diligently and continuously prosecute and complete the Work and coordinate the Work with the other work being performed on the Project, in accordance with those project schedules as may be issued from time to time during the performance of the Work, and any other scheduling requirements listed in this Agreement, so as not to delay, impede, obstruct, hinder, or interfere with the commencement, progress, or completion of the whole or any part of the Work or other work on the Project.

The Contractor shall participate and cooperate in the development of schedules and other efforts to achieve timely completion of the Work providing information for the scheduling of the times and sequence of operations required for its Work to meet Owner's overall schedule requirements, shall continuously monitor the project schedule so as to be fully familiar with the timing, phasing and sequence of operations of the Work and of other work on the Project, and shall execute the Work on accordance with the requirements of the project schedule including any revisions thereto.

Should the progress of the Work or of the Project be delayed, hindered, obstructed, or interfered with by any fault or neglect or act or failure to act of the Contractor or any of its officers, agents, servants, employees, subcontractors, or suppliers so as to cause any additional cost, expense, liability or damage to the Owner or Turner including legal fees and disbursements incurred by Owner or Turner (whether incurred in defending claims arising from such delay or in seeking reimbursement and indemnity from the Contractor and its surety hereunder or otherwise) or any damages or additional costs or expenses for which Turner or the Owner may or shall become liable, the Contractor and its surety shall and does hereby agree to compensate the Owner and Turner for and indemnify them against all such costs, expenses, damages and liability.

The Owner or Turner, if the Owner deems necessary, may direct the Contractor to work overtime and, if so directed, the Contractor shall work said overtime and, provided that the Contractor is not in default under any of the terms or provisions of this Agreement or of any of the other Contract Documents, the Owner will pay the Contractor for such actual additional wages paid, if any, at rates which have been approved by the Owner and Turner plus taxes imposed by law on such additional wages, plus workers' compensation insurance, liability insurance and levies on such additional wages if required to be paid by the Contractor to comply with Contractor's obligations under this Agreement.

If, however, the progress of the Work or if the Project be delayed by any fault or act or failure to act of the Contractor or any of its officers, agents, servants, employees, subcontractors, or suppliers, then the Contractor shall, in addition to all of the other obligations imposed by this Agreement upon the Contractor in such case, and at its own cost and expense, work such overtime as may be necessary to make up for all time lost in the completion of the Work and of the Project

due to such delay. Should the Contractor fail to make up for the time lost by reason of such delay, the Owner shall have the right to cause other Contractors to work overtime and to take whatever other action it deems necessary to avoid delay in the completion of the Work and of the Project, and the cost and expense of such overtime and/or such other action shall be borne by the Contractor.

ARTICLE IV.

Price. The sum to be paid by the Owner to the Contractor for the satisfactory performance and completion of the Work and of all of the duties, obligations and responsibilities of the Contractor under this Agreement and the other Contract Documents shall be **\$247,804.00 (TWO HUNDRED FORTY-SEVEN THOUSAND EIGHT HUNDRED FOR DOLLARS AND NO CENTS)** (hereinafter called the "Price") subject to additions and deductions as herein provided, and in accordance with the CMA Agreement.

The Price includes all federal, state, county, municipal and other taxes imposed by law and based upon labor, services, materials, equipment or other items acquired, performed, furnished or used for and in connection with the Work, including but not limited to sales, use and personal property taxes payable by or levied or assessed against the Owner, Turner or the Contractor. Where the law requires any such taxes to be stated and charged separately, the total price of all items included in the Work plus the amount of such taxes shall not exceed the Price.

Monthly Estimate. On or before the last day of each month the Contractor shall submit to the Owner, the form required by Owner, a written requisition for payment showing the proportionate value of the Work installed to that date, from which shall be deducted; a reserve of ten percent (10%); all previous payments; all amounts and claims against Contractor, by Turner, Owner, or any third party, for which Contractor is responsible hereunder; and all charges for services, materials, equipment and other items furnished by Owner or Turner to or chargeable to the Contractor; and the balance of the amount of such requisition, as approved by Owner, Turner and the Architect, shall be due and paid to the Contractor on or about the fifteenth (15th) day of the succeeding month or in accordance with the Contract Documents.

The Contractor shall submit with its first acquisition for payment a detailed schedule showing the breakdown of the Price into its various parts for use only as a basis of checking the Contractor's monthly requisitions. In the event this Agreement is assigned by Owner to Turner, the obligation of Turner to make a payment under this Agreement, whether a progress or final payment, or for extras or change orders or delays to the Work, is subject to the express condition precedent of payment therefore by the Owner. If Turner has provided payment or performance bonds or a combination payment and performance bond, the obligation of Turner and its surety under any of those bonds to make any payment (whether a progress payment or final payment) to a claimant on that bond is similarly subject to the express condition precedent of payment therefore by Owner.

Owner reserves the right to advance the date of any payment (including the final payment) under this Agreement if, in its sole judgment, it becomes desirable to do so.

The Contractor agrees that, if and when requested to do so by the Owner or Turner, it shall furnish such information, evidence and substantiation as the Owner or Turner may require with respect to the nature and extent of all obligations incurred by the Contractor for or in connection with the Work, all payments made by the Contractor thereon, and the amounts remaining unpaid, to whom and the reasons therefore.

Final Payment. Final payment to the Contractor shall be made only with funds received by the Owner, the Construction Lender or the Owner's Agent as final payment for Work under the CMA Agreement. In addition, final payment by the Owner to the Contractor shall not become due and payable until the following other express conditions precedent have been met: (1) the completion and acceptance of the Work by the Owner, Turner and the Architect; (2) provision by the Contractor of evidence satisfactory to the Owner that there are no claims, obligations or liens outstanding or unsatisfied for labor, services, materials, equipment, taxes or other items performed, furnished, or incurred for or in connection with the Work; and (3) execution and delivery by the Contractor, in a form satisfactory to the Owner of a general release running to and in favor of the Owner; and (4) complete and full satisfaction of all claims, demands and disputes, and all obligations and responsibilities of Contractor, arising out of or related to this Agreement, including those as between Owner, Turner and Contractor as well as those between Contractor and any third party. Should there be any such claim, obligation, lien or unsatisfied obligation or responsibility whether before or after final payment is made, the Contractor shall pay, refund or deliver to the Owner or Turner (1) all monies that the Owner or Turner shall pay in satisfying, discharging or defending against any such claim, obligation or lien or any action brought or judgment recovered thereon and all costs and expenses, including legal fees and disbursements, incurred in connection therewith; and (2) such amounts as Turner or Owner shall, in their sole discretion, determine to be an amount sufficient to protect Turner and Owner therefrom (in lieu of payment of such amounts, Contractor may, at Owner's and Turner's sole discretion, deliver a bond satisfactory to Turner and Owner). Such refund and payment shall be made within ten (10) days of request by Turner or Owner to Contractor for same. The final payment shall be due within forty (40) days after all of these express conditions precedent have been met.

Payments Withheld. If any claim or lien is made or filed with or against Turner, the Owner, the Project, the Premises, or the Project funds by any person claiming that the Contractor or any subcontractor or other person under subcontract to Contractor, or any person or entity employed or engaged by or through Contractor at any tier, has failed to make payment for any labor, services, materials, equipment, taxes or other items or obligations furnished or incurred for or in connection with the Work, or if any such claim or lien is filed or presented, or if Turner or Owner, in good faith, believes that such a claim or lien may be filed or brought, or if at any time there shall be evidence of such nonpayment or of any claim or lien for which, if established, Turner or the Owner might become liable and which is chargeable to the Contractor, or if the Contractor or any subcontractor or other person under subcontract to Contractor, or any person or entity employed or engaged by or through Contractor at any tier causes damage to the Work or to any other work on the Project, or if the Contractor fails to perform or is otherwise in default under any of the terms or provisions of this Agreement, the Owner or Turner shall have the right (A) to retain from any payment then due or

thereafter to become due an amount which it deems sufficient to (1) satisfy, discharge and/or defend against any such claim or lien or any action which may be brought or judgment which may be recovered thereon, (2) make good any such nonpayment, damage, failure or default, and (3) compensate the Owner or Turner for and indemnify and hold them harmless against any and all losses, liability, damages, costs and expenses, including legal fees and disbursements, which may be sustained or incurred by either or both of them in connection therewith; and (B) to demand that Contractor provide, within then (10) days of Turner or Owner's request therefore, proof to the satisfaction of Turner and Owner that such non-payment, claim or lien has been fully satisfied, dismissed and discharged. Upon the failure of Contractor to fulfill the requirements of a demand issued by Turner or Owner pursuant to subsection (B) above, Turner or Owner may, in such manner as it may in its sole discretion determine, secure the satisfaction, dismissal and discharge of such claim, by payment or otherwise, and Contractor shall within ten (10) days of demand therefore, be liable for and pay to Owner or Turner all amounts (including legal fees and disbursements) incurred or suffered by Turner or Owner arising out of or related thereto. The Owner or Turner shall, in addition, have the right to apply and charge against the Contractor so much of the amount retained as may be required for the foregoing purposes. Contractor further agrees to indemnify, hold harmless and defend Turner and Owner, upon demand, for any and all such claims, liens, and the costs, expenses (including legal fees and disbursements), damages and liabilities arising out of or related thereto. Contractor acknowledges (1) that discharge of such liens or claims by bond imposes liability upon a surety and Turner, and (2) that Turner is not required to discharge such lien or claims by bond when exercising its rights hereunder.

Payments etc., Non-Acceptance. No payment (final or otherwise) made under or in connection with this Agreement shall be conclusive evidence of the performance of the Work or of this Agreement, in whole or in part, and no such payment shall be construed to be an acceptance of defective, faulty or improper work or materials nor shall it release the Contractor from any of its obligations under this Agreement, nor shall entrance and use by the Owner constitute acceptance of the Work or any part thereof. The failure of Contractor to fully perform and satisfy any or all obligations set forth in this Article IV shall constitute a default entitling Owner or Turner to take action as described in Article XI.

ARTICLE V.

Extension of Time. Should the Contractor be delayed, obstructed, hindered or interfered with in the commencement, prosecution or completion of the Work by any cause including but not limited to any act, omission, neglect, negligence or default of the Owner or Turner or of anyone employed by the Owner or Turner or by any other contractor or subcontractor on the Project, or by the Architect, the Owner or their contractors, subcontractors, agents or consultants, or by damage caused by fire or other casualty or by the combined action of workers or by governmental directive or order in no wise chargeable to the Contractor, or by any extraordinary conditions arising out of war or government regulations, or by any other cause beyond the control of and not due to any fault, neglect, act or omission of the Contractor, its officers, agents, employees, subcontractors or suppliers, then except where the Contract Documents has specific requirements at variance with the

foregoing, in which case the requirements of the Contract Documents shall govern, the Contractor shall be entitled to an extension of time for a period equivalent to the time lost by reason of any and all of the aforesaid causes; provided, however, that the Contractor shall not be entitled to any such extension of time unless the Contractor (1) notifies the Owner and Turner in writing of the cause or causes of such delay, obstruction, hindrance or interference within forty (48) hours of the commencement thereof and (2) demonstrates that it could not have anticipated or avoided such delay, obstruction, hindrance or interference, and has used all available means to minimize the consequences thereof Contractor acknowledges that provision of such notice is an essential condition precedent to Contractor's rights in connection with any such delays, obstructive hindrances or interferences to Owner's or Turner's ability to fully identify, and expeditiously, address and avoid such cause or causes, and, accordingly, Contractor expressly waives all rights with respect to any such cause or causes for which notice hereunder was not provided. Notwithstanding the foregoing, if the Contract Documents are at variance with granting such time extension, then the provisions of the Contract Documents shall control.

The Contractor agrees that it shall not be entitled to nor claim any cost reimbursement, compensation or damages for any delay, obstruction, hindrance or interference to the Work. If this Agreement is assigned to Turner, Contractor shall not be entitled to any claim any cost reimbursement, compensation or damages for any delay, obstruction, hindrance or interference to the Work except to the extent that Turner has actually recovered corresponding cost reimbursement, compensation or damages from the Owner under the Contract Documents for such delay, obstruction, hindrance or interference, and then only to the extent of the amount, if any, which Turner on behalf of the Contractor, actually received from the Owner on account of such delay, obstruction, hindrance or interference. Notwithstanding any term or provision herein to the contrary, Contractor expressly waives and releases all claims or rights to recover lost profit (except for profit on work actually performed), recovery of overhead (including home office overhead), and any other indirect damages, costs or expenses in any way arising out of or related to this Agreement, including the breach thereof by Turner, delays, charges, acceleration, loss of efficiency or productivity disruptions and interferences with the performance of the work.

It shall be an express condition precedent to any obligation on the part of Turner to make payment of any such costs, reimbursement, compensation or damages to the Contractor hereunder that Turner shall first be determined to be entitled to such compensation on behalf of Contractor, and then receive such payment from Owner, and Contractor expressly acknowledges that Turner is not obligated or required to pursue Contractor claims as against Owner if Turner, in its sole discretion, after review of Contractor's claim, has deemed the claim to lack merit in whole or in part.

ARTICLE VI.

Freight Charges and Shipments. The Contractor in making or ordering shipments shall not consign or have consigned materials, equipment or any other items in the name of the Owner or Turner. Neither the Owner or Turner is under any obligation to make payment for charges on shipments made by or to the Contractor but, may, at its option, pay such charges, in which case the Contractor shall reimburse the Owner or Turner for the amount of such payments plus a service charge of twenty-five percent (25%) of the amount so paid.

ARTICLE VII.

Dimensions. Notwithstanding the dimensions on the Plans, Specifications and other Contract Documents, it shall be the obligation and responsibility of the Contractor to take such measurements as will insure the proper matching and fitting of the Work covered by this Agreement with contiguous work.

Shop Drawings. The Contractor shall prepare and submit to the Architect, through Turner, such shop drawings as may be necessary to describe completely the details and construction of the Work. Approval of such shop drawings by the Architect and/or Turner shall not relieve the Contractor of its obligation to perform the Work in strict accordance with the Plans, Specifications, the Additional Provisions hereof and the other Contract Documents, nor of its responsibility for the proper matching and fitting of the Work with contiguous work and the coordination of the Work with other work being performed on the site, which obligation and responsibility shall continue until completion of the Work.

The Contractor's submission of a shop drawing to the Architect or Turner shall constitute the Contractor's representation, upon which the Architect and Turner may rely, that the Contractor has reviewed the submission for accuracy and compliance with all Contract Documents and that wherever engineering is required to be performed, same has been performed by a qualified and licensed engineer. Furthermore, the review of the Shop Drawing by the Architect and/or Turner shall not constitute an undertaking by them to identify deficiencies in the submission, that being an undertaking within the sole responsibility of the Contractor.

Contiguous Work. Should the proper and accurate performance of the Work hereunder depend upon the proper and accurate performance of other work not covered by this Agreement, the Contractor shall carefully examine such other work, determine whether it is in fit, ready and suitable condition for the proper and accurate performance of the Work hereunder, use all means necessary to discover any defects in such other work, and before proceeding with the Work hereunder, report promptly any such improper conditions and defects to the Owner and Turner in writing and allow the Owner or Turner a reasonable time to have such improper conditions and defects remedied.

ARTICLE VIII.

Interpretation of Plans and Specifications. The Work hereunder is to be performed and furnished under the direction and to the satisfaction of the Owner, the Architect and Turner. The decision of the Architect as to the true construction, meaning and intent of the Plans and Specifications shall be final and binding upon the parties hereto. The Owner will furnish to the Contractor such additional information and Plans as may be prepared by the Architect to further describe the Work to be performed and furnished by the Contractor and the Contractor shall conform to and abide by the same.

The Contractor shall not make any changes, additions and/or omissions in the Work except upon written order of the Owner or Turner as provided in Article IX hereof.

ARTICLE IX.

Change Orders, Additions, Deductions. The Owner or Turner reserves the right, from time to time, whether the work or any part thereof shall or shall not have been completed, to make changes, additions and/or omissions in the Work as it may deem necessary, upon written order to the Contractor. The value of the work to be changed, added, or omitted shall be stated in said written order and shall be added to or deducted from the Price.

The value of the work to be changed, added or omitted shall be determined by the lump sum or unit prices, if any, stipulated herein for such work. If no such prices are stipulated, such value shall be determined by whichever of the following methods or combination thereof the Owner or Turner may elect.

- (a) By adding or deducting a lump sum or an amount determined by a unit price agreed upon between the parties hereto.
- (b) By adding (1) the actual net cost to the Contractor of labor in accordance with the established rates, including required union benefits, premiums the Contractor is required to pay for workmen's compensation and liability insurance, and payroll taxes on such labor, (2) the actual cost to the Contractor of materials and equipment and such other direct costs as may be approved by Turner less all savings, discounts, rebates and credits, (3) an allowance of 15% for overhead on items (1) and (2) above.

Should the parties hereto be unable to agree as to the value of the work to be changed, added or omitted, the Contractor shall proceed with the work promptly under the written order of the Owner or Turner from which order the stated value of the work shall be omitted, the determination of the value of the work shall be referred to the Architect whose decision shall be final and binding upon the parties hereto.

In the case of omitted work, the Owner shall have the right to withhold from payments due or to become due to the Contractor an amount which, in the Owner's or Turner's opinion, is equal to the value of such work until such time as the value thereof is determined by agreement or by the Architect as herein-above provided.

All changes, additions or omissions in the Work ordered in writing by the Owner or Turner shall be deemed to be a part of the Work hereunder and shall be performed and furnished in strict accordance with all of the terms and provisions of this Agreement and the other Contract Documents. Contractor accepts the responsibility to keep its surety informed of all such modifications to its contract. The obligations of Contractor's Surety shall not be reduced, waived or adversely affected by the issuance of such change orders, additions or deductions even if the Owner or Turner fails to inform surety of same and the Owner or Turner shall not be required to obtain consent of the surety to such modifications.

ARTICLE X.

Inspection and Defective Work. The Contractor shall at all times provide sufficient, safe and proper facilities for the inspection of the Work by the Owner, Turner, the Architect, and their authorized representatives in the field, at shops or at any other place where materials or equipment for the Work are in the course of preparation, manufacture, treatment or storage. The Contractor shall, within twenty-four (24) hours after receiving written notice from the Owner or Turner to that effect, proceed to take down all portions of the Work and remove from the premises all materials whether worked or unworked, which the Architect and/or the Owner or Turner shall condemn as unsound, defective or improper or as in any way failing to conform to this Agreement or the Plans, Specifications or other Contract Documents, and the Contractor, at its own cost and expense, shall replace the same with proper and satisfactory work and materials and make good all work damaged or destroyed by or as a result of such unsound, defective, improper or nonconforming work or materials or by the taking down, removal or replacement thereof.

ARTICLE XI.

Failure to Prosecute, Etc.. Should the Contractor at any time, whether before or after final payment, refuse or neglect to supply a sufficiency of skilled workers or materials of the proper quality and quantity, or fail in any respect to prosecute the Work with promptness and diligence, or cause by any act or omission the stoppage, impede, obstruct, hinder or delay of or interference with or damage to the work of any other contractors or subcontractors on the Project, or fail in the performance of any of the terms and provisions of this Agreement or of the other Contract Documents, or should the Architect determine that the Work or any portion thereof is not being performed in accordance with the Contract Documents, or should there be filed by or against the Contractor a petition in bankruptcy or for an arrangement or reorganization, or should the Contractor become insolvent or be adjudicated a bankrupt or go into liquidation or dissolution, either voluntarily

or involuntarily or under a court order, or make a general assignment for the benefit of creditors, or otherwise acknowledge insolvency, then in any of such events, each of which shall constitute a default hereunder on the Contractor's part, then Owner shall have the right, in addition to any other rights and remedies provided by this Agreement and the other Contract Documents or by law, after three (3) days written notice to the Contractor mailed or delivered to the last known address of the latter, (a) to perform and furnish through itself or through others any such labor or materials for the Work and to deduct the cost thereof from any monies due or to become due to the Contractor under this Agreement, and/or (b) to terminate the employment of the Contractor for all or any portion of the Work, enter upon the premises and take possession, for the purpose of completing the Work, of all materials, equipment, scaffolds, tools, appliances and other items thereon, all of which the Contractor hereby transfers, assigns and sets over to the Owner for such purpose, and to employ any person or persons to complete the Work and provide all the labor, services, materials, equipment and other items required therefore. In case of such termination of the employment of the Contractor, the Contractor shall not be entitled to receive any further payment under this Agreement until the work shall be wholly completed to the satisfaction of the Architect, the Owner and Turner and shall have been accepted by them, at which time, if the unpaid balance of the amount to be paid under this Agreement shall exceed the cost and expense incurred by the Other in completing the Work, such excess shall be paid by the Owner to the Contractor; but if such cost and expense shall exceed such unpaid balance, then the Contractor and its surety, if any, shall pay the difference to the Owner. Such cost and expense shall include, not only the cost of completing the Work to the satisfaction of the Owner, Turner and the Architect and of performing and furnishing all labor, services, materials, equipment and other items required therefore, but also all losses, damages, costs and expenses, (including legal fees and disbursements incurred in connection with re-procurement, in defending claims arising from such default and in seeking recovery of all such cost and expense from the Contractor and/or its surety), and disbursements sustained, incurred or suffered by reason of or resulting from the Contractor's default. Should Owner or Turner take action by effectuating the provisions of this paragraph, and should it subsequently be determined that a termination effectuated by the terms of this Article was improper, such termination shall be treated as a termination for convenience pursuant to Article XX below.

It is recognized that if the Contractor institutes or has instituted against it a case under Title 11 of the United States Code (Bankruptcy Code), such event could impair or frustrate the Contractor's performance of this Agreement. Accordingly, it is agreed that upon the occurrence of any such event, the Owner shall be entitled to request of Contractor or its trustee or other successor adequate assurances of future performance. Failure to comply with such request within ten (10) days of delivery of the request shall entitle the Owner in addition to any other rights and remedies provided by this Agreement or by law, to terminate this Agreement. Pending receipt of adequate assurances of performance and actual performance in accordance herewith, the Owner shall be entitled to perform and furnish through itself or through others any such labor, materials, or equipment for the work as may be necessary to maintain the progress of the Work and to deduct the cost thereof from any monies due or to become due to the Contractor under this Agreement. In the event of such bankruptcy proceedings, this Agreement shall terminate if the Contractor rejects this Agreement or if there has been a default and the Contractor is unable to give adequate assurance that

it will perform as provided in this Agreement or otherwise is unable to comply with the requirements for assuming this Agreement under the applicable provisions of the Bankruptcy Code.

Contractor, in addition to any other rights available to Owner or Turner hereunder, agrees to indemnify, hold harmless and defend Turner and Owner from and against any and all claims, demands, suits, damages judgments, liabilities, costs and expenses (including legal fees and disbursements) arising out of or related to Contractor's breach of any term of the Agreement.

ARTICLE XII.

