
**BOARD OF DIRECTORS
NORTHERN INYO LOCAL HOSPITAL DISTRICT
COUNTY OF INYO, STATE OF CALIFORNIA**

RESOLUTION NO. 08-03

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF ITS
GENERAL OBLIGATION BONDS, ELECTION OF 2005, SERIES 2008, IN THE
AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$14,465,000**

Adopted September 17, 2008

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RESOLVED, by the Board of Directors (the "Board of Directors") of the Northern Inyo County Local Hospital District (the "District"), as follows:

WHEREAS, a duly called special municipal election was held in the District on June 7, 2005, and thereafter canvassed pursuant to law;

WHEREAS, at such election there was submitted to and approved by the requisite two-thirds (2/3) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for the purpose of raising money for the expansion, improvement, acquisition, construction, equipping and renovation of health facilities of the District (the "Project"), in the maximum aggregate principal amount of \$29,500,000 payable from the levy of an unlimited *ad valorem* tax against all taxable property in the District;

WHEREAS, pursuant to Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), the District is empowered to issue general obligation bonds;

WHEREAS, the District has previously issued an initial series of bonds, in the aggregate principal amount of \$15,035,000, identified as the "Northern Inyo County Local Hospital District Election of 2005, Series 2005 General Obligation Bonds," for the purpose of raising funds needed for the Project and other authorized costs;

WHEREAS, the District wishes at this time to institute proceedings for the issuance and sale of the second and final series of bonds, in the aggregate principal amount of not to exceed \$14,465,000, to be identified as the "Northern Inyo County Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008" (the "Bonds"), for the purpose of raising funds needed for the Project and other authorized costs; and

WHEREAS, this Board of Directors now desires to authorize the issuance of such general obligation bonds;

ARTICLE I

DEFINITIONS; AUTHORITY

Section 1.01. Definitions. The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

"Accreted Interest" means, with respect to the Capital Appreciation Bonds, the Accreted Value thereof minus the Denominational Amount thereof as of the date of calculation.

"Accreted Value" means with respect to the Capital Appreciation Bonds, as of the date of calculation, the Denominational Amount thereof, plus Accreted Interest thereon to such date of calculation, compounded semiannually on each May 1 and November 1 (commencing on May 1, 2009 (unless otherwise provided in the Bond Purchase Agreement)), assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months.

"Act" means Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code, as is in effect on the date of adoption hereof and as amended hereafter.

"Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

"Authority" means the California Municipal Finance Authority, a joint exercise of powers authority organized and existing under the law of the State.

"Authorized Investments" means any investments permitted by law to be made with moneys belonging to, or in the custody of, the District, but only to the extent that the same are acquired at Fair Market Value.

"Board" means the Board of Directors of the District.

"Bond Counsel" means any attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

"Bond Payment Date" means, (a) with respect to interest on the Current Interest Bonds, May 1 and November 1 of each year commencing on May 1, 2009, and with respect to principal of the Current Interest Bonds, November 1, of each year commencing on November 1 in such year as shall be set forth in the Bond Purchase Agreement, and, (b) with respect to the Capital Appreciation Bonds, November 1, of each year commencing on November 1 in such year as shall be set forth in the Bond Purchase Agreement.

"Bond Purchase Agreement" means the Bond Purchase Agreement by and among the District, the Authority and the Underwriter, for the purchase and sale of the Series 2008 Bonds.

"Bond Register" means the registration books for the Series 2008 Bonds maintained by the Paying Agent.

"Capital Appreciation Bonds" means the Series 2008 Bonds the interest component of which is compounded semiannually on each Bond Payment Date to maturity as shown in the table of Accreted Value for such Series 2008 Bonds in the Official Statement.

"Current Interest Bonds" means the Series 2008 Bonds the interest on which is payable semiannually on each Bond Payment Date specified for each such Series 2008 Bond as designated and maturing in the years and in the amounts set forth in the Bond Purchase Agreement.

"Denominational Amount" means, with respect to the Capital Appreciation Bonds, the initial purchase price thereof, which represents the principal amount thereof, and, with respect to the Current Interest Bonds, the principal amount thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2008 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Series 2008 Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Series 2008 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Series 2008 Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, costs of obtaining credit ratings, fees for execution, transportation and safekeeping of the Series 2008 Bonds and charges and fees in connection with the foregoing.

"County" means Inyo County, California.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Series 2008 Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"District Representative" means the President of the Board, the Chief Executive Officer or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District with respect to this Resolution and the Series 2008 Bonds.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term *"Fair Market Value"* means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means United States Treasury bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

"Maturity Value" means the Accreted Value of any Capital Appreciation Bond on its maturity date.

"Net Proceeds," when used with reference to the Series 2008 Bonds, means the face amount of the Series 2008 Bonds, plus accrued interest and premium, if any, less original issue discount, if any.

"Original Purchaser" means the first purchaser of the Series 2008 Bonds from the District.

"Outstanding," when used as of any particular time with reference to Series 2008 Bonds, means all Series 2008 Bonds except:

(a) Series 2008 Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Series 2008 Bonds paid or deemed to have been paid within the meaning of Section 9.02 hereof; and

(c) Series 2008 Bonds in lieu of or in substitution for which other Series 2008 Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Resolution.

"Owner" or *"Series 2008 Bondowner"* mean any person who shall be the registered owner of any Outstanding Series 2008 Bond.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Paying Agent" means The Bank of New York Mellon Trust Company, N.A., the Paying Agent appointed by the District and acting as paying agent, registrar and authenticating agent for the Series 2008 Bonds, or such other paying agent as shall be appointed by the District prior to the delivery of the Series 2008 Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01 hereof.

"Paying Agent/Bond Registrar/Costs of Issuance Agreement" means the agreement of that name, dated the Closing Date, by and between the District and the Paying Agent.

"Permitted Investments" means (a) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state the interest on which is exempt from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals, (b) money market funds that invest solely in obligations described in (a) above, or (c) demand deposit U.S. Treasury Securities—State and Local Government Series.

"Principal" or *"Principal Amount"* means, with respect to any Current Interest Bond, the principal or principal amount thereof and, with respect to any Capital Appreciation Bond, the Denominational Amount.

"Principal Office" means the principal corporate trust office of the Paying Agent in San Francisco, California.

"Record Date" means the 15th day of the month preceding each Bond Payment Date.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Resolution" means this Resolution, including all amendments hereto and supplements hereof which are duly adopted by the Board of Directors from time to time in accordance herewith.

"Series 2005 Bonds" means the \$15,035,000 Northern Inyo Local Hospital District Election of 2005, Series 2005 General Obligation Bonds.

"Series 2008 Bonds" means the Northern Inyo Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008, issued and at any time Outstanding pursuant to this Resolution.

"Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the District in accordance with Article VIII hereof.

"State" means the State of California.

"Term Bonds" means those Current Interest Bonds for which mandatory redemption dates have been established pursuant to the Bond Purchase Agreement.

"Underwriter" means Banc of America Securities LLC.

"Written Request of the District" means an instrument in writing signed by the District Representative or by any other officer of the District duly authorized by the District and listed on a Written Request of the District for that purpose.

Section 1.02. Authority for this Resolution. This Resolution is entered into pursuant to the provisions of the Act.

ARTICLE II

THE SERIES 2008 BONDS

Section 2.01. Authorization. Series 2008 Bonds in the aggregate principal amount of not to exceed fourteen million four hundred sixty-five thousand dollars (\$14,465,000) are hereby authorized to be issued by the District under and subject to the terms of the Act and this Resolution. The amount of Series 2008 Bonds shall be determined on the date of sale thereof in accordance with the provisions of the Bond Purchase Agreement. This Resolution constitutes a continuing agreement with the Owners of all of the Series 2008 Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal or Accreted Value of and the interest on all Series 2008 Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Series 2008 Bonds shall be designated the "Northern Inyo Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008." The Current Interest Bonds shall be further identified by appending "(Current Interest Bonds)" to such title and the Capital Appreciation Bonds shall be further identified by appending "(Capital Appreciation Bonds)" to such title. The allocation of Current Interest Bonds and Capital Appreciation Bonds shall be made on the date of sale thereof so long as the aggregate principal amount of the Series 2008 Bonds does not exceed \$14,465,000.

It is contemplated that the Series 2008 Bonds will be comprised of a combination of Current Interest Bonds and Capital Appreciation Bonds. However, if, based upon market conditions and other factors on the date of sale thereof, the Series 2008 Bonds are sold solely as Current Interest Bonds, all provisions in this resolution relating to Capital Appreciation Bonds shall have no force or effect.

Section 2.02. Terms of Series 2008 Bonds.

(a) *Denomination; Interest; Dated Dates; Maturity Dates.* The Series 2008 Bonds shall be issued as Bonds registered as to both principal and interest, in the denominations of, with respect to the Current Interest Bonds, \$5,000 Denominational Amount or any integral multiple thereof, and with respect to the Capital Appreciation Bonds, \$5,000 Maturity Value, or any integral multiple thereof (except that the first numbered Capital Appreciation Bond may be issued in a denomination such that the Maturity Value of such Capital Appreciation Bond shall not be in an integral multiple of \$5,000).

The Series 2008 Bonds shall bear interest or accrete interest at a rate or rates such that the interest rate shall not exceed the maximum rate permitted by law. Interest shall be payable on the respective Bond Payment Dates.

Each Capital Appreciation Bond shall be dated, and shall accrete Accreted Interest from, its date of initial issuance. Capital Appreciation Bonds will not bear interest on a current basis.

