



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday September 17 2008 5:30pm

*Board Room
Northern Inyo Hospital*

DRAFT AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

September 17, 2008 at 5:30 P.M.

In the Board Room at Northern Inyo Hospital

1. Call to Order (at 5:30 P.M.)
2. Opportunity for members of the public to comment on any items on this Agenda
3. Approval of minutes of the July 16 2008 regular meeting and the August 19 2008 special meeting
4. Financial and Statistical Reports for the months of June 2008 and July 2008; John Halfen.
5. Administrator's Report; John Halfen.
 - A. Building Update: OSHPD submittal and construction delays
 - Red Flag rules
 - B. General Liability / Malpractice Premium (Beta)
 - Dietary Inspection
 - C. Capital Freeze
 - E. Other
 - D. F.Y.I. Section
6. Chief of Staff Report – Richard Nicholson, M.D.
 - A. Policies and Procedures (*action items*)
 1. *Shoulder Dystocia*
 2. *Ultrasound in the Perinatal Unit*
 3. *Saline Contrast Study*
 4. *Picture Archival Communication System Direct Physician Access*
 5. *Radiology – Pregnant Patient*
 6. *Radiation Protection for the Patient*
 7. *Patient Restraint*
 8. *Patient Radiation Exposure*
 9. *Administration of Controlled Substances in the Radiology Department*
 10. *Handling of Infants/Fetus/Stillborns and Genetic Workup*
 - B. Credentialing
 1. Appointment/Privileges: Charles M. Schultz, M.D. (*action item*)
 2. Advancement from Provisional Status (*action items*)
 - a) Lara Jeanine Arndal, M.D.
 - b) Reda Michael Tadros, M.D.
 3. Change in Staff Status: Sudhir Kakarla, M.D. (*action item*)

4. Staff Resignations (*action items*)
 - a) Bret Winter, M.D.
 - b) Gary Garshfield, M.D.
5. Reappointment 2009-2010 update
- C. Other
7. Old Business
 - A. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 2957 Birch Street, Bishop, California. Negotiation will be with the designee(s) of Southern Mono County Healthcare District (*action item*).
 - B. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 152-H Pioneer Lane, Bishop, California. Negotiation will be with the designee(s) of Pioneer Medical Associates and/or Alice Casey, M.D. and Clifford Beck, M.D. (*action item*).
 - C. Reaffirmation of John Halfen as negotiator regarding potential acquisition of real property at 152-F Pioneer Lane, Bishop, California. Negotiation will be with the designee(s) of Pioneer Medical Associates and/or D. Scott Clark, M.D. (*action item*).
 - D. RHC Director contract renewal (*action item*).
 - E. Ratification of Security Contracts (*action item*).
 - F. Approval of Beck, Casey, and Clark PMA Interest Purchase Agreements, and Beck and Casey Lease Back Agreement (*action items*).
8. New Business
 - A. Review and approval of Policy and Procedure Manuals (*action item*)
 1. Central Supply
 2. Emergency Room
 3. Intensive Care Unit
 4. Infection Control
 5. Mammography & MSQA
 6. Med-Surg
 7. MRI Safety
 8. Nuclear Medicine
 9. Nursing Administration
 10. OB
 11. Outpatient
 12. PACU
 13. Pediatric Unit
 14. Radiology
 15. Rural Health Clinic
 16. Safety
 17. Staff Development
 18. Surgical Services Unit
 - B. Board Resolution 08-02, Appropriations Limit for Fiscal Year 2009 (*action item*).
 - C. Purchase of Performance Improvement Trailer (*action item*).

- D. Bond Resolution 08-03, 2008 Issue (*action item*).
 - E. Rural Health Clinic Staff Physician Contract Renewals: Jennifer Scott M.D., Kenneth Gilliland M.D., and Michael Phillips M.D. (*action items*).
 - F. Memorandum of Understanding Between The Northern Inyo Hospital Foundation and Northern Inyo County Local Hospital District (*action item*).
 - G. Affirmation of John Halfen as negotiator regarding potential acquisition of real property at 2296 N. Sierra Highway, Bishop, California. Negotiation will be with owner (*action item*).
 - H. Amendment to EKG / RT Medical Director Agreement (cost of living adjustment) (*action item*).
 - I. Change to Language Services Policy and Procedure (*action item*).
- 9. Reports from Board members on items of interest
 - 10. Opportunity for members of the public to comment on any items on this Agenda, and/or on any items of interest
 - 11. Adjournment to closed session to:
 - A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of the Health and Safety Code, and Government Code Section 54962).
 - B. Instruct negotiator regarding price and terms of payment for the purchase, sale, exchange, or lease of four real properties (Government Code Section 54956.8).
 - C. Discuss with counsel pending litigation and whether or not the District shall initiate litigation. This discussion will be held under the authority of Government Code Section 54956.9(c).
 - D. Confer with legal counsel regarding pending litigation against the District by an employee (Government Code Section 54956.9(a)).
 - 12. Return to open session, and report of any action taken in closed session.
 - 13. Opportunity for members of the public to address the Board of Directors on items of interest.
 - 14. Adjournment.

**THIS SHEET
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- CALL TO ORDER The meeting was called to order at 5:30 pm by Peter Watercott, President.
- PRESENT Peter Watercott, President
D. Scott Clark, M.D., Vice President
John Ungersma, M.D., Treasurer
MC Hubbard, Director
- ALSO PRESENT John Halfen, Administrator
Richard Nicholson, M.D., Chief of Staff
Douglas Buchanan, Esq., Hospital District Legal Counsel
Sandy Blumberg, Administration Secretary
- ABSENT Michael Phillips, M.D., Secretary
- ALSO PRESENT FOR
RELEVANT PORTION(S) Dianne Shirley, R.N., Performance Improvement Coordinator
- PUBLIC COMMENTS
ON AGENDA Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.
- MINUTES The minutes of the June 18, 2008 regular meeting were approved.
- UPDATES TO
DISASTER / HICS PLAN Mr. Watercott announced that item D listed under New Business on the agenda for this meeting would be discussed first, for the convenience of the speaker presenting the information. Emergency Room nurse Martha Reynolds, R.N. presented an overview of updates to the Hospital's Disaster or "HICS" plan, which is implemented in the event of a disaster in the local area. Ms. Reynolds reviewed the plan and introduced improvements made as a result of countless hours of effort on the part of Northern Inyo Hospital (NIH) staff and public agencies throughout Inyo County. Ms. Reynolds noted that hospital supervisors and managers are being trained on updates to the plan, and that an area-wide disaster drill will be held on August 27 2008.
- CHIEF OF STAFF
REPORT Chief of Staff Richard Nicholson, M.D. reported the Medical Staff Executive Committee recommends the following policies and procedures for approval of the District Board:
1. *Interdisciplinary Practice Committee Policies and Procedures*
 2. *General Policy for Rural Health Clinic Nurse Practitioner Standardized Procedure*
 3. *Rural Health Clinic Standardized Procedure, Adult Health Maintenance*
 4. *Rural Health Clinic Standardized Procedure, Minor Surgical Procedures*
 5. *Rural Health Clinic Standardized Procedure, Obstetrical Care*

6. *Medical Screening Exam for the Obstetrical Patient, Standardized Procedure*

D. Scott Clark, M.D. noted concerns about the policy titled *Rural Health Clinic Standardized Procedure, Minor Surgical Procedures*, and stated his belief that this policy should be sent back to the Medical Staff for further review. Following discussion it was moved by Doctor Clark, seconded by John Ungersma, M.D. and passed to approve the policies and procedures as presented, with the exception of the policy titled: *Rural Health Clinic Standardized Procedure, Minor Surgical Procedures*.

Doctor Nicholson reported the Medical Staff Executive Committee recommends appointment to the NIH Honorary Medical Staff of John Ungersma, M.D., in appreciation of his many years of dedicated service to the local community, and for his many years of service to our country in the armed service. It was moved by Mr. Watercott, seconded by M.C. Hubbard, and passed to appoint Doctor Ungersma to the NIH Honorary Medical Staff as recommended.