Loss or Damage to Work. The Owner or Turner shall not be responsible for any loss or damage to the Work to be performed and furnished under this Agreement, however caused, until after final acceptance thereof by Owner and the Architect, nor shall the Owner or Turner be responsible for loss of or damage to materials, tools, equipment, appliances or other personal property owned, rented, or used by the Contractor or anyone employed by it in the performance of the Work, however caused.

Fire Insurance. The Owner and/or Turner shall effect and maintain fire insurance (with extended coverage, if specific or otherwise required) upon all Work, materials and equipment incorporated in the Project and all materials and equipment on or about the Premises intended for permanent use or incorporation in the Project or incident to the construction thereof, the capital value of which is included in the cost of the Work, but not including any contractors' machinery, tools, equipment, appliances or other personal property owned, rented or used by the Contractor or anyone employed by it in the performance of the Work.

The total value of the property described above as insurable under this Article and as shown on the approved monthly requisition provided for in Article IV, plus the total value of similar property incorporated in the Project or delivered on the Premises during the month but not included in said requisition, as reported by the Contractor to the Owner or Turner for insurance purposes only, shall determine the total value of the Contractor's work, materials and equipment to be insured under this Article.

The maximum liability to the Contractor under this insurance shall be for not more than that proportion of any loss which the last reported value of the insured property bore to the actual value of said property at the time of such last report, and in no event for more than the actual loss.

In the event of a loss insured under this Article, the Contractor shall be bound by any adjustment which shall be made between the Owner and the insurance company or companies. Loss, if any, shall be made payable to the Owner and/or the Contractor, as their interests may appear, for the account of whom it may concern.

ARTICLE XIII.

Cleaning Up. The Contractor shall, at its own cost and expense, (1) keep the Premises free at all times from all waste materials, packaging materials and other rubbish accumulated in connection with the execution of its Work by collecting and depositing said materials and rubbish in locations or containers as designated by the Owner or Turner from which it shall be removed by the Owner or Turner from the Premises without charge, (2) clean and remove from its own Work and from all contiguous work of others any soiling, staining, mortar, plaster, concrete, or dirt caused by the execution of its Work and make good all defects resulting therefrom, (3) at the completion of its Work in each area, perform such cleaning as may be required to leave the area "broom clean," and (4) at the entire completion of its Work, removal all of its tools, equipment, scaffolds, shanties and surplus materials. Should the Contractor fail to perform any of the foregoing to the Owner's satisfaction, the Owner shall have the right to perform and complete such work itself or through others and charge the cost thereof to the Contractor.

ARTICLE XIV.

Compliance With Law and Permits. The Contractor shall obtain and pay for all necessary permits and licenses pertaining to the Work and shall comply with all federal, state, municipal and local laws, ordinances, codes, rules, regulations, standards, orders, notices and requirements, including but not limited to those relating to safety, discrimination in employment, fair employment practices or equal employment opportunity, and whether or not provided for by the Plans, Specifications, General Conditions, or other Contract Documents, without additional charge or expense to the Owner and shall also be responsible for and correct, at its own cost and expense, any violations thereof resulting from or in connection with the performance of its Work. The Contractor shall at any time upon demand furnish such proof as the Owner or Turner may require showing such compliance and the correction of such violations. The Contractor agrees to save harmless and indemnify the Owner and Turner from and against any and all loss, injury, claims, actions, proceedings, liability, damages, fines, penalties, costs and expenses, including legal fees and disbursements, causes or occasioned directly or indirectly by the Contractor's failure to comply with any of said laws, ordinances, rules, regulations, standards, orders, notice or requirements or to correct such violations therefore resulting from or in connection with the performance of Work.

Prevailing Wage Compliance. Contractor acknowledges its responsibilities to pay prevailing wage rates to its laborers and further acknowledges the provisions of Labor Code Sections 1771, 1775, 1776, 1777.5, 1813, and 1815, copies of which are attached hereto as Exhibit "B" and made a part hereof. In order to assure that Contractor is in compliance, Contractor agrees:

(1) To supply Owner or Turner with certified payroll records as to its laborers within five (5) days of the end of each payroll period throughout the period Contractor is performing Services pursuant to this Agreement.

(2) To supply Owner or Turner with copies of all forms which Contractor is required to file with the State of California or any other governmental entity or organization, including but not limited to, the Training Fund Contribution and Public Works Contract Award Information forms filed with the Division of Apprenticeship Standards or California Apprenticeship Council. Said copies are to be provided to Owner or Turner within five (5) days of their transmittal to the appropriate governmental entity.

(3) To provide to Owner or Turner prior to receipt of final payment for work performed by the Contractor, an affidavit signed under penalty of perjury from Contractor that Contractor has paid the specified general prevailing rate of per diem wages to its employees and any amounts due pursuant to Labor Code Section 1813.

(4) In the event the Owner or Turner is notified that the Division of Labor Standards Enforcement ("DLSE") has determined that Contractor's employees were not paid prevailing wages, Owner or Turner shall have the right to withhold the amount of the DLSE claim from Contractor. In the event Contractor is now owed sufficient sums to cover the DLSE claim, Contractor shall, upon demand of Owner or Turner, post a surety bond written by a surety company authorized to write surety business in the State of California in favor of Owner and Turner in a sum sufficient to cover the DLSE claim plus costs and expenses of Owner or Turner as determined by Owner or Turner in its sole discretion.

(5) Contractor agrees to furnish any and all information requested by Owner or Turner which either deems necessary in order to protect itself from liability from any DLSE claim and to fully cooperate with Owner and Turner in any defense to a DLSE claim arising out of Contractor's alleged failure to pay its employees the specified general prevailing rate of peer diem wages, including any required contributions such as those referenced in section (2) above.

(6) Upon notification by Owner or Turner that as a result of its monitoring of Contractor's certified payroll records, Owner or Turner believes there is a prevailing wage violation, Contractor agrees to immediately take corrective action to assure compliance with the prevailing wage laws.

In the event Contractor fails to comply with any of its obligations pursuant to this paragraph or the prevailing wage laws of the State of California, Contractor shall be deemed to be in material default of his Agreement and Owner or Turner on its behalf shall have the right at its sole discretion to (a) give Contractor notice and avail itself of its rights pursuant to the termination provisions of this Agreement; (b) retain funds from Contractor in such amounts as it deems necessary to cover any potential prevailing wage liability, including penalties and its own costs and expenses in connection therewith; or (c) require Contractor to post a surety bond or such other security as is acceptable to Owner or Turner in such amounts as Owner or Turner reasonably deem acceptable. Failure to post a surety bond or other security when demanded pursuant to this section shall be grounds for ejection of the Contractor from the Project in which case Contractor shall be responsible for all damages, costs, and expenses incurred by Owner or Turner as a result of Contractor's default.

ARTICLE XV.

Labor to be Employed. The Contractor shall not employ workers, means, materials or equipment which may cause strikes, work stoppages, or any disturbances by workers employed by the Contractor, Turner or other contractors or subcontractors on or in connection with the Work or the Project or the location thereof. The Contractor agrees that all disputes as to jurisdiction of trades shall be adjusted in accordance with any plan for the settlement of jurisdictional disputes which may be in effect either nationally or in the locality in which the Work is being done and that it shall be bound and abide by all such adjustments and settlements of jurisdictional disputes, provided that the provisions of this Article shall not be in violation of or in conflict with any provisions of law applicable to the settlement of such disputes. Should the Contractor fail to carry out or comply with any of the foregoing provisions, the Owner shall have the right, in addition to any other rights and remedies provided by this Agreement or the other Contract Documents or by law, after three (3) days written notice mailed or delivered to the last known address of the Contractor, to terminate this Agreement or any part thereof or the employment of the Contractor for all or any portion of the Work, and, for the purpose of completing the Work, to enter upon the Premises and take possession, in the same manner, to the same extent and upon the same terms and conditions as set forth in Article XI of this Agreement.

ARTICLE XVI.

Taxes and Contributions. The Contractor for the Price herein provided, hereby accepts and assumes exclusive liability for and shall indemnify, protect and save harmless the Owner and Turner from and against the payment of:

1. All contributions, taxes or premiums (including interest and penalties thereon) which may be payable under the Unemployment Insurance Law of any State, Federal Social Security Act, Federal, State, County and/or Municipal Tax Withholding Laws, or any other law, measured upon the payroll of or required to be withheld from employees, by whomsoever employed, engaged in the Work to be performed and furnished under this Agreement.
2. All sales, use, personal property and other taxes (including interest and penalties thereon) required by any Federal, State, County, Municipal or other law to be paid or collected by the Contractor or any of its subcontractors or vendors or any other person or persons acting for, through or under it or any of them, by reason of the performance of the Work or the acquisition, ownership, furnishing or use of any materials, equipments, supplies, labor, services or other items for or in connection with the Work.

3. All pension, welfare, vacation, annuity and other union benefit contributions payable under or in connection with labor agreements with respect to all persons, by whomsoever employed, engaged in the Work to be performed and furnished under this Agreement.

In furtherance of, and in addition to the agreements, duties, obligations and responsibilities of the Contractor with respect to the payment of sales, use, personal property and other taxes set forth in Articles IV and XVI of this Agreement, the Contractor agrees to reimburse and otherwise indemnify the Owner and Turner for any expenses, including legal fees and litigation arising from, or related to the Contractor's failure to pay any sales, use, personal property or other taxes based upon labor, services, materials, equipment or other items acquired, performed, furnished or used for or in connection with the Work.

ARTICLE XVII.

Patents. The Contractor hereby agrees to indemnify, protect and save harmless Turner and the Owner from and against any and all liability, loss or damage and to reimburse Turner and the Owner for any expenses, including legal fees and disbursements, to which the Owner or Turner may be out because of claims or litigation on account of infringement or alleged infringement of any letters, patent or patent rights by reason of the Work or materials, equipment or other items used by the Contractor in its performance.

ARTICLE XVIII.

Mechanics' Liens, Stop Notices, or Claims. To the fullest extent permitted by law, Contractor for itself and for its subcontractors, laborers, materialmen, suppliers and all others directly or indirectly acting for, through or under it or any of them covenants and agrees that no liens or claims, whether a mechanics' lien, stop notice or an attested account or otherwise, will be filed or maintained against the Project or Premises or any part thereof or any interests therein or any improvements thereon, or against any monies due or to become due from the Owner or Turner to the Contractor, for or on account of any work, labor, services, materials, supplies, equipment, or other items performed or furnished for or in connection with the Work, and the Contractor for itself and its Subcontractors, laborers, materialmen, suppliers and all others above mentioned does hereby expressly waive, release and relinquish all rights to file or maintain such liens, stop notices, and claims and agrees further that this waiver of the right to file or maintain such liens and claims shall be an independent covenant and shall apply as well to work, labor and services performed and materials, supplies, equipment and other items furnished under any change order or supplemental agreement for extra or additional work in connection with the Project as to the Original Work covered by this Agreement.

If any subcontractor, laborer, materialman or supplier of the Contractor or any other person directly or indirectly acting for, through or under it or any of them files or maintains a lien, stop notice, or claim, whether a mechanics' lien, stop notice or an attested account or otherwise, a mechanics' lien or claim against the Project or Premises or any part thereof or any interests therein or any improvements thereon or a stop notice against any monies due or to become due from the Owner or Turner to the Contractor, for or on account of any work, labor, services, materials, supplies, equipment or other items performed or furnished for or in connection with the Work or under any change order or supplemental agreement for extra or additional work in connection with the Project, the Contractor agrees to cause such liens, stop notices, and claims to be satisfied, removed or discharged at its own expense by bond, payment or otherwise within ten (10) days from the date of the filing thereof, and upon its failure to do so the Owner or Turner shall have the right, in addition to all other rights and remedies provided under this Agreement and the other Contract Documents or by law, to cause such liens or claims to be satisfied, removed or discharged by whatever means Owner or Turner chooses, at the entire cost and expense of the Contractor (such cost and expense to include legal fees and disbursements). The Contractor agrees to indemnify, protect and save harmless Turner and the Owner from and against any and all such liens, stop notices, and claims and actions brought or judgments rendered thereon, and from and against any and all loss, damages, liability, costs and expenses, including legal fees and disbursements, which Turner and/or the Owner may sustain or incur in connection therewith.

ARTICLE XIX.

Assignment and Subletting. To the fullest extent permitted by law, Contractor agrees that it shall not assign, sell, transfer, delegate or encumber any rights, duties or obligations arising under this Agreement including, but not limited to, any right to receive payments hereunder, without the prior written consent of the Owner and Turner in its sole discretion and the giving of any such consent to a particular assignment shall not dispense with the necessity of such consent to any further or other assignments. In the event Contractor assigns, sells, encumbers or otherwise transfers its right to any monies due or to become due under this Agreement as security for any loan, financing or other indebtedness (hereafter "Assignment"), notification to the Owner and Turner of such Assignment must be sent by certified mail, return receipt requested, and the Assignment shall not be effective as against the Owner until the Owner provides it written consent to such Assignment. Contractor agrees that any such Assignment shall not relieve the Contractor of any of its agreements, duties, responsibilities or obligations under this Agreement and the other Contract Documents and shall not create a contractual relationship or a third party beneficiary relationship of any kind between the Owner and such assignee or transferee. Contractor further agrees that all of the Owner's defenses and claims arising out of this Agreement with respect to such Assignment are reserved unless expressly waived in writing by a duly authorized corporate officer. Contractor hereby agrees to indemnify and hold harmless the Owner and Turner from and against any and all loss, cost, expense or damages the Owner or Turner has or may sustain or incur in connection with such Assignment.

ARTICLE XX.

Termination for Convenience. The Owner shall have the right at any time by written notice to the Contractor, to terminate this Agreement without cause and require the Contractor to cease work hereunder, in which case, provided the Contractor be not then in default, the Owner shall indemnify the Contractor against any damage directly resulting from such termination. In the event of such a termination for convenience, the Contractor shall be entitled to payment pursuant to the terms of the contract for all Work performed as of the date of termination, together with reasonable costs of demobilization and such other reasonable costs as may be encountered by the Contractor and directly attributable to such termination provided that such amount shall be reduced by all amounts for which Contractor is liable or responsible hereunder. However, the Contractor shall only be entitled to profit or other damages on that portion of the work actually performed and approved for payment to the date of termination together with retainages held upon payments made prior thereto. Contractor waives any claim for loss of anticipated profits in the event the Owner or Turner exercises this clause.

ARTICLE XXI.

Guarantees. The Contractor hereby guarantees the Work to the full extent provided in the Plans, Specifications, General Conditions, Special Conditions and other Contract Documents.

The Contractor shall expeditiously remove, replace and/or repair at its own expense and at the convenience of the Owner any faulty, defective or improper Work, materials, or equipment existing or discovered within one (1) year from the date of the acceptance of the Project as a whole by the Architect and the Owner or for such longer period as may be provided in the Plans, Specifications, General Conditions, Special Conditions or other Contract Documents.

Without limiting the generality of the foregoing, the Contractor warrants to the Owner, the Architect and Turner, and each of them, that all materials and equipment furnished under this Agreement will be of first class quality and new, unless otherwise required or permitted by the other Contract Documents, that the Work performed pursuant to this Agreement will be free from defects and that the Work will strictly conform with the requirements of the Contract Documents. Work not conforming to such requirements, including substitutions not properly approved and authorized, shall be considered defective. All warranties contained in this Agreement and in the Contract Documents shall be in addition to and not in limitation of all other warranties or remedies required and/or arising pursuant to applicable law. Failure of Contractor to honor and satisfy the foregoing any any other warranties or guarantees required of the Contractor under the Contract Documents, shall constitute a default by Contractor.

ARTICLE XXII.

Accident Prevention. The Contractor agrees that the prevention of accidents to workmen and property engaged upon or in the vicinity of the Work is its responsibility. The Contractor agrees to comply with all Federal, State, Municipal and local laws, ordinances, rules, regulations, codes, standards, orders, notices and requirements concerning safety as shall be applicable to the Work, including, among others, the Federal Occupational Safety and Health Act of 1970, as amended, and all standards, rules, regulations and orders which have been or shall be adopted or issued thereunder, and with the safety standards established during the progress of the Work by Contractor, Turner or the Owner. When so ordered, the Contractor shall stop any part of the Work which the Owner or Turner deems unsafe until corrective measures satisfactory to the Owner and Turner have been taken, and the Contractor agrees that it shall not have nor make any claim for damages growing out of such stoppages. Should the Contractor neglect to take such corrective measures, the Owner or Turner may do so at the cost and expense of the Contractor and may deduct the cost thereof from any payments due or to become due to the Contractor. Failure on the part of the Owner or Turner to stop unsafe practices shall in no way relieve the Contractor of its responsibility therefore.

This Contractor acknowledges the receipt of the Owner's or The Turner Corporation's "Safety, Health and Environmental Policy", "Drug and Alcohol Abuse Policy" and "Sexual Harassment Policy." Subject to applicable law, this Contractor further agrees to be bound to these policies as a part of the supplemental and special conditions to the contract for construction of the Project.

In the event that hazardous substances of a type of which an employer is required by law to notify its employees are being used or stored on the site by the Contractor, the Contractor's subcontractor and anyone directly or indirectly employed or otherwise retained by them or either of them, the Contractor shall immediately provide written notice of the chemical composition thereof (including, without limitation, a copy of the applicable Material Safety Data Sheet) to the Owner in sufficient time to permit compliance with such laws by the Owner, other subcontractors and other employers on the site. In the event that the Contractor encounters on the site material reasonably believed to be hazardous substances (including, without limitation, asbestos or polychlorinated biphenyl) which has not been rendered harmless, the Contractor shall immediately stop Work in the area affected and immediately report the condition to the Owner in writing. Work in the affected area shall resume when such hazardous substances has been rendered harmless or removed as determined by the Owner in its sole and absolute discretion. To the extent of Contractor's responsibilities hereunder, Contractor does indemnify and save harmless the Owner and Turner from and against any and all loss, injury, claims, actions, proceedings, liability, damages, fines, penalties, cost and expenses, including legal fees and disbursements, caused or occasioned directly or indirectly by the Contractor in regard to such hazardous substances.

ARTICLE XXIII.

Liability for Damage and Personal Injury. The Contractor hereby assumes entire responsibility and liability for any and all damage or injury of any kind or nature whatever (including death resulting therefrom) to all persons, whether employees of any tier of the Contractor or otherwise, and to all property caused by, resulting from, arising out of or occurring in connection with the execution of the Work, or in preparation for the Work, or any extension, modification, or amendment to the Work by change order or otherwise. Except to the extent, if any, expressly prohibited by statute and excluding from this indemnity such acts or omissions, if any, of the party indemnified for which it is not legally entitled to be indemnified by the Contractor under applicable law, should any claims for such damage or injury (including death resulting therefrom) be made or asserted, whether or not such claims are based upon Turner's or the Owner's alleged active or passive negligence or participation in the wrong or upon any alleged breach of any statutory duty or obligation on the part of Turner or the Owner, the Contractor agrees to indemnify and save harmless Turner and the Owner, their officers, agents, servants and employees from and against any and all such claims and further from and against any and all loss, cost, expense, liability, damage, penalties, fines or injury, including legal fees and disbursements, that Turner and the Owner, their officers, agents, servants or employees may directly or indirectly sustain, suffer or incur as a result thereof and the Contractor agrees to and does hereby assume, on behalf of Turner and the Owner, their officers, agents, servants and employees, the defense of any action at law or in equity which may be brought against Turner and/or the Owner, their officers, agents, servants or employees upon or by reason of such claims and to pay on behalf of Turner and the Owner, their officers, agents, servants and employees, upon demand, the amount of any judgment that may be entered against Turner and/or the Owner, their officers, agents, servants or employees in any such action. In the event that any such claims, loss, cost, expense, liability, damage, penalties, fines or injury arise or are made, asserted or threatened against Turner and/or the Owner, their officers, agents, servants or employees, the Owner shall have the right to withhold from any payments due or to become due to the Contractor an amount sufficient in its judgment to protect and indemnify Turner and the Owner, their officers, agents, servants and employees from and against any and all such claims, loss, cost, expense, liability, damage, penalties, fines or injury, including legal fees and disbursements, or the Owner in its discretion may require the Contractor to furnish a surety bond satisfactory to the Owner guaranteeing such protection, which bond shall be furnished by the Contractor within five (5) days after written demand has been made therefore.

In addition to Turner and the Owner, the Indemnified Parties throughout this Agreement shall include: N/A and any of their respective officers, agents, servants, or employees, and affiliates, parents and subsidiaries.

In furtherance to but not in limitation of the indemnity provisions in this Agreement, Contractor hereby expressly and specifically agrees that its obligation to indemnify, defend and save harmless as provided in this Agreement shall not in any way be affected or diminished by any statutory or constitutional immunity it enjoys from suits by its own employees or from limitations of liability or recovery under worker's compensation laws.

Compensation and Liability Insurance.

Before commencing the Work, the following insurance coverages from insurance companies satisfactory to the Owner and Turner shall be in place and maintained until completion and final acceptance of the Work.

- I. WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE in accordance with laws of the State in which the Work is situated.

2. COMPREHENSIVE GENERAL LIABILITY INSURANCE INCLUDING COMPLETED OPERATIONS, CONTRACTUAL LIABILITY INSURANCE AGAINST THE LIABILITY ASSUMED HEREINABOVE, and including INDEPENDENT CONTRACTORS LIABILITY INSURANCE if the Contractor sublets to another all or any portion of the Work, Personal Injury Liability, Broad Form Property Damage (including completed operations), and Explosion, Collapse and Underground Hazards, with the following minimum limits:

Combined Single Limit \$5,000,000

(A) The above insurance coverages shall be provided by insurance companies selected by the Contractor. All costs are included in the Price and are to be paid by the Contractor; or

~~(B) The above insurance coverages are to be provided through a consolidated insurance program arranged by Turner. \$ _____ (the "Insurance Amount") is included in the Price to pay for the premiums for the above insurance coverages for this Contractor and its subcontractors. Contractor shall include this Insurance Amount in its Applications for Payment (which Applications are to be submitted to Owner or Turner as provided herein) when and as directed by Owner or Turner. In lieu of Turner or Owner making full payment of the total Price or the amount that would otherwise then be due to Contractor, Owner or Turner will, when due, make such payment by delivering the Insurance Amount or a portion thereof to the relevant Worker's Compensation and General Liability companies and by delivering the balance of the amount then due to the Contractor. Upon completion of the enrollment process in the consolidated insurance program and provided that Contractor has complied with his payment procedure, the Contractor and its subcontractors will be named insured under the General Liability policy issued on the Project on behalf of Turner and/or the Owner and its designated Contractors and subcontractors. The Contractor will incur a premium expense payable through Turner or Owner for such premium and Contractor hereby commits to record these costs as outlined above. All executed change orders will include an additional premium for Worker's Compensation and General Liability as applicable and will be included in Applications for Payment submitted to Owner or Turner, expensed by the Contractor and the premium paid by Contractor through Owner or Turner, as outlined above.~~

3. **COMPREHENSIVE AUTOMOBILE LIABILITY INSURANCE** covering all owned, non-owned and hired automobiles used in connection with the Work, with the following minimum limits:

Bodily Injury (including death) and Property Damage \$1,000,000 per accident

Before commencing the Work, the Contractor shall furnish a certificate, satisfactory to the Owner and/or Turner from each insurance company showing that the above insurance is in force, stating policy numbers, dates of expiration, and limits of liability thereunder, and further providing that the insurance will not be canceled or changed until the expiration of at least thirty (30) days after written notice of such cancellation or change has been mailed to and received by the Owner. Turner, the Owner and other entities as may be reasonably requested shall be named as an additional insured under these policies of insurance. It is expressly agreed and understood by and between Contractor and the Owner that the insurance afforded the additional insureds shall be primary insurance and that any other insurance carried by the Owner or Turner shall be excess of all other insurance carried by the Contractor and shall not contribute with the Contractor's insurance. Contractor further agrees to provide endorsements on its insurance policies which shall state the foregoing; however, Contractor's failure to provide such endorsement shall not affect Contractor's agreement hereunder.