Each Current Interest Bond shall be dated as of its date of delivery or such other date as shall be determined on the date of sale thereof (the "Dated Date"), and shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is

authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before April 15, 2009 (or such other date as set forth in the Bond Purchase Agreement), in which event it shall bear interest from the Dated Date.

The Current Interest Bonds shall mature (or, alternatively, be subject to mandatory sinking fund redemption as hereinafter provided) and become payable on November 1 in the years and in the amounts set forth in the Bond Purchase Agreement. The Current Interest Bonds shall bear interest at such rate or rates as shall be determined upon the sale thereof.

The Capital Appreciation Bonds shall mature in the years and shall be issued in the aggregate Denominational Amount set forth in the Bond Purchase Agreement and shall have the Maturity Values shown in the Accreted Value Table attached to the Official Statement; *provided, however*, that in the event that the amount shown in such Accreted Value Table and the Accreted Value calculated by the District differ, the latter amount shall be the Accreted Value of such Capital Appreciation Bond.

(b) *Numbering.* The Series 2008 Bonds shall be lettered and numbered as the Paying Agent shall prescribe.

(c) *CUSIP Identification Numbers.* "CUSIP" identification numbers shall be imprinted on the Series 2008 Bonds, but such numbers shall not constitute a part of the contract evidenced by the Series 2008 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Series 2008 Bonds. In addition, failure on the part of the District to use such CUSIP numbers in any notice to Owners of the Series 2008 Bonds shall not constitute an event of default or any violation of the District's contract with such Owners and shall not impair the effectiveness of any such notice.

(d) *Payment.* Payment of interest on any Current Interest Bond on any Bond Payment Date shall be made to the person appearing on the Bond Register as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on the Bond Register or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount or Maturity Value of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal payable on the Current Interest Bonds and the Accreted Value on the Capital Appreciation Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest, Accreted Value and Principal on the Series 2008 Bonds shall be payable in lawful money of the United States of America. The Paying Agent is hereby authorized to pay the Series 2008 Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Series 2008 Bonds are general obligations of the District and do not constitute an obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series 2008 Bonds.

Section 2.03. Redemption.

(a) *Optional Redemption.* The Current Interest Bonds shall be subject to optional maturity prior to maturity, all as set forth in the Bond Purchase Agreement.

The Capital Appreciation Bonds shall not be subject to redemption prior to their respective stated maturities, unless otherwise provided in the Bond Purchase Agreement.

(b) *Mandatory Sinking Fund Redemption.* In the event and to the extent specified in the Bond Purchase Agreement, any maturity of Current Interest Bonds shall be designated as "Term Bonds" shall be subject to mandatory sinking fund redemption on November 1 in each of the years set forth, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption, all as set forth in the Bond Purchase Agreement. If some but not all of such Term Bonds have been redeemed pursuant to the preceding subsection (a) of this Section 2.03, the aggregate principal amount of such Term Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a *pro rata* basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

In the event and to the extent specified in the Bond Purchase Agreement, any maturity of Capital Appreciation Bonds shall be designated as "Term Bonds" and shall be subject to mandatory sinking fund redemption on November 1 in each of the years set forth in the Bond Purchase Agreement, at a redemption price equal to one hundred percent (100%) of the Accreted Value thereof to be redeemed (without premium). If some but not all of such Term Bonds have been redeemed pursuant to the preceding subsection (a) of this Section 2.03, the aggregate Accreted Value of such Term Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a *pro rata* basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent.

(c) *Selection of Bonds for Redemption.* If less than all of the Current Interest Bonds shall be called for redemption, the particular Current Interest Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in such order of maturity as shall be selected by the District, and in lieu of such direction, in inverse order of maturity. Within a maturity, the Paying Agent shall select the Current Interest Bonds for redemption by lot; provided, however, that the portion of any Current Interest Bond to be redeemed shall be in the principal amount of five thousand dollars (\$5,000) or some integral multiple thereof and that, in selecting Current Interest Bonds for redemption, the Paying Agent shall treat each Current Interest Bond as representing that number of Current Interest Bonds which is obtained by dividing the principal amount of such Current Interest Bond by five thousand dollars (\$5,000).

(d) *Notice of Redemption.* The Paying Agent shall give notice of the redemption of the Current Interest Bonds at the expense of the District. Such notice shall specify: (a) that the Current Interest Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Current Interest Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Current Interest Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Current Interest Bond to be redeemed, the portion of

the principal amount of such Current Interest Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Current Interest Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and County and the respective owners of any registered Current Interest Bonds designated for redemption at their addresses appearing on the Bond Register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Current Interest Bonds.

(e) *Partial Redemption of Bonds.* Upon the surrender of any Current Interest Bond redeemed in part only, the Paying Agent shall execute and deliver to the registered owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Current Interest Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the County, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

(f) *Effect of Redemption.* Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside with the County for such purpose, the Current Interest Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Current Interest Bonds to be redeemed as provided in this Section 2.03, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Current Interest Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Current Interest Bonds shall be held in trust for the account of the registered owners of the Current Interest Bonds so to be redeemed.

All Current Interest Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 2.03 shall be canceled upon surrender thereof and be delivered to or upon the order the District. All or any portion of a Current Interest Bond purchased by the District shall be canceled by the Paying Agent.

Current Interest Bonds (or portions thereof), which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, all as provided in this Resolution, then such Current Interest Bonds

shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Section 2.04. Form of Series 2008 Bonds. The Current Interest Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto. The Capital Appreciation Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit B attached hereto.

Section 2.05. Execution of Series 2008 Bonds. The Series 2008 Bonds shall be executed on behalf of the District by the facsimile signatures of the President of its Board of Directors and its Secretary who are in office on the date of adoption of this Resolution or at any time thereafter. If any officer whose signature appears on any Series 2008 Bond ceases to be such officer before delivery of the Series 2008 Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Series 2008 Bonds to the purchaser. Any Series 2008 Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Series 2008 Bond shall be the proper officers of the District although at the nominal date of such Series 2008 Bond any such person shall not have been such officer of the District.

Only such Series 2008 Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibits B and C attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Series 2008 Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

Section 2.06. Transfer of Series 2008 Bonds. Any Series 2008 Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2008 Bond for cancellation at the Principal Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Series 2008 Bond or Series 2008 Bonds shall be surrendered for transfer, the District shall execute and the Paying Agent shall authenticate and deliver a new Series 2008 Bond or Series 2008 Bonds, for like aggregate principal amount.

No transfers of Series 2008 Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Series 2008 Bonds for redemption or (b) with respect to a Series 2008 Bond after such Series 2008 Bond has been selected for redemption.

Section 2.07. Exchange of Series 2008 Bonds. Series 2008 Bonds may be exchanged at the Principal Office of the Paying Agent for a like aggregate principal amount of Series 2008 Bonds of authorized denominations and of the same maturity. The Paying Agent shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Series 2008 Bonds shall be required to be made (a) fifteen days prior to the date established by the Paying Agent for selection of Series 2008 Bonds for redemption or (b) with respect to a Series 2008 Bond after such Series 2008 Bond has been selected for redemption.

Section 2.08. Series 2008 Bond Register. The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Series 2008 Bonds, which shall at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2008 Bonds as herein before provided.

Section 2.09. Temporary Series 2008 Bonds. The Series 2008 Bonds may be initially issued in temporary form exchangeable for definitive Series 2008 Bonds when ready for delivery. The temporary Series 2008 Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Series 2008 Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Series 2008 Bonds. If the District issues temporary Series 2008 Bonds it will execute and furnish definitive Series 2008 Bonds without delay, and thereupon the temporary Series 2008 Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Paying Agent and the Paying Agent shall deliver in exchange for such temporary Series 2008 Bonds an equal aggregate principal amount of definitive Series 2008 Bonds of authorized denominations. Until so exchanged, the temporary Series 2008 Bonds shall be entitled to the same benefits pursuant to this Resolution as definitive Series 2008 Bonds executed and delivered hereunder.

Section 2.10. Series 2008 Bonds Mutilated, Lost, Destroyed or Stolen. If any Series 2008 Bond shall become mutilated the District, at the expense of the Owner of said Series 2008 Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series 2008 Bond of like maturity and principal amount in exchange and substitution for the Series 2008 Bond so mutilated, but only upon surrender to the Paying Agent of the Series 2008 Bond so mutilated. Every mutilated Series 2008 Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the District. If any Series 2008 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and, if such evidence be satisfactory to the District and indemnity satisfactory to it shall be given, the District, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series 2008 Bond of like maturity and principal amount in lieu of and in substitution for the Series 2008 Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Series 2008 Bond issued under this Section and of the expenses which may be incurred by the

District and the Paying Agent in the premises. Any Series 2008 Bond issued under the provisions of this Section 2.10 in lieu of any Series 2008 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Series 2008 Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Series 2008 Bonds issued pursuant to this Resolution.