Doctor Nicholson also reported that the results of the Medical Staff elections for the 2008-2009 fiscal year are as follows:

- Richard Nicholson, M.D.; Chief of Staff
- Charlotte Helvie, M.D.; Vice Chief of Staff
- Robbin Cromer-Tyler, M.D.; Member at Large

FINANCIAL AND
STATISTICAL REPORTS

John Halfen, Chief Financial Officer reviewed with the Board the financial and statistical reports for the month of May 2008. Mr. Halfen noted the statement of operations shows a bottom line excess of revenues over expenses of \$1,074,221. Mr. Halfen called attention to the following:

- *Net patient service revenue was 22% over budget*
- *Total expenses were over budget*
- *Salaries and wages, employee benefits, and professional fees expense were all over budget*
- *The Balance Sheet shows that total net assets continue to grow*
- *Year-to-date net income is \$5,380,639*

Mr. Halfen noted on a year-to-date basis employee wages and benefits are very close to budget. He also reported the average number of days patient accounts are in receivables is currently 59.1 days. Mr. Halfen briefly reviewed the status of the Hospital's investments relative to today's market, and he stated there is currently no significant risk exposure for the hospital's investments. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the financial and statistical reports for the month of May 2008 as presented.

ADMINISTRATOR'S
REPORT

BUILDING REPORT

Mr. Halfen reported asbestos abatement on the original hospital building will be complete in 2 to 3 weeks, and following completion of that work

teardown of the original hospital building can begin. At this time it is expected the project may experience delays as a result of the Office of Statewide Healthcare Planning and Development (OSHPD) deciding to re-evaluate plans for the foundation of the new hospital building. Soil tests are being re-evaluated as are plans for pouring concrete for the foundation of the new building, and it is possible that construction might be delayed for as much as 2 to 3 months. Construction managers, architects, and Hospital Administration are working together to reach an agreement with OSHPD to proceed as soon as possible.

ALPHA FUND SAFETY
AUDIT

Mr. Halfen called attention to an Alpha Fund Safety Audit which reviews employee and patient safety conditions at NIH and offers suggestions for possible improvement in regard to injury prevention practices. The report specifically focuses on improvements that might be made in newly constructed areas of the Hospital.

SECOND BOND ISSUE

Mr. Halfen noted that *Caldwell Flores and Winters* are working with Administration to prepare for the Hospital's second bond issuance. He stated it is difficult to obtain bond insurance in current market conditions, and that the Hospital may attempt to raise its bond designation to an 'A' rating. The reason the Hospital's bond rating is not currently an 'A' is that the City of Los Angeles Department of Water & Power is considered too high a percentage of the District tax base to ensure bond stability. Mr. Halfen expects to have no problems with the second bond issuance even if the issue goes out uninsured and if the bond rating remains unchanged.

TURNER TIMES

Mr. Halfen called attention to a publication titled "Turner Times", a quarterly newsletter provided by the Hospital's Construction Management firm. The publication was provided as a point of interest only for members of the District Board.

OLD BUSINESS

REAFFIRMATIONS OF
NEGOTIATOR

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

NEW BUSINESS

RESOLUTION 08-01,
CONSOLODATION OF
NOVEMBER ELECTION

Mr. Halfen called attention to Board Resolution 08-01, which would allow for consolidation of the Hospital District election for Zones I, II, IV, and V with the statewide election to be held on November 4, 2008. It was

moved by Doctor Clark, seconded by Ms, Hubbard and passed to approve Resolution No. 08-01 as presented.

LANGUAGE SERVICES
QUARTERLY REPORT

Interpretive Services Manager Jose Garcia presented the Hospital's Language Services quarterly report for the 2nd quarter of 2008. The report shows a 33% increase to the number of interpreting sessions held, and shows improvements being made to translated admissions forms, as well as to the availability of translated patient educational materials. Mr. Garcia also reported that NIH recently provided interpreter training for five employees from the Southern Inyo Healthcare District (SIH). Doctor Clark noted he is very impressed with the improvements made to interpretive services available at NIH.

SECURITY PROPOSAL

Mr. Halfen called attention to proposed agreements to provide security services at NIH as approved at a previous meeting of the District Board. Mr. Halfen intends for active and/or retired police officers and other qualified personnel to provide contracted security coverage at NIH for an amount not to exceed \$150,000 for the 2008-2009 fiscal year. Mr. Halfen informed the Board that the officers he has come to a preliminary agreement with are certified to and capable of carrying weapons, and he called attention to this matter in light of the fact that it has previously been against hospital policy to allow weapons to be present on the Hospital campus. No objections were heard regarding trained, certified security personnel carrying weapons at NIH for security reasons.

RETIREMENT PLAN
ACTUARIAL
VALUATION

Mr. Halfen referred to the Northern Inyo County Local Hospital District (NICLHD) retirement plan actuarial valuation as of January 1, 2008, provided by Milliman and Associates. The report recommends the Hospital increase its annual contribution to the plan by approximately \$35,000 in order to offset a decrease in interest rates during recent months. It was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the increased contribution to the NIH retirement plan as recommended.

REPORT ON NIH / RHC
OPERATIONAL
ASSESSMENT

Mr. Halfen referred to a report titled *NIH-RHC Operational Assessment*, requested from Goldsmith and Associates consultants in an effort to determine ways to make the Hospital's Rural Health Clinic (RHC) more financially profitable. Goldsmith and Associates has evaluated operations at RHC and their preliminary action plan is currently being evaluated by RHC management and Hospital Administration. Mr. Halfen stated the consultant's report will be evaluated in great detail and discussed at the September 17 2008 meeting of the District Board.

PROPOSAL FOR
TEMPORARY OXYGEN
SUPPLY

Mr. Halfen called attention to a proposal from Praxair Healthcare Services to provide a temporary oxygen supply for NIH during Phase II of construction. Original estimates for temporary oxygen were as high as \$480,000, and following evaluation of all available options the Praxair

proposal for \$187,299 was chosen as the best option to meet the Hospital's needs. Following review of the proposal it was moved by Doctor Clark, seconded by Doctor Ungersma, and passed to approve the proposal for a temporary oxygen supply with Praxair Healthcare Services as recommended.

PHASE II EQUIPMENT
APPROVAL

Mr. Halfen called attention to a proposal from Turner Logistics to purchase medical equipment for Phase II of the building project for a guaranteed price of \$5,249,900 if approved as of the date of this meeting. Following review of the equipment needed it was moved by Doctor Clark, seconded by Ms. Hubbard, and passed to approve the proposal from Turner Logistics as the best possible option for the purchase of medical equipment for Phase II of the Hospital building project.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any member of the Board of Directors wished to report on any items of interest. No reports were heard.

OPPORTUNITY FOR
PUBLIC COMMENT

In keeping with the Brown Act, Mr. Watercott again asked if any members of the public wished to address the Board of Directors on any items on this agenda and/or on any items of interest. NIH Medical Staff Coordinator Maggie Egan reported that the Northern Inyo Hospital Foundation will host a free public swim night at the City of Bishop's Park Pool on July 26 from 5:30 to 8:30pm, as a community outreach to local residents.

CLOSED SESSION

At 6:53pm Mr. Watercott announced the meeting was being adjourned to closed to closed session to allow the Board of Directors to:

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

RETURN TO OPEN
SESSION

At 7:00pm the meeting was returned to open session. Mr. Watercott reported the Board took no reportable action.

OPPORTUNITY FOR
PUBLIC COMMENT

Mr. Watercott again asked if any members of the public wished to comment on any items listed on the agenda for this meeting or on any

items of interest. District Legal Counsel Doug Buchanan, reported he recently had need for the services of Northern Inyo Hospital's Emergency Room, and he was pleased with the care he received there provided by George Kibler, M.D.

ADJOURNMENT

The meeting was adjourned at 7:05pm.