If the Contractor fails to procure and maintain such insurance, the Owner shall have the right, but not the obligation, to procure and maintain the said insurance for and in the name of the Contractor and the Contractor shall pay the cost thereof and shall furnish all necessary information to make effective and maintain such insurance or at the Owner's option, the Owner may offset the cost incurred by the Owner against amounts otherwise payable to Contractor hereunder.

ARTICLE XXIV.

Bonds. The Contractor shall not furnish to the Owner a performance bond in the amount of N/A and a separate payment bond in the amount of (included in performance bond rate) the form and contents of such bonds and the Surety or Sureties thereon to be satisfactory to the Owner. Such bonds shall be furnished to the Owner within ten (10) calendar days after Contractor has executed this Agreement or within such other time period agreed to by the Owner in writing. In the event Contractor fails to furnish such bonds to the Owner within the time period as hereinabove provided, such failure shall constitute a default under this Agreement in which event the Owner shall have all of the rights and remedies provided in Article XI hereof with respect to default on the part of Contractor including, without limitation, the right to terminate this Agreement.

Without limiting the responsibilities of Contractor and its Surety under the terms of this Agreement, Contractor and its Surety hereby agree to promptly pay all lawful claims of subcontractors, materialmen, laborers, persons, firms or corporations for labor or services performed or materials, supplies, machinery equipment, rentals, fuels, oils, tools, appliances, insurance and other items furnished, used or consumed in connection with the prosecution of the Work provided for in said Contract and any and all modifications thereof, and shall indemnify and save harmless the Owner and Turner of and from all liability loss, damage and expense, including interest, costs and attorney fees, which the Owner and Turner and/or its Surety may sustain by reason of Contractor's or its Surety's failure to do so.

ARTICLE XXV.

Severability. In the event that any provision or any part of a provision of this Agreement shall be finally determined to be superseded, invalid, illegal or otherwise unenforceable pursuant to applicable laws by an authority having jurisdiction, such determination shall not impair or otherwise affect the validity, legality, or enforceability of the remaining provisions or parts of provisions of this Agreement, which shall remain in full force and effect as if the unenforceable provision or part were deleted.

ARTICLE XXVI.

Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto. No oral representations or other agreements have been made by the Owner or Turner except as stated in the Agreement, This Agreement may not be changed in any way except as herein provided, and no term or provision hereof may be waived by the Owner except in writing signed by its duly authorized officer or agent. Contractor acknowledges and represents that it completed and submitted to Owner and/or Turner a prequalification questionnaire, that all statements therein were true, accurate and complete, and remain true, accurate and complete, and that Owner and Turner have relied on such statements in deciding to enter into this Agreement. The marginal descriptions of any term or provision of this Agreement are for convenience only and shall not be deemed to limit, restrict or alter the content, meaning or effect thereof.

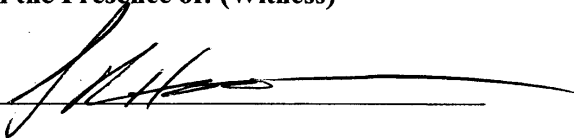
The said parties, for themselves, their heirs, executors, administrators, successors and assigns, do hereby agree to the full performance of all of the terms and provisions herein contained.

IN WITNESS WHEREOF the parties to these presents have hereunto set their hands as of the day and year first above written.

**NORTHERN INYO COUNTY
HOSPITAL DISTRICT ("Owner")**

**NORTHERN INYO COUNTY
HOSPITAL DISTRICT ("Owner")**

In the Presence of: (Witness)

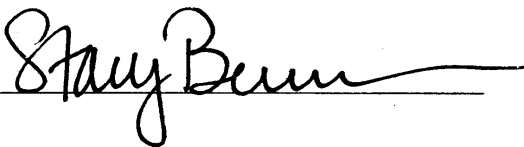
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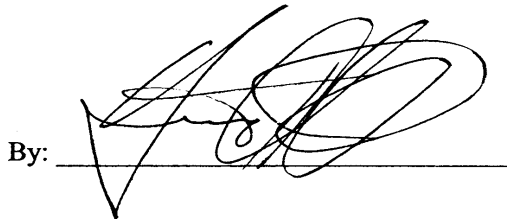
By:  _____

**PROJECT DEVELOPMENT GROUP, INC.
DBA PDG ENVIRONMENTAL, INC.
("Contractor")**

**PROJECT DEVELOPMENT GROUP, INC.
DBA PDG ENVIRONMENTAL, INC.**

In the Presence of: (Witness)

x  _____

By:  _____

Contractor's California State Unemployment Ins. No. N/A

Contractor's California License No. **756281**

State Sales Tax Registration No. N/A

Federal ID No. **25-146621**

Exhibit "A"
TO TRADE CONTRACTOR AGREEMENT

ASSIGNMENT AGREEMENT

This Assignment Agreement is valid as of **November 6, 2007** (the "Effective Date") by Turner Construction Company ("CMA"), the Northern Inyo Local County Hospital District ("the OWNER"), and **PROJECT DEVELOPMENT GROUP, INC. DBA PDG ENVIRONMENTAL, INC.** ("TRADE CONTRACTOR"), or the "parties." This Assignment Agreement amends, restates, replaces and supplements certain aspects of the TRADE CONTRACT entered into by and between the OWNER and TRADE CONTRACTOR for work on the Northern Inyo Hospital Support and Radiology Buildings Project (the "Project").

WHEREAS, and the OWNER and CMA entered into an Agreement for Construction Management/Advisor services on February 23, 2006 for the Project.

WHEREAS, the OWNER then entered into a TRADE CONTRACT with TRADE CONTRACTOR;

WHEREAS, the OWNER and the TRADE CONTRACTOR desire to modify the TRADE CONTRACT, as set forth herein;

WHEREAS, the OWNER desires to assign to Contractor, and Contractor desires to accept the assignment of, the TRADE CONTRACT and the rights and benefits associated therewith, and TRADE CONTRACTOR agrees with and does not object to the assignment;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

ARTICLE I
AGREEMENT

1.1. The parties mutually agree to, and do hereby, modify the TRADE CONTRACT as of the Effective Date. The parties acknowledge and agree that:

A. Pursuant to Article 13 of the Construction Management/Advisor Services Agreement between OWNER and CMA, OWNER'S Agreement with TRADE CONTRACTOR is assigned by OWNER to CMA and CMA accepts the assignment of the TRADE CONTRACT.

B. All rights and obligations the OWNER *has* under the TRADE CONTRACT, exclusive of the OWNER'S obligation to provide funds for the Project, which the OWNER agrees it shall retain permanently are hereby transferred to CMA as of the Effective Date.

C. The OWNER/CMA Agreement shall be deemed to be a prime contract document as prime contract is hereafter defined.

D. All references and meaning to the word "Owner" in the TRADE CONTRACT shall remain the same, and therefore "Owner" shall refer to CMA, with all of the corresponding rights, obligations and benefits thereof.

E. TRADE CONTRACTOR acknowledges and accepts all of the terms of this Assignment Agreement and agrees to be bound accordingly. With respect to the Work to be performed and furnished by TRADE CONTRACTOR, TRADE CONTRACTOR agrees to be bound to CMA by each and all of the terms and provisions of the OWNER/CMA Agreement and the other Contract Documents, which shall be deemed as being the prime contract (collectively the "Prime Contract") pursuant to which the Trade Contract was issued, and to assume toward CMA all of the duties, obligations and responsibilities that CMA by those Contract Documents assumes toward OWNER. TRADE CONTRACTOR agrees further that CMA shall have the same rights and remedies as against the Trade Contractor as the OWNER has under the terms and provisions of the Prime Contract against CMA with the same force and effect as though every such duty, obligation, responsibility, right or remedy were set forth herein in full.

1.2. Said assignment contemplated herein notwithstanding, the OWNER and CMA shall continue to be bound by and agree to comply fully with their obligations under the CMA/OWNER Agreement, and with any other term or provision imposing an obligation on the parties.

1.3. Notwithstanding the parties desire, intent and agreement to modify the TRADE CONTRACT through this Assignment Agreement, should the OWNER, at its sole discretion, wish to cancel, void and/or terminate this Assignment Agreement at any future time, the OWNER may do so by providing written notice to. In such an event, simultaneously upon communication of written notice, this Assignment Agreement shall be deemed canceled, voided and/or terminated and the OWNER and Contractor shall look solely to and be bound by the original terms of the Contractor-OWNER Agreement and OWNER and TRADE-CONTRACTOR shall look solely to and be bound by the TRADE CONTRACT. If this Assignment Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, the Contractor-OWNER Agreement shall nevertheless remain in full force and effect.

ARTICLE II REPRESENTATIONS AND WARRANTIES

2.1. CMA represents and warrants to the OWNER and TRADE CONTRACTOR that it is a corporation duly organized, in good standing and validly existing under the laws of the State of California. The execution, delivery and performance of this Agreement by CMA has been duly authorized.

2.2. The OWNER represents and warrants to CMA and TRADE CONTRACTOR that the OWNER is duly organized and in good standing and validly existing under the laws of the State of California. The execution, delivery and performance of this Agreement by the OWNER has been duly authorized.

2.3 The TRADE CONTRACTOR represents and warrants to CMA and OWNER that the TRADE CONTRACTOR is duly organized and in good standing and validly existing under the laws of the State of California. The execution, delivery and performance of this Agreement by TRADE CONTRACTOR has been duly authorized.

ARTICLE III MISCELLANEOUS

3.1. Entire Agreement. This Agreement and the Exhibits attached hereto constitute the entire agreement between the parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

3.2. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

3.3. Notices. Notices, offers, requests or other communications required to be given by either party pursuant to the terms of this Agreement shall be given in writing to the respective parties.

3.4. Counterparts. This Agreement, and the other documents referred to herein or therein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

3.5. Binding Effect; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives and successors, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Neither party may assign this Agreement or any rights or obligations hereunder, without the prior written consent of the other party, and any such assignment shall be void; provided, however, either party may assign this Agreement to a successor entity in conjunction with such party's reincorporation.

3.6. Severability. If any term or other provision of this Agreement is determined by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect.

3.7. Authority. Each of the parties hereto represents to the other that (a) it has the corporate or other requisite power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other actions, (c) it has duly and validly executed and delivered this Agreement, and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms.

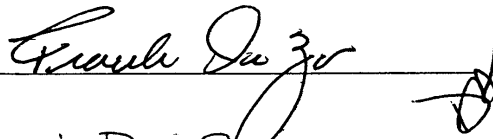
3.8. Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement.

3.9. Attorneys' Fees. Should either party initiate any action at law or in equity to enforce or interpret the

terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other appropriate relief.

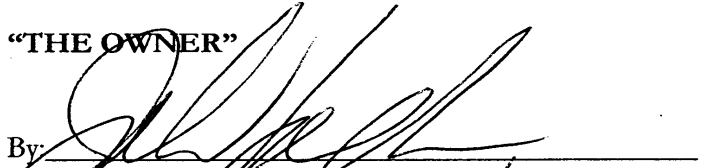
WHEREFORE, the parties have signed this Assignment Agreement effective as of the date first set forth above.

**TURNER CONSTRUCTION COMPANY
"CONSTRUCTION MANAGER"**

By: Frank Dai Zori 

Print Name: Frank Dai Zori

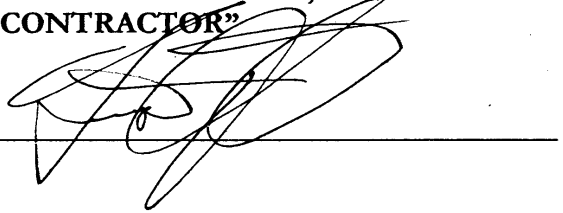
ITS: VP / General Manager

"THE OWNER"
By: 

Print Name: John Halfen

ITS: CFE

**PROJECT DEVELOPMENT GROUP, INC.
DBA PDG ENVIRONMENTAL, INC
"TRADE CONTRACTOR"**

By: 

Print Name: _____

ITS: _____

1. The Trade Contract Price is comprised of the following:

Base Bid Abatement and Demolition	\$244,987.00
Subguard @ 1.15%	<u>\$ 2,817.00</u>
TOTAL CONTRACT AMOUNT	\$247,804.00

2. The Trade Contractor has provided the following Alternate Prices to be used for changes in the Work as directed by Turner. The alternate Prices listed below include all material, labor, fringes, taxes, insurance, overhead, profit and bond costs. The inclusion of these Alternate Prices here does not obligate Turner to award the indicated work to the Trade Contractor, however if such an award is made it will be done in accordance with these Alternate Prices and Article IX of the Trade Contract.

AP1	N/A	ADD/DEDUCT	\$	0.00	N/A
AP2	N/A	ADD/DEDUCT	\$	0.00	N/A

3. The Trade Contractor has provided the following Unit Prices to be used for changes in the Work as directed by Turner. The unit prices listed below includes all material, labor, fringes, taxes, insurance, overhead, and profit. The inclusion of these Unit Prices here does not obligate Turner to award the indicated work to the Trade Contractor, however if such an award is made it will be done in accordance with these Unit Prices, the "Formula for Changes" and Article IX of the Trade Contract.

Abatement:

Drywall Joint compound	ADD/DELETE \$ 3.00/sf
Transite Panels	ADD/DELETE \$ 4.50/sf
Transite Pipe	ADD/DELETE \$ 20.00/lf
Tank insulation	ADD/DELETE \$ 30.00/sf
Pipe insulation and fittings	ADD/DELETE \$ 20.00/lf
Tile/mastic	ADD/DELETE \$ 3.25/sf
Fire Doors	ADD/DELETE \$50.00/ea
(Twenty-five (25ea) doors included contract amount)	
Window Putty	ADD/DELETE \$ 15.00/lf
Spray on texture coating	ADD/DELETE \$ 5.00/sf
Mini Decons	ADD/DELETE \$1,200.00/ea
(five (5ea) mini decons included in contract amount)	
Flashing roof topset mastic	ADD/DELETE \$ 3.50/lf
Counter tops	ADD/DELETE \$ 3.00/sf

4. The Trade Contractor has provided the following labor rates for work performed in accordance with Article IX of the Trade Contract. The rates are exclusive of all overhead and profit:

This is a prevailing wage project.
See "Exhibit B"

ADDITIONAL PROVISIONS

1. The Work shall be performed in accordance with the following Drawings, Specifications and Correspondence:

DRAWINGS and SPECIFICATIONS:

Item No. 03 – As listed in the Support Building Attachment "A", dated August 27, 2007

CORRESPONDENCE:

Bid Book dated August 27, 2007 including the following:

Item No. 04 - Turner's Attachment B

Item No. 04 - Part 1 -4 - Parameters of Trade Contractor Work dated August 27, 2007

Part 5 – Scope of work for Miscellaneous Specialties dated August 27, 2007, Revised November 5, 2007

Item No. 05a – Project Schedule – Support & Radiology Building dated September 5, 2007 (run date)

Item No. 06.2 – Exhibit B Prevailing Wage to Trade Contractor Agreement

Item No. 10 – Turner's Attachment "D" - Insurance Requirements

Item No. 13 – Formula for Changes (Rev. July 1996)

Item No. 15 – Trade Contractor Procedures Manual dated September 11, 2006, Revised September 26, 2006

Item No. 16a – Safety Program dated April 17, 2005

Item No. 16b – Substance Abuse Policy dated April, 2003 (REVISION 6)

Addendum #1 dated September 21, 2007

2. The Trade Contractor acknowledges that Turner is signatory to collective bargaining agreement with the **Carpenters 46 Northern California Counties Conference Board**. Trade Contractor and all lower tier Trade Contractors performing work covered by Turner's Carpenter Agreement will do so under the terms of said agreement and, if performing such work with its own forces, shall become signatory to the applicable Carpenters Agreement as a condition for performing the work.

The Trade Contractor acknowledges that Turner is signatory to collective bargaining agreement with the **Northern California District Council of Laborers**. The Trade Contractor shall perform all work covered by Turner's Laborers Agreement in accordance with all terms and conditions of said agreement, including the payment of wages and fringe benefits.

Trade Contractor acknowledges that terms and conditions of the labor agreements with the unions identified above, may require that Trade Contractor comply with additional labor agreements with unions affiliated with the AFL-CIO but not listed herein. When the terms and conditions of the noted labor agreements so require, Trade Contractor shall perform its jobsite work pursuant to all terms and conditions of an appropriate labor agreement with a union affiliated with the AFL-CIO.

Should there be picketing on Turner's jobsite and Turner establishes a reserve gate for the Trade Contractor's purpose, it shall be the obligation of Trade Contractor to continue the proper performance of its work without interruption or delay. Should Turner, at its sole discretion, establish a reserve gate system on the project, the Trade Contractor warrants that its employees and suppliers will use the reserved gate(s) designated for their use by Turner. Failure to perform in accordance with this provision shall constitute a material breach of the Trade Contract.

Trade Contractor further promises and agrees that it will bind and require all of its Trade Contractors and their Trade Contractors performing jobsite work of the type covered by any of the labor agreements referenced above to agree to all of the foregoing promises and undertakings, to the same effect as herein provided with respect to Trade Contractor.

Trade Contractor shall comply with all equal employment opportunity and affirmative action requirements promulgated by any governmental authority, including, without limitation, the requirements of the Civil Rights Act of 1964, Presidential Executive Orders No. 10925, 11114 and 11246, the California Fair Employment Practices Act, the Americans with Disabilities Act of 1991 and the Family and Medical Leave Act of 1993. Trade Contractor shall comply with and agrees to be bound by all applicable Federal, State and local laws and regulations, including, but not limited to, all Fair Labor Standards Act provisions and California Labor Code provisions covering the work.

3. Reference Article XIV - The Subcontractor shall obtain and pay for all necessary permits and licenses pertaining to the Work and shall comply with all federal, state, municipal and local laws, ordinances, codes, rules, regulations, standards, orders, notices and requirements, including but not limited to those relating to safety, discrimination in employment, fair employment practices, immigration laws or equal employment opportunity, and whether or not provided for by the Plans, Specifications, General Conditions, or other Contract Documents, without additional charge or expense to Turner and shall also be responsible for and correct, at its own cost and expense, any violations thereof resulting from or in connection with the performance of its Work. Each requisition for payment shall constitute a representation and warranty that Subcontractor is in compliance with applicable law.

The Subcontractor shall at any time upon demand furnish such proof as Turner may require showing such compliance and the correction of such violations. The Subcontractor agrees to save harmless and indemnify Turner from and against any and all loss, injury, claims, actions, proceedings, liability, damages, fines, penalties, costs and expenses, including legal fees and disbursements, caused or occasioned directly or indirectly by the Subcontractor's failure to comply with any of said laws, ordinances, rules, regulations, standards, orders, notices or requirements or to correct such violations therefore resulting from or in connection with the performance of Work.

The Immigration and Nationality Act as amended by the Immigration Reform and Control Act of 1986 (IRCA) makes it illegal for employers to knowingly hire persons who are not authorized to work in the United States. For all employees, employers are required to complete and Employment Eligibility Verification form I-9 which requires the prospective employee to produce documentation that establishes identity and employment eligibility. For more information visit www.uscis.gov, or speak to your attorney. Each subcontractor is solely responsible for properly completing Employment Eligibility Verifications for their own employees.

Subcontractor acknowledges represents and warrants that Subcontractor is aware of and understands IRCA, that Subcontractor is in compliance with IRCA, and that Subcontractor is not knowingly employing workers who are not authorized to work in the United States. Subcontractor agrees that Subcontractor will not employ any worker under this subcontract for whom Subcontractor has not completed and maintained I-9 verification. Subcontractor agrees that if Subcontractor acquires knowledge (constructive or otherwise, including receipt of a "no match" letter from Social Security Administration) indicating that one of Subcontractor's workers on this project may not be authorized to work in the United States, despite Subcontractor having conducted a facially valid I-9 verification, that Subcontractor will exercise due diligence as required by law to confirm authorization status and take appropriate action which may include termination of employment. Subcontractor represents and warrants that they will not subcontract to or utilize labor sources that it knows or has reason to know violate IRCA.

Sheet No.	Sheet Title	Drawing Date	Rev.
Demolition			
	Demo Floor Plan	8/24/07	0
	Miscellaneous		
Asbestos Survey Report dated July 24, 1998			

August 27, 2006

Attachment B Part 1 – 4 Parameters of Subcontract Proposal (Applies to all Trades)

1. **All requirements and services identified in the Trade Contractor Procedures Manual, dated August 27, 2007, are part of these documents (permits, labor, EEO, temporary power, temporary water, trash, toilets, storage, line and grade, hoists, safety etc.).**
2. **Parameters of Subcontract Bids:**
 - a. The form of Subcontract is the Trade Contractor Agreement, Item No. 07 in the bid book, **without modification**. Any exceptions to the terms and conditions will be grounds for rejection of the bid.
 - b. If a particular item of work appears to be included in more than one bid package, the bidder shall ensure that they have covered this item (s) of work and shall not assume that it is covered by another bid package. Bidders are responsible for all items of work in their attachment B.
 - c. Attachment B, Scope of Work, Part 5 takes precedence over any notation on the drawings or in the specifications as to the responsibility of which bid package any item of work is included in.
 - d. Bidders are assumed to be knowledgeable of this type of work and shall include all normal requirements to produce a complete system ready for its intended use as described by these documents.
 - e. The Contract Documents are presented as complete and with the intention to provide a complete system. Any discrepancies or omissions shall be brought to Turner's attention prior to bid. Where discrepancies in the bid documents do exist, the more stringent requirement shall apply.
 - f. Bidders are encouraged to make a site tour and become familiar with the site and existing conditions prior to bidding.
 - g. Provide unit prices, alternate prices, and breakout prices as requested on the Bid Form.
 - h. **Allowances** requested in Part 5 of the attachment B are exclusive of overhead and profit. These amounts will be deducted from the contract amount via a deductive change order immediately upon contract signing. The amounts in these allowances will be utilized at Turner's sole discretion.
 - i. Your base lump sum proposal is to be based upon Turner withholding a 10% reserve from the monthly progress payments. Final payment will be made as described in the Trade Contractor Agreement and the Trade Contractor Procedures Manual. Additionally, Turner will withhold an additional 7% from the monthly progress payments for all subcontractors not having a permanent place of business as required by the California Revenue and Taxation Code Section 18662. Subcontractor payment applications are due on the Project Superintendent's desk by the 20th day of the month, projecting work completed through the end of the month.
 - j. Work is to be performed in accordance with Turner's construction schedule. A corresponding Schedule of Values (see the Subcontractor Procedures Manual) will be required from the Subcontractor within 14 days of award of the subcontract.
 - k. **At least one of your key personnel on site shall be OSHA 30 hour certified within the past three years. If not, your proposal is to include the cost for the Turner/OSHA 30-Hour Safety Certification training course via The Turner Knowledge Network (TKN).**
 - 1) The cost is four hundred ninety-five dollars (\$495.00) per person plus the cost of the time, 30 hours, for the training.