Section 2.11. Book Entry System. Except as provided below, the owner of all of the Series 2008 Bonds shall be The Depository Trust Company, New York, New York ("DTC"), and the Series 2008 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Series 2008 Bonds shall be initially executed and delivered in the form of a single fully registered Series 2008 Bond for each maturity date of the Series 2008 Bonds in the full aggregate principal amount of the Series 2008 Bonds maturing on such date. The Paying Agent and the District may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2008 Bonds registered in its name for all purposes of this Resolution, and neither the Paying Agent nor the District shall be affected by any notice to the contrary. The Paying Agent and the District shall not have any responsibility or obligation to any participant of DTC (a "Participant"), any person claiming a beneficial ownership interest in the Series 2008 Bonds under or through DTC or a Participant, or any other person which is not shown on the register of the District as being an owner, with respect to the accuracy of any records maintained by DTC or any Participant or the payment by DTC or any Participant by DTC or any Participant of any amount in respect of the principal or interest with respect to the Series 2008 Bonds. The Paying Agent shall cause to be paid all principal and interest with respect to the Series 2008 Bonds received from the District only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the principal and interest with respect to the Series 2008 Bonds to the extent of the sum or sums so paid. Except under the conditions noted below, no person other than DTC shall receive a Series 2008 Bond. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

If the District determines that it is in the best interest of the beneficial owners that they be able to obtain Series 2008 Bonds and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Series 2008 Bonds. In such event, the District shall issue, transfer and exchange Series 2008 Bonds as requested by DTC and any other owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2008 Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the District shall be obligated to deliver Series 2008 Bonds as described in this Resolution. Whenever DTC requests the District to do so, the District will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Series 2008 Bonds evidencing the Series 2008 Bonds to any DTC Participant having Series 2008 Bonds credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Series 2008 Bonds.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Series 2008 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments

with respect to the principal and interest with respect to such Series 2008 Bond and all notices with respect to such Series 2008 Bond shall be made and given, respectively, to DTC as provided as in the representation letter delivered on the date of issuance of the Series 2008 Bonds.

ARTICLE III

ISSUE OF BONDS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE SERIES 2008 BONDS

Section 3.01. Issuance and Delivery of Series 2008 Bonds. At any time after the execution of this Resolution the District may issue and deliver Series 2008 Bonds in the aggregate principal amount of not to exceed fourteen million four hundred sixty-five thousand dollars (\$14,465,000). The allocation of Current Interest Bonds and Capital Appreciation Bonds shall be made on the date of sale thereof so long as the aggregate principal amount of the Series 2008 Bonds does not exceed \$14,465,000.

Any District Representative, or a designee thereof, shall be, and is hereby, directed to cause the Series 2008 Bonds to be printed, signed and sealed, and to be delivered to the Underwriter on receipt of the purchase price therefor and upon performance of the conditions contained in the Bond Purchase Agreement.

The Paying Agent is hereby authorized to deliver the Series 2008 Bonds to the Original Purchaser, upon receipt of a Written Request of the District.

Section 3.02. Application of Proceeds of Sale of Series 2008 Bonds. On the date of delivery of the Series 2008 Bonds (the "Closing Date"), the proceeds of sale of the Series 2008 Bonds shall be paid by the Underwriter to the Paying Agent. The Paying Agent shall deposit or transfer all of such amounts as follows:

(a) an amount equal to the premium if any, on the Series 2008 Bonds paid by the original purchaser shall be transferred to the District for deposit in the Debt Service Fund;

(b) an amount equal to the costs of issuance of the Series 2008 Bonds, as determined on the date of sale thereof, shall be deposited by the Paying Agent in the Costs of Issuance Fund; and

(c) the remaining proceeds of the Series 2008 Bonds shall be transferred to the District for deposit in the Project Fund.

Section 3.02. Establishment of Funds and Accounts.

(a) *Costs of Issuance Fund.* There is hereby created the "Northern Inyo Local Hospital District, General Obligation Bonds, Election of 2005, Series 2008, Costs of Issuance Fund" (the "Costs of Issuance Fund"), which shall be held and maintained by the Paying Agent as a separate fund, distinct from all other funds thereof. Amounts on deposit in the Costs of Issuance Fund shall be disbursed for the purpose of paying all Costs of Issuance. Payment of the Costs of Issuance shall be made only upon the receipt by the Paying Agent of a written request of the District. Moneys on deposit in the Costs of Issuance Fund shall be invested solely in Permitted Investments. Interest and earnings derived from the investment of amounts on deposit in the Costs of Issuance Fund shall be retained therein until the Costs of Issuance Fund

is closed. On May 14, 2009, or such earlier date as shall be designated by the District, all amounts remaining on deposit in the Costs of Issuance Fund shall be withdrawn therefrom by the Paying Agent and transferred to the District for deposit in the Project Fund and the Costs of Issuance Fund shall be closed.

(b) *Project Fund.* A fund, to be known as the "Northern Inyo Local Hospital District, General Obligation Bonds, Election of 2005, Series 2008, Project Fund" (the "Project Fund"), which shall be held and maintained by the District as a separate fund, distinct from all other funds thereof. Moneys deposited therein shall be used solely by the District for the purpose for which the Series 2008 Bonds are being issued and shall be applied solely to authorized purposes which relate to the acquisition or improvement of real property. Moneys on deposit in the Project Fund shall be invested in Permitted Investments. The interest earned on the moneys deposited to the Project Fund shall be retained in the Project Fund and used for the purposes thereof. At the determination of the District, any amounts remaining on deposit in the Project Fund and not needed for the purposes thereof shall be withdrawn from the Project Fund and transferred to the Paying Agent for deposit in the Debt Service Fund to be applied to the payment of Debt Service.

(c) *Debt Service Fund.* There is hereby created the "Plumas Hospital District, General Obligation Bonds, Election of 2008, Series A (2008), Debt Service Fund" (the "Debt Service Fund"), which shall be held and maintained by the District as a separate fund, distinct from all other funds thereof. Moneys deposited therein shall be used only for payment of principal of and interest on the Series 2008 Bonds. Moneys on deposit in the Debt Service Fund shall be invested in Permitted Investments. The interest earned on the moneys deposited to the Debt Service Fund shall be retained in the Debt Service Fund and used for the purposes thereof.

Section 3.04. Security for the Series 2008 Bonds. There shall be levied by the County on all the taxable property in the District, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period the Series 2008 Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Series 2008 Bonds when due, which moneys when collected will be transferred by the County to the District and deposited in the Debt Service Fund, which fund is irrevocably pledged for the payment of the principal of and interest on the Series 2008 Bonds when and as the same fall due. On or prior to each May 1 and November 1, the District shall transfer to the Paying Agent the moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Series 2008 Bonds as the same become due and payable, and such amounts shall be applied by the Paying Agent as necessary to pay the principal of and interest on the Series 2008 Bonds.

ARTICLE IV

SALE OF THE SERIES 2008 BONDS, OFFICIAL STATEMENT

Section 4.01. Sale of the Series 2008 Bonds. The Bond Purchase Agreement, substantially in the form attached hereto as Exhibit C, is hereby approved and any District Representative, or a designee thereof, is hereby authorized to execute and deliver the Bond Purchase Agreement, with such changes therein, deletions therefrom and modifications thereto as any District Representative, or a designee thereof, may approve, such approval to be conclusively evidenced by his execution and delivery thereof; *provided, however*, that the maximum true interest cost on the Series 2008 Bonds shall not exceed 12% per annum and the Underwriter's discount, excluding original issue discount and reimbursable expenses, thereon shall not exceed 2% of the aggregate of principal amount of Bonds issued. Any District Representative, or a designee thereof, is further authorized to enter into and execute the Bond Purchase Agreement with the Underwriter, if the conditions set forth in this Resolution are satisfied.

In connection of the sale of the Series 2008 Bonds to the Authority for immediate re-sale to the Underwriter, it is necessary for the District to become a member of the Authority. The Board hereby approves the form of, and authorizes and directs any District Representative, or a designee thereof, to execute the joint powers agreement pursuant to which the Authority was organized, on file with the Secretary and authorizes and directs the Secretary to attest to such signature.

Section 4.02. Approval of Paying Agent/Bond Registrar/Costs of Issuance Agreement. The Paying Agent/Bond Registrar/Costs of Issuance Agreement, in substantially the form attached hereto as Exhibit D, together with any additions thereto or changes therein deemed necessary or advisable by a District Representative, or the designee thereof, is hereby approved. A District Representative, or the designee thereof, is hereby authorized and directed to execute the Paying Agent/Bond Registrar/Costs of Issuance Agreement for and in the name and on behalf of the District. The Board of Directors hereby authorizes the delivery and performance of the Paying Agent/Bond Registrar/Costs of Issuance Agreement.

Section 4.03. Official Statement. The Board of Directors hereby approves an official statement describing the Bonds, in the form on file with the Secretary of the Board of Directors (the "Official Statement"), together with any changes therein or additions thereto deemed advisable by a District Representative, or the designee thereof. The Board of Directors approves and authorizes the distribution by the Underwriter of the Official Statement to prospective purchasers of the Bonds, and authorizes and directs a District Representative, or the designee thereof, on behalf of the District to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Official Statement prior to its distribution by the Underwriter. The execution of the Official Statement, which shall include such changes and additions thereto deemed advisable by a District Representative, or the designee thereof, and such information permitted to be excluded from the Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official Statement by the District.

A District Representative, or the designee thereof, are separately authorized and directed to execute the Official Statement and a statement that the facts contained in the Official

Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the Official Statement did not, on the date of sale of the Bonds, and does not, as of the date of delivery of the Bonds, contain any untrue statement of a material fact with respect to the District or omit to state material facts with respect to the District required to be stated where necessary to make any statement made therein not misleading in light of the circumstances under which it was made. A District Representative, or the designee thereof, shall take such further actions prior to the signing of the Official Statement as are deemed necessary or appropriate to verify the accuracy thereof.

Section 4.04. Official Action. All actions heretofore taken by the officers and agents of the District with respect to the sale and issuance of the Series 2008 Bonds are hereby approved, and the District Representatives and any and all other officers of the District are hereby authorized and directed for and in the name and on behalf of the District, to do any and all things and take any and all actions relating to the execution and delivery of any and all certificates, requisitions, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Series 2008 Bonds in accordance with this resolution.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

Section 5.01. Punctual Payment. The District will punctually pay, or cause to be paid, the principal of and interest on the Series 2008 Bonds, in strict conformity with the terms of the Series 2008 Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of the Series 2008 Bonds. Nothing herein contained shall prevent the District from making advances of its own moneys, howsoever derived, to any of the uses or purposes permitted by law.