Peter Watercott, President

Attest:

Michael Phillips, M.D., Secretary

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CALL TO ORDER The meeting was called to order at 12:00 noon by Peter Watercott, President.

PRESENT Peter Watercott, President
Michael Phillips, M.D., Secretary
John Ungersma, M.D., Treasurer
MC Hubbard, Director

ALSO PRESENT John Halfen, Administrator
Douglas Buchanan, Esq., Hospital District Legal Counsel

ABSENT Richard Nicholson, M.D., Chief of Staff

PUBLIC COMMENTS
ON AGENDA Mr. Watercott asked if any members of the public wished to address the Board on any items listed on the agenda for this meeting. No comments were heard.

NEW BUSINESS Mr. Halfen referred to a status report from Turner Construction Company on bids received for Phase II of the Hospital rebuild project. Bids analyzed in the report covered site work, building concrete, structural steel and deck, elevator smoke containment, aluminum windows and storefront, drywall, fire protection, elevators, plumbing, mechanical, building controls, electrical, fire alarms, and low voltage infrastructure. Turners' analysis determined the responsible low bidder for each trade, and gave their recommendation for assigning bids in each area for a total expenditure of \$17,580,971. Following review of all bids received it was moved by Dr. Ungersma, seconded by Ms. Hubbard, and passed to approve the bids for Phase II of the building project as recommended by Turner Construction Company

REVIEW OF BIDS FOR
BUILDING PROJECT

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

ADJOURNMENT The meeting was adjourned at 12:04 pm.

Peter Watercott, President

Attest:

Michael Phillips, M.D., Secretary

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BUDGET VARIANCE ANALYSIS

Jun-08 PERIOD ENDING PRIOR TO AUDIT

In the month, NIH was

**under budget in IP days; under in IP Ancillary and
over in OP Revenue resulting in
-4%
\$ 32,889 (0.5%) over in gross patient revenue from budget and
\$ 816,822 (23.5%) over in net patient revenue from budget**

Total Expenses were:

**\$ 251,691 (7.3%) over budget. Wages and Salaries were
\$ (66,490) (-5.1%) under budget and Employee Benefits
\$ (121,334) (-15.6%) under budget.
\$ 140,718 of other income resulted in a net income of
\$ 719,521 \$ 486,632 over budget.**

The following expense areas were over budget for the month:

**\$ 31,934 15% Professional Fees; registry staff & Physicians
\$ 106,865 70% Purchased Services
\$ 14,875 46% Interest Expense due to Leases for Equipment
from GE and Healthcare Financial Solutions
\$ 216,649 133% Depreciation due to New Construction
\$ 175,274 89% Other Expenses due to new lease for Clinical
Services Trailer**

Other Information:

**31.42% Contractual Percentages for month
42.40% Contractual Percentages for Year**

\$ 6,100,160 Year-to-date Net Revenue

Special Notes for Month:

**Interest Expense will remain high for year due to new leases for Laundry
and Radiology Equipment**

**The depreciation expense is coming in line for the year; has been under budget
Contractuals are low due to payment from State of California for Public Hospital
Reimbursement funds for fiscal year 2007 of \$441,343.**

NORTHERN INYO HOSPITAL

Balance Sheet

June 30, 2008

Preliminary

Assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current assets:			
Cash and cash equivalents	2,434,216	2,763,301	1,341,678
Short-term investments	15,199,287	15,715,454	12,719,858
Assets limited as to use	49,003	382,877	1,057,115
Plant Expansion and Replacement Cash	1,941,239	2,318,396	10,944,955
Other Investments (Partnership)	352,361	386,880	386,880
Patient receivable, less allowance for doubtful accounts \$853,043	8,273,347	7,948,001	7,625,080
Other receivables (Includes GE Financing Funds)	571,376	660,798	207,225
Inventories	2,177,577	2,095,423	2,077,353
Prepaid expenses	602,851	603,077	620,550
Total current assets	<u>31,601,257</u>	<u>32,874,208</u>	<u>36,980,693</u>
Assets limited as to use:			
Internally designated for capital acquisitions	558,237	558,087	455,329
Specific purpose assets	520,160	529,913	482,715
	<u>1,078,397</u>	<u>1,088,000</u>	<u>938,044</u>
Revenue bond construction funds held by trustee	782,802	904,546	788,195
Less amounts required to meet current obligations	49,003	382,877	1,057,115
Net Assets limited as to use:	<u>1,812,196</u>	<u>1,609,669</u>	<u>669,125</u>
Long-term investments	<u>8,914,638</u>	<u>6,873,115</u>	<u>5,741,537</u>
Property and equipment, net of accumulated depreciation and amortization	<u>29,541,929</u>	<u>29,557,832</u>	<u>17,498,027</u>
Unamortized bond costs	<u>308,583</u>	<u>310,070</u>	<u>326,426</u>
Total assets	<u>72,178,602</u>	<u>71,224,893</u>	<u>61,215,807</u>

NORTHERN INYO HOSPITAL

Balance Sheet

June 30, 2008

Preliminary

Liabilities and net assets

	<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2007</u>
Current liabilities:			
Current maturities of long-term debt	683,626	63,723	270,000
Accounts payable	1,140,966	595,303	559,389
Accrued salaries, wages and benefits	2,600,516	2,621,686	2,565,601
Accrued interest and sales tax	172,391	254,722	168,394
Deferred income	-	199,811	105,164
Due to third-party payors	3,940,301	3,940,301	3,219,011
Due to specific purpose funds	-	-	-
Total current liabilities	<u>8,537,799</u>	<u>7,675,545</u>	<u>6,887,558</u>
Long-term debt, less current maturities	25,270,196	25,897,454	22,180,000
Bond Premium	391,804	393,009	406,270
Total long-term debt	<u>25,662,000</u>	<u>26,290,463</u>	<u>22,586,270</u>
Net assets:			
Unrestricted	37,458,642	36,728,972	31,259,264
Temporarily restricted	520,160	529,913	482,715
Total net assets	<u>37,978,803</u>	<u>37,258,885</u>	<u>31,741,979</u>
Total liabilities and net assets	<u>72,178,602</u>	<u>71,224,893</u>	<u>61,215,807</u>