August 27, 2006

Attachment B Part 1 – 4 Parameters of Subcontract Proposal (Applies to all Trades)

- 2) Your supervisory staff will be required to show evidence of this certification no more than three (3) months after written notification of award.
- 3) Detailed instructions explaining how to register and take the course will be attached to your written notification of award.
- 4) Failure to comply with this requirement will be deemed a material breach of your contract and subject to all of the terms and conditions therein.
- 5) Alternately, you can show that your key field supervisory staff has completed another industry recognized OSHA 30-Hour Safety Certification training course within the past three years.

Note: If the certification expires any time during the course of construction when you are actively performing your work, you will be required to show evidence of successfully taking the TKN 30-Hour Safety Certification training for all key field supervisory staff. Any and all costs associated with the certification and/or re-certification will be required to be included in your base bid proposal.

1. Your proposal is to include the cost for complying with Turner's Substance Abuse Policy. This policy requires pre-employment drug/alcohol testing, post-incident drug/alcohol testing and drug/alcohol testing "for cause". The cost of each drug test kit is \$50. All workers must be tested upon completion of the project specific orientation program that will be conducted each morning prior to the start of the workday. All subcontractor supervisory personnel are responsible for ensuring their respective workers attend safety orientation to receive a drug/alcohol testing kit inclusive with a chain of custody. All drug/alcohol test kits shall be supplied by Turner Construction. The Trade Contractor is to include cost of all test kits for their workers in their Base Bid. Deductive change orders will be issued at reasonable intervals to reimburse Turner for the cost of the kits. In the event a worker does not return to the site with a valid receipt from the designated drug testing clinic, the cost to replace the drug testing kit shall be covered by the Trade Contractor. In the event a worker must be sent for additional drug/alcohol testing due to post-incident or "for cause", the Trade Contractor shall be responsible for the cost of each drug testing kit.
3. **Bonds:**
Payment and Performance Bonds maybe required and are to be provided on the forms included in the bid book, through a Surety listed in the current Federal Register Circular 570 and California Civil Code 995.120, may be required. **DO NOT** include the cost of bonds in your base bid. The Subcontractor is advised **NO PAYMENT** will be issued prior to receipt of properly executed and verified Performance and Payment Bonds.
4. **General:**
 - a. Throughout the specifications, the word "Contractor" may be used. In all cases, unless indicated otherwise within this attachment, it should be interpreted to read "Trade Contractor".
 - b. The Trade Contractor is responsible to provide each of its employees, and employees of tier-subcontractors, with ANSI-approved hard hats and protective eyewear. These items are to be worn properly at all times while the employees are within the confines of the Project site.
 - c. A consistent, single source of responsibility for fieldwork supervision will be required. Additionally, this individual will be required to attend weekly coordination meetings called by Turner's Superintendent.
 - d. Provide multiple move-ons as required to complete your work per the Preliminary Project Schedule.

August 27, 2006

Attachment B Part 1 – 4 Parameters of Subcontract Proposal (Applies to all Trades)

- e. Parking shall be in areas as designated by Turner's Superintendent.
- f. There will be a limited amount of available storage on site. Coordinate with Turner's Superintendent **prior** to storing any materials.
- g. Construction and emergency vehicle access must be maintained at all times.
- h. The Subcontractor is responsible for providing and paying for any other permits and fees necessary for completion of this work. Coordination of inspections with local and state agencies and the Owner's inspectors are the responsibility of the Subcontractor.
- i. Provide all layout, lines, surveying and setting of grades as required for the completion of this work.
- j. Provide all field measurement as required to perform this scope of work.
- k. Each Trade Contractor is to provide any and all flagmen, traffic control devices, etc., required for the completion of their work.
- l. The Trade Contractor is to provide all temporary protection (weather, dust, safety, etc.) which is required by or associated with this Work.
- m. The rigging and hoisting of all material, equipment and debris is the responsibility of the Trade Contractor.
- n. The Trade Contractor shall provide all scaffolding required for this work.
- o. Include any task lighting required for this work.
- p. Each Trade Contractor is responsible for cleaning all mud, dirt, debris, etc., from their vehicles prior to them leaving the site. Streets are to be kept clean at all times.
- q. Confirm all field conditions and perform all field measurements prior to fabrication and installation.
- r. All FOB items are to be delivered to the staging area location as designated by Turner's Superintendent and shall include off-loading. Turner will not have labor or lifts to offload any FOB items.

END

Attachment B

5.0 SCOPE OF WORK: Abatement

- a. **General Scope of Work:** Provide all submittals, labor, material, apparatus, tools, equipment, transportation, and special services as required for the **Abatement of Hazardous Materials** as called for in the Asbestos Survey Report. **Specific Contract Documents:** This Scope of Work includes All Contract Documents, and specifically includes but is not limited to all Abatement of Hazardous material documents.

Spec Section	Description
None	Asbestos Survey Report Dated July 24, 1998 By Akri Corporation

- b. The specific and standard inclusions listed below are intended to clarify and shall not limit in any way the responsibility for the Work included in the Specification Sections above.

5.1 SPECIFIC INCLUSIONS:

Abatement: Provide all hazardous material abatement, including but not limited to:

- a. Removal of all hazardous materials in the 1948 Hospital building as listed in the Hazardous Materials Survey Report itemized building and room report as written by Akri Corporation.
- b. Send out all required notifications.
- c. Provide decontamination chambers, full containment, negative air and AHERA Certified Union Technicians for asbestos work and Lead Trained Technicians for Lead work.
- d. Removal from site and disposal of all hazardous materials to a legal depository for said materials per State and Federal laws. Provide written documentation of location(s), amounts, and types of materials disposed of in accordance with any and all regulations and laws.
- e. Remove and properly dispose of all PCB Ballasts.
- f. Remove and properly dispose of all transformers, if any; (excluding main transformers that will be removed by others).
- g. Remove and properly dispose of all Universal Wastes including mercury-containing light tubes, mercury vapor lamps, mercury thermostat switches, etc.
- h. Remove and properly dispose of all Lead Based Paint.
- ~~i. If required by Law, provide air monitoring by an independent air sampling professional.~~
- j. Apply for, secure, and pay for any required permits including any permits as may be required by the City of Bishop.

5.2 STANDARD INCLUSIONS:

- a. The Subcontractor will be required to coordinate the work with Turners Superintendent and the Hospital.
- b. All work shall comply with CalOSHA regulations.
- c. Subcontractor shall provide all necessary temporary lighting required to do the work. Turner will provide power.
- d. Coordinate inspections with Turner's superintendent.

Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA.
Project No:
Abatement Work

August 27, 2007
Revised November 5, 2007 with underline or ~~strikethrough~~

Attachment B

5.3 **EXCLUSIONS:**

- a. Power for lighting or equipment
- b. Water
- c. Disconnection of utilities
- d. Demolition

5.4 **UNIT PRICES:**

a. None

Cost to adjust quantities for abatement and remove the following items:

<u>Drywall Joint compound</u>	<u>ADD/DELETE \$ 3.00/sf</u>
<u>Transite Panels</u>	<u>ADD/DELETE \$ 4.50/sf</u>
<u>Transite Pipe</u>	<u>ADD/DELETE \$ 20.00/lf</u>
<u>Tank insulation</u>	<u>ADD/DELETE \$ 30.00/sf</u>
<u>Pipe insulation and fittings</u>	<u>ADD/DELETE \$ 20.00/lf</u>
<u>Tile/mastic</u>	<u>ADD/DELETE \$ 3.25/sf</u>
<u>Fire Doors</u>	<u>ADD/DELETE \$50.00/ea</u>
<u>(Twenty-five (25ea) doors included contract amount)</u>	
<u>Window Putty</u>	<u>ADD/DELETE \$ 15.00/lf</u>
<u>Spray on texture coating</u>	<u>ADD/DELETE \$ 5.00/sf</u>
<u>Mini Decons</u>	<u>ADD/DELETE \$1,200.00/ea</u>
<u>(five (5ea) mini decons included in contract amount)</u>	
<u>Flashing roof topset mastic</u>	<u>ADD/DELETE \$ 3.50/lf</u>
<u>Counter tops</u>	<u>ADD/DELETE \$ 3.00/sf</u>

5.5 **ALTERNATES:**

None

5.6 **SCHEDULE:**

- a. All work will be performed in accordance with the schedule dated 8/24/07 (Data Date).

5.7 **CONTRACT SUMMARY:**

<u>Base bid Abatement and Demolition</u>	<u>\$244,987.00</u>
<u>Subguard @ 1.15%</u>	<u>\$ 2,817.00</u>
<u>TOTAL CONTRACT AMOUNT</u>	<u>\$247,804.00</u>

Attachment B

5. **SCOPE OF WORK: BUILDING DEMOLITION**

- a. **General Scope of Work:** Provide all engineering, submittals, shop drawings, labor, materials, apparatus, tools, equipment, transportation, temporary construction, and special services as required for **Building Demolition**.
- b. **Specific Contract Documents:** This Scope of Work includes all Contract Documents, and specifically includes but is not limited to all work within the following specification sections: **NONE**
- c. The specific and standard inclusions listed below are intended to clarify and shall not limit in any way the responsibility for the work included in the specification sections above.

5.1 **SPECIFIC INCLUSIONS:**

The Subcontractor has visited the site and walked and examined the building to be demolished, has reviewed the work with Turner's project superintendent and is fully aware of the scope of work required.

Demolition shall include the following:

- a. Demolition of the single story east wing of the Northern Inyo Hospital building shall include demolition of all attached or adjoining concrete walks, stoops, stairs, stairwells, parking slabs, loading docks and dock approaches if any. The defining point of limit of demolition is noted on the attached floor plan and as directed by Turner and the Hospital.
- b. Includes dust control during all demolition operations.
- c. Subcontractor shall make arrangements for obtaining water for dust control. Water is available from hose bibs on site for subcontractor's usage. A Fire hydrant is located on site and if needed for demolition water, the subcontractor shall pay all expenses to obtain usage permit and arrange for metering through the local water jurisdiction.
- d. Completely remove all materials and trash resulting from the demolition activities and collapse and backfill any trenches remaining from the removal of foundations including the importing of any material, if needed, to bring site back to a level grade capable of draining water to existing storm drainage.
- e. Furnish any traffic control that may become necessary during the course of your work.
- f. Subcontractor is responsible to obtain haul or load permits if required and to notify City of Bishop for the purpose of making arrangements for routing of trucks and equipment on City of Bishop streets as may be required.
- g. Standard work hours shall be used.
- h. Safety Meeting to be held before all new phases of work.
- i. Subcontractor shall obtain all required Cal-OSHA permits and AQMD permits for his work.

5.2 **STANDARD INCLUSIONS:**

- a. Protect existing work and construction that is to remain in place.
- b. The Subcontractor is responsible for **removing all debris on a daily basis** from the jobsite. Turner **will not be providing debris boxes** for the Subcontractor's use.

Attachment B

- c. Subcontractor is responsible for repairing any damages caused by their crews and equipment. All requirements and services identified in the Subcontractor Procedures Manual are part of these documents (permits, labor, EEO, temporary power, temporary water, storage line and grade, hoists, safety, etc.).
- d. Work is to be performed in accordance with Turner's Construction Schedule.
- e. Coordination with turner and all other subcontractors is required.
- f. A full time superintendent of responsibility for fieldwork supervision will be required. Additionally, this individual will be required to attend weekly coordination meetings called by Turner's Superintendent.
- g. The Subcontractor is responsible to provide each of its employees, and employees of tier-subcontractors, with ANSI-approved hard hats and protective eyewear. These items are to be worn properly at all times while the employees are within the confines of the project site.
- h. Each Subcontractor is to provide any and all flagmen, traffic control devices, etc., required for the completion of their work.
- i. Each Subcontractor is responsible for cleaning all mud, dirt, debris, etc., from their vehicles prior to them leaving the site. Streets are to be kept clean at all times.
- j. The Subcontractor shall provide all scaffolding required for their work. Scaffold must meet Turner's code of safe practices.
- k. The rigging and hoisting of all material, equipment and debris is the responsibility of the Subcontractor.
- l. Include any task lighting required for this work.

5.3 EXCLUSIONS:

- a. Removal of pavement
- b. Hazardous material abatement
- c. Removal of all including trace asbestos, tubes and ballast, oils, freon, or other environmental wastes
- d. Removal of transformers
- e. Removal of underground tanks
- f. Fences and barricades – Site Fencing and barricades for the overall project is by Turner; Work specific fences and or barricades for the safety of your work is by this contractor.
- g. Utility disconnects and capping of utilities
- h. Excludes shoring and bracing unless needed as a means and method to facilitate the total demolition of a building based on subcontractors approach and safety requirements.
- i. Storm Water Pollution Prevention Plan or any SWPPP work.

5.4 UNIT PRICES:

None

5.5 ALTERNATES:

None

5.6 SCHEDULE:

- a. All work will be performed in accordance to schedule dated 8/24/07 (data date).

Northern Inyo Hospital
150 Pioneer Lane
Bishop, Ca.
Turner Contract No.
BUILDING DEMOLITION

August 27, 2007
Revised November 5, 2007 with underline or ~~strikethrough~~

Attachment B

5.7 CONTRACT SUMMARY:

Base bid Abatement and Demolition	<u>\$244,987.00</u>
Subguard @ 1.15%	<u>\$ 2,817.00</u>
TOTAL CONTRACT AMOUNT	<u>\$247,804.00</u>

September 21, 2007

ADDENDUM #1

- 1) **The bid date has been changed to October 3, 2007, no later than 2:00 PM.** Faxed bids are acceptable with the original to follow by mail within 48 hours. Bonds are NOT required.

1211 H Street
Sacramento, CA 95814
Phone: 916-444-4421
Fax: 916-444-9214

- 2) Revised Item No. 05 – Schedule dated 9-5-07 (run date)

Please reference this addendum in your bid documents.

- END -

Turner

EXHIBIT "B"
Prevailing Wage Exhibit

To Trade Contractor Agreement

Prevailing Wage Compliance. Contractor acknowledges its responsibilities to pay prevailing wage rates to its laborers and further acknowledges the provisions of Labor Code Sections 1771,1775,1776,1777.5,1813,and 1815, copies of which are attached hereto as Exhibit "A" and made a part hereof.

In order to assure that Contractor is in compliance, contractor agrees:

- (1) To supply Owner or its Construction Manager/Advisor with certified payroll records as to its laborers within five (5) days of the end of each payroll period throughout the period Contractor is performing Services pursuant to this Agreement.
- (2) To Supply Owner or its Construction Manager/Advisor with copies of all forms which contractor is required to file with the State of California or any other governmental entity or organization, including but not limited to, the Training Fund Contribution and Public Works Contract Award Information forms filed with the Division of Apprenticeship Standards or California Apprenticeship Council. Said copies are to be provided to Owner or Construction Manager/Advisor within five (5) days of their transmittal of the appropriate governmental entity.
- (3) To provide to Owner or its Construction Manager/Advisor prior to receipt of final payment for work performed by the contractor an affidavit signed under penalty of perjury from Contractor that the Contractor has paid the specified general prevailing rate of per diem wages to its employees and any amounts due pursuant to Labor Code Section 1813.
- (4) In the event the Owner or its Construction Manager/Advisor is notified that the Division of Labor Standard Enforcement ("DLSE") has determined that Contractor's employees were not paid prevailing wages, Owner or its Construction Manager/Advisor shall have the right to withhold the amount of the DLSE claim from Contractor. In the event Contractor is not owed sufficient sums to cover the DLSE claim, it shall, upon demand of Owner or its Construction Manager/Advisor, post a surety bond written by a surety company authorized to write surety business in the State of California in favor of Owner and its Construction Manager/Advisor in a sum sufficient to cover the DLSE claim plus costs and expenses of Owner as determined by Owner in its sole discretion.

- (5) Contractor agrees to furnish any and all information requested by Owner or its Construction manager/Advisor which either deems necessary in order to protect itself from liability if any DLSE claim and to fully cooperate with Owner and its Construction Manager/Advisor in any defense to a DLSE claim arising out of Contractor's alleged failure to pay its employees the specified general prevailing rate of per diem wages.
- (6) Upon notification by Owner or its Construction Manager/Advisor that as a result of its monitoring of Contractor's certified payroll records, Owner or its Construction Manager/Advisor believes there is a prevailing wage violation, Contractor agrees to immediately take corrective action to assure compliance with the prevailing wage laws.

In the event Contractor fails to comply with any of its obligations pursuant to this Agreement or the prevailing wage laws of the State of California, Contractor shall be deemed to be material default of this Agreement, and Owner or its Construction Manager/Advisor on its behalf shall have the right at its sole discretion to (a) give Contractor notice and avail itself of its rights pursuant to the termination provisions of this Agreement; (b) retain funds from Contractor in such amounts as it deems necessary to cover any potential prevailing wage liability, including penalties and its own costs and expenses in connection therewith; or (c) require Contractor to post a surety bond or such other security as is acceptable to Owner in such amounts as Owner reasonably deems acceptable. Failure to post a surety bond or other security when demanded pursuant to this section shall be grounds for ejection of the Contractor from the job in which case Contractor shall be responsible for all damages, costs, and expenses incurred by Owner as a result of Contractor's default.

Attachment "D" - Insurance

The Trade Contractor hereby assumes entire responsibility and liability for any and all damage or injury of any kind or nature whatever (including death resulting therefrom) to all persons, whether employees of any tier of the Trade Contractor or otherwise, and to all property caused by, resulting from, arising out of or occurring in connection with the execution of the Work, or in preparation for the Work, or any extension, modification, or amendment to the Work by change order or otherwise. Except to the extent, if any, expressly prohibited by statute and excluding from this indemnity such acts or omissions, if any, of the party indemnified for which it is not legally entitled to be indemnified by the Trade Contractor under applicable law, should any claims for such damage or injury (including death resulting therefrom) be made or asserted, whether or not such claims are based upon Turner's or the Owner's alleged active or passive negligence or participation in the wrong or upon any alleged breach of any statutory duty or obligation on the part of Turner or the Owner, the Trade Contractor agrees to indemnify and save harmless Turner and the Owner, their officers, agents, servants and employees from and against any and all such claims and further from and against any and all loss, cost, expense, liability, damage or injury, including legal fees and disbursements, that Turner and the Owner, their officers, agents, servants or employees may directly or indirectly sustain, suffer or incur as a result thereof and the Trade Contractor agrees to and does hereby assume, on behalf of Turner and the Owner, their officers, agents, servants and employees, the defense of any action at law or in equity which may be brought against Turner and/or the Owner, their officers, agents, servants or employees upon or by reason of such claims and to pay on behalf of Turner and the Owner, their officers, agents, servants and employees, upon demand, the amount of any judgment that may be entered against Turner and/or the Owner, their officers, agents, servants or employees in any such action. In the event that any such claims, loss, cost, expense, liability, damage or injury arise or are made, to withhold from any payments due or to become due to the Trade Contractor an amount sufficient in its judgment to protect and indemnify Turner and the Owner, their officers, agents, servants and employees from and against any and all such claims, loss, cost, expense, liability, damage or injury, including legal fees and disbursements, or Turner, in its discretion may require the Trade Contractor to furnish a surety bond satisfactory to Turner guaranteeing such protection, which bond shall be furnished by the Trade Contractor within five (5) days after written demand has been made therefor.

In furtherance to but not in limitation of the indemnity provisions in this Agreement, Trade Contractor hereby expressly and specifically waives any statutory or constitutional immunity it enjoys from suits by its own employees or from limitations of liability or recovery under worker's compensation laws.

Nothing contained in Article XXIII of this Agreement shall be deemed to obligate the Trade Contractor to indemnify Turner, the Owner or any of the other indemnified Parties, their officers, agents, servants or employees and affiliates, parents and subsidiaries, against liability for damages or any other loss, damage or expense sustained, suffered or incurred on account of death or bodily injury to persons or injury to property caused by the sole negligence or willful misconduct of Turner, the Owner or any of the other indemnified Parties, their officers, agents, servants or employees and affiliates, parents and subsidiaries, or other Trade Contractors directly responsible to Turner. Therefore, if there is a final determination by legal proceedings or agreement that the Trade Contractor has no direct, contributory or incidental negligence or vicarious liability or other obligation to Turner, the Owner or any indemnified party, and that the Trade Contractor is in no way a proper party to a particular claim, then the Trade Contractor shall thereafter not be obligated to hold Turner, the Owner or any indemnified party harmless with respect to said claim. However, until such a final determination is made by legal proceedings or agreement, the Trade Contractor's obligations under all of the terms and provisions of Article XXIII shall remain in force and effect.

Before commencing the Work, the Trade Contractor shall procure and maintain, at his own expense, until completion and final acceptance of the Work at least the following insurance from insurance companies satisfactory to Turner:

1. WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY INSURANCE in accordance with laws of the State in which the Work is situated.
2. COMMERCIAL GENERAL LIABILITY INSURANCE INCLUDING COMPLETED OPERATIONS, CONTRACTUAL LIABILITY INSURANCE AGAINST THE LIABILITY ASSUMED HEREIN ABOVE, and including CONTRACTORS' PROTECTIVE LIABILITY INSURANCE if the Trade Contractor sublets to another all or any portion of the Work, with the following minimum limits:

Per Occurrence and in the Aggregate: See table below for limits. Contact a representative from Turner Construction Company with any questions or if your trade is not listed.