Section 5.02. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Series 2008 Bonds and will not, directly or indirectly, approve any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Resolution, except subject to the prior payment in full of the principal of all of the Series 2008 Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.03. Protection of Security and Rights of Series 2008 Bondowners. The District will preserve and protect the security of the Series 2008 Bonds and the rights of the Series 2008 Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Series 2008 Bonds by the District, the Series 2008 Bonds shall be incontestable by the District.

Section 5.04. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of the Series 2008 Bonds of the rights and benefits provided in this Resolution.

Section 5.05. Tax Covenants.

(a) *Private Activity Series 2008 Bond Limitation*. The District shall assure that the proceeds of the Series 2008 Bonds are not so used as to cause the Series 2008 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) *Federal Guarantee Prohibition*. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Series 2008 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) *Rebate Requirement*. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings,

if any, to the federal government, to the extent that such section is applicable to the Series 2008 Bonds.

(d) *No Arbitrage*. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Series 2008 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series 2008 Bonds would have caused the Series 2008 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) *Maintenance of Tax-Exemption*. The District shall take all actions necessary to assure the exclusion of interest on the Series 2008 Bonds from the gross income of the Owners of the Series 2008 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Series 2008 Bonds.

Section 5.06. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 5.06, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing gross proceeds of the Series 2008 Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Resolution or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

Section 5.07. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default; however, any holder or beneficial owner of the Series 2008 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE VI

THE PAYING AGENT

Section 6.01. Appointment of Paying Agent. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Paying Agent for the Series 2008 Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and, even during the continuance of an Event of Default, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the District a certificate to that effect.

The District may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business in the State, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Paying Agent may at any time resign by giving written notice to the District and the Series 2008 Bondowners of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

Section 6.02. Paying Agent May Hold Series 2008 Bonds. The Paying Agent may become the owner of any of the Series 2008 Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

Section 6.03. Liability of Agents. The recitals of facts, covenants and agreements herein and in the Series 2008 Bonds contained shall be taken as statements, covenants and agreements of the District, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of the Series 2008 Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Paying Agent, the Paying Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Resolution.

The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 6.04. Notice to Agents. The Paying Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Paying Agent may consult with counsel, who may be of counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Resolution the Paying Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Paying Agent for any action taken or suffered under the provisions of this Resolution upon the faith thereof, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.05. Compensation, Indemnification. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. A District Representative is hereby authorized to execute an agreement or agreements with the Paying Agent in connection with such fees and expenses. The District further agrees to indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Section 7.01. Events of Default. The following events ("events of default") shall be events of default hereunder:

(a) if default shall be made in the due and punctual payment of the principal of on any Series 2008 Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Series 2008 Bond when and as such interest installment shall become due and payable;

(c) if default shall be made by the District in the observance of any of the covenants, agreements or conditions on its part in this Resolution or in the Series 2008 Bonds contained, and such default shall have continued for a period of thirty (30) days after written notice thereof to the District; or

(d) if the District shall file a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, seeking reorganization of the District under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Section 7.02. Remedies of Series 2008 Bondowners. Any Series 2008 Bondowner shall have the right, for the equal benefit and protection of all Series 2008 Bondowners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in the Series 2008 Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Series 2008 Bondowners' rights; or

(c) upon the happening of any event of default (as defined in Section 7.01 hereof), by suit, action or proceeding in any court of competent jurisdiction, to require the District and its members and employees to account as if it and they were the trustees of an express trust.

Section 7.03. Non-Waiver. Nothing in this Article VII or in any other provision of this Resolution, or in the Series 2008 Bonds, shall affect or impair the obligation of the District,

which is absolute and unconditional, to pay the principal of and interest on the Series 2008 Bonds to the respective Owners of the Series 2008 Bonds at the respective dates of maturity, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series 2008 Bonds.

A waiver of any default by any Series 2008 Bondowner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Series 2008 Bonds 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 of any such default or an acquiescence therein, and every power and remedy conferred upon the Series 2008 Bondowners by this Article VI may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners of the Series 2008 Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy be abandoned or determined adversely to the Series 2008 Bondowners, the District and the Series 2008 Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 7.04. Remedies Not Exclusive. No remedy herein conferred upon the Owners of Series 2008 Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Series 2008 Bondowners.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

Section 8.01. Supplemental Resolutions Effective Without Consent of the Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners of the Series 2008 Bonds, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(c) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(d) to cure any ambiguity, supply and omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(e) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Series 2008 Bonds.

Section 8.02. Supplemental Resolutions Effective With Consent to the Owners. Any modification or amendment of this Resolution and of the rights and obligations of the District and of the Owners of the Series 2008 Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of at least two-thirds in aggregate principal amount of the Series 2008 Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Series 2008 Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Series 2008 Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 hereof relating to Events of Default, or shall reduce the amount of moneys pledged for the repayment of the Series 2008 Bonds without the consent of all the Owners of such Series 2008 Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Resolution Limited to Parties. Nothing in this Resolution, expressed or implied, is intended to give to any person other than the District, the Paying Agent and the Owners of the Series 2008 Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners of the Series 2008 Bonds.

Section 9.02. Defeasance.

(a) *Discharge of Resolution.* Series 2008 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(i) by paying or causing to be paid the principal or redemption price of and interest on Series 2008 Bonds Outstanding, as and when the same become due and payable;

(ii) by depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) to pay or redeem Series 2008 Bonds Outstanding; or

(iii) by delivering to the Paying Agent, for cancellation by it, Series 2008 Bonds Outstanding.

If the District shall pay all Series 2008 Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative, filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and this Resolution), and notwithstanding that any Series 2008 Bonds shall not have been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the District under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to this Resolution which are not required for the payment or redemption of Series 2008 Bonds not theretofore surrendered for such payment or redemption.

(b) *Discharge of Liability on Series 2008 Bonds.* Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c) to pay or redeem any Outstanding Series 2008 Bond (whether upon or prior to its maturity or the

redemption date of such Series 2008 Bond), provided that, if such Series 2008 Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the District in respect of such Series 2008 Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Series 2008 Bond by the District, and the District shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The District may at any time surrender to the Paying Agent for cancellation by it any Series 2008 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such Series 2008 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) *Deposit of Money or Securities with Paying Agent.* Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series 2008 Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Series 2008 Bonds and all unpaid interest thereon to maturity, except that, in the case of Series 2008 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Series 2008 Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series 2008 Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series 2008 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Section 2.03 provided or provision satisfactory to the Paying Agent shall have been made for the giving of such notice;

provided, in each case, that the Paying Agent shall have been irrevocably instructed (by the terms of this Resolution or by request of the District) to apply such money to the payment of such principal or redemption price and interest with respect to such Series 2008 Bonds.

(d) *Payment of Series 2008 Bonds After Discharge of Resolution.* Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Series 2008 Bonds and remaining unclaimed for one year after the principal of all of the Series 2008 Bonds has become due and

payable (whether at maturity or upon call for redemption as provided in this Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Series 2008 Bonds became due and payable, shall, upon request of the District, be repaid to the District free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Owners of all Series 2008 Bonds which have not been paid at the addresses shown on the registration books maintained by the Paying Agent a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Series 2008 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Section 9.03. Execution of Documents and Proof of Ownership by Series 2008 Bondowners. Any request, declaration or other instrument which this Resolution may require or permit to be executed by Series 2008 Bondowners may be in one or more instruments of similar tenor, and shall be executed by Series 2008 Bondowners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Series 2008 Bondowner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Series 2008 Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Series 2008 Bond shall bind all future Owners of such Series 2008 Bond in respect of anything done or suffered to be done by the District or the Paying Agent in good faith and in accordance therewith.

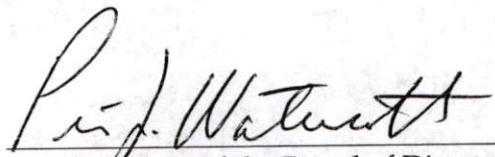
Section 9.04. Waiver of Personal Liability. No boardmember, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Series 2008 Bonds; but nothing herein contained shall relieve any such boardmember, officer, agent or employee from the performance of any official duty provided by law.

Section 9.05. Destruction of Canceled Series 2008 Bonds. Whenever in this Resolution provision is made for the surrender to the District of any Series 2008 Bonds which have been paid or canceled pursuant to the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Series 2008 Bonds and the District shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Series 2008 Bonds therein referred to.

Section 9.06. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The District hereby declares that it would have adopted this Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Series 2008 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the District is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the District hereunder shall be assumed by and vest in the District in trust for the benefit of the Series 2008 Bondowners.

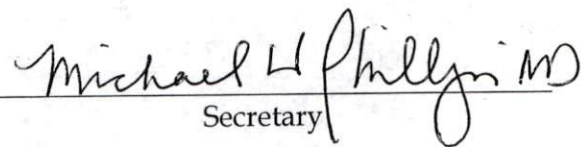
Section 9.07. Effective Date of Resolution. This Resolution shall take effect from and after the date of its passage and adoption.

THE FOREGOING RESOLUTION is approved and adopted by the Board of Directors of the Northern Inyo Local Hospital District this 17th day of September, 2008.