NORTHERN INYO HOSPITAL

Statement of Operations

As of June 30, 2008 Preliminary

	MTD		MTD		YTD		YTD	
	Actual	Budget	Variance \$	Variance %	Actual	Budget	Variance \$	Variance %
	MTD Actual	MTD Budget	Variance \$	%	YTD Actual	YTD Budget	Variance \$	%
Unrestricted revenues, gains and other support:								
In-patient service revenue:								
Routine	530,231	592,334	(62,103)	(10.5)	6,967,356	7,108,044	(140,688)	(2.0)
Ancillary	1,637,116	1,926,340	(289,224)	(15.0)	23,020,561	23,116,017	(95,456)	(0.4)
Total in-patient service revenue	2,167,346	2,518,674	(351,328)	-13.9%	29,987,917	30,224,061	(236,144)	-0.8%
Out-patient service revenue	3,926,575	3,542,358	384,217	10.9	46,235,644	42,508,212	3,727,432	8.8
Gross patient service revenue	6,093,921	6,061,032	32,889	0.50	76,223,561	72,732,273	3,491,288	4.8
Less deductions from patient service revenue:								
Patient service revenue adjustments	119,899	180,594	60,695	33.6	2,034,895	2,167,137	132,242	6.1
Contractual adjustments	1,684,672	2,407,909	723,237	30.0	28,568,850	28,894,899	326,049	1.1
Total deductions from patient service revenue	1,804,571	2,588,503	783,932	30.3	30,603,745	31,062,036	458,291	1.5
Net patient service revenue	4,289,351	3,472,529	816,822	24%	45,619,816	41,670,237	3,949,579	9%
Other revenue	18,678	26,497	(7,819)	(29.5)	331,983	317,948	14,035	4.4
Transfers from Restricted Funds for Other Operating Expenses	-	65,541	(65,541)	(100.0)	786,490	786,490	-	0.0
Total Other revenue	18,678	92,038	(73,360)	(79.7)	1,118,473	1,104,438	14,035	1.3
Total revenue, gains and other support	4,308,029	3,564,567	743,462	(79.5)	46,738,289	42,774,675	3,963,614	1.4
Expenses:								
Salaries and wages	1,236,895	1,303,385	66,490	5.1	15,595,269	15,640,237	44,968	0.3
Employee benefits	658,953	780,287	121,334	15.6	8,966,567	9,363,421	396,854	4.2
Professional fees	240,086	208,152	(31,934)	(15.3)	3,405,634	2,497,802	(907,832)	(36.4)
Supplies	402,497	467,888	65,391	14.0	5,315,324	5,614,678	299,354	5.3
Purchased services	260,453	153,588	(106,865)	(69.6)	2,100,007	1,842,992	(257,015)	(14.0)
Depreciation	379,488	162,839	(216,649)	(133.0)	2,177,176	1,954,072	(223,104)	(11.4)
Interest	47,146	32,271	(14,875)	(46.1)	494,959	387,255	(107,704)	(27.8)
Bad debts	109,991	150,682	40,691	27.0	1,711,338	1,808,185	96,847	5.4
Other	373,340	198,066	(175,274)	(88.5)	2,429,040	2,376,799	(52,241)	(2.2)
Total expenses	3,708,849	3,457,158	(251,691)	(7.3)	42,195,312	41,485,441	(709,871)	(1.7)
Operating income (loss)	599,179	107,409	491,770	(72.2)	4,542,977	1,289,234	3,253,743	3.1
Other income:								
District tax receipts	118,852	41,816	77,036	184.2	525,995	501,790	24,205	4.8
Interest	57,388	83,333	(25,945)	(31.1)	986,310	1,000,000	(13,690)	(1.4)
Other	(1,003)	4,663	(5,666)	(121.5)	208,424	55,953	152,471	272.5
Grants and Other Non-Restricted Contributions	-	12,500	(12,500)	(100.0)	109,189	150,000	(40,811)	(27.2)
Partnership Investment Income	(34,519)	-	(34,519)	N/A	(34,519)	-	(34,519)	N/A
Total other income, net	140,718	142,312	(1,594)	(1)	1,795,399	1,707,743	87,656	5.1
Non-Operating Expense								
Medical Office Expense	11,225	10,111	(1,114)	(11.0)	124,544	121,331	(3,213)	(2.7)
Urology Office	9,151	6,721	(2,430)	(36.2)	113,673	80,654	(33,019)	(40.9)
Total Non-Operating Expense	20,376	16,832	(3,544)	(21.1)	238,216	201,985	(36,231)	(17.9)
Excess (deficiency) of revenues over expenses	719,521	232,889	486,632	209.0	6,100,160	2,794,992	3,305,168	118.3

NORTHERN INYO HOSPITAL
Statement of Operations--Statistics
As of June 30, 2008 Preliminary

	Month Actual	Month Budget	Month		YTD Actual	YTD Budget	Year		
			Variance	Percentage			Variance	Percentage	
Operating statistics:									
Beds	25.00	25.00	N/A	N/A	25.00	25.00	N/A	N/A	
Patient days	259.00	271.00	(12.00)	0.96	3,589.00	3,252.00	337.00	1.10	
Maximum days per bed capacity	750.00	750.00	N/A	N/A	9,150.00	9,150.00	N/A	N/A	
Percentage of occupancy	34.53	36.13	(1.60)	0.96	39.22	35.54	3.68	1.10	
Average daily census	8.63	9.03	(0.40)	0.96	9.81	8.89	0.92	1.10	
Average length of stay	2.94	3.08	(0.14)	0.96	3.30	3.08	0.23	1.07	
Discharges	88.00	88.00	-	1.00	1,086.00	1,056.00	30.00	1.03	
Admissions	94.00	89.00	5.00	1.06	1,087.00	1,068.00	19.00	1.02	
Gross profit-revenue depts.	4,201,026.86	3,956,884.00	244,142.86	1.06	50,902,204.44	47,482,938.00	3,419,266.44	1.07	
Percent to gross patient service revenue:									
Deductions from patient service revenue and bad debts									
Salaries and employee benefits	31.42	45.24	(13.82)	0.69	42.40	45.24	(2.84)	0.94	
Occupancy expenses	31.07	34.38	(3.31)	0.90	32.18	34.38	(2.20)	0.94	
General service departments	10.17	3.54	6.63	2.87	4.16	3.54	0.62	1.18	
Fiscal services department	6.31	5.65	0.66	1.12	5.77	5.65	0.12	1.02	
Administrative departments	5.01	4.56	0.45	1.10	4.52	4.56	(0.04)	0.99	
Operating income (loss)	5.31	5.46	(0.15)	0.97	4.62	5.46	(0.84)	0.85	
Excess (deficiency) of revenues over expenses	8.93	1.70	7.23	5.25	5.75	1.70	4.05	3.38	
	11.81	3.84	7.97	3.08	8.00	3.84	4.16	2.08	
Payroll statistics:									
Average hourly rate (salaries and benefits)	37.55	41.24	(3.69)	0.91	39.57	41.24	(1.67)	0.96	
Worked hours	43,503.24	44,676.00	(1,172.76)	0.97	547,349.04	536,112.00	11,237.04	1.02	
Paid hours	50,417.86	50,524.00	(106.14)	1.00	619,794.95	606,288.00	13,506.95	1.02	
Full time equivalents (worked)	252.93	259.74	(6.82)	0.97	263.15	257.75	5.40	1.02	
Full time equivalents (paid)	293.13	293.74	(0.62)	1.00	297.98	291.48	6.49	1.02	

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of June 30, 2008 Preliminary

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	719,521.06	6,100,160.11
Net Assets due/to transferred from unrestricted	-	(99,188.98)
Net assets released from restrictions used for operations	10,000.00	881,990.00
Net assets released from restrictions used for payment of long-term debt	-	(786,490.00)
Contributions and interest income	149.71	102,907.26
Increase in unrestricted net assets	<u>729,670.77</u>	<u>6,199,378.39</u>
Temporarily restricted net assets:		
District tax allocation	-	903,638.52
Net assets released from restrictions	(10,000.00)	(881,990.00)
Restricted contributions	100.00	15,105.00
Interest income	147.14	691.98
Increase (decrease) in temporarily restricted net assets	<u>(9,752.86)</u>	<u>37,445.50</u>
Increase (decrease) in net assets	719,917.91	6,236,823.89
Net assets, beginning of period	37,258,884.92	31,741,978.94
Net assets, end of period	<u>37,978,802.83</u>	<u>37,978,802.83</u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of June 30, 2008 Preliminary

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	719,917.91	6,236,823.89
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	379,487.90	2,177,176.22
Provision for bad debts	109,991.42	1,711,337.51
Loss (gain) on disposal of equipment	16,998.62	114,150.49
(Increase) decrease in:		
Patient and other receivables	(345,915.96)	(2,723,756.25)
Other current assets	(81,927.65)	(82,525.32)
Plant Expansion and Replacement Cash	377,156.83	9,003,716.15
Increase (decrease) in:		
Accounts payable and accrued expenses	242,352.15	515,325.76
Third-party payors	-	721,290.00
Net cash provided (used) by operating activities	<u>1,418,061.22</u>	<u>17,673,538.45</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(387,063.54)	(14,247,762.36)
Purchase of investments	(1,490,837.26)	(5,618,011.54)
Proceeds from disposal of equipment	6,480.51	(87,466.36)
Net cash provided (used) in investing activities	<u>(1,871,420.29)</u>	<u>(19,953,240.26)</u>
 Cash flows from financing activities:		
Long-term debt	(8,561.03)	3,489,355.21
Issuance of revenue bonds	121,744.08	5,393.20
Unamortized bond costs	1,486.95	17,843.40
Increase (decrease) in donor-restricted funds, net	9,603.15	(140,352.76)
Net cash provided by (used in) financing activities	<u>124,273.15</u>	<u>3,372,239.05</u>
 Increase (decrease) in cash and cash equivalents	<u>(329,085.92)</u>	<u>1,092,537.24</u>
 Cash and cash equivalents, beginning of period	<u>2,763,301.47</u>	<u>1,341,678.31</u>
 Cash and cash equivalents, end of period	<u>2,434,215.55</u>	<u>2,434,215.55</u>