<u>\$2 MM (per occurrence & aggregate)</u>	<u>\$3 MM (per occurrence & aggregate)</u>	<u>\$5 MM (per occurrence & aggregate)</u>
Landscaping	Site & Building Concrete	Demolition
Paving and Grading	Masonry	Structural Steel & Metal Fabrications
Insulation, Fireproofing, Firesafing	Aluminum Entrances, Storefront Windows	Elastomeric Sheet Roofing
Acoustical Ceilings	Fire Protection	Abatement
Doors, Frames, and Hardware	HVAC and Plumbing	
Overhead Doors	Electrical	
Ceramic Tile		
Paint		
Specialty Flooring, Resilient Flooring		
Paint		

**Note:

On Trade Contracts over \$5 Million the Limits are equal to the contract value up To \$10 Million max.

3. COMPREHENSIVE AUTOMOBILE LIABILITY INSURANCE covering all owned, non-owned and hired automobiles used in connection with the Work, with the following minimum limits:
Bodily Injury (including death) \$ 1,000,000 per accident and Property Damage
4. CONTRACTOR'S POLLUTION LIABILITY INSURANCE (Occurrence based coverage with all parties named in Article XXIII to be "Additional Insured" and with Contingent Transportation and Contingent Non- Owned Disposal Site endorsements)
\$5,000,000/Occurrence
\$10,000,000 Aggregate

Before commencing the Work, the Trade Contractor shall furnish a certificate, satisfactory to Turner, from each insurance company showing that the above insurance is in force, stating policy numbers, dates of expiration and limits of liability thereunder, and thereunder, and further providing that the insurance will not be canceled or changed until the expiration of at least thirty (30) days after written notice of such cancellation or change has been mailed to and received by Turner. Turner, the Owner and their directors, officers and employees shall be named as an additional insured under these policies of insurance.

The policy shall be endorsed to stipulate that the insurance afforded the additional insureds, including "excess" policies, shall apply as primary insurance and that any other insurance maintained by Turner and the Owner, Northern Inyo Hospital shall be in excess only and shall not be called upon to contribute with this insurance.

If the Trade Contractor fails to procure and maintain such insurance, Turner shall have the right, but not the obligation, to procure and maintain the said insurance for and in the name of the Trade Contractor and the Trade Contractor shall pay the cost thereof and shall furnish all necessary information to make effective and maintain such insurance.

**FORMULA FOR CHANGES:
Percentage Markup and Procedures to Work
Added to or Omitted from the Original Trade contract Agreement**

(Rev.7/96)

LUMP SUM

Predetermined Lump Sum Additions and/or omissions to the Agreement are to be based upon the estimated "Net Actual Cost," plus the following percentages for total combined Overhead and Profit:

	<u>Labor</u>	<u>Material</u>	<u>Sublet Work</u>
Additions:	<u>15 %</u>	<u>10 %</u>	<u>5 %</u>
Omissions (Deletions):	<u>(5 %)</u>	<u>(5%)</u>	<u>(5%)</u>

TIME AND MATERIAL

Additional work to the Contract, authorized by Turner in advance to be performed on a Time and Material basis, is to be based upon the "Net Actual Cost," plus the following percentages for total combined Overhead and Profit:

	<u>Labor</u>	<u>Material</u>	<u>Sublet Work</u>
Additions:	<u>15 %</u>	<u>10 %</u>	<u>5 %</u>

GENERAL

1. Submission of estimates and costs shall be itemized in a form satisfactory to Turner to permit ready analysis and evaluation. On Time and Material work, daily reports, in duplicate, showing all field and shop labor expended and/or material delivered shall be submitted to Turner's Job Accountant. Invoices shall be submitted monthly.
2. No overhead and profit will be permitted on casual or intermittent premium time.
3. Percentages shall apply to net differences in quantities for adds and deducts.

"NET ACTUAL COST" DEFINED

1. Labor
 - a. Wages of labor, including foreman, engaged in work and directly on the Trade contractor's payroll.
 - b. Engineering and drafting performed at the Project with Turner's prior approval.
 - c. Fringe Benefits established by governing trade organizations.
 - d. Federal Insurance Contributions Act, Federal and State Unemployment Taxes.
 - e. Net actual premium paid for Public Liability, Workmen's Compensation, Property Damage and any other forms of insurance required by Turner.
2. Material
 - a. Net cost of construction materials and supplies delivered to site including applicable Sales and/or Taxes, transportation costs, trade and cash discount.
 - b. Costs of a special nature, approved in advance by Turner, such as for riggers, labor transportation, equipment rentals, royalties, permits and other expenses of this general nature.

PERCENTAGES SHALL INCLUDE THE FOLLOWING OVERHEAD COSTS:

1. Supervision, Superintendent, Senior Foremen and executive expenses.
2. Small tools, ladders and portable scaffolding, blocking, shores, appliances, job vehicles, etc., and the expense of maintaining same.
3. Administrative expenses, clerical, etc., both at the Project and in the Trade contractor's office.
4. Taxes required to be paid by the Trade contractor, but not included under the aforementioned "Net Actual Costs."

Percentages Shall include all profit

LABOR and MATERIAL PAYMENT BOND

KNOW ALL MEN BY THESE PRESENTS; that

.....
(Name of Trade Contractor)
a corporation with principal offices located at.....

.....
(Address)
as Principal (hereinafter "Trade Contractor"),
and.....

(Name of Surety)
as Surety, a corporation with home offices located at.....

..... (hereinafter "Surety"),
(Address)

are held and firmly bound unto NORTHERN INYO LOCAL COUNTY HOSPITAL DISTRICT
(hereinafter "Obligee"), in the sum of
..... DOLLARS (\$), for the payment
whereof the Trade Contractor and Surety bind themselves, and their respective heirs, administrators,
executors, successors and assigns, jointly and severally, by these presents.

WHEREAS, Trade Contractor has by written agreement dated
entered into a subcontract with Obligee for the performance of

.....
(hereinafter the Trade Contract work), for and at the
(Name of Project)
(hereinafter the "Project") located at.....

.....
(Address)
in accordance with Drawings and Specifications prepared by.....

..... which
subcontract is by reference made a part hereof, and is hereinafter referred to as the "Trade Contract".

NOW THEREFORE, THE CONDITION OF THIS OBLIGATION is such that, if Trade Contractor shall promptly make payment to all claimants as hereinafter defined, for all labor and material used or reasonably required for use in the performance of the Subcontract, then this obligation shall be void; otherwise it shall remain in full force and effect, subject, however, to the following conditions:

1) A Claimant is defined as one having a direct contract with the Trade Contractor or with a Trade Contractor of the Trade Contractor for labor, material, or both, used or reasonably required for use in the performance of the Subcontract, labor and material being construed to include that part of water, gas, power, light, heat, oil, gasoline, telephone service or rental of equipment directly applicable to the Subcontract.

2) The above named Trade Contractor and Surety hereby jointly and severally agree with the Obligees that every claimant as herein defined, who has not been paid in full before the expiration of a period of ninety (90) days after the date on which the last of such claimant's work or labor was done or performed, or materials were furnished by such claimant, may sue on this bond for the use of such claimant, prosecute the suit to final judgment for such sum or sums as may be justly due claimant, and have execution thereon. The Obligees shall not be liable for the payment of any costs or expenses of any such suit.

3) No suit or action shall be commenced hereunder by any claimant:

a) Unless claimant, other than one having a direct contract with the Trade Contractor, shall have given written notice to any two of the following: the Trade Contractor, the Obligees, or the Surety above named, within ninety (90) days after such claimant did or performed the last of the work or labor, or furnished the last of the materials for which said claim is made, stating with substantial accuracy the amount claimed and the name of the party to whom the materials were furnished, or for whom the work or labor was done or performed. Such notice shall be served by mailing the same registered mail or certified mail, postage prepaid, in an envelope addressed to the Trade Contractor, Obligees or Surety, at any place where an office is regularly maintained for the transaction of business, or served in any manner in which legal process may be served in the state in which the aforesaid project is located, save that such service need not be made by a public officer.

b) After the expiration of one (1) year following the date on which Trade Contractor ceased work on said Subcontract, it being understood, however, that if any limitation embodied in this Bond is prohibited by any law controlling the construction hereof such limitation shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

c) Other than in a state court of competent jurisdiction in and for the county or other political subdivision of the state in which the Project, or any part thereof, is situated, or in the United States District Court for the district in which the Project, or any part thereof, is situated, and not elsewhere.

4) The amount of this bond shall be reduced by and to the extent of any payment or payment made in good hereunder, inclusive of the payment by Surety of mechanics' liens which may be filed of record of record against involvement, whether or not claim for the amount of such lien be presented under and against this bond.

IN WITNESS WHEREOF, the Trade Contractor and Surety have hereunto caused this Bond to be duly executed and acknowledged as set forth below this day of 20..... .

(Impress Corporate Seal)

(Name of Trade Contractor)

ATTEST:

By:

(Officer)

Title:

(Impress Corporate Seal)

_____, Surety
(Name of Surety Company)

ATTEST:

By:

(Attorney-in-Fact)

(Secretary)

NOTE: An original Power of Attorney bearing same date as Bond must be attached.

PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS; that

.....
(Name of Trade Contractor)
a corporation with principal offices located at.....

.....
(Address)
as Principal (hereinafter "Trade Contractor"),
and.....

(Name of Surety)
as Surety, a corporation with home offices located at.....
..... (hereinafter "Surety"),
(Address)

are held and firmly bound unto NORTHERN INYO LOCAL COUNTY HOSPITAL DISTRICT
(hereinafter "Obligee"), in the sum of
..... DOLLARS (\$), for the payment
whereof the Trade Contractor and Surety bind themselves, and their respective heirs, administrators,
executors, successors and assigns, jointly and severally, by these presents.

WHEREAS, Trade Contractor has by written agreement dated

.....
entered into a subcontract with Obligee for the performance of

.....
(hereinafter the Subcontract work), for and at the.....
(Name of Project)
(hereinafter the "Project") located at.....

.....
(Address)
in accordance with Drawings and Specifications prepared by.....

..... which
Trade Contract is by reference made a part hereof, and is hereinafter referred to as the "Trade Contract".

NOW THEREFORE, THE CONDITION OF THIS OBLIGATION is such that, if Trade
Contractor shall promptly and faithfully perform said Subcontract, then this obligation shall be null and
void; otherwise it shall remain in full force and effect.

The Surety hereby waives notice of any alteration or extension of time made by Obligee.

Whenever Trade Contractor shall be and declared by Obligee to be in default under the Subcontract, Obligee having performed Obligee's obligations thereunder, the Surety may promptly remedy the default, or shall promptly

- 1) Complete the Subcontract in accordance with its terms and conditions; or
- 2) Obtain a bid or bids for completing the Subcontract in accordance with its terms and conditions, and upon determination by Surety of the lowest responsible bidder, or if Obligee elects, upon determination by Obligee and the Surety jointly of the lowest responsible bidder, arrange for a subcontract between such bidder and Obligee, and make available as Subcontract work progresses (even though there should be a default or a succession of defaults under the subcontract or subcontracts of completion arranged under this paragraph) sufficient funds to pay the cost of completion less the balance of the Subcontract price; but not exceeding, including other costs and damages for which the Surety may be liable hereunder, the amount set forth in the first paragraph hereof. The term "balance of the Subcontract price," as used in this paragraph, shall mean the total amount payable by Obligee to Trade Contractor under the Subcontract and any amendments thereto, less the amount properly paid by Obligee to Trade Contractor.

No right of action shall accrue on this bond to or for the use of any person or corporation other than Obligee or the heirs, executors, administrators or successors of Obligee.

IN WITNESS WHEREOF, the Trade Contractor and Surety have hereunto caused this Bond to be duly executed and acknowledged as set forth below this day of 20.....

(Impress Corporate Seal)

(Name of Trade Contractor)

ATTEST:

By:

(Officer)

Title:

(Impress Corporate Seal)

_____, Surety
(Name of Surety Company)

ATTEST:

By:

(Attorney-in-Fact)

(Secretary)

NOTE: An original Power of Attorney bearing same date as Bond and acknowledgments of Trade Contractor and Attorney-in-Fact must be attached.

**THIS SHEET
INTENTIONALLY
LEFT BLANK**

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

Resolution 07-05

WHEREAS, Northern Inyo County Local Hospital District (“District”) has commenced a construction program to expand and improve Northern Inyo Hospital (“Hospital”), a general acute care hospital, at Bishop, California, and

WHEREAS, this Board of Directors has determined, and does hereby determine, that the operation of the improved and expanded Hospital will require acquisition of the following laundry equipment:

- 2 Milnor 42032 F7S, 165 lb. washer-extractors, *voltage: 480/3*
- 1 Milnor 36030 F8S, 100 lb. washer-extractor, *voltage: 480/3*
- 3 Milnor M175 175 lb. Gas heated dryers (propane), *voltage: 480/3*
- 1 Chicago Tri-star 28 PCS gas heated Ironer/Folder/Stacker (propane)
Voltage: 480/3
- 1 Chicago OPL Sheet Feeder, *voltage 480/3*
- 1 Parker WH730, LPG (propane), California Code, anode kit, circulate pump, tank T&P valve, gage TSV 4272 vertical storage tank, 5 ½” cement lining, *voltage 115/1*
- 1 UNI-15TAS-100-H VFD 15HP Air Compressor with PolySep6, *voltage 480/3*
- 1 Clean Cycle DLF 515 lint filter with fire control & auto blowdown, *voltage: 120/1*

which equipment has, in the opinion of the District’s Administrator, a fair retail market value, including freight, sales tax, and installation, of no more than \$500,000, and

WHEREAS, this Board of Directors has determined, based on the recommendations of its Administrator, and does hereby determine, that it is in the best interest of the District and of the District residents to whom it provides health care, to purchase said equipment through a financing program known as "lease-purchase" which will require borrowing no more than \$500,000 at an annual interest not to exceed six percent (6%), and

WHEREAS, this Board of Directors, as required by Section 32132 of the California Health and Safety Code, to let all contracts involving the expenditure of more than \$25,000 for materials to be furnished, sold, or leased to the District to the lowest responsible bidder, has sought competitive bids for a lease-purchase agreement on terms not to exceed those described above and,

WHEREAS, this Board has received and opened competitive bids and determined that the lowest responsible bid has been tendered by Healthcare Capital Services, LLC, of Superior, Colorado, for a total cost of \$485,247.50 at an annual interest rate of ___%, to be paid in sixty (60) equal installments of \$9,102.13, at the conclusion of which the District will acquire title to the above-described equipment for the sum of One Dollar (\$1.00),

NOW, THEREFORE, BE IT RESOLVED that this Board of Directors accepts the above-described bid of Healthcare Capital Services and authorizes its President, and/or Administrator, as appropriate, to execute the necessary contracts, notes, security agreements and other documents required to complete the acquisition of the above-described equipment on the aforesaid terms.

Moved, second, and approved by a vote of _____ in favor, _____ against, and
_____ abstaining, this 20th day of June, 2007.

PETER WATERCOTT
President

Attest:

MICHAEL PHILLIPS, M.D.
Secretary

DOUGLAS BUCHANAN

ATTORNEY AT LAW
A PROFESSIONAL CORPORATION

363 ACADEMY AVENUE
BISHOP, CALIFORNIA 93514

DOUGLAS BUCHANAN

RACHEL WEKSLER
ADMITTED IN WYOMING

December 5, 2007

Healthcare Capital Services, LLC
1000 South McCaslin Boulevard
Superior, Colorado 80027

Northern Inyo County Local Hospital District
150 Pioneer Lane
Bishop, California 93514

Re: Property Schedule No. 1 to Master Tax-Exempt Lease/Purchase Agreement
between Healthcare Capital Services, LLC and Northern Inyo County Local
Hospital District

Ladies and Gentlemen:

We have acted as special counsel to Northern Inyo County Local Hospital District ("Lessee") in connection with the Master Tax-Exempt Lease/Purchase Agreement, dated as of December 5, 2007 (the "Master Agreement"), between Northern Inyo County Local Hospital, as lessee, and Healthcare Capital Services, LLC as lessor ("Lessor"), and the execution of Property Schedule No. 1 (the "Property Schedule") pursuant to the Master Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

All capitalized terms not otherwise defined herein shall have the meanings provided in the Master Agreement and Property Schedule.

As to questions of fact material to our opinion, we have relied upon the representations of Lessee in the Master Agreement and the Property Schedule and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law:

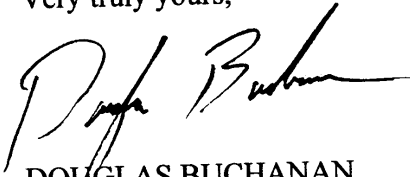
1. Lessee is a public body corporate and politic, duly organized and existing under the laws of the State of California, and has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and (c) the police power.
2. Lessee has all requisite power and authority to enter into the Master Agreement and the Property Schedule and to perform its obligations thereunder.
3. The execution, delivery and performance of the Master Agreement and the Property Schedule by Lessee has been duly authorized by all necessary action on the part of Lessee.
4. All proceedings of Lessee and its governing body relating to the authorization and approval of the Master Agreement and the Property Schedule, the execution thereof and the transactions contemplated thereby have been conducted in accordance with all applicable open meeting laws and all other applicable state and federal laws.
5. Lessee has acquired or has arranged for the acquisition of the Property subject to the Property Schedule, and has entered into the Master Agreement and the Property Schedule, in compliance with all applicable public bidding laws.
6. Lessee has obtained all consents and approvals of other governmental authorities or agencies which may be required for the execution, delivery and performance by Lessee of the Master Agreement and the Property Schedule.
7. The Master Agreement and the Property Schedule have been duly executed and delivered by Lessee and constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with the terms thereof, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other laws of equitable principles of general application, or of application to municipalities or political subdivisions such as the Lessee, affecting remedies or creditors' rights generally, and to the exercise of judicial discretion in appropriate cases.
8. As of the date hereof, based on such inquiry and investigation as we have deemed sufficient, no litigation is pending (or, to our knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement, (b) questioning the authority of Lessee to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement

or the Property Schedule, or the payment of principal of or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

9. The Lessee is a political subdivision within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended, and the related regulations and rulings thereunder, and the portion of payments identified as the interest component of the rents (as set forth in the payment schedule attached to the Property Schedule) will not be includable in Federal gross income of the recipient under the statutes, regulations, court decisions and rulings existing on the date hereof and consequently will be exempt from Federal income taxes.

This opinion may be relied upon by Lessor, its successors and assigns, and any other legal counsel who provides an opinion with respect to the Property Schedule.

Very truly yours,



DOUGLAS BUCHANAN
DB:jk

DOCUMENTATION CHECKLIST

- Master Tax-Exempt Lease/Purchase Agreement** – Schedule 1*
- Property Schedule 1***
- Property Description and Payment Schedule** -Exhibit 1
- Lessee's Counsel's Opinion** - Exhibit 2. Exhibit 2 is the standard legal opinion used by Healthcare Capital Services, LLC. This opinion will need to be processed by your attorney on their letterhead. Your attorney will want to review the Lease/Purchase Agreement.
- Lessee's Certificate** - Exhibit 3. Please fill in the date of the meeting of the governing body, referenced in section 1. We would also like a copy of those minutes or board resolutions for our files.
- Payment of Proceeds Instructions** - Exhibit 4. This is the Vendor payment information.
- Acceptance Certificate** - Exhibit 5. *The date of Acceptance will need to be filled in* with the date the equipment is installed and accepted.
- Bank Qualification and Arbitrage Rebate** -Exhibit 6
- Request for Certificate of Insurance** – Please fill out the form and fax it to your insurance company. The Insurance Certificate is required prior to funding.
- Notification of Tax Treatment** - Please provide your State of Sales/Use Tax Exemption Certificate
- 8038-G** - The purpose of this form is to report to the IRS that we have completed a tax-exempt financing. **Per the Internal Revenue Service, you are required to fill in the Report Number information for Line 4.**

****We must have this information in order to complete your financing.****

8038-G Line 4. After the preprinted **3**, enter two self-designated numbers. Number reports consecutively during any calendar year (e.g., 334, 335, etc.).
- Invoicing Instructions** – The information you provide enables us to invoice you correctly.
- Invoice for 1st Payment**

*The items above marked with an asterisk require a signature in the presence of a witness/attestor. The attesting of the signature does not require a notary, but the signature of a person present at the time the document is signed.

Master Tax-Exempt Lease/Purchase Agreement

BETWEEN:	Healthcare Capital Services, LLC (the "Lessor") 1000 South McCaslin Blvd. Superior, CO 80027
AND:	Northern Inyo County Local Hospital District (the "Lessee") 150 Pioneer Ln. Bishop, CA 93514 Attention: Mr. Scott Hooker Telephone: 760-873-5811
DATED:	5/18/2007

ARTICLE I

1.01 Definitions. The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"**Agent**" means any agent for the Registered Owners, if any, to which all or a portion of Lessor's right, title and interest in, to and under a Property Schedule and the Property under such Property Schedule may be assigned for the benefit of the Registered Owners of Lease Participation Certificates in such Property Schedule.

"**Agreement**" means this Master Tax-Exempt Lease/Purchase Agreement, including all exhibits and schedules attached hereto.

"**Commencement Date**" is the date when the term of a Property Schedule and Lessee's obligation to pay rent thereunder commences, which date shall be set forth in the Property Schedule.

"**Event of Nonappropriation**" is defined in Section 6.06.

"**Event of Default**" is defined in Section 13.01.

"**Lease Participation Certificates**" means certificates evidencing a right to receive a share of Rental Payments payable under a Property Schedule and Purchase Price Payments payable under a Property Schedule and any other rights set forth herein with respect to the Property under said Property Schedule.

"**Lease Term**" means, with respect to a Property Schedule, the Original Term and all Renewal Terms. The Lease Term for each Property Schedule executed hereunder shall be set forth in such Property Schedule, as provided in Section 4.02.

"**Lessee**" means the entity identified as such in the first paragraph hereof, and its permitted successors and assigns.

"**Lessor**" means the entity identified as such in the first paragraph hereof, and its successors and assigns.

"**Original Term**" means, with respect to a Property Schedule, the period from the Commencement Date until the end of the budget year of Lessee in effect at the Commencement Date.

"**Property**" means, collectively, the property lease/purchased pursuant to this Agreement, and with respect to each Property Schedule, the property described in such Property Schedule, and all replacements, repairs, restorations, modifications and improvements thereof or thereto made pursuant to Section 8.01 or Article IX.

"**Property Schedule**" means a Property Schedule in the form attached hereto for Property Schedule 1. Subsequent Property Schedules pursuant to this Agreement shall be numbered consecutively, beginning with Property Schedule 2.

"**Purchase Price**" means the amount that Lessee may, in its discretion, pay to Lessor to purchase the Property under a Property Schedule, as provided in Section 11.01 and as set forth in the Property Schedule.

"**Registered Owners**" means the registered owners of Lease Participation Certificates in a Property Schedule as shown on the registration books maintained by the Agent.

"**Renewal Terms**" means the renewal terms of a Property Schedule, each having a duration of one year and a term coextensive with Lessee's budget year.