President of the Board of Directors

ATTEST:



Secretary

EXHIBIT A

FORM OF CURRENT INTEREST BOND

United States of America
State of California
Inyo County

NORTHERN INYO LOCAL HOSPITAL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2005, SERIES 2008
(CURRENT INTEREST BOND)

INTEREST RATE: _____ %	MATURITY DATE: November 1, _____	ISSUE DATE: _____, 2008	CUSIP: _____
---------------------------	-------------------------------------	----------------------------	-----------------

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The NORTHERN INYO LOCAL HOSPITAL DISTRICT, a local health care district, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an interest payment date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to an interest payment date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such interest payment date, or (iii) this Series 2008 Bond is authenticated on or prior to April 15, 2009, in which event it shall bear interest from the Issue Date stated above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Sum in full, at the rate per annum stated above, payable on May 1 and November 1 in each year, commencing May 1, 2009, calculated on the basis of 360-day year comprised of twelve 30-day months. Principal hereof is payable at the office of The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), in San Francisco, California. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Paying Agent mailed by first-class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Paying Agent as of the close of business on the fifteenth day of the month next preceding such interest payment date (the "Record Date"), or at such other address as the Owner may have filed with the Paying Agent for that purpose; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Paying Agent at least five (5) days before the applicable Record Date.

This Bond is one of a duly authorized issue of bonds of the District designated as "Northern Inyo Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008" (the "Series 2008 Bonds"), in an aggregate principal amount of _____ dollars (\$_____),

all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), and pursuant to Resolution No. _____ of the District adopted September 17, 2008 (the "Resolution"), authorizing the issuance of the Series 2008 Bonds. Reference is hereby made to the Resolution (copies of which are on file at the office of the Clerk of the Board of Directors of the District) and the Act for a description of the terms on which the Series 2008 Bonds are issued and the rights thereunder of the owners of the Series 2008 Bonds and the rights, duties and immunities of the Paying Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees. This Bond is one of the bonds of a \$_____ portion of the Series 2008 Bonds designated as current interest bonds (the "Current Interest Bonds"). The remaining \$_____ of the Series 2008 Bonds are being issued concurrently herewith as capital appreciation bonds.

This Bond is one of a series of Series 2008 Bonds issued for the purpose of raising money to finance improvements to the District's health facilities. The requisite two-thirds vote of the electors of the District cast at a bond election held on June 7, 2005, upon the question of issuing Bonds in the amount of \$29,500,000 (the "Authorization"), approved the issuance of general obligation bonds. The Series 2008 Bonds represent the second and final issue under the Authorization. Including the Series 2008 Bonds, the District has issued the total Authorization.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District and do not constitute an obligation of the County. The District has the power and is obligated to cause the Inyo County Treasurer and Tax Collector to levy *ad valorem* taxes for the payment of the Series 2008 Bonds and the interest thereon upon all property within the District subject to taxation by the District. No part of any fund of the County is pledged or obligated to the payment of the Series 2008 Bonds.

The Current Interest Bonds maturing on or before November 1, ____, are non-callable. The Current Interest Bonds maturing on November 1, ____, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on or after November 1, ____ (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of all principal, plus accrued interest to date of redemption, without premium.

[If applicable:] The Current Interest Bonds maturing on November 1, 20__ (the "Term Bonds") are also subject to mandatory sinking fund redemption on November 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to the preceding paragraph, the aggregate principal amount of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent:

Sinking Fund Redemption Date (November 1)	Principal Amount to be Redeemed
---	---------------------------------------

The Paying Agent shall give notice of the redemption of the Current Interest Bonds at the expense of the District. Such notice shall specify: (a) that the Current Interest Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Current Interest Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Current Interest Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

If an Event of Default, as defined in the Resolution, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Resolution, but such declaration and its consequences may be rescinded and annulled as further provided in the Resolution.

The Current Interest Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Francisco, California, but only in the manner and subject to the limitations provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Series 2008 Bonds to the extent set forth in the Resolution.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed manually by the Paying Agent.

Unless this certificate is presented by an authorized representative of The Depository Trust Company; a New York corporation ("DTC"), to the District or the Paying Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Northern Inyo Local Hospital District has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of the President of its Board of Directors and the Clerk of the Board of Directors, all as of the Issue Date stated above.

NORTHERN INYO LOCAL HOSPITAL
DISTRICT

By *Prig. Watrutt*
President of the Board of Directors

ATTEST:

Michael W. Philippi MD
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Series 2008 Bonds described in the within-mentioned Resolution.

Authentication Date:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Paying Agent

By _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

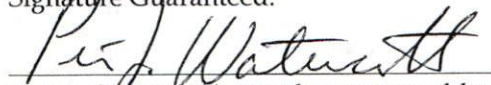
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:



Notice: Signature(s) must be guaranteed by a qualified guarantor institution.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever."

EXHIBIT B

FORM OF CAPITAL APPRECIATION BOND

United States of America
State of California
Inyo County

NORTHERN INYO LOCAL HOSPITAL DISTRICT
GENERAL OBLIGATION BONDS, ELECTION OF 2005, SERIES 2008
(CAPITAL APPRECIATION BOND)

ACCRETION RATE:	MATURITY DATE:	ISSUE DATE:	CUSIP:
_____ %	November 1, _____	_____, 2008	_____

REGISTERED OWNER: CEDE & CO.

DENOMINATIONAL AMOUNT: \$ _____

MATURITY VALUE: \$ _____

The NORTHERN INYO LOCAL HOSPITAL DISTRICT, a community college district, duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), for value received, promises to pay to the Registered Owner named above, or registered assigns, the Maturity Value on the Maturity Date, each as stated above, such Maturity Value being comprised of the Denominational Amount and interest accreted thereon. This Bond will not bear current interest but will accrete interest, compounded on each May 1 and November 1, commencing May 1, 2009, at the Accretion Rate specified above to the Maturity Date, assuming that in any such semiannual period the sum of such compounded accreted interest and the Denomination Amount (such sum being herein called the "Accreted Value") increases in equal daily amounts on the basis of a 360-day year consisting of twelve 30-day months. Accreted Value is payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this Bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially The Bank of New York Mellon Trust Company, N.A., San Francisco, California (the "Paying Agent"). Accreted Value is payable upon presentation and surrender of this Bond at the principal office of the Paying Agent.

This Bond is one of a duly authorized issue of bonds of the District designated as "Northern Inyo Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008" (the "Series 2008 Bonds"), in an aggregate principal amount of _____ dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption and other provisions) and all issued pursuant to the provisions of Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), and pursuant to Resolution No. _____ of the District adopted September 17, 2008 (the "Resolution"), authorizing the issuance of the Series 2008 Bonds. Reference is hereby made to the Resolution (copies of which are on file at the office of the Clerk of the Board of Directors of the District) and the Act for a description of the terms on which the Series 2008 Bonds are issued and the rights thereunder of the owners of the Series 2008 Bonds and the rights, duties and immunities of the Paying

Agent and the rights and obligations of the District thereunder, to all of the provisions of which Resolution the Owner of this Bond, by acceptance hereof, assents and agrees. This Bond is one of the bonds of a \$_____ portion of the Series 2008 Bonds designated as capital appreciation bonds (the "Capital Appreciation Bonds"). The remaining \$_____ of the Series 2008 Bonds are being issued concurrently herewith as capital appreciation bonds.

This Bond is one of a series of Series 2008 Bonds issued for the purpose of raising money to finance improvements to the District's health facilities. The requisite two-thirds vote of the electors of the District cast at a bond election held on June 7, 2005, upon the question of issuing Bonds in the amount of \$29,500,000 (the "Authorization"), approved the issuance of general obligation bonds. The Series 2008 Bonds represent the second and final issue under the Authorization. Including the Series 2008 Bonds, the District has issued the total Authorization.

This Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Resolution) are general obligations of the District and do not constitute an obligation of the County. The District has the power and is obligated to cause the Inyo County Treasurer and Tax Collector to levy *ad valorem* taxes for the payment of the Series 2008 Bonds and the interest thereon upon all property within the District subject to taxation by the District. No part of any fund of the County is pledged or obligated to the payment of the Series 2008 Bonds.

The Capital Appreciation Bonds are non-callable.

If an Event of Default, as defined in the Resolution, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Resolution, but such declaration and its consequences may be rescinded and annulled as further provided in the Resolution.

The Capital Appreciation Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolution. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at said office of the Paying Agent in San Francisco, California, but only in the manner and subject to the limitations provided in the Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Capital Appreciation Bonds maturing on or before November 1, 2016, are non-callable. The Capital Appreciation Bonds maturing on November 1, 2017, or any time thereafter, are callable for redemption prior to their stated maturity date at the option of the District, as a whole, or in part on or after November 1, 2016 (in such maturities as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), and may be redeemed prior to the maturity thereof by payment of the Accreted Value, without premium.

[If applicable:] The Capital Appreciation Bonds maturing on November 1, 20___ (the "Term Bonds") are also subject to mandatory sinking fund redemption on November 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the Accreted Value thereof to be redeemed (without premium); provided, however, that if some but not all of the Term Bonds have been redeemed pursuant to the preceding paragraph, the aggregate Accreted Value of Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral

multiples of \$5,000, as shall be designated pursuant to written notice filed by the District with the Paying Agent:

Sinking Fund
Redemption Date
(November 1)

Principal
Amount to be
Redeemed

The Paying Agent shall give notice of the redemption of the Capital Appreciation Bonds at the expense of the District. Such notice shall specify: (a) that the Capital Appreciation Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Capital Appreciation Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Capital Appreciation Bonds including the dated date and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the Accreted Value of such Bond to be redeemed, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The District and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Resolution may be amended without the consent of the Owners of the Series 2008 Bonds to the extent set forth in the Resolution.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution or become valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been signed manually by the Paying Agent.