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

Month	Operations Checking Account			Time Deposit Month-End Balances									
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Investment Operations Fund	Bond and Interest Fund (2)	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund	Total Revenue Bond Fund (1)	Project Revenue Bond Fund (1)	General Obligation Bond Fund
January	799,688	3,470,821	3,178,334	1,092,175	20,699,869	533,220	25,185	3,034	5,854	432,993	729,781	18,154	4,996,062
February	1,092,175	3,784,341	3,845,492	1,031,024	21,348,607	533,220	25,185	3,034	5,854	433,239	773,502	18,193	3,693,002
March	1,031,024	8,396,549	9,206,848	220,726	22,761,607	533,397	25,192	3,035	5,855	433,438	817,192	18,221	2,905,472
April	220,726	5,565,892	5,070,387	716,230	21,993,157	533,397	25,192	3,035	5,855	532,756	904,546	18,258	2,706,314
May	716,230	4,861,035	4,171,128	1,406,138	22,583,401	505,947	25,192	3,035	20,855	532,894	934,534	18,258	2,318,199
June	1,406,138	3,979,790	4,241,108	1,144,820	24,112,234	506,089	25,199	3,036	10,960	533,038	782,802	18,278	1,941,042
PRIOR YEAR													
July *	1,040,628	3,387,765	3,921,993	506,401	20,781,983	440,641	25,157	3,031	5,842	430,618	830,478	17,810	8,999,586
August	506,401	4,397,557	4,059,627	844,331	20,725,316	478,140	25,157	3,031	5,842	431,050	872,949	17,876	8,000,350
September	844,331	3,624,606	4,136,051	332,887	21,064,617	478,437	25,173	3,033	5,846	431,441	915,472	17,935	6,743,527
October	332,887	5,621,707	5,376,158	578,436	19,686,180	34,442	25,173	3,033	5,846	431,874	958,132	17,996	6,095,837
November	578,436	4,268,508	4,207,737	639,207	19,167,169	34,442	25,173	3,033	5,846	432,257	1,020,656	18,056	5,862,534
December	639,207	4,613,761	4,453,280	799,688	19,603,236	533,220	25,185	3,034	5,849	432,642	686,080	18,106	4,973,046

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

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

Investments as of 6/30/2008

ID	Purchase Date	Maturity Date	Institution	Broker	Certificate ID	Rate	Yield%	Principal Invested
1	02-Jun-08	01-Jul-08	Local Agency Investment Fund	Northern Inyo Hospital	20-14-002	2.89%	2.89%	302,915.07
2	25-Jun-08	01-Jul-08	Local Agency Investment Fund	Northern Inyo Hospital	20-14-002 Walker	2.89%	2.89%	7,356,991.54
3	19-Dec-07	02-Jul-08	Bear Stearns Co Note	Multi-Bank Service	073902CC0	5.06%	5.06%	988,600.00
4	13-Jun-08	16-Sep-08	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XAU88	4.04%	1.87%	100,554.10
5	15-Oct-03	15-Oct-08	R-G Crown Bank	Financial Northeast Corp.	74956XAAA4	4.00%	4.00%	97,000.00
6	17-Jun-08	01-Nov-08	Associates Corp North America Sr Nts	Multi-Bank Service	046003JT7	3.26%	3.26%	505,450.00
7	09-Oct-07	24-Nov-08	Citigroup Med Term Note	Multi-Bank Service	125581AS7	5.33%	5.33%	1,330,153.95
8	28-Apr-08	08-Dec-08	First Tennessee Bank Note	Multi-Bank Service	33715WCM6	5.21%	5.21%	800,000.00
9	12-Jun-08	12-Dec-08	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XDT76	4.75%	2.00%	101,361.11
10	04-Jan-05	05-Jan-09	Mutual Bank	Financial Northeast Corp.	9N01836	4.36%	4.36%	99,000.00
11	17-Jun-08	16-Mar-09	Fedl National Mtg Asso-Wachovia	WACHOVIA SECURITIES	31359MUQ4	3.13%	2.27%	100,626.26
12	22-Feb-08	25-Mar-09	Bear Stearns Co Note	Multi-Bank Service	073902CF3	4.43%	4.43%	3,073,286.72
13	21-Sep-07	01-Apr-09	Citigroup Med Term Note	Multi-Bank Service	125581AJ7	3.38%	3.38%	239,293.07
14	12-Jun-08	19-Jun-09	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XFVF0	5.25%	2.55%	102,702.62
Maturing Fiscal Year 2009								
15,197,934.44								
15	03-Jun-08	01-Jul-09	International Lease Finance Corp	Multi-Bank Service	459745FM2	4.75%	4.22%	1,005,500.00
16	17-Jun-08	01-Nov-09	Cantella & Co., Inc	Gemini Financial	31282VBY0	4.50%	4.50%	83,980.79
17	21-Sep-07	01-Nov-09	Citigroup Med Term Note	Multi-Bank Service	12560PCL3	6.88%	6.65%	702,986.88
18	22-Feb-08	07-Dec-09	Bear Stearns Co Note	Multi-Bank Service	073902BR8	7.63%	4.58%	933,927.36
19	30-Dec-04	30-Dec-09	Capital City Bank and Trust	Financial Northeast Corp.	9N01713	4.75%	4.75%	99,000.00
20	22-Apr-05	22-Apr-10	Bank of Waukegan	Financial Northeast Corp.	065563AR9	4.75%	4.75%	99,000.00
20	24-Apr-08	15-May-10	American General Finance Corp Note	Multi-Bank Service	02635PSV6	4.79%	4.47%	503,905.00
Maturing Fiscal Year 2010								
3,428,300.03								
21	23-Jul-07	23-Jul-10	Federal Home Loan Bank-MBS	Multi-Bank Service	3133XLIH4	5.50%	5.50%	500,000.00
22	13-Nov-07	04-Aug-10	Merrill Lynch & Co Inc	Multi-Bank Service	59018YVV0	4.79%	5.35%	986,000.00
Maturing Fiscal Year 2011								
1,486,000.00								
23	12-Mar-08	12-Sep-11	Federal Home Loan Mtg Corp-FNC	Financial Northeast Corp.	3128X64I2	4.05%	4.05%	1,000,000.00
Maturing Fiscal Year 2012								
1,000,000.00								
24	18-Mar-08	01-Mar-13	Federal Home Loan Mtg Corp-FNC	Financial Northeast Corp.	3128X7BFO	4.38%	4.38%	3,000,000.00
Maturing Fiscal Year 2013								
3,000,000.00								
GRAND TOTAL ALL INVESTMENTS								24,112,234.47

Financial Indicators

	Target	Jun-08	May-08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07	Jul-07
Current Ratio	>1.5-2.0	3.70	4.28	4.09	3.85	4.22	4.42	4.43	4.28	4.12	4.43	4.69	4.97
Quick Ratio	>1.33-1.5	3.31	3.85	3.64	3.40	3.44	3.63	3.99	3.84	3.71	4.04	4.29	4.56
Days Cash on Hand	>75	233.38	239.70	254.30	229.19	274.52	258.26	270.34	263.64	267.90	303.54	283.51	310.04