"**Rental Payments**" means the rental payments payable by Lessee under Article VI of this Agreement and each Property Schedule, as set forth in each Property Schedule.

"**Rental Payments Dates**" means the rental payments dates for the Rental Payments as set forth in each Property Schedule.

"**State**" means the state in which Lessee is situated.

"**Vendor**" means the manufacturer or contractor of the Property as well as the agents or dealers of the manufacturer or contractor from whom Lessor or Lessee purchased or is purchasing all or any portion of the Property.

ARTICLE II

2.01 Property Schedules Separate Financings. Each Property Schedule executed and delivered under this Agreement shall be treated as a separate financing, distinct from other Property Schedules. Without limiting the foregoing, upon the occurrence of an Event of Default or an Event of Nonappropriation with respect to a Property Schedule, Lessor shall have the rights and remedies specified herein with respect to the Property financed and the Rental Payments payable under such Property Schedule, and except as expressly provided in Section 12.02 below, Lessor shall have no rights or remedies with respect to Property financed or Rental Payments payable under any other Property Schedules unless an Event of Default or Event of Nonappropriation has also occurred under such other Property Schedules.

ARTICLE III

3.01 Covenants of Lessee. As of the Commencement Date for each Property Schedule executed and delivered hereunder, Lessee shall be deemed to represent, covenant and warrant for the benefit of Lessor, any Agent, and any Registered Owners, as follows:

- (a) Lessee is a public body corporate and politic duly organized and existing under the constitution and laws of the State with full power and authority to enter into this Agreement and the Property Schedule and the transactions contemplated thereby and to perform all of its obligations thereunder.
- (b) Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic. To the extent Lessee should merge with another entity under the laws of the State, Lessee agrees that as a condition to such merger it will require that the remaining or resulting entity shall be assigned Lessee's rights and shall assume Lessee's obligations hereunder.
- (c) Lessee has been duly authorized to execute and deliver this Agreement and the Property Schedule by proper action by its governing body, or by other appropriate official approval, and all requirements have been met and procedures have occurred in order to ensure the validity and enforceability of this Agreement and the Property Schedule, and Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the Property Schedule and the acquisition by Lessee of the Property thereunder. On or before the Commencement Date for the Property Schedule, Lessee shall cause to be executed an opinion of counsel in substantially the form attached to the form of the Property Schedule as Exhibit 2.

- (d) During the Lease Term for the Property Schedule, the Property thereunder will perform and will be used by Lessee only for the purpose of performing essential governmental uses and public functions within the permissible scope of Lessee's authority.
- (e) Lessee will provide Lessor with current financial statements, budgets and proof of appropriation for the ensuing budget year and other financial information relating to the ability of Lessee to continue this Agreement and the Property Schedule in such form and containing such information as may be requested by Lessor.
- (f) Lessee will comply with all applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), including Sections 103 and 148 thereof, and the regulations of the Treasury Department thereunder, from time to time proposed or in effect, in order to maintain the excludability from gross income for federal income tax purposes of the interest component of Rental Payments under the Property Schedule and will not use or permit the use of the Property in such a manner as to cause a Property Schedule to be a "private activity bond" under Section 141(a) of the Code. Lessee covenants and agrees that it will use the proceeds of the Property Schedule as soon as practicable and with all reasonable dispatch for the purpose for which the Property Schedule has been entered into, and that no part of the proceeds of the Property Schedule shall be invested in any securities, obligations or other investments except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Agreement, would have caused any portion of the Property Schedule to be or become "arbitrage bonds" within the meaning of Section 103(b)(2) or Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Property Schedule.
- (g) The execution, delivery and performance of this Agreement and the Property Schedule and compliance with the provisions hereof and thereof by Lessee does not conflict with or result in a violation or breach or constitute a default under, any resolution, bond, agreement, indenture, mortgage, note, lease or other instrument to which Lessee is a party or by which it is bound by any law or any rule, regulation, order or decree of any court, governmental agency or body having jurisdiction over Lessee or any of its activities or properties resulting in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any property or assets of Lessee or to which it is subject.
- (h) Lessee's exact legal name is as set forth on the first page of this Agreement. Lessee will not change its legal name in any respect without giving thirty (30) days prior notice to Lessor.

ARTICLE IV

4.01 Lease of Property. On the Commencement Date of each Property Schedule executed hereunder, Lessor will be deemed to demise, lease and let to Lessee, and Lessee will be deemed to rent, lease and hire from Lessor, the Property described in such Property Schedule, in accordance with this Agreement and such Property Schedule, for the Lease Term set forth in such Property Schedule.

4.02 Lease Term. The term of each Property Schedule shall commence on the Commencement Date set forth therein and shall terminate upon payment of the final Rental Payment set forth in such Property Schedule and the exercise of the Purchase Option described in Section 11.01, unless terminated sooner pursuant to this Agreement or the Property Schedule.

4.03 Delivery, Installation and Acceptance of Property. Lessee shall order the Property, shall cause the Property to be delivered and installed at the locations specified in the applicable Property Schedule and shall pay all taxes, delivery costs and installation costs, if any, in connection therewith. To the extent funds are deposited under an escrow agreement or trust agreement for the acquisition of the Property, such funds shall be disbursed as provided therein. When the Property described in such Property Schedule is delivered, installed and accepted as to Lessee's specifications, Lessee shall immediately accept the Property and evidence said acceptance by executing and delivering to Lessor the Acceptance Certificate substantially in the form attached to the Property Schedule.

ARTICLE V

5.01 Enjoyment of Property. Lessee shall during the Lease Term peaceably and quietly have, hold and enjoy the Property, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Agreement. No Registered Owner shall interfere with such quiet use and enjoyment during the Lease Term so long as Lessee is not in default under the subject Property Schedule.

5.02 Location; Inspection. The Property will be initially located or based at the location specified in the applicable Property Schedule. Lessor shall have the right at all reasonable times during business hours to enter into and upon the property of Lessee for the purpose of inspecting the Property.

ARTICLE VI

6.01 Rental Payments to Constitute a Current Expense of Lessee. Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments hereunder shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional, statutory or charter limitation or requirement concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the faith and credit or taxing power of Lessee. Upon the appropriation of Rental Payments for a fiscal year, the Rental Payments for said fiscal year, and only the Rental Payments for said current fiscal year, shall be a binding obligation of Lessee; provided that such obligation shall not include a pledge of the taxing power of Lessee.

6.02 Payment of Rental Payments. Lessee shall promptly pay Rental Payments under each Property Schedule, exclusively from legally available funds, in lawful money of the United States of America, to Lessor in such amounts and on such dates as described in the applicable Property Schedule, at Lessor's address set forth on the first page of this Agreement, unless Lessor instructs Lessee otherwise. Lessee shall pay Lessor a charge on any delinquent Rental Payments under a Property Schedule in an amount sufficient to cover all additional costs and expenses incurred by Lessor and Agent from such delinquent Rental Payment. In addition, Lessee shall pay a late charge of five cents per dollar or the highest amount permitted by applicable law, whichever is lower, on all delinquent Rental Payments.

6.03 Interest Component. A portion of each Rental Payment due under each Property Schedule is paid as, and represents payment of, interest, and each Property Schedule hereunder shall set forth the interest component (or method of computation thereof) of each Rental Payment thereunder during the Lease Term.

6.04 Rental Payments to be Unconditional. SUBJECT TO SECTION 6.06, THE OBLIGATIONS OF LESSEE TO PAY THE RENTAL PAYMENTS DUE UNDER THE PROPERTY SCHEDULES AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SET-OFF OR DEFENSE, FOR ANY REASON, INCLUDING WITHOUT LIMITATION, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROPERTY OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES. THIS PROVISION SHALL NOT LIMIT LESSEE'S RIGHTS OR ACTIONS AGAINST ANY VENDOR AS PROVIDED IN SECTION 10.02.

6.05 Continuation of Lease by Lessee. Lessee intends to continue all Property Schedules entered into pursuant to this Agreement and to pay the Rental Payments thereunder. Lessee reasonably believes that legally available funds in an amount sufficient to make all Rental Payments during the term of all Property Schedules can be obtained. Lessee agrees that its staff will provide during the budgeting process for each budget year to the governing body of Lessee notification of any Rental Payments due under the Property Schedules during the following budget year. Notwithstanding this covenant, if Lessee fails to appropriate the Rental Payments for a Property Schedule pursuant to Section 6.06, such Property Schedule shall terminate. Although Lessee has made this covenant, in the event that it fails to provide such notice, no remedy is provided and Lessee shall not be liable for any damages for its failure to so comply.

6.06 Non-Appropriation. If sufficient funds are not appropriated to make Rental Payments required under a Property Schedule, such Property Schedule shall terminate and Lessee shall not be obligated to make Rental Payments under said Property Schedule beyond the then current fiscal year for which funds have been appropriated. Upon the occurrence of such nonappropriation (an "Event of Nonappropriation") Lessee shall, no later than the end of the fiscal year for which Rental Payments have been appropriated, deliver possession of the Property under said Property Schedule to Lessor. If Lessee fails to deliver possession of the Property to Lessor upon termination of said Property Schedule by reason of an Event of Nonappropriation, the termination shall nevertheless be effective but Lessee shall be responsible for the payment of damages in an amount equal to the portion of Rental Payments thereafter coming due that is attributable to the number of days after the termination during which the Lessee fails to deliver possession and for any other loss suffered by Lessor as a result of Lessee's failure to deliver possession as required. In addition, Lessor may, by written instructions to the Agent or to any other escrow agent who is holding proceeds of the Property Schedule, instruct the Agent or such escrow agent to release all such proceeds and any earnings thereon to Lessor, such sums to be credited to Lessee's obligations under the Property Schedule and this Agreement. Lessee shall notify Lessor in writing within seven (7) days after the failure of the Lessee to appropriate funds sufficient for the payment of the Rental Payments, but failure to provide such notice shall not operate to extend the Lease Term or result in any liability to Lessee.

6.07 Defeasance of Rental Payments. Lessee may at any time irrevocably deposit in escrow with a defeasance escrow agent for the purpose of paying all of the principal component and interest component accruing under a Property Schedule, a sum of cash and non-callable securities consisting of direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or any agency or instrumentality thereof, in such aggregate amount, bearing interest at such rates and maturing on such dates as shall be required to provide funds sufficient for this purpose. Upon such defeasance, all right, title and interest of Lessor in the Property under said Property Schedule shall terminate. Lessee shall cause such investment to comply with the requirements of federal tax law so that the exclusion from gross income of the interest component of Rental Payments on said Property Schedule is not adversely affected.

ARTICLE VII

7.01 Title to the Property. Upon acceptance of the Property by Lessee and unless otherwise required by the laws of the State, title to the Property shall vest in Lessee, subject to Lessor's interests under the applicable Property Schedule and this Agreement.

7.02 Personal Property. The Property is and will remain personal property and will not be deemed to be affixed to or a part of the real estate on which it may be situated, notwithstanding that the Property or any part thereof may be or hereafter become in any manner physically affixed or attached to real estate or any building thereon. If requested by Lessor, Lessee will, at Lessee's expense, furnish a waiver of any interest in the Property from any party having an interest in any such real estate or building.

7.03 Security Interest. To secure the performance of all of Lessee's obligations under this Agreement, including without limitation all Property Schedules now existing or hereafter executed, Lessee grants to Lessor, for the benefit of Lessor and its successors and assigns, a security interest constituting a first lien on Lessee's interest in all of the Property, whether now owned or hereafter acquired, all additions, attachments, alterations and accessions to the Property, all substitutions and replacements for the Property, and on any proceeds of any of the foregoing, including insurance proceeds. Lessee shall execute any additional documents, including financing statements, affidavits, notices and similar instruments, in form and substance satisfactory to Lessor, which Lessor deems necessary or appropriate to establish, maintain and perfect a security interest in the Property in favor of Lessor and its successors and assigns. Lessee hereby authorizes Lessor to file all financing statements which Lessor deems necessary or appropriate to establish, maintain and perfect such security interest.

7.04 Substitution. Lessee may substitute for all or any portion of the Property under a Property Schedule personal property of approximately equal or greater market value and with an equal or greater useful life. In the event of any such substitution, Lessee shall deliver to Lessor a certification that the personal property proposed to be substituted has approximately equal or greater market value and an equal or greater useful life as the portion of the Property being substituted for, together with an opinion of counsel acceptable to Lessor to the effect that the proposed substitution will not adversely affect the exemption of the interest components of Rental Payments under the Property Schedule from federal income taxation. Lessee shall be responsible for all costs and expenses of Lessor, including counsel fees, for any such substitution. Lessee shall cause all financing statements, fixture filings, certificates of title, affidavits, notices and similar instruments, to be made or filed in a timely manner to secure and perfect the security interest of Lessor in the substituted property.

ARTICLE VIII

8.01 Maintenance of Property by Lessee. Lessee shall keep and maintain the Property in good condition and working order and in compliance with the manufacturer's specifications, shall use, operate and maintain the Property in conformity with all laws and regulations concerning the Property's ownership, possession, use and maintenance, and shall keep the Property free and clear of all liens and claims, other than those created by this Agreement. Lessee shall have sole responsibility to maintain and repair the Property. Should Lessee fail to maintain, preserve and keep the Property in good repair and working order and in accordance with manufacturer's specifications, and if requested by Lessor, Lessee will enter into maintenance contracts for the Property in form approved by Lessor and with approved providers.

8.02 Liens, Taxes, Other Governmental Charges and Utility Charges. Lessee shall keep the Property free of all levies, liens and encumbrances, except for the interest of Lessor under this Agreement. The parties to this Agreement contemplate that the Property will be used for a governmental or proprietary purpose of Lessee and, therefore, that the Property will be exempt from all property taxes. The Rental Payments payable by Lessee under this Agreement and the Property Schedules hereunder have been established to reflect the savings resulting from this exemption from taxation. Lessee will take such actions necessary under applicable law to obtain said exemption. Nevertheless, if the use, possession or acquisition of the Property is determined to be subject to taxation or later becomes subject to such taxes, Lessee shall pay when due all taxes and governmental charges lawfully assessed or levied against or with respect to the Property. Lessee shall pay all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property. Lessee shall pay such taxes or charges as the same may become due; provided that, with respect to any such taxes or charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as accrue during the then current fiscal year of the Lease Term for such Property.

8.03 Insurance. At its own expense, Lessee shall maintain (a) casualty insurance insuring the Property against loss or damage by fire and all other risks covered by the standard extended coverage endorsement then in use in the State and any other risks reasonably required by Lessor in an amount equal to at least the outstanding principal component of Rental Payments, and (b) liability insurance that protects Lessor from liability in all events in an amount reasonably acceptable to Lessor, and (c) worker's compensation insurance covering all employees working on, in, near or about the Property; provided that Lessee may self-insure against all such risks. All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. All such insurance shall be with insurers that are authorized to issue such insurance in the State. All such liability insurance shall name Lessor as an additional insured. All such casualty insurance shall contain a provision making any losses payable to Lessor and Lessee as their respective interests may appear. All such insurance shall contain a provision to the effect that such insurance shall not be canceled or modified without first giving written notice thereof to Lessor and Lessee at least thirty (30) days in advance of such cancellation or modification. Such changes shall not become effective without Lessor's prior written consent. Lessee shall furnish to Lessor, on or before the Commencement Date for each Property Schedule, and thereafter at Lessor's request, certificates evidencing such coverage, or, if Lessee self-insures, a written description of its self-insurance program together with a certification from Lessee's risk manager or insurance agent or consultant to the effect that Lessee's self-insurance program provides adequate coverage against the risks listed above.

8.04 Advances. In the event Lessee shall fail to either maintain the insurance required by this Agreement or keep the Property in good repair and working order, Lessor may, but shall be under no obligation to, purchase the required insurance and pay the cost of the premiums thereof or maintain and repair the Property and pay the cost thereof. All amounts so advanced by Lessor shall constitute additional rent for the Lease Term for the Property Schedule for which the Property is under and shall be due and payable on the next Rental Payment Date and Lessee covenants and agrees to pay such amounts so advanced by Lessor with interest thereon from the date such amounts are advanced until paid at the rate of 12% per annum or the maximum amount permitted by law, whichever is less.

ARTICLE IX

9.01 Damage or Destruction. If (a) the Property under a Property Schedule or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Property under a Property Schedule or any part thereof shall be taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, Lessor and Lessee will cause the Net Proceeds (as hereinafter defined) of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Property, unless Lessee shall have exercised its right to defease the Property Schedule as provided herein, or unless Lessee shall have exercised its option to purchase Lessor's interest in the Property if the Property Schedule so provides. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee. For purposes of Section 8.03 and this Article IX, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all expenses, including attorneys' fees, incurred in the collection thereof.

9.02 Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in Section 9.01, Lessee shall (a) complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if Lessee shall make any payments pursuant to this Section, Lessee shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Section 6.02, or (b) defease the Property Schedule pursuant to Section 6.07, or (c) exercise its option to purchase Lessor's interest in the Property pursuant to the optional purchase provisions of the Property Schedule, if any. The amount of the Net Proceeds, if any, remaining after completing such repair, restoration, modification or improvement or after such defeasance or purchase may be retained by Lessee.

ARTICLE X

10.01 Disclaimer of Warranties. LESSOR MAKES NO (AND SHALL NOT BE DEEMED TO HAVE MADE ANY) WARRANTIES, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, WITHOUT LIMITATION, THE DESIGN, OPERATION OR CONDITION OF, OR THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE PROPERTY, ITS MERCHANTABILITY OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE STATE OF TITLE THERETO OR ANY COMPONENT THEREOF, THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AND LESSOR HEREBY DISCLAIMS THE SAME; IT BEING UNDERSTOOD THAT THE PROPERTY IS LEASED TO LESSEE "AS IS" ON THE DATE OF THIS AGREEMENT OR THE DATE OF DELIVERY, WHICHEVER IS LATER, AND ALL SUCH RISKS, IF ANY, ARE TO BE BORNE BY LESSEE. Lessee acknowledges that it has made (or will make) the selection of the Property from the Vendor based on its own judgment and expressly disclaims any reliance upon any statements or representations made by Lessor. Lessee understands and agrees that (a) neither the Vendor nor any sales representative or other agent of Vendor, is (i) an agent of Lessor, or (ii) authorized to make or alter any term or condition of this Agreement, and (b) no such waiver or alteration shall vary the terms of this Agreement unless expressly set forth herein. In no event shall Lessor be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement, the Property Schedules, or the existence, furnishing, functioning or use of any item, product or service provided for in this Agreement or the Property Schedules.

10.02 Vendor's Warranties. Lessor hereby irrevocably assigns to Lessee all rights that Lessor may have to assert from time to time whatever claims and rights (including without limitation warranties) related to the Property against the Vendor. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against the Vendor of the Property, and not against Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of Lessor with respect to this Agreement, including the right to receive full and timely payments hereunder. Lessee expressly acknowledges that Lessor makes, and has made, no representations or warranties whatsoever as to the existence or the availability of such warranties of the Vendor of the Property.

10.03 Use of the Property. Lessee will not install, use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement and the applicable Property Schedule. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Property. In addition, Lessee agrees to comply in all respects with all laws of the jurisdiction in which its operations involving any item of Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Property; provided that Lessee may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the opinion of Lessor, adversely affect the interest of Lessor in and to the Property or its interest or rights under this Agreement. Lessee shall promptly notify Lessor in writing of any pending or threatened investigation, inquiry, claim or action by any governmental authority which could adversely affect this Agreement, any Property Schedule or the Property thereunder.

10.04 Modifications. Subject to the provisions of this Section, Lessee shall have the right, at its own expense, to make alterations, additions, modifications or improvements to the Property. All such alterations, additions, modifications and improvements shall thereafter comprise part of the Property and shall be subject to the provisions of this Agreement. Such alterations, additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, on completion of any alterations, additions, modifications or improvements made pursuant to this Section, shall be of a value which is equal to or greater than the value of the Property immediately prior to the making of such alterations, additions, modifications and improvements. Lessee shall, at its own expense, make such alterations, additions, modifications and improvements to the Property as may be required from time to time by applicable law or by any governmental authority.

ARTICLE XI

11.01 Option to Purchase. Lessee shall have the option to purchase Lessor's entire interest in all of the Property subject to a Property Schedule and to terminate any restrictions herein on the Property under such Property Schedule on the last day of the Lease Term for a Property Schedule, if the Property Schedule is still in effect on such day, upon payment in full of the Rental Payments due thereunder plus payment of One (1) Dollar to Lessor. Lessee shall give written notice to Lessor of its intent to purchase Lessor's interest in the Property at least sixty (60) days prior to the last day of the Lease Term for applicable Property Schedule. Upon exercise of the purchase option as set forth in this Section 11.01 and payment of the purchase price under the applicable Property Schedule, and performance by Lessee of all other terms, conditions and provisions hereof, Lessor shall deliver to Lessee all such documents and instruments as Lessee may reasonably require to evidence the transfer, without warranty by or recourse to Lessor, of all of Lessor's right, title and interest in and to the Property subject to such Property Schedule to Lessee.

11.02 Option to Prepay. Lessee shall have the option to prepay the Rental Payments due under a Property Schedule, but only if the Property Schedule so provides, and on the terms set forth in the Property Schedule.

ARTICLE XII

12.01 Assignment by Lessor. Lessor's right, title and interest in, to and under each Property Schedule and the Property under such Property Schedule may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor and, to the extent of their interest, by any Registered Owner, without the necessity of obtaining the consent of Lessee; provided that (i) any assignment, other than an assignment to or by a Registered Owner, shall not be effective until Lessee has received written notice, signed by the assignor, of the name, address and tax identification number of the assignee, and (ii) any assignment to or by a Registered Owner shall not be effective until it is registered on the registration books kept by the Agent. Lessee shall retain all such notices as a register of all assignees (other than Registered Owners) and shall make all payments to the assignee or assignees designated in such register or, in the case of Registered Owners, to the Agent. In the event that Lessor's interest in a Property Schedule and the Property thereunder is assigned to the Agent, Lease Participation Certificates in that Property Schedule may be executed and delivered by the Agent to Registered Owners. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements that may be reasonably requested by Lessor or any assignee to protect its interests in this Agreement and the Property Schedules.

12.02 Property Schedules Separate Financings. Assignees of the Lessor's rights in one Property Schedule shall have no rights in any other Property Schedule unless such rights have been separately assigned. Lessor may collectively assign two or more Property Schedules with the same Commencement Date to the Agent for the purpose of causing the execution and delivery of Lease Participation Certificates in the Property Schedules with the same Commencement Date. Such assignment shall occur on such Commencement Date and upon such assignment all Property Schedules so assigned shall be treated as a single financing and a single Property Schedule with respect to rights and remedies upon the occurrence of an Event of Default or an Event of Nonappropriation under this Agreement. Registered Owners rights with respect to the Property Schedules shall be determined as provided in the escrow agreement or trust agreement relating to such Lease Participation Certificates.