Unless this certificate is presented by an authorized representative of The Depository Trust Company; a New York corporation ("DTC"), to the District or the Paying Agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Northern Inyo Local Hospital District has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of the President of its Board of Directors and the Clerk of the Board of Directors, all as of the Issue Date stated above.

NORTHERN INYO LOCAL HOSPITAL
DISTRICT

By 
President of the Board of Directors

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Series 2008 Bonds described in the within-mentioned Resolution.

Authentication Date:

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Paying Agent

By _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

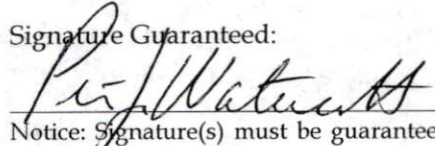
(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:



Notice: Signature(s) must be guaranteed by a qualified guarantor institution.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever."

EXHIBIT C

FORM OF BOND PURCHASE AGREEMENT

California Municipal Finance Authority
2111 Palomar Airport Road, Suite 320
Carlsbad, California 92011

Northern Inyo County Local Hospital District
1500 Pioneer Lane
Bishop, California 93514

Ladies and Gentlemen:

Banc of America Securities LLC (the "Underwriter") offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the California Municipal Finance Authority (the "Authority") and the Northern Inyo County Local Hospital District (the "District"), which will be binding upon the Authority, the District and the Underwriter upon the acceptance hereof by the Authority and the District. This offer is made subject to its acceptance by the Authority and the District by execution of the Bond Purchase Agreement and its delivery to the Underwriter on or before 5:00 p.m., California time, on the date hereof.

Terms not otherwise defined herein shall have the same meanings as set forth in the Resolution, described below.

1. *Purchase and Sale.* Upon the terms and conditions and in reliance upon the representations, warranties and covenants herein, the Authority hereby agrees to purchase from the District for sale to the Underwriter, the District hereby agrees to sell to the Authority, and the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ Northern Inyo County Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008 (the "Bonds"), at the purchase price of \$_____ (the "Purchase Price") (being the initial principal amount of the Bonds of \$_____, less an Underwriter's discount of \$_____, less original discount of \$_____. The Purchase Price is to be paid on the Closing Date (as defined in Section 6 below). The Bonds shall be dated the Closing Date, and shall bear interest at the rates, shall mature on the dates and in the principal amounts and shall be subject to redemption, all as set forth in the attached Exhibit A.

A total authorization of \$29,500,000 of general obligation bonds was approved by voters of the District at an election held on June 7, 2005, to raise money for the purposes authorized and to finance the acquisition, construction and modernization of certain property and District facilities (the "Authorization"). The District issued an initial series of bonds in the amount of \$15,035,000 on September 28, 2005. The Bonds represent the second and final issuance under the Authorization.

The Bonds will be issued and secured pursuant to the provisions of Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), and a resolution adopted by the Board of Directors of the District on September 17, 2008 (the "Resolution"). The Bonds represent the general obligation of the District. The District is empowered and obligated to cause to be levied *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Bonds when due. Proceeds of the Bonds will be used to

pay costs related to the construction and equipping of the expansion and renovation of the District's health facilities located in Bishop, California.

2. *Bona Fide Public Offering.* The Underwriter agrees to make a bona fide public offering of all of the Bonds, at prices not in excess of the initial public offering yields or prices set forth on the cover page of the Official Statement. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

3. *Official Statement.* The District shall deliver or cause to be delivered to the Underwriter promptly after acceptance of the Bond Purchase Agreement copies of the Official Statement relating to the Bonds, dated the date hereof (the "Official Statement"). The District authorizes the Official Statement, including the cover page and Appendices thereto and the information contained therein, to be used in connection with the sale of the Bonds and ratifies, confirms and approves the use and distribution by the Underwriter for such purpose, prior to the date hereof, of the Preliminary Official Statement dated October 24, 2008 (the "Preliminary Official Statement"). The District deems such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information allowed to be omitted by Rule 15c2-12. The District also agrees to deliver to the Underwriter, at the District's sole cost and at such address as the Underwriter shall specify, as many copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The District agrees to deliver such copies of the Official Statement within seven (7) business days after the date hereof. Such Official Statement shall contain all information previously permitted to be omitted by Rule 15c2-12. The Underwriter agrees to give written notice to the District of the date after which the Underwriter shall no longer be obligated to deliver Official Statements pursuant to paragraph (b)(4) of Rule 15c2-12 which shall be no later than 25 days after the end of the underwriting period.

In order to assist the Underwriter in complying with Rule 15c2-12, the District will execute a continuing disclosure certificate (the "Continuing Disclosure Certificate"), to be dated the date of delivery of the Bonds, under which the District will covenant to provide certain financial information and operating data relating to the District and notices of certain material events.

The Underwriter agrees to promptly file a copy of the final Official Statement, including any supplements prepared by the District, with a nationally recognized municipal securities information repository, and to take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers thereof.

4. *Representations, Warranties and Agreements of the District.* The District hereby represents, warrants and agrees with the Underwriter that:

(a) **Due Organization.** The District is a local health care district duly organized and validly existing under the laws of the State of California (the "State"), with the power to issue the Bonds pursuant to the Act.

(b) **Due Authorization.**

(i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds;

(ii) the District has full legal right, power and authority to enter into this Bond Purchase Agreement and the Continuing Disclosure Certificate, to adopt the Resolution,

to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Agreement, the Continuing Disclosure Certificate and the Resolution;

(iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Resolution, the Continuing Disclosure Certificate and this Bond Purchase Agreement have been duly authorized and such authorization shall be in full force and effect at the time of the Closing;

(iv) this Bond Purchase Agreement and the Continuing Disclosure Certificate constitute valid and legally binding obligations of the District; and

(v) the District has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement.

(c) **Consents.** No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Bond Purchase Agreement and the Continuing Disclosure Certificate, the adoption of the Resolution, or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) **Internal Revenue Code.** The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) **No Conflicts.** To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Bond Purchase Agreement, the Continuing Disclosure Certificate, the Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) **Litigation.** As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District:

(i) in any way affecting or challenging the existence of the District or in any way challenging the respective powers of the several offices or of the titles of the officials of the District to such offices; or

(ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy of any taxes contemplated by the Resolution or the Act; in any way contesting or affecting the validity or enforceability of the Bonds, this Bond Purchase Agreement or the Resolution; contesting the powers of the District or their authority with respect to the Bonds, the Resolution or this Bond Purchase Agreement; or contesting the exclusion of interest on the Bonds from taxation; or

(iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Bond Purchase Agreement or the Resolution, (b) declare this Bond Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation; or

(iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(v) there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this paragraph.

(g) **No Other Debt.** Between the date hereof and the Closing, without the prior written consent of the Underwriter, neither the District, nor the any person on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) **Arbitrage Certificate.** The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(i) **Certificates.** Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(j) **Continuing Disclosure.** At or prior to the Closing, the District shall have duly authorized, executed and delivered the Continuing Disclosure Certificate. The Continuing Disclosure Certificate shall comply with the provisions of Rule 15c2-12 and be substantially in the form attached to the Official Statement in Appendix D. The District has never failed to comply in all material respects with any previous continuing disclosure undertaking under the Rule.

5. *Covenants of the District.* The District covenants and agrees with the Underwriter that:

(a) **Securities Laws.** The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which they are not so subject as of the date hereof;

(b) **Application of Proceeds.** The District will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution;

(c) **Official Statement.** The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Bond

Purchase Agreement is signed, and in sufficient time to accompany any confirmation that requests payment from a customer, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page, the inside cover and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriter, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) **Subsequent Events.** The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is ninety (90) days following the Closing;

(e) **References.** References herein to the Preliminary Official Statement and the final Official Statement include the cover page, the inside cover and all appendices, exhibits, maps, reports and statements included therein or attached thereto;

(f) **Amendments to Official Statement.** For a period of ninety (90) days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Bonds for sale, the District may not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter reasonably objects or which shall be disapproved of by the Underwriter; and if any event relating to or affecting the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading; and

(g) **Levy of Tax.** The District hereby agrees to take any and all actions as may be required by Inyo County (the "County") or otherwise necessary in order to arrange for the levy and collection of taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the County Auditor and the County Treasurer-Tax Collector a copy of the Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with policies and procedures of the County.

6. **Closing.** On November 14, 2008, or such other date as shall have been mutually agreed upon by the District, the Authority and the Underwriter (the "Closing Date"), the District will deliver or cause to be delivered the Bonds to the Authority, and the Authority shall deliver or cause to be delivered the Bonds to the Underwriter, and the District shall deliver or cause to be delivered to the Underwriter the certificates, opinions and documents hereinafter mentioned, each of which shall be dated as of the Closing Date. The activities relating to the execution and delivery of the Bonds, opinions and other instruments as described in Section 7 of the Bond Purchase Agreement shall occur on the Closing Date. The delivery of the certificates, opinions and documents as described herein shall be made at the offices of Quint & Thimmig LLP in San Francisco, California ("Bond Counsel"), or at such other place as shall have been

mutually agreed upon by the District, the Authority and the Underwriter. Such delivery is herein called the "Closing."

The Bonds will be prepared and physically delivered to the Paying Agent on the Closing Date in the form of a separate single fully registered bond for each of the maturities of the Bonds. The Bonds shall be registered in the name of the Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. The Bonds will be authenticated by the Paying Agent in accordance with the terms and provisions of the Resolution and shall be delivered to DTC prior to the Closing Date as required by DTC to assure delivery of the Bonds on the Closing Date. It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of the Bond Purchase Agreement. The Underwriter shall pay the CUSIP Service Bureau charge for the assignment of such numbers.