NORTHERN INYO HOSPITAL
STATISTICS


MONTHS	IP		SURGERIES		TOTAL	BIRTHS		ADMITTS		ER		OP REFERRALS		ADMITTS (W/NB)		PT DAYS (W/O NB)		PT DAYS (W/NB)		DISCH (W/NB)																	
	06	07	06	07		06	07	06	07	06	07	06	07	06	07	06	07	06	07	06	07	06	07														
2008	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08													
JANUARY	40	38	33	72	73	106	112	111	139	19	17	16	60	47	48	563	510	573	3135	3331	3237	126	111	107	370	299	329	410	350	364	124	106	96				
FEBRUARY	29	24	17	62	59	81	94	83	98	20	19	14	44	14	39	467	521	545	3100	2991	3165	106	107	86	255	251	241	303	291	274	113	105	96				
MARCH	50	25	32	104	53	82	151	78	114	26	17	13	63	49	43	643	480	506	3387	3079	3285	152	117	108	333	286	318	399	322	349	149	116	102				
APRIL	31	31	35	81	59	120	112	90	155	18	17	14	54	48	61	474	525	558	3445	3251	3611	114	105	112	310	245	307	346	276	338	116	112	118				
MAY	31	38	41	73	95	110	104	133	151	20	19	27	53	40	68	564	580	594	3313	3343	3406	111	112	128	345	299	316	381	342	376	106	103	126				
JUNE	49	27	33	76	70	83	125	97	116	16	12	18	44	41	38	552	511	580	3235	3186	3388	107	104	112	307	297	258	342	323	294	97	107	108				
JULY	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/		
AUGUST	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
SEPTEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
OCTOBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	
NOVEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
DECEMBER	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/	/
CALENDAR YEAR	230	183	191	465	409	582	695	592	773	119	101	102	318	239	297	3163	3107	3356	19315	19181	20092	716	656	653	1920	1677	1769	2181	1904	1995	705	649	646				
MONTHLY AVERAGE	38	31	32	78	68	97	116	99	129	20	17	17	53	40	50	527	518	559	3,219	3,197	3,349	119	109	109	320	280	295	364	317	333	118	108	108				

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2008	* * *			* * *			* * *			* * *			* * *			* * *			* * *			* * *			
	DIAGNOSTIC RADIOLOGY	MAMMOGRAPHY	NUCLEAR MEDICINE	ULTRASOUND	CT SCANNING	MRI	LABORATORY	EKG/ EEG	PHYSICAL THERAPY	RESPIRATORY THERAPY	RURAL HEALTH CLINIC	TOTALS	06	07	08	06	07	08	06	07	08	06	07	08	
JANUARY	312 / 308 / 544	229 / 198 / 193	29 / 36 / 71	107 / 166 / 205	123 / 112 / 170	85 / 86 / 89	1886 / 1621 / 1809	103 / 139 / 103	302 / 335 / 335	12 / 19 / 10	1029 / 941 / 1057	4017 / 3961 / 4586													
FEBRUARY	250 / 263 / 593	211 / 194 / 193	60 / 38 / 63	135 / 157 / 205	111 / 102 / 217	92 / 71 / 85	1633 / 1662 / 1744	82 / 84 / 113	361 / 302 / 364	19 / 19 / 11	970 / 965 / 1150	3924 / 3857 / 4738													
MARCH	329 / 269 / 529	83 / 122 / 311	52 / 29 / 133	133 / 144 / 223	126 / 95 / 233	105 / 76 / 403	1853 / 1734 / 1774	132 / 100 / 149	425 / 340 / 346	14 / 16 / 12	1099 / 1095 / 1211	4351 / 4020 / 5324													
APRIL	254 / 258 / 697	237 / 246 / 199	35 / 46 / 183	109 / 139 / 196	107 / 123 / 284	84 / 105 / 453	1984 / 1767 / 1984	84 / 85 / 121	397 / 300 / 410	21 / 14 / 14	915 / 883 / 1318	4227 / 3966 / 5839													
MAY	263 / 262 / 613	241 / 230 / 479	41 / 85 / 167	122 / 150 / 213	110 / 131 / 230	88 / 100 / 424	1741 / 1743 / 1758	95 / 112 / 137	374 / 295 / 349	18 / 18 / 9	958 / 1007 / 1308	4051 / 4133 / 5687													
JUNE	257 / 284 / 616	220 / 243 / 486	32 / 37 / 118	128 / 149 / 186	119 / 128 / 156	111 / 101 / 542	1828 / 2203 / 1752	104 / 90 / 123	370 / 260 / 314	10 / 7 / 19	859 / 864 / 1247	4038 / 4346 / 5559													
JULY	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
AUGUST	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
SEPTEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /													
CALENDAR YEAR	1665 / 1624 / 3592	1221 / 1233 / 1861	249 / 271 / 735	734 / 905 / 1228	696 / 691 / 1270	565 / 539 / 1996	10725 / 10730 / 10821	600 / 610 / 746	2229 / 1832 / 2118	94 / 93 / 75	5830 / 5755 / 7291	24608 / 24283 / 31733													
MONTHLY AVERAGES	278 / 271 / 599	204 / 206 / 310	42 / 45 / 123	122 / 151 / 205	116 / 115 / 212	94 / 90 / 333	1728 / 1728 / 1804	100 / 102 / 124	372 / 305 / 353	16 / 16 / 13	972 / 959 / 1215	4101 / 4047 / 5289													

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

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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 1995-96	Hospital Information System	\$1,300,000
FY 2006-07	Platelet Incubator/Agitator Purchase (non-budget)	2,600
	QuadraMed Tempus One Scheduling System (Includes Surgery Module)	224,634 *
	GE Centricity RHC Electronic Health Record Software	110,964 *
	Hologic Stereotactic Breast Biopsy System	122,775 *
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,760,973</u>
FY 2007-08	Biomerieux Blood Culture Instrument	47,275 *
	Manageware Infant Security Solution	45,001 * 
	Contract Management Software	4,400 *
	GE Pelvic Ultrasound for RHC	47,351 *
	Network Switch Upgrade	154,620 *
	Gemstar Pain Management Devices	34,978 *
	GE Pelvic Ultrasound for OB	38,913 *
	Clark Equipment TMX 20 Forklift	33,539 *
	Seimens Patient Monitor SC 9000XL	7,799
	Node Seeker 800 System	28,106 *
	Pulmonary Function Equipment	30,965 *
	FCR Carbon XL with Lite IIP	71,889 *
	3-D FOR M.E.P.	45,000
	OMNICELL COLOR TOUCH	58,354

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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
	RHC MODULAR BUILDING BUY-OUT	211,749 *
	OEC 9900 ELITE DIGITAL MOBIL C-ARM	187,054 *
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>1,046,993</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	1,760,973
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>1,046,993</u>
	Year-to-Date Board-Approved Amount to be Expended	1,413,752
	Year-to-Date Administrator-Approved Amount	407,666 *
	Actually Expended in Current Fiscal Year	<u>1,394,214 *</u>
	Year-to-Date Completed Building Project Expenditures	485,248 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>3,215,632</u></u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures (Hospital Information System and Building Project)	19,080,152

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

MONTH		
APPROVED		
BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES		AMOUNT
Reconciling Totals:		
Actually Capitalized in the Current Fiscal Year Total-to-Date		1,801,880
Plus: Lease Payments from a Previous Period		0
Less: Lease Payments Due in the Future		0
Less: Funds Expended in a Previous Period		0
Plus: Other Approved Expenditures		<u>1,413,752</u>
ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE		<u><u>3,215,632</u></u>
Donations by Auxiliary		0
Donations by Hospice of the Owens Valley		0
Donations by Others (Barry Miller & Associates for Infant Security System)		5,000
Donations by Others (Union Bank of California for Infant Security System)		<u>1,000</u>
		<u><u>6,000</u></u>

*Completed Purchase

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

**Completed in prior fiscal year

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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:		
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
Total-To-Date Board Approved Construction Amounts to be reimbursed from Revenue Bonds & General Obligation Bond		<u><u>59,647,328</u></u>
Total-To-Date Spent on Construction In Progress from Rev Bonds for Incomplete Projects (Includes Architect Fees for Future Phases)		