12.03 Assignment and Subleasing by Lessee. NONE OF LESSEE'S RIGHT, TITLE AND INTEREST IN, TO AND UNDER THIS AGREEMENT AND IN THE PROPERTY MAY BE ASSIGNED, SUBLEASED OR ENCUMBERED BY LESSEE FOR ANY REASON, WITHOUT THE PRIOR WRITTEN CONSENT OF LESSOR.

12.04 Release and Indemnification Covenants. To the extent permitted by applicable law, Lessee shall indemnify, protect, hold harmless, save and keep harmless Lessor from and against any and all liability, obligation, loss, claim and damage whatsoever, regardless of cause thereof, and all expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest (collectively, "Losses") arising out of or resulting from the entering into this Agreement, any Property Schedules hereunder, the ownership of any item of the Property, the loss of federal tax exemption of the interest on any of the Property Schedules, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Property or any accident in connection with the operation, use, condition, possession, storage or return of any item of the Property resulting in damage to property or injury to or death of any person; provided, however, that Lessee shall not be required to indemnify Lessor for Losses arising out of or resulting from Lessor's own willful or negligent conduct, or for Losses arising out of or resulting from Lessor's preparation of disclosure material relating to Lease Participation Certificates (other than disclosure material provided to Lessor by Lessee). The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement, or the applicable Property Schedule, or the termination of the Lease Term for such Property Schedule for any reason.

ARTICLE XIII

13.01 Events of Default Defined. Any of the following shall constitute an "Event of Default" under a Property Schedule:

- (a) Failure by Lessee to pay any Rental Payment under the Property Schedule or other payment required to be paid with respect thereto at the time specified therein;
- (b) Failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed with respect to the Property Schedule, other than as referred to in subparagraph (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the

notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected;

- (c) Any statement, representation or warranty made by Lessee in or pursuant to the Property Schedule or its execution, delivery or performance shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;
- (d) Lessee shall (i) apply for or consent to the appointment of a receiver, trustee, custodian or liquidator of Lessee, or of all or a substantial part of the assets of Lessee, (ii) be unable, fail or admit in writing its inability generally to pay its debts as they become due, (iii) make a general assignment for the benefit of creditors, (iv) have an order for relief entered against it under applicable federal bankruptcy law, or (v) file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or taking advantage of any insolvency law or any answer admitting the material allegations of a petition filed against Lessee in any bankruptcy, reorganization or insolvency proceeding; or
- (e) An order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition or appointing a receiver, trustee, custodian or liquidator of Lessee or of all or a substantial part of the assets of Lessee, in each case without its application, approval or consent, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days.

The foregoing provisions of Section 13.01 are subject to the following limitation: if by reason of force majeure Lessee is unable in whole or in part to perform its agreements under this Agreement and the Property Schedule (other than the obligations on the part of Lessee contained in Article VI hereof) Lessee shall not be in default during the continuance of such inability. The term "force majeure" as used herein shall mean the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States or of the State or any of their departments, agencies or officials, or any civil or military authority; insurrections, riots, landslides, earthquakes, fires, storms, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessee.

13.02 Remedies on Default. Whenever any Event of Default exists with respect to a Property Schedule, Lessor shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) Without terminating the Property Schedule, and by written notice to Lessee, Lessor may declare all Rental Payments and other amounts payable by Lessee thereunder to the end of the then-current budget year of Lessee to be due, including without limitation delinquent Rental Payments under the Property Schedule from prior budget years, and such amounts shall thereafter bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less;
- (b) Lessor may terminate the Property Schedule, may enter the premises where the Property subject to the Property Schedule is located and retake possession of the Property, or require Lessee, at Lessee's expense, to promptly return any or all of the Property to the possession of Lessor at such place within the United States as Lessor shall specify, and Lessor may thereafter dispose of the Property in accordance with Article 9 of the Uniform Commercial Code in effect in the State; provided, however, that any proceeds from the disposition of the property in excess of the sum required to (i) defuse the Property Schedule pursuant to Section 6.07, (ii) pay any other amounts then due under the Property Schedule, and (iii) pay Lessor's costs and expenses associated with the disposition of the Property (including attorneys fees), shall be paid to Lessee or such other creditor of Lessee as may be entitled thereto, and further provided that no deficiency shall be allowed against Lessee;
- (c) By written notice to the Agent, if any, Lessor may instruct the Agent to apply all sums held by the Agent in any accounts relating to the Property Schedule under the applicable escrow or trust agreement as provided in the applicable escrow or trust agreement.
- (d) By written notice to any escrow agent (other than the Agent) who is holding proceeds of the Property Schedule, Lessor may instruct such escrow agent to release all such proceeds and any earnings thereon to Lessor, such sums to be credited to payment of Lessee's obligations under the Property Schedule;
- (e) Lessor may take any action, at law or in equity, that is permitted by applicable law and that may appear necessary or desirable to enforce or to protect any of its rights under the Property Schedule and this Agreement.

13.03 No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Lessor to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article.

13.04 Costs and Attorney Fees. Upon the occurrence of an Event of Default by Lessee in the performance of any term of this Agreement, Lessee agrees to pay to Lessor or reimburse Lessor for, in addition to all other amounts due hereunder, all of Lessor's costs of collection, including reasonable attorney fees, whether or not suit or action is filed thereon. Any such costs shall be immediately due and payable upon written notice and demand given to Lessee, shall be secured by this Agreement until paid and shall bear interest at the rate of 12% per annum or the maximum amount permitted by law, whichever is less. In the event suit or action is instituted to enforce any of the terms of this Agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may adjudge reasonable as attorneys' fees at trial or on appeal of such suit or action or in any bankruptcy proceeding, in addition to all other sums provided by law.

ARTICLE XIV

14.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, to the parties hereto at the addresses immediately after the signatures to this Agreement (or at such other address as either party hereto shall designate in writing to the other for notices to such party), to any assignee (other than a Registered Owner) at its address as it appears on the registration books maintained by Lessee and to any Registered Owner at its address as it appears on the registration books maintained by the Agent.

14.02 Certification as to Arbitrage. Unless a separate Certificate as to Arbitrage is delivered on the Commencement Date, Lessee shall be deemed to make the following representations and covenants as of the Commencement Date for each Property Schedule:

- (a) The estimated total costs, including taxes, freight, installation, cost of issuance, of the Property under the Property Schedule will not be less than the total principal amount of the Rental Payments.
- (b) The Property under the Property Schedule has been ordered or is expected to be ordered within six months and the Property is expected to be delivered and installed, and the Vendor fully paid, within one year from the Commencement Date. Lessee will pursue the completion of the Property and the expenditure of the net proceeds of the Property Schedule with due diligence.
- (c) Lessee has not created or established, and does not expect to create or establish, any sinking fund or other similar fund (i) that is reasonably expected to be used to pay the Rental Payments under the Property Schedule, or (ii) that may be used solely to prevent a default in the payment of the Rental Payments under the Property Schedule.
- (d) The Property under the Property Schedule has not been and is not expected to be sold or otherwise disposed of by Lessee, either in whole or in major part, prior to the last maturity of the Rental Payments under the Property Schedule.
- (e) There are no other obligations of Lessee which (i) are being sold within 15 days of the Commencement Date of the Property Schedule; (ii) are being sold pursuant to the same plan of financing as the Property Schedule; and (iii) are expected to be paid from substantially the same source of funds.
- (f) The officer or official who has executed the Property Schedule on Lessee's behalf is familiar with Lessee's expectations regarding the use and expenditure of the proceeds of the Property Schedule. To the best of Lessee's knowledge, information and belief, the facts and estimates set forth in herein are accurate and the expectations of Lessee set forth herein are reasonable.

14.03 Further Assurances. Lessee agrees to execute such other and further documents, including, without limitation, confirmatory financing statements, continuation statements, certificates of title and the like, and to take all such action as may be necessary or appropriate, from time to time, in the reasonable opinion of Lessor, to perfect, confirm, establish, reestablish, continue, or complete the interests of Lessor in this Agreement and the Property Schedules, to consummate the transactions contemplated hereby and thereby, and to carry out the purposes and intentions of this Agreement and the Property Schedules.

14.04 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

14.05 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

14.06 Waiver of Jury Trials. Lessee and Lessor hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of Lessor or Lessee in the negotiation, administration, performance or enforcement hereof.

14.07 Amendments, Changes and Modifications. This Agreement may be amended in writing by Lessor and Lessee to the extent the amendment or modification does not apply to outstanding Property Schedules at the time of such amendment or modification. The consent of the applicable assignee or Agent, if any, shall be required to any amendment or modification before such amendment or modification shall be applicable to any outstanding Property Schedule.

14.08 Execution in Counterparts. This Agreement and the Property Schedules hereunder may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

14.09 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

14.10 Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Agreement to be executed in their names by their duly authorized representatives as of the date first above written.

Lessor: Healthcare Capital Services, LLC
By:
Name:
Title:

Lessee: Northern Inyo County Local Hospital District
By:
Name:
Title:

Attest:
By:
Name:
Title:

Property Schedule No. 1

Master Tax-Exempt Lease/Purchase Agreement

This **Property Schedule No. 1** is entered into as of the Commencement Date set forth below, pursuant to that certain Master Tax-Exempt Lease/Purchase Agreement (the "Master Agreement"), dated as of 5/18/2007, between Healthcare Capital Services, LLC, and Northern Inyo County Local Hospital District.

1. **Interpretation.** The terms and conditions of the Master Agreement are incorporated herein by reference as if fully set forth herein. Reference is made to the Master Agreement for all representations, covenants and warranties made by Lessee in the execution of this Property Schedule, unless specifically set forth herein. In the event of a conflict between the provisions of the Master Agreement and the provisions of this Property Schedule, the provisions of this Property Schedule shall control. All capitalized terms not otherwise defined herein shall have the meanings provided in the Master Agreement.
2. **Commencement Date.** The Commencement Date for this Property Schedule is 12/6/2007.
3. **Property Description and Payment Schedule.** The Property subject to this Property Schedule is described in Exhibit A hereto. Lessee shall not remove such property from the locations set forth therein without giving prior written notice to Lessor. The Rental Payment Schedule for this Property Schedule is set forth in Exhibit 1.
4. **Opinion.** The Opinion of Lessee's Counsel is attached as Exhibit 2.
5. **Lessee's Certificate.** The Lessee's Certificate is attached as Exhibit 3.
6. **Proceeds.** Lessor shall disburse the proceeds of this Property Schedule in accordance with the instructions attached hereto as Exhibit 4.
7. **Acceptance Certificate.** The form of Acceptance Certificate is attached as Exhibit 5.
8. **Additional Purchase Option Provisions.** In addition to the Purchase Option provisions set forth in the Master Agreement, Rental Payments payable under this Property Schedule shall be subject to prepayment as follows: See termination amount in Exhibit 1 (Payment Schedule), subject to per diem adjustment.
9. **Bank Qualification and Arbitrage Rebate.** Attached as Exhibit 6.
10. **Expiration.** Lessor, at its sole determination, may choose not to accept this Property Schedule if the fully executed, original Agreement (including this Property Schedule all ancillary documents) are not received by Lessor at its place of business by 12/6/2007.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Property Schedule to be executed in their names by their duly authorized representatives as of the Commencement Date above.

Lessor: Healthcare Capital Services, LLC
By:
Name:
Title:

Lessee: Northern Inyo County Local Hospital District
By:
Name:
Title:

Attest
By
Name:
Title:

EXHIBIT 1

Property Description and Payment Schedule

Re: **Property Schedule No. 1** to Master Tax-Exempt Lease/Purchase Agreement between Healthcare Capital Services, LLC and Northern Inyo County Local Hospital District.

The Property is as follows: The Property as more fully described in Exhibit A incorporated herein by reference and attached hereto.

EQUIPMENT LOCATION: 150 Pioneer Ln., Bishop, CA 93514

USE: Medical operations - This use is essential to the proper, efficient and economic functioning of Lessee or to the services that Lessee provides; and Lessee has immediate need for and expects to make immediate use of substantially all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Rental Payment Schedule

If the Due Dates are not defined in this Rental Payment Schedule, they shall be defined as the first day of each monthly period of this Rental Payment Schedule commencing with the Acceptance Date.

Total Principal Amount \$485,247.50

<u>Payment No.</u>	<u>Due Date</u>	<u>Payment Amount</u>	<u>Principal Portion</u>	<u>Interest Portion</u>	<u>Prepayment Balance</u>
1	6-Dec-2007	9,062.66	9,062.66	0.00	490,470.38
2	6-Jan-2008	9,062.66	7,183.72	1,878.95	483,071.15
3	6-Feb-2008	9,062.66	7,212.06	1,850.60	475,642.73
4	6-Mar-2008	9,062.66	7,240.52	1,822.14	468,184.99
5	6-Apr-2008	9,062.66	7,269.09	1,793.57	460,697.83
6	6-May-2008	9,062.66	7,297.77	1,764.89	453,181.12
7	6-Jun-2008	9,062.66	7,326.57	1,736.09	445,634.76
8	6-Jul-2008	9,062.66	7,355.48	1,707.18	438,058.62
9	6-Aug-2008	9,062.66	7,384.50	1,678.16	430,452.58
10	6-Sep-2008	9,062.66	7,413.64	1,649.02	422,816.53
11	6-Oct-2008	9,062.66	7,442.89	1,619.77	415,150.35
12	6-Nov-2008	9,062.66	7,472.26	1,590.40	407,453.92
13	6-Dec-2008	9,062.66	7,501.75	1,560.92	399,727.12
14	6-Jan-2009	9,062.66	7,531.35	1,531.32	391,969.84
15	6-Feb-2009	9,062.66	7,561.06	1,501.60	384,181.94
16	6-Mar-2009	9,062.66	7,590.90	1,471.76	376,363.32
17	6-Apr-2009	9,062.66	7,620.85	1,441.81	368,513.84
18	6-May-2009	9,062.66	7,650.92	1,411.74	360,633.39
19	6-Jun-2009	9,062.66	7,681.11	1,381.55	352,721.85
20	6-Jul-2009	9,062.66	7,711.42	1,351.24	344,779.09
21	6-Aug-2009	9,062.66	7,741.85	1,320.82	336,804.99
22	6-Sep-2009	9,062.66	7,772.39	1,290.27	328,799.42
23	6-Oct-2009	9,062.66	7,803.06	1,259.60	320,762.26
24	6-Nov-2009	9,062.66	7,833.85	1,228.81	312,693.40
25	6-Dec-2009	9,062.66	7,864.76	1,197.90	304,592.69
26	6-Jan-2010	9,062.66	7,895.80	1,166.87	296,460.02
27	6-Feb-2010	9,062.66	7,926.95	1,135.71	288,295.26
28	6-Mar-2010	9,062.66	7,958.23	1,104.43	280,098.28
29	6-Apr-2010	9,062.66	7,989.63	1,073.03	271,868.96
30	6-May-2010	9,062.66	8,021.16	1,041.50	263,607.16
31	6-Jun-2010	9,062.66	8,052.81	1,009.85	255,312.77

32	6-Jul-2010	9,062.66	8,084.58	978.08	246,985.65
33	6-Aug-2010	9,062.66	8,116.48	946.18	238,625.67
34	6-Sep-2010	9,062.66	8,148.51	914.15	230,232.70
35	6-Oct-2010	9,062.66	8,180.66	882.00	221,806.62
36	6-Nov-2010	9,062.66	8,212.94	849.72	213,347.29
37	6-Dec-2010	9,062.66	8,245.35	817.31	204,854.58
38	6-Jan-2011	9,062.66	8,277.88	784.78	196,328.36
39	6-Feb-2011	9,062.66	8,310.55	752.12	187,768.50
40	6-Mar-2011	9,062.66	8,343.34	719.32	179,174.86
41	6-Apr-2011	9,062.66	8,376.26	686.40	170,547.31
42	6-May-2011	9,062.66	8,409.31	653.35	161,885.72
43	6-Jun-2011	9,062.66	8,442.49	620.17	153,189.95
44	6-Jul-2011	9,062.66	8,475.81	586.86	144,459.87
45	6-Aug-2011	9,062.66	8,509.25	553.41	135,695.34
46	6-Sep-2011	9,062.66	8,542.83	519.84	126,896.23
47	6-Oct-2011	9,062.66	8,576.54	486.13	118,062.39
48	6-Nov-2011	9,062.66	8,610.38	452.29	109,193.71
49	6-Dec-2011	9,062.66	8,644.35	418.31	100,290.02
50	6-Jan-2012	9,062.66	8,678.46	384.20	91,351.21
51	6-Feb-2012	9,062.66	8,712.71	349.96	82,377.12
52	6-Mar-2012	9,062.66	8,747.08	315.58	73,367.62
53	6-Apr-2012	9,062.66	8,781.60	281.06	64,322.58
54	6-May-2012	9,062.66	8,816.25	246.41	55,241.84
55	6-Jun-2012	9,062.66	8,851.04	211.63	46,125.27
56	6-Jul-2012	9,062.66	8,885.96	176.70	36,972.73
57	6-Aug-2012	9,062.66	8,921.02	141.64	27,784.08
58	6-Sep-2012	9,062.66	8,956.22	106.44	18,559.17
59	6-Oct-2012	9,062.66	8,991.56	71.10	9,297.86
60	6-Nov-2012	9,062.66	9,027.04	35.62	0.00

Lessee: Northern Inyo County Local Hospital District
By:
Name:
Title:

EXHIBIT A

Property Description

All equipment listed on Western State Design, Inc. Sales Contract, dated Dec. 29, 2006

EXHIBIT 2

Lessee's Counsel's Opinion

[To be provided on letterhead of Lessee's counsel.]

[Address to Lessor and Lessee]

RE: Property Schedule No. 1 to Master Tax-Exempt Lease/Purchase Agreement between Healthcare Capital Services, LLC and Northern Inyo County Local Hospital District.

Ladies and Gentlemen:

We have acted as special counsel to Northern Inyo County Local Hospital District ("Lessee"), in connection with the Master Tax-Exempt Lease/Purchase Agreement, dated as of 5/18/2007 (the "Master Agreement"), between Northern Inyo County Local Hospital District, as lessee, and Healthcare Capital Services, LLC as lessor ("Lessor"), and the execution of Property Schedule No. 1 (the "Property Schedule") pursuant to the Master Agreement. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

All capitalized terms not otherwise defined herein shall have the meanings provided in the Master Agreement and Property Schedule.

As to questions of fact material to our opinion, we have relied upon the representations of Lessee in the Master Agreement and the Property Schedule and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. Lessee is a public body corporate and politic, duly organized and existing under the laws of the State, and has a substantial amount of one or more of the following sovereign powers: (a) the power to tax, (b) the power of eminent domain, and (c) the police power.
2. Lessee has all requisite power and authority to enter into the Master Agreement and the Property Schedule and to perform its obligations thereunder.
3. The execution, delivery and performance of the Master Agreement and the Property Schedule by Lessee has been duly authorized by all necessary action on the part of Lessee.
4. All proceedings of Lessee and its governing body relating to the authorization and approval of the Master Agreement and the Property Schedule, the execution thereof and the transactions contemplated thereby have been conducted in accordance with all applicable open meeting laws and all other applicable state and federal laws.
5. Lessee has acquired or has arranged for the acquisition of the Property subject to the Property Schedule, and has entered into the Master Agreement and the Property Schedule, in compliance with all applicable public bidding laws.
6. Lessee has obtained all consents and approvals of other governmental authorities or agencies which may be required for the execution, delivery and performance by Lessee of the Master Agreement and the Property Schedule.
7. The Master Agreement and the Property Schedule have been duly executed and delivered by Lessee and constitute legal, valid and binding obligations of Lessee, enforceable against Lessee in accordance with the terms thereof, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other laws of equitable principles of general application, or of application to municipalities or political subdivisions such as the Lessee, affecting remedies or creditors' rights generally, and to the exercise of judicial discretion in appropriate cases.

8. As of the date hereof, based on such inquiry and investigation as we have deemed sufficient, no litigation is pending, (or, to our knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoin the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement; (b) questioning the authority of Lessee to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement or the Property Schedule, or the payment of principal or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

9. The Lessee is a political subdivision within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended, and the related regulations and rulings thereunder, and the portion of payments identified as the interest component of the rents (as set forth in the payment schedule attached to the Property Schedule) will not be includable in Federal gross income of the recipient under the statutes, regulations, court decisions and rulings existing on the date hereof and consequently will be exempt from Federal income taxes.

This opinion may be relied upon by Lessor, its successors and assigns, and any other legal counsel who provides an opinion with respect to the Property Schedule.

Very truly yours,

By: _____

DO NOT SIGN THIS FORM – MUST BE ON LETTERHEAD OF LESSEE’S COUNSEL

Dated: _____

EXHIBIT 3

Lessee's Certificate

Re: **Property Schedule No. 1** to Master Tax-Exempt Lease/Purchase Agreement between Healthcare Capital Services, LLC and Northern Inyo County Local Hospital District.

The undersigned, being the duly elected, qualified and acting _____ of the Northern Inyo County Local Hospital District ("Lessee") do hereby certify, as of 12/6/2007, as follows:

1. Lessee did, at a meeting of the governing body of the Lessee held _____ by resolution or ordinance duly enacted, in accordance with all requirements of law, approve and authorize the execution and delivery of the above-referenced Property Schedule (the "Property Schedule") and the Master Tax-Exempt Lease/Purchase Agreement (the "Master Agreement") by the following named representative of Lessee, to wit:

NAME OF EXECUTING OFFICIAL (Official who signed the documents.)	TITLE OF EXECUTING OFFICIAL	SIGNATURE OF EXECUTING OFFICIAL
And/ Or		

2. The above-named representative of the Lessee held at the time of such authorization and holds at the present time the office set forth above.

3. The meeting(s) of the governing body of the Lessee at which the Master Agreement and the Property Schedule were approved and authorized to be executed was duly called, regularly convened and attended throughout by the requisite quorum of the members thereof, and the enactment approving the Master Agreement and the Property Schedule and authorizing the execution thereof has not been altered or rescinded. All meetings of the governing body of Lessee relating to the authorization and delivery of Master Agreement and the Property Schedule have been: (a) held within the geographic boundaries of the Lessee; (b) open to the public, allowing all people to attend; (c) conducted in accordance with internal procedures of the governing body; and (d) conducted in accordance with the charter of the Lessee, if any, and the laws of the State.

4. No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default or an Event of Nonappropriation (as such terms are defined in the Master Agreement) exists at the date hereof with respect to this Property Schedule or any other Property Schedules under the Master Agreement.

5. The acquisition of all of the Property under the Property Schedule has been duly authorized by the governing body of Lessee.

6. Lessee has, in accordance with the requirements of law, fully budgeted and appropriated sufficient funds for the current budget year to make the Rental Payments scheduled to come due during the current budget year under the Property Schedule and to meet its other obligations for the current budget year and such funds have not been expended for other purposes.