7. *Conditions to Closing.* The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Bond Purchase Agreement are and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) **Representations True.** The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement;

(b) **Obligations Performed.** At the time of the Closing, (i) the Official Statement, this Bond Purchase Agreement, the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, this Bond Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

(c) **Adverse Rulings.** No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, based on advice of counsel, pending or threatened which has any of the effects describe in Section 7(f) or 8(e) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) **Delivery of Documents.** At or prior to the date of the Closing, the Underwriter shall receive copies of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(i) **Bond Opinion.** An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of the Closing, addressed to the District, in substantially the form attached to the Official Statement;

(ii) Reliance Letter. A reliance letter from Bond Counsel to the effect that the Underwriter can rely upon the approving opinion described in (e)(1) above;

(iii) Supplemental Opinion. A supplemental opinion of Bond Counsel addressed to the Underwriter, substantially to the effect that:

(A) the Resolutions have been duly adopted and are in full force and effect;

(B) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Resolutions under the Trust Indenture Act;

(C) the statements and information contained in the Official Statement under the captions "THE BONDS" and "TAX MATTERS" fairly and accurately summarized the matters purported to be summarized therein; and

(D) based on the examinations which they have made as Bond Counsel and their participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy or completeness of the statements in the Official Statement other than those described in subparagraph (iii) of this subsection above, such counsel has no reason to believe that the Official Statement as of its date and as of the date hereof contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical data included in the Official Statement and except for information regarding the Depository and its book-entry system and information regarding Insurer, in each case as to which no view need be expressed);

(iv) Disclosure Counsel Opinion. an opinion of Quint & Thimmig LLP, as disclosure counsel to the District, dated the Closing Date and addressed to the District and the Underwriter stating that based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information included in the Appendices thereto, information relating to The Depository Trust Company and its book-entry system as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) District Certificate. A certificate signed by appropriate officials of the District to the effect that:

(A) such officials are authorized to execute this Bond Purchase Agreement,

(B) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing,

(C) the District has complied with all the terms of the Resolution and this Bond Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect,

(D) such District officials have reviewed the Official Statement and on such basis certify that the Official Statement does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading,

(E) the Bonds being delivered on the date of the Closing to the Underwriter under this Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution, and

(F) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading;

(vi) Arbitrage. A nonarbitrage certificate of the District in form satisfactory to Bond Counsel;

(vii) Rating. Evidence satisfactory to the Underwriter that the Bonds shall have been rated "___" by Standard & Poor's Ratings Services and that such rating has not been revoked or downgraded;

(viii) Resolution. A certificate, together with fully executed copies of the Resolution, of the Clerk of the District Governing Board to the effect that:

(A) such copies are true and correct copies of the Resolution; and

(B) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(ix) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with the Rule;

(x) Continuing Disclosure Certificate. An executed copy of the Continuing Disclosure Certificate, substantially in the form presented in the Official Statement as Appendix D thereto.

(xi) the opinion of Hawkins, Delafied & Wood LLP, Underwriter's Counsel, dated the date of Closing and addressed to the Underwriter, to the effect that (a) the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1933, as amended, and (b) without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement and based

upon the information made available to them in the course of their participation in the review of the Official Statement as counsel for the Underwriter, nothing has come to their attention which would cause them to believe that the Official Statement (excluding therefrom the financial statements and the statistical data included in the Official Statement, and the appendices thereto, and DTC and its book-entry only system, as to which no opinion need be expressed), as of the date thereof and the as of the date of Closing, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and the Continuing Disclosure Certificate provides a suitable basis for the Underwriter, in connection with the Offering (as defined in Rule 15c2-12) of the of the Bonds to make a reasonable determination as required by section (b)(5) of such Rule.

(xii) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (A) by the District with legal requirements, (B) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained and of the Official Statement, and (C) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

(e) **Termination**. The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Bond Purchase Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(i) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or state income taxation upon revenues or other income of the general character to be derived by the District pursuant to the Resolution, or upon interest received on obligations of the general character of the Bonds or, with respect to state taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or state income tax consequences of any of the transactions contemplated herein;

(ii) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933

Act, or that the Resolution are not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(iii) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(iv) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(v) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(vi) any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon), or the validity or enforceability of the assessments or the levy of taxes to pay principal of and interest on the Bonds;

(vii) any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(viii) there shall have occurred since the date of this Bond Purchase Agreement any materially adverse change in the affairs or financial condition of the District, except for changes which the Official Statement discloses are expected to occur;

(ix) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(x) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(xi) there shall have occurred any downgrading, or any notice shall have been given of any intended or potential downgrading of the rating as noted on the Official Statement; and

(xii) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the District to the Underwriter prior to the close of business, California time, on _____, 2008 then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 12 hereof.

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing, or by telephone or telegraph, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

8. *Conditions to Obligations of the District.* The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the District.

9. *Expenses.* The District will pay or cause to be paid all reasonable expenses incident to the performance of its obligations and the obligations of the Authority under the Bond Purchase Agreement, including, but not limited to, mailing or delivery of the Bonds, costs of printing the Bonds, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto, the fees and disbursements of Bond Counsel, Disclosure Counsel, counsel to the District and counsel to the Authority, the fees and expenses of the District's accountants, fees of the District's financial advisor, any fees charged by investment rating agencies for the rating of the Bonds, fees of the Paying Agent and fees of the Authority. In the event the Bond Purchase Agreement shall terminate because of the default of the Underwriter, the District will, nevertheless, pay, or cause to be paid, all of the expenses specified above. The Underwriter shall pay the fees and expenses of any counsel retained by it, all advertising expenses incurred in connection with the public offering of the Bonds, and all other expenses incurred by it in connection with the public offering and distribution of the Bonds, including CDIAAC fees and CUSIP fees (including out-of-pocket expenses and related regulatory expenses).

10. *Notices.* Any notice or other communication to be given to the District under the Bond Purchase Agreement may be given by delivering the same in writing to Mr. John Halfen, Chief Executive Officer, Northern Inyo County Local Hospital District, 1500 Pioneer Lane, Bishop, CA 93514, any notice or other communication to be given to the Authority under the Bond Purchase Agreement may be given by delivering the same in writing to Mr. John P. Stoecker, Financial Advisor, California Municipal Finance Authority, 2111 Palomar Airport Road, Suite 320, Carlsbad, CA 92011, and any notice or other communication to be given to the Underwriter under the Bond Purchase Agreement may be given by delivering the same in writing to Mr. Scott Gorzeman, Principal, Banc of America Securities LLC, 300 South Grand Avenue, CA 9-704-19-19Los Angeles, CA 90071.

11. *Parties in Interest.* The Bond Purchase Agreement is made solely for the benefit of the District, the Authority and the Underwriter (including the successors or assigns of the Underwriter) and no other

person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

12. *Governing Law.* The Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

13. *Headings.* The headings of the paragraphs of the Bond Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

14. *Severability.* In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. *Effectiveness.* The Bond Purchase Agreement shall become effective upon acceptance hereof by the Authority and the District.

16. *Counterparts.* The Bond Purchase Agreement may be executed in several counterparts which together shall constitute one and the same instrument.

Very truly yours,

BANC OF AMERICA SECURITIES LLC

By _____
Principal

Accepted and agreed to as of
the date first above written:

CALIFORNIA MUNICIPAL FINANCE
AUTHORITY

By _____
Member

NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT

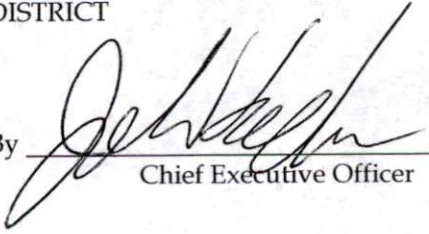
By  _____
Chief Executive Officer

EXHIBIT D

FORM OF PAYING AGENT/BOND REGISTRAR/COSTS OF ISSUANCE AGREEMENT

THIS PAYING AGENT/BOND REGISTRAR/COSTS OF ISSUANCE AGREEMENT (this "Agreement"), is entered into as of November 14, 2008, by and between the NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (the "District"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Bank"), relating to the \$14,465,000 Northern Inyo County Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008 (the "Bonds"). The District hereby appoints the Bank to act as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds.

RECITALS

WHEREAS the District has duly authorized and provided for the issuance of the Bonds as fully registered bonds without coupons;

WHEREAS the District will ensure all things necessary to make the Bonds the valid obligations of the District, in accordance with their terms, will be done upon the issuance and delivery thereof;

WHEREAS the District and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal, redemption premium (if any) and interest on the Bonds, in accordance with the terms thereof, and under which the Bank will act as Registrar for the Bonds;

WHEREAS the District and the Bank also wish to provide the terms under which the Bank will act as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds;

WHEREAS the Bank has agreed to serve in such capacities for and on behalf of the District and has full power and authority to perform and serve as Paying Agent, Transfer Agent and Bond Registrar for the Bonds and as Custodian and Disbursing Agent for the payment of costs of issuance relating to the Bonds;

WHEREAS the District has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement a valid agreement have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

DEFINITIONS

Section 1.01. Definitions.

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America.

"Bond Register" means the book or books of registration kept by the Bank in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

"Bond Resolution" means the resolution of the District pursuant to which the Bonds were issued.

"Bond" or "Bonds" means any one or all of the \$14,465,000 Northern Inyo County Local Hospital District (Inyo County, California) General Obligation Bonds, Election of 2005, Series 2008.