7. As of the date hereof, no litigation is pending, (or, to my knowledge, threatened) against Lessee in any court (a) seeking to restrain or enjoy in the delivery of the Master Agreement or the Property Schedule or of other agreements similar to the Master Agreement; (b) questioning the authority of Lessee to execute the Master Agreement or the Property Schedule, or the validity of the Master Agreement or the Property Schedule, or the payment of principal of or interest on, the Property Schedule; (c) questioning the constitutionality of any statute, or the validity of any proceedings, authorizing the execution of the Master Agreement and the Property Schedule; or (d) affecting the provisions made for the payment of or security for the Master Agreement and the Property Schedule.

Northern Inyo County Local Hospital District
By:
Title:
SOMEONE OTHER THAN THE EXECUTING OFFICIAL(S) SHOWN ABOVE MUST SIGN HERE.

EXHIBIT 4

Payment of Proceeds Instructions

Healthcare Capital Services, LLC
1000 South McCaslin Blvd.
Superior, CO 80027

Re: Property Schedule No. 1 (the "Property Schedule") to Master Tax-Exempt Lease/Purchase Agreement between Healthcare Capital Services, LLC ("Lessor") and Northern Inyo County Local Hospital District ("Lessee").

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Lessee hereby requests and authorizes Lessor to disburse the net proceeds of the Property Schedule as follows:

Name of Payee: _____

By check _____

By wire transfer _____

If by check, Payee's address: _____

If by wire transfer, pay to:

Bank Name:
Bank Address:
Bank City, State, Zip:
Bank Phone:
For Account of:
Account No.:
ABA No.:

Northern Inyo County Local Hospital District

By: _____

Name: _____

Title: _____

EXHIBIT 5

Acceptance Certificate

Healthcare Capital Services, LLC
1000 South McCaslin Blvd.
Superior, CO 80027

Re: **Property Schedule No. 1** to Master Tax-Exempt Lease/Purchase Agreement between Healthcare Capital Services, LLC and Northern Inyo County Local Hospital District

Ladies and Gentlemen:

In accordance with the above-referenced Master Tax-Exempt Lease/Purchase Agreement (the "Master Agreement"), the undersigned ("Lessee") hereby certifies and represents to, and agrees with, Healthcare Capital Services, LLC ("Lessor"), as follows:

- (1) The Property, as such terms are defined in the above-referenced Property Schedule, has been acquired, made, delivered, installed and accepted on the date indicated below.
- (2) Lessee has conducted such inspection and/or testing of the Property as it deems necessary and appropriate and hereby acknowledges that it accepts the Property for all purposes.
- (3) No event or condition that constitutes, or with notice or lapse of time, or both, would constitute, an Event of Default or an Event of Nonappropriation (as such terms are defined in the Master Agreement) exists at the date hereof.

Date: _____

Northern Inyo County Local Hospital District
as Lessee

By: _____

Name: _____

Title: _____

EXHIBIT 6

Bank Qualification And Arbitrage Rebate

Healthcare Capital Services, LLC
1000 South McCaslin Blvd.
Superior, CO 80027

Re: **Property Schedule No. 1** to Master Tax-Exempt Lease/Purchase Agreement Healthcare Capital Services, LLC
and Northern Inyo County Local Hospital District

Qualified Tax-Exempt Obligation

This section intentionally left blank

Arbitrage Rebate.

(a) Lessee is a governmental unit under the law of the State with general taxing powers, (b) this Property Schedule is not a private activity bond as defined in Section 141 of the Code, and (c) 95% or more of the net proceeds of this Property Schedule will be used for local government activities of Lessee.

Lessee: Northern Inyo County Local Hospital District
By:
Name:
Title:

****Please fill out this form and fax it to your insurance company****

Request for Certificate of Insurance

TO:
Insurance Carrier: (Name) _____
(Address) _____
(Address) _____
(Contact Name) _____
(Contact Phone) _____
(Contact Fax) _____

FROM:
Customer/Lessee: Northern Inyo County Local Hospital District
150 Pioneer Ln.
Bishop, CA 93514
Contact Name: Mr. Scott Hooker
Contact Phone: 760-873-5811
Contact Fax: 760-873-3201

Northern Inyo County Local Hospital District is in the process of financing laundry equipment with Healthcare Capital Services, LLC.

Northern Inyo County Local Hospital District requests that Healthcare Capital Services, LLC be listed as "Healthcare Capital Services, LLC, their successors and assigns" and that it be named **ADDITIONAL INSURED** as to liability coverage and **LOSS PAYEE** as to property coverage. A copy of said certificate should be forwarded to Healthcare Capital Services, LLC as described below.

NOTE: Coverage is to include:

- (1) insurance against all risks of physical loss or damage to the Equipment;
- (2) commercial general liability insurance (including blanket contractual liability coverage and products liability coverage) for personal and bodily injury and property damage of not less than \$1,000,000; and
- (3) if applicable, automobile liability coverage of not less than \$3,000,000.

Healthcare Capital Services, LLC is to receive **30 days** prior written notice of cancellation or material change in coverage. **Qualifying language such as "endeavor to provide"; "but failure to do so shall impose no obligation or liability of any kind upon the insurer, its agents or representative" or the like will NOT be accepted and will delay funding.**

1. Please **FAX** this completed information to:

Healthcare Capital Services, LLC
Cindy Sponsler, Account Manager
Phone Number: 720-304-1260
Fax Number: 720-304-1479

2. Please **MAIL** a Certificate of Insurance to:

Healthcare Capital Services, LLC
Cindy Sponsler
1000 S. McCaslin Boulevard
Superior, CO 80027

3. Please **CONTACT** the Account Manager:

- ✓ When faxing this Certificate.
- ✓ If this cannot be completed today.
- ✓ If you have any questions.

Notification of Tax Treatment

Healthcare Capital Services, LLC is required to collect and remit sales/use tax in the taxing jurisdiction where your equipment will be located. In the event we do not receive a valid sales tax exemption certificate prior to the date your lease commences, you will be charged sales/use tax.

Personal property tax returns will be filed as required by local law. In the event that any tax abatements or special exemptions are available on the equipment you will be leasing from us, please notify us as soon as possible and forward the related documentation to us. This will ensure that your leased equipment will be reported correctly.

Please indicate below if you feel that your lease is subject to tax or whether a valid exemption exists.

- I agree that my lease is subject to sales/use tax.

- I am exempt from sales/use tax and I have attached a completed exemption certificate to Healthcare Capital Services, LLC

- I have previously provided a completed exemption certificate to Healthcare Capital Services, LLC which is valid for this transaction.

- I am exempt from state tax but subject to local tax. I have attached a completed exemption certificate.

- I have a valid abatement or property tax exemption (documentation attached).

If applicable to the tax rates in your state, are you outside the city limits or in an unincorporated area? _____

Additional comments:

Lessee: Northern Inyo County Local Hospital District
By:
Name:
Title:

INSTRUCTIONS FOR COMPLETING THE 8038 FORM

Per the Internal Revenue Service, you are required to fill in the Report Number information for Line 4.

****We must have this information in order to complete your financing.****

8038-G Line 4. After the preprinted **3**, enter two self-designated numbers. Number the reports consecutively during each calendar year. (If this is the first tax-exempt financing that you have entered into this year, you would use the number 01. If this is the eleventh tax-exempt financing that you have entered into this year, you would use the number 11.)

Additionally, please sign at the bottom of the form and remember to print your name and title.

Thank you.

Information Return for Tax-Exempt Governmental Obligations

(Under Internal Revenue Code section 149(e))
See separate instructions.

OMB No. 1545-0720

(Caution: If the issue price is under \$100,000, use Form 8038-GC)

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name Northern Inyo County Local Hospital District		2 Issuer's employer identification number	
3 Number and street (or P. O. box if mail is not delivered to street address) 150 Pioneer Ln.		Room/suite	4 Report number 3
5 City, town, or post office, state, and ZIP code Bishop, CA 93514		6 Date of issue	
7 Name of issue Property Schedule No. 1 to Master Tax-Exempt Lease/Purchase Agreement		8 CUSIP number	
9 Name and title of officer or legal representative whom the IRS may call for more information Mr. Scott Hooker		10 Telephone number of officer or legal representative 760-873-5811	

Part II Type of Issue (check applicable box(es) and enter the issue price for each) See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input checked="" type="checkbox"/> Health and hospital	12 \$485,247
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public Safety	14
15 <input type="checkbox"/> Environmental (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input type="checkbox"/> Utilities	17
18 <input type="checkbox"/> Other. Describe (see instructions) ▶	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input checked="" type="checkbox"/>	

Part III Description of Obligations (Complete for the entire issue for which this form is being filed.)					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21		\$485,247	N/A	5 years	4.74

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22 Proceeds used for accrued interest	22	N/A		
23 Issue price of entire issue (enter amount line 21, column (b))	23	N/A		
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	N/A		
25 Proceeds used for credit enhancement	25	N/A		
26 Proceeds allocated to reasonably required reserve or replacement fund	26	N/A		
27 Proceeds used to currently refund prior issues	27	N/A		
28 Proceeds used to advance refund prior issues	28	N/A		
29 (Total add lines 24 through 28)	29	N/A		
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	N/A		

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)		
30 Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A	years
31 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A	years
32 Enter the last date on which the refunded bonds will be called	N/A	
33 Enter the date(s) the refunded bonds were issued ▶	N/A	

Part VI Miscellaneous		
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0.00
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	0.00
b Enter the final maturity date of the guaranteed investment contract ▶		
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	0.00
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer ▶ and the date of the issue ▶		
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box <input type="checkbox"/>		
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>		
40 If the issuer has identified a hedge, check box <input type="checkbox"/>		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

▶ _____ ▶
Signature of Issuer's authorized representative Date Type or print name and title

LESSEE INVOICE INSTRUCTIONS

(The information you provide enables us to invoice you correctly.)

Northern Inyo County Local Hospital District

BILL TO ADDRESS:

BILLING CONTACT:

First, M.I. and Last Name:

Title:

Phone Number:

Fax Number:

PURCHASE ORDER NUMBER:

Invoices require purchase order numbers: YES _____ NO _____

Purchase Order Number:

FEDERAL TAX ID NUMBER:

EQUIPMENT LOCATION (If different from Billing Address):

ADDITIONAL INFORMATION NEEDED ON INVOICE:

INVOICE



Healthcare Capital Services, LLC
 1000 S. McCaslin Blvd.
 Superior CO 80027

Bill to: Northern Inyo County Local Hospital District Accounts Payable 150 Pioneer Ln. Bishop, CA 93514	Invoice No.	5512650
	Invoice Date:	11/26/07
	Lease No.	5512650
	Purchase Order No.	
	Contract No.	
	CSA No.	
	ACT No.	
	Reference:	

Qty	Item	Description	Total
1	Lease Payment	Payment due 12/6/2007	\$9,062.66
		Tax	
		Balance Due	\$9,062.66

Please remit funds to:
 Healthcare Capital Services, LLC
 Attn: Cindy Sponsler
 1000 S. McCaslin Blvd.
 Superior, CO 80027

Contact Phone: 720-304-1260

REMITTANCE INFORMATION	
Date:	
Amount Due:	
Amount Enclosed:	

- Please remember to:
- 1) Make checks payable to Healthcare Capital Services, LLC
 - 2) Return a copy of this invoice with your payment.
 - 3) Keep a copy of this invoice for your records.
 - 4) Direct all inquiries to the contact listed above.

Comments:

**THIS SHEET
INTENTIONALLY
LEFT BLANK**



**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,
aring for people you love*

November 26, 2007

To the District Board of Directors:

Enclosed with this letter is a quote from Siemens for a used or refurbished monitor for the intensive care unit (ICU) room 29-5, to replace a monitor that was recently moved to the emergency department (ED) bed 2. This additional monitor would allow central monitoring of patients in 29-5, a room used frequently by both the ICU and the ED for patient care. For the past year we have been using the borrowed monitor in ED-2 that allows us to monitor the patient at the bedside, and also allows the monitor tech to provide continuous telemetry for ED patients. Although the Siemens 9000 is used frequently in the present location of ED-2, the ICU requires the capability to monitor up to four patients at a time. The monitor we are requesting would fulfill this need.

Thank you for your consideration in this matter.

Jan Kneip
ICU Unit Manager

Andrew Stevens
ER Unit Manager

Quotation

Customer no.
91040402

Quotation no. 136002465
Date of offer 05/07/2007

Please reference on inquiries

Customer
NORTHERN INYO HOSPITAL
150 PIONEER LANE
BISHOP CA 93514

Bill to 91040402
NORTHERN INYO HOSPITAL
150 PIONEER LANE
BISHOP CA 93514

Your request dated

05/07/2007
REV 1

Ship to 91040402

NORTHERN INYO HOSPITAL
150 PIONEER LANE
BISHOP CA 93514

Your contact person

GLENN BRIEN G6
Tel.: 702-334-2064
Fax : 215-721-5811

Incoterms

Ex Works

Dear Sirs,

With reference to your a. m. request please find enclosed our corresponding offer.

Quotation no.: 136002465
Responsible: GLENN BRIEN G6

Telephone: 702-334-2064
Fax: 215-721-5811

Best regards

Dräger Medical AG & Co. KG

GLENN BRIEN G6

Draeger Medical, Inc.
Our Tax ID: 23-1699096
Bill to: 3135 Quarry Road; Telford, PA 18969
An Equal Opportunity Employer M / F / V / H
Telephone (215) 721-5400
Facsimile: (215) 721-5410
<http://www.draegermedical.com>

Quotation

Customer no.
91040402

Quotation no. 136002465
Date of offer 05/07/2007

Please reference on inquiries

Bill to
91040402

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Line	Quant.	Part no.	Description	Unit price USD	Total price USD
National account: BROADLANE MONITOR T1					
QUOTATION FOR USED EQUIPMENT AVAILABILITY IS ON A FIRST COME, FIRST SERVED BASIS					
0010	1 EA	5733428	SC 9000XL 10,4" EN SERIAL NUMBER: 5394892151	5,000.00	5,000.00
0020	1 EA	MS16775	ASY BEZEL VISTA XL SERIAL NUMBER: 5465487062	500.00	500.00
0030	1 EA	MS10950	SW Options **Specif.national properties** Target country USA *** Device/Product *** * SC 9000XL **SW Options SC/DK/DXL/GXXL** SW opt arie/cal/a SC7/8/9(0-99 Infinity Delta/Kappa/DeltaXL ST/Physio Calcs/Arrhythmia option package Including: - Infinity Delta/Kappa/DeltaXL ARIES 12-lead ST s/w option - Infinity Delta/Kappa/DeltaXL Arrhythmia 2 s/w option - Infinity Delta/Kappa/DeltaXL Physio Calc s/w option Includes a memory option card (one card for multiple software options)	1,326.00	1,326.00

Quotation

Customer no.
91040402

Quotation no. 136002465
Date of offer 05/07/2007

Please reference on inquiries

Bill to
91040402

Page 3 / 5

Line	Quant.	Part no.	Description	Unit price USD	Total price USD
			Value SW Options		----- 1,326.00 -----
0040	1 EA	MS16666	Patient accessories & Pods **Specif.national properties** Target country USA 120 V *** Device Selection *** Power Cord PODS & Patient Accessories SpO2 NIBP IBP ECG *** Power Cords ***		
	1 EA	4321720	Power cord N America5-15(0-99 Mains power inlet cable (Power cord), North America, 5-15R (Hospital grade)	9.75	9.75
	1 EA	3368391	*** Multimed5 POD *** Pod MULTIMED 5 2,5m Multi-parameter cable to monitor 3- or 5-lead ECG, impedance respiration, two temperatures (modular monitors only)and SpO2.	194.40	194.40
	1 EA	5956458	Grabber 5-lead ECG IEC2 AHA/US color code (IEC2 AHA/US). For disposable elctrodes. To be used in the OR only when the ECG ESU block is connected to the MultiMed pod for Infinity SC 5000/600X, Gamma/6X02XL, Delta/Kappa/DeltaXL/SC 7/8/9000/XL monitors. Must not be used in the OR for S400/700/900/1200 monitors.	146.88	146.88

Quotation

Customer no.
91040402

Quotation no. 136002465
Date of offer 05/07/2007

Please reference on inquiries

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Bill to
91040402

Line	Quant.	Part no.	Description	Unit price USD	Total price USD
1 EA	1275275	*** Connecting Hose ***	Connect hose NBP 3.7m Connects adult and child cuffs to Infinity monitors, NBP cartridge, and new 732 monitor. Not for S400.	87.84	87.84
1 EA	3368433	*** SpO2 ***	SpO2-sensor Nellcor		
1 EA	3368433	** Nellcor interface cable **	Cbl SpO2 sensor ext 1m To connect Nellcor SpO2 sensors to the MultiMed pod.Gamma/GammaXL/SC 6002XL/6802XL and Delta/Kappa/DeltaXL/SC 7/8/9000XL require Nellcor SpO2 option software. Not for S400/700/900/1200.	119.52	119.52
1 EA	7262764	* Reusable SpO2 sensors *	Durasens. SpO2 DS100A adt(0-99) Reusable SpO2 adult sensor. For finger or toe application. Patient weight > 40 kg.	213.12	213.12
Value Patient accessories & Pods					771.51
-----					-----
Net value excl. Sales Tax					7,597.51
+ Net Sales Tax					201.31
-----					-----
Final amount					7,798.82
=====					=====

Quotation

Customer no.
91040402

Quotation no. 136002465
Date of offer 05/07/2007

Please reference on inquiries

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Bill to
91040402

Line	Quant.	Part no.	Description	Unit price USD	Total price USD
			Delivery time		
			Pos. 0010: 9 Week/s after rec. of order *	1 EA	
			Pos. 0020: 9 Week/s after rec. of order *	1 EA	
			Pos. 0030: 9 Week/s after rec. of order *	1 EA	
			Pos. 0040: 9 Week/s after rec. of order *	1 EA	
			* After receipt of order, ready for dispatch ex works, subject to prior sale.		
			Please let us know if you prefer partial delivery.		
			Payment terms: 30 days after invoice date		
			Offer valid until: 06/07/2007		
			Remit to: Draeger Medical, Inc. PO Box 8500 S1225 Philadelphia, PA 19178		

Quotation Number: P8-C20614 Version 1

Item No.	QTY	CATALOG	Desc	Ext Sell Price
	1		GoldSeal LOGIQ e Pre-Owned Refurbished	
1	1	L41632LA	<p>Pre-Owned LOGIQ e Compact Digital Ultrasound Console</p> <p>This lightweight, pre-owned compact digital ultrasound system with its unprecedented image quality and small size allows diagnostic exams to be performed in more places and with greater confidence. Scanning modes include: B-mode, M-mode, color flow, power Doppler, pulsed wave Doppler.</p> <p>Special features include: Automatic Image Optimization (for B-mode, color and PW Doppler), raw data processing, on-board patient data management and image archiving via system hard disk, battery pack, external DVD-RW and two USB ports.</p> <p>Comprehensive software for cardiology, obstetrical, gynecological, vascular and general imaging applications including annotation and measurement/calculation packages.</p> <p>Ergonomic features include the built in carrying handle, 15 inch flexible LCD with wide viewing angle, intuitive keyboard and user programmable presets.</p> <p>Available Options Include: Easy3D, DICOM, CW Doppler, Anatomical M-Mode, Color M-Mode, Compounding, extra battery pack, wireless LAN, and carrying case.</p> <p>LOGIQ e Dimensions and Weight:</p> <p>Height: 61 mm (2.49 in) console only; 76.5 mm (3.12 in) with handle</p> <p>Width: 340 mm (13.88 in)</p> <p>Depth: 287 mm (11.71 in) console only; 327 mm (13.35 in) with handle</p> <p>Weight: approx. 4.6 kg (10.1 lb.)</p> <p>One year warranty with exclusive InSite(TM) service, iLinq capability, One day of on-site applications training.</p> <p>Customer agrees that the ultrasound system(s) purchased will be used for clinical, diagnosis, detection or treatment of disease or condition.</p>	\$19,375.00
2	1	L4000SR	<p>Pre-Owned 4C-RS MHz Convex Array Transducer</p> <p>Pre-Owned convex array probe, 2-5 MHz broadband, multi-frequency capable probe. Typical applications include: general abdominal, OB/Gyn, and urology. Biopsy kit is available & sold separately.</p>	\$3,875.00



Quotation Number: P8-C20614 Version 1

Customer to GE Healthcare, if applicable. Title and risk of ownership passes to Customer at FOB point. Further, freight charges will not apply to orders under any pre-existing contracts stating different delivery/freight payment terms for Enterprise Accounts, Corporate Accounts, Buying Groups, or Government Customers.



END

Quotation Number: P8-C20614 Version 1

Item No.	QTY	CATALOG	Desc	Ext Sell Price
3	1	L4040LS	Pre-Owned E8C-RS 4-10 MHz Micro Convex Array Transducer Pre-Owned E8C-RS intracavitary micro convex array transducer. 4-10MHz broadband, multi-frequency capability. Applications include: Ob/Gyn, Abdominal, and Urology. Biopsy kit also available.	\$3,875.00
4	1	H41652LP	LE DICOM SOFTWARE OPTION DICOM option can be used through LAN, and provides print, store, multi-frame, modality worklist, verify, MPPS (Modality Performed Procedure Step), and storage commitment functionality.	\$4,262.50
5	1	L4141PR	Pre-Owned Sony UP-895MD Digital B&W Printer Pre-Owned Sony UP895 B&W Thermal Printer for on board integrated mounting into the LOGIQ Console. Includes Accessories. Uses E8310KD Paper.	\$1,162.50
6	1	H41682LH	Isolation Cart Powered isolation cart with ergonomic features including: Transformer, probe and gel holders, shelf for DVD-RW , shelf for B/W printer, shelf for Color Printer and clipboard holder.	\$2,170.00
7	1	L4801KT	On-Site Application Day The On-Site Applications days are in addition to 1day provided with a new system if the account requires additional training.	\$1,162.50

Quote Summary:

Total List Price:	\$46,300.00
Total Discount (22.50%)	(\$10,417.50)
Total Extended Selling Price:	\$35,882.50
Total Quote Net Selling Price	\$35,882.50

(Quoted prices do not reflect state and local taxes if applicable)

If the Terms of Delivery as set forth on Page 1 of this Quotation are FOB Shipping Point, freight charges of \$250 will be added to the order for Logiq e, Logiq i, Voluson i, and Voluson e systems; freight charges of \$750 will be added to the order for Logiq 3, 5, S6, 7, 9, P5, A5, Voluson 730 Pro/Pro V/Expert/E8, and Lunar DXA Bone Mineral Densitometers; freight charges will be waived for other products. GE Healthcare shall contract with and pay the freight carrier and shall arrange for or provide insurance on behalf of the Customer against property damage or loss until delivery to Customer's site, subject to payment of above-stated freight charges by



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