"Custodian and Disbursing Agent" means the Bank when it is performing the function of custodian and disbursing agent for the payment of costs of issuance relating to the Bonds.

"District" means Northern Inyo County Local Hospital District.

"District Request" means a written request signed in the name of the District and delivered to the Bank.

"Fiscal Year" means the fiscal year of the District ending on June 30 of each year.

"Paying Agent" means the Bank when it is performing the function of paying agent for the Bonds.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

"Registered Owner" means a Person in whose name a Bond is registered in the Bond Register.

"Registrar" means the Bank when it is performing the function of registrar for the Bonds.

"Stated Maturity" when used with respect to any Bond means the date specified in the Bond Resolution as the date on which the principal of such Bond is due and payable.

ARTICLE TWO

APPOINTMENT OF BANK AS PAYING AGENT, TRANSFER AGENT, BOND REGISTRAR AND CUSTODIAN AND DISBURSING AGENT

Section 2.01. Appointment and Acceptance. The District hereby appoints the Bank to act as Paying Agent and Transfer Agent with respect to the Bonds, to pay to the Registered Owners in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of, redemption premium (if any), and interest on all or any of the Bonds.

The District hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar, the Bank shall keep and maintain for and on behalf of the District, books and records as to the ownership of the Bonds and with respect to the transfer and exchange thereof as provided herein and in the Bond Resolution.

The District hereby appoints the Bank as Custodian and Disbursing Agent.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent, Transfer Agent, Bond Registrar and Custodian and Disbursing Agent.

Section 2.02. Compensation. As compensation for the Bank's services as Paying Agent and Bond Registrar, the District hereby agrees to pay the Bank the fees and amounts set forth in a separate agreement between the District and the Bank.

In addition, the District agrees to reimburse the Bank, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements, and advances, including without limitation the reasonable fees, expenses, and disbursements of its agents and attorneys, made or incurred by the Bank in connection with entering into and performing under this Agreement and in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

ARTICLE THREE

RECEIPT OF FUNDS

Section 3.01. Receipt of Moneys. The Bank will receive on November 14, 2008, the closing date for the Bonds, from Banc of America Securities LLC, the underwriter of the Bonds, the total sum of \$_____, representing the principal amount of the Bonds of \$_____, less an underwriter's discount of \$_____, less original discount of \$_____. which will be deposited in a special account and shall be disbursed as follows:

(a) To the District, for deposit in the Debt Service Fund (created by the Bond Resolution and held by the District), the sum of \$_____.

(b) To the District, for deposit in the Project Fund (created by the Bond Resolution and held by the District), the sum of \$_____.

(c) To the Costs of Issuance Fund (created by the Bond Resolution and held by the Bank as Custodian and Disbursing Agent), the sum of \$_____.

ARTICLE FOUR

PAYING AGENT

Section 4.01. Duties of Paying Agent. As Paying Agent, the Bank, provided sufficient collected funds have been provided to it for such purpose by or on behalf of the District, shall pay on behalf of the District the principal of, and interest on each Bond in accordance with the provisions of the Bond Resolution.

Section 4.02. Payment Dates. The District hereby instructs the Bank to pay the principal of, redemption premium (if any) and interest on the Bonds on the dates specified in the Bond Resolution.

ARTICLE FIVE

REGISTRAR

Section 5.01. Initial Delivery of Bonds. The Bonds will be initially registered and delivered to the purchaser designated by the District as one Bond for each maturity. If such purchaser delivers a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on

the date of initial delivery, deliver Bonds of authorized denominations, registered in accordance with the instructions in such written request.

Section 5.02. Duties of Registrar. The Bank shall provide for the proper registration of transfer, exchange and replacement of the Bonds. Every Bond surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Bank, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration.

Section 5.03. Unauthenticated Bonds. The District shall provide to the Bank on a continuing basis, an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank agrees that it will maintain such unauthenticated Bonds in safekeeping.

Section 5.04. Form of Bond Register. The Bank as Registrar will maintain its records as Bond Registrar in accordance with the Bank's general practices and procedures in effect from time to time.

Section 5.05. Reports. The District may request the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing and to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any person other than to the District at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law. Upon receipt of a subpoena or court order the Bank will notify the District.

Section 5.06. Canceled Bonds. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly canceled by it and, if surrendered to the District, shall be delivered to the Bank and, if not already canceled, shall be promptly canceled by the Bank. The District may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Bank. All canceled Bonds held by the Bank for its retention period then in effect and shall thereafter be destroyed and evidence of such destruction furnished to the District upon its written request.

ARTICLE SIX

CUSTODIAN AND DISBURSING AGENT

Section 6.01. Investment. The Custodian and Disbursing Agent will hold and invest funds in the Costs of Issuance Fund until May 14, 2009, or upon prior written order of the District.

Section 6.02. Payment of Costs of Issuance. The Custodian and Disbursing Agent will pay costs of issuance of the Bonds as directed by the District from time to time via a written requisition of the District.

Section 6.03. Transfer of Remaining Amounts. Any balance remaining in the Costs of Issuance Fund (including any earnings) on May 14, 2009, will, if such amount represents premium received from the purchaser of the Bonds, be transferred to the Inyo County Treasurer-Tax Collector for deposit in the Debt Service Fund maintained for the District, or otherwise, transferred to the District for deposit in the Project Fund.

Section 6.04. Limited Liability. The liability of the Custodian and Disbursing Agent as custodian and disbursing agent is limited to the duties listed above. The Custodian and Disbursing Agent will not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion of power conferred upon it by this Agreement.

ARTICLE SEVEN

THE BANK

Section 7.01. Duties of Bank. The Bank undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Bank. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Bonds to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Bank to function as Paying Agent.

Section 7.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Bank by the District.

(b) The Bank shall not be liable for any error of judgment made in good faith. The Bank shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Bank may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Bank need not examine the ownership of any Bond, but shall be protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Bank may consult with counsel, and the written advice or opinion of counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

Section 7.03. Recitals of District. The recitals contained in the Bond Resolution and the Bonds shall be taken as the statements of the District, and the Bank assumes no responsibility for their correctness.

Section 7.04. May Own Bonds. The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds with the same rights it would have if it were not the Paying Agent and Bond Registrar for the Bonds.

Section 7.05. Money Held by Bank. Money held by the Bank hereunder need not be segregated from other funds. The Bank shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Bank for the payment of the principal, redemption premium (if any) or interest on any Bond and remaining unclaimed for two years after such deposit will be paid by the Bank to the District, and the District and the Bank agree that the Registered Owner of such Bond shall thereafter look only to the District for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

Section 7.06. Other Transactions. The Bank may engage in or be interested in any financial or other transaction with the District.

Section 7.07. Interpleader. The District and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The District and the Bank further agree that the Bank has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 7.08. Indemnification. To the extent permitted by law, the District shall indemnify the Bank, its officers, directors, employees and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Bank's acceptance or administration of the Bank's duties hereunder or under the Bond Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Bank's negligence or willful misconduct), including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Bonds.

ARTICLE EIGHT

MISCELLANEOUS PROVISIONS

Section 8.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 8.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other party.

Section 8.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the District or the Bank shall be mailed or delivered to the District or the Bank, respectively, at the address shown herein, or such other address as may have been given by one party to the other by fifteen (15) days written notice.

Section 8.04. Effect of Headings. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 8.05. Successors and Assigns. All covenants and agreements herein by the District and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 8.06. Severability. If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Section 8.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 8.08. Entire Agreement. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent, Bond Registrar, Transfer Agent and Custodian and Disbursing Agent.

Section 8.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 8.10. Term and Termination. This Agreement shall be effective from and after its date and until the Bank resigns or is removed in accordance with the Bond Resolution; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder.

The Bank may resign at any time by giving written notice thereof to the District. If the Bank shall resign, be removed or become incapable of acting, the District shall promptly appoint a successor Paying Agent and Bond Registrar. If an instrument of acceptance by a successor Paying Agent and Bond Registrar shall not have been delivered to the Bank within thirty (30) days after the Bank gives notice of resignation, the Bank may petition any court of competent jurisdiction at the expense of the District for the appointment of a successor Paying Agent and Bond Registrar. In the event of resignation or removal of the Bank as Paying Agent and Bond Registrar, upon the written request of the District and upon payment of all amounts owing to the Bank hereunder the Bank shall deliver to the District or its designee all funds and unauthenticated Bonds, and a copy of the Bond Register. The provisions of Section 2.02 and Section 6.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

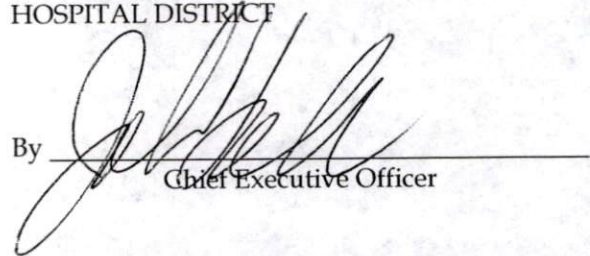
Section 8.11. Governing Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

Section 8.12. Documents to be Filed with Bank. At the time of the Bank's appointment as Paying Agent and Bond Registrar, the District shall file with the Bank the following documents: (a) a certified copy of the Bond Resolution and a specimen Bond; (b) a copy of the opinion of bond counsel provided to the District in connection with the issuance of the Bonds; and (c) a District Request containing written instructions to the Bank with respect to the issuance and delivery of the Bonds, including the name of the Registered Owners and the denominations of the Bonds.

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

NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT

By



Chief Executive Officer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.

By

Authorized Officer