*Completed Purchase

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

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
DATADIRECTOR ON VMWARE	IT	6,000		
IVENT DISASTER VENTILATOR	RESPIRATORY THERAF	10,236		
CISCO CATALYST 2960	IT	4,882		
Month Ending June 30, 2008			21,118	407,666

Northern Inyo Hospital

PLANT EXPANSION AND REPLACEMENT BUILDING PROJECTS

(Completed and Occupied or Installed)

Item		Amount	Grand Total
MILNOR 165 LB WASHER/TRACTORS	Laundry Equipment Lease	140,075	
MILNOR 100 LB WASHER/EXTRACTOR	Laundry Equipment Lease	70,038	
MILNOR M175 DRYERS	Laundry Equipment Lease	32,325	
CHICAGO 28" IRONER/FOLDER	Laundry Equipment Lease	102,363	
CHICAGO OPL ULTRA COMPACT FEED	Laundry Equipment Lease	30,170	
AIR CHICAGO TOWEL FOLDER	Laundry Equipment Lease	30,170	
PARKER BOILER WH730 W/TANK	Laundry Equipment Lease	16,163	
CLEAN CYCLE LINT FILTER	Laundry Equipment Lease	10,775	
FREIGHT AND INSTALLATION FOR LAUNDRY EQUIP	Laundry Equipment Lease	40,240	
INGERSOLL RAND AIR COMPRESSOR	Laundry Equipment Lease	12,930	
Month Ending January 31, 2008		485,248	485,248
INFINIA HAWKEYE 4 INTEGRATED IMAGING SYSTEM	GE RADIOLOGY LEASE	549,440	
LIGHTSPEED VCT 64 SLICE	GE RADIOLOGY LEASE	1,438,446	
DEFINIUM 8000 DUAL DIGITAL DETECTOR SYSTEM	GE RADIOLOGY LEASE	426,802	
PRECISION 500D	GE RADIOLOGY LEASE	347,072	
DEFINIUM AMX 700 SSTEM	GE RADIOLOGY LEASE	227,796	
DEXA PRODIGY ADVANCE PLUS FULL	GE RADIOLOGY LEASE	74,463	
COMPUTER PRODIGY PREMIUM	GE RADIOLOGY LEASE	1,450	
LUNAR QC PHANTOM	GE RADIOLOGY LEASE	1,500	
UPS LUNAR	GE RADIOLOGY LEASE	1,995	
Month Ending March 31, 2008		3,068,963	3,554,211
FIBER CABLING INSTALLATION	CLINIC, PMA & RT BLDG	57,893	
LAUNDRY EQUIP PLANS & PLUMBING	SUPPORT BUILDING	1,936	
KRONOS TIMEKEEPERS FOR NEW BUILDINGS	SUPP & RAD BLDG	5,875	
CONCRETE SIDES RADIOLOGY BUILDING	GROUND	18,789	
CONDUIT & WIRING 2008 CONSTRUCTION	GROUND	4,120	
DATA & PHONE SUPPORT BUILDING	GROUND	32,433	
GROUND-TRAILERS 2008 CONSTRUCTION	GROUND	5,875	
IRRIGATION SYSTEM 2008 CONSTRUCTION	GROUND	1,324	
LANDSCAPING 2008 CONSTRUCTION	GROUND	28,263	
SIGNAGE FOR SUPPORT BUILDING	GROUND	4,460	
SIGNAGE FOR RADIOLOGY BUILDING	GROUND	20,936	
BOILERS-SUPPORT BUILDING	BUILDINGS	11,754	
INSPECTORS TRAILER POWER	BUILDINGS	6,197	
RADIOLOGY-BUILDING COSTS	BUILDINGS	6,733,513	
RADIOLOGY-TEMPORARY TRAILER NOW RT	BUILDINGS	10,481	
SCHOOL TRAILER WORK	BUILDINGS	3,720	
SUPPORT-BUILDING COSTS	BUILDINGS	6,975,625	
AIR CONDITIONAL SYSTEM-SUPPORT BUILDING	BUILDING SERVICE EQUIP	12,621	

Northern Inyo Hospital

PLANT EXPANSION AND REPLACEMENT BUILDING PROJECTS

(Completed and Occupied or Installed)

Item		Amount	Grand Total
BSE-ELECTRIC & POWER	BUILDING SERVICE EQUIP	129,270	
BSE-ELECTRIC & POWER/MEDICAL OFFICE	BUILDING SERVICE EQUIP	5,433	
INCINERATOR ENCLOSURE	BUILDING SERVICE EQUIP	3,972	
LEAD LINED CABINETS	BUILDING SERVICE EQUIP	15,606	
PLUMBING-NEW SEWER & WATER LINES	BUILDING SERVICE EQUIP	10,444	
SECURITY FOR RADIOLOGY	BUILDING SERVICE EQUIP	1,595	
STORAGE SYSTEM	BUILDING SERVICE EQUIP	71,571	
TELEPHONE	BUILDING SERVICE EQUIP	9,351	
TELEPHONE & DATA WIRING	BUILDING SERVICE EQUIP	133,883	
WAREHOUSE SHELVING	BUILDING SERVICE EQUIP	9,601	
Month Ending June 30, 2008		14,326,542	17,880,753

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BUDGET VARIANCE ANALYSIS

Jul-08 PERIOD ENDING PRIOR TO AUDIT

In the month, NIH was

		3%	over budget in IP days; under in IP Ancillary and over in OP Revenue resulting in
\$ 262,061	(	4.0%	) over in gross patient revenue from budget and
\$ (55,815)	(	-1.4%	) under in net patient revenue from budget

Total Expenses were:

\$ 14,378	(	0.4%	) over budget. Wages and Salaries were
\$ (79,324)	(	-5.5%	) under budget and Employee Benefits
\$ 91,892	(	11.3%	) over budget.
\$ 180,393			of other income resulted in a net income of
\$ 235,003	\$	8,550	over budget.

The following expense areas were over budget for the month:

\$ 91,892	11%	Employee Benefits for Medical Claims
\$ 92,508	33%	Professional Fees; registry staff & Physicians Interest Expense due to 2005 General Obligation Bond Interest payments no longer being
\$ 65,810	144%	Capitalized Depreciation due to unestimate of building
\$ 991	1%	depreciation during budget process
\$ 23,247	10%	Other Expenses due to new lease for Clinical

Other Information:

43.75%	Contractual Percentages for month
43.75%	Contractual Percentages for Year

\$ 235,003 Year-to-date Net Revenue

Special Notes for Month:

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

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

NORTHERN INYO HOSPITAL

Balance Sheet

July 31, 2008

Assets

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

NORTHERN INYO HOSPITAL

Balance Sheet

July 31, 2008

Liabilities and net assets

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

NORTHERN INYO HOSPITAL

Statement of Operations

As of July 31, 2008

	MTD		MTD		YTD		YTD	
	Actual	Budget	Variance \$	Variance %	Actual	Budget	Variance \$	Variance %
	MTD Actual	MTD Budget	Variance \$	%	YTD Actual	YTD Budget	Variance \$	%
Unrestricted revenues, gains and other support:								
In-patient service revenue:								
Routine	583,161	607,596	(24,435)	(4.0)	583,161	607,596	(24,435)	(4.0)
Ancillary	1,867,491	2,028,606	(161,115)	(7.9)	1,867,491	2,028,606	(161,115)	(7.9)
Total in-patient service revenue	2,450,652	2,636,202	(185,550)	-7.0%	2,450,652	2,636,202	(185,550)	-7.0%
Out-patient service revenue	4,396,358	3,948,747	447,611	11.3	4,396,358	3,948,747	447,611	11.3
Gross patient service revenue	6,847,010	6,584,949	262,061	4.00	6,847,010	6,584,949	262,061	4.0
Less deductions from patient service revenue:								
Patient service revenue adjustments	359,951	142,545	(217,406)	(152.5)	359,951	142,545	(217,406)	(152.5)
Contractual adjustments	2,710,847	2,535,204	(175,643)	(6.9)	2,710,847	2,535,204	(175,643)	(6.9)
Prior Period Adjustments	(75,173)	-	75,173	N/A	(75,173)	-	75,173	N/A
Total deductions from patient service revenue	2,995,625	2,677,749	(317,876)	(11.9)	2,995,625	2,677,749	(317,876)	(11.9)
Net patient service revenue	3,851,385	3,907,200	(55,815)	-1%	3,851,385	3,907,200	(55,815)	-1%
Other revenue	32,993	28,005	4,988	17.8	32,993	28,005	4,988	17.8
Transfers from Restricted Funds for								
Other Operating Expenses	65,541	65,541	-	-	65,541	65,541	-	0.0
Total Other revenue	98,534	93,546	4,988	5.3	98,534	93,546	4,988	5.3
Total revenue, gains and other support	3,949,920	4,000,746	(50,826)	5.3	3,949,920	4,000,746	(50,826)	5.3
Expenses:								
Salaries and wages	1,353,204	1,432,528	79,324	5.5	1,353,204	1,432,528	79,324	5.5
Employee benefits	905,760	813,868	(91,892)	(11.3)	905,760	813,868	(91,892)	(11.3)
Professional fees	374,039	281,531	(92,508)	(32.9)	374,039	281,531	(92,508)	(32.9)
Supplies	468,552	474,570	6,018	1.3	468,552	474,570	6,018	1.3
Purchased services	188,129	194,833	6,704	3.4	188,129	194,833	6,704	3.4
Depreciation	210,141	209,150	(991)	(0.5)	210,141	209,150	(991)	(0.5)
Interest	111,646	45,836	(65,810)	(143.6)	111,646	45,836	(65,810)	(143.6)
Bad debts	-	168,022	168,022	100.0	-	168,022	168,022	100.0
Other	264,784	241,537	(23,247)	(9.6)	264,784	241,537	(23,247)	(9.6)
Total expenses	3,876,253	3,861,875	(14,378)	(0.4)	3,876,253	3,861,875	(14,378)	(0.4)
Operating income (loss)	73,666	138,871	(65,205)	5.7	73,666	138,871	(65,205)	5.7
Other income:								
District tax receipts	47,650	37,013	10,637	28.7	47,650	37,013	10,637	28.7
Interest	95,626	60,000	35,626	59.4	95,626	60,000	35,626	59.4
Other	37,117	8,333	28,784	345.4	37,117	8,333	28,784	345.4
Grants and Other Non-Restricted Contributions	-	3,333	(3,333)	(100.0)	-	3,333	(3,333)	(100.0)
Partnership Investment Income	-	-	-	N/A	-	-	-	N/A
Total other income, net	180,393	108,679	71,714	66	180,393	108,679	71,714	66.0
Non-Operating Expense								
Medical Office Expense	12,489	13,408	919	6.9	12,489	13,408	919	6.9
Urology Office	6,568	7,689	1,121	14.6	6,568	7,689	1,121	14.6
Total Non-Operating Expense	19,056	21,097	2,041	9.7	19,056	21,097	2,041	9.7
Excess (deficiency) of revenues over expenses	235,003	226,453	8,550	3.8	235,003	226,453	8,550	3.8

NORTHERN INYO HOSPITAL
Statement of Operations--Statistics
As of July 31, 2008

	Month			YTD Actual	Year		
	Month Actual	Month Budget	Variance		YTD Budget	Variance	Percentage
Operating statistics:							
Beds	25.00	25.00	N/A	25.00	25.00	N/A	N/A
Patient days	274.00	265.00	9.00	274.00	265.00	9.00	1.03
Maximum days per bed capacity	775.00	750.00	N/A	775.00	750.00	N/A	N/A
Percentage of occupancy	35.35	35.33	0.02	35.35	35.33	0.02	1.00
Average daily census	8.84	8.83	0.01	8.84	8.83	0.01	1.00
Average length of stay	3.34	3.01	0.33	3.34	3.01	0.33	1.11
Discharges	82.00	88.00	(6.00)	82.00	88.00	(6.00)	0.93
Admissions	78.00	87.00	(9.00)	78.00	87.00	(9.00)	0.90
Gross profit-revenue depts.	4,499,123.04	4,321,007.00	178,116.04	4,499,123.04	4,321,007.00	178,116.04	1.04
Percent to gross patient service revenue:							
Deductions from patient service revenue and bad debts							
Salaries and employee benefits	43.75	43.22	0.53	43.75	43.22	0.53	1.01
Occupancy expenses	32.96	34.08	(1.12)	32.96	34.08	(1.12)	0.97
General service departments	5.14	4.38	0.76	5.14	4.38	0.76	1.17
Fiscal services department	6.18	6.28	(0.10)	6.18	6.28	(0.10)	0.98
Administrative departments	4.82	4.74	0.08	4.82	4.74	0.08	1.02
Operating income (loss)	5.16	5.37	(0.21)	5.16	5.37	(0.21)	0.96
Excess (deficiency) of revenues over expenses	0.80	1.84	(1.04)	0.80	1.84	(1.04)	0.43
	3.43	3.44	(0.01)	3.43	3.44	(0.01)	1.00
Payroll statistics:							
Average hourly rate (salaries and benefits)	43.16	43.24	(0.08)	43.16	43.24	(0.08)	1.00
Worked hours	45,892.40	47,276.00	(1,383.60)	45,892.40	47,276.00	(1,383.60)	0.97
Paid hours	52,282.30	51,895.00	387.30	52,282.30	51,895.00	387.30	1.01
Full time equivalents (worked)	260.75	273.27	(12.52)	260.75	273.27	(12.52)	0.95
Full time equivalents (paid)	297.06	299.97	(2.91)	297.06	299.97	(2.91)	0.99

NORTHERN INYO HOSPITAL

Statements of Changes in Net Assets

As of July 31, 2008

	<u>Month-to-date</u>	<u>Year-to-date</u>
Unrestricted net assets:		
Excess (deficiency) of revenues over expenses	235,002.71	235,002.71
Net Assets due/to transferred from unrestricted	-	-
Net assets released from restrictions used for operations	32,375.00	32,375.00
Net assets released from restrictions used for payment of long-term debt	(65,541.00)	(65,541.00)
Contributions and interest income	743.41	743.41
Increase in unrestricted net assets	<u>202,580.12</u>	<u>202,580.12</u>
Temporarily restricted net assets:		
District tax allocation	-	-
Net assets released from restrictions	(32,375.00)	(32,375.00)
Restricted contributions	-	-
Interest income	-	-
Net Assets for Long-Term Debt due from County	65,541.00	65,541.00
Increase (decrease) in temporarily restricted net assets	<u>33,166.00</u>	<u>33,166.00</u>
Increase (decrease) in net assets	235,746.12	235,746.12
Net assets, beginning of period	37,978,802.83	37,978,802.83
Net assets, end of period	<u>38,214,548.95</u>	<u>38,214,548.95</u>

NORTHERN INYO HOSPITAL

Statements of Cash Flows

As of July 31, 2008

	<u>Month-to-date</u>	<u>Year-to-date</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	235,746.12	235,746.12
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: (correcting debt payment)	-	-
Depreciation	210,140.68	210,140.68
Provision for bad debts	-	-
Loss (gain) on disposal of equipment	100.00	100.00
(Increase) decrease in:		
Patient and other receivables	(144,821.52)	(144,821.52)
Other current assets	(123,056.96)	(123,056.96)
Plant Expansion and Replacement Cash	44,487.22	44,487.22
Increase (decrease) in:		
Accounts payable and accrued expenses	398,157.17	398,157.17
Third-party payors	(75,000.00)	(75,000.00)
Net cash provided (used) by operating activities	<u>545,752.71</u>	<u>545,752.71</u>
Cash flows from investing activities:		
Purchase of property and equipment	(249,613.47)	(249,613.47)
Purchase of investments	(1,044,971.90)	(1,044,971.90)
Proceeds from disposal of equipment	(100.00)	(100.00)
Net cash provided (used) in investing activities	<u>(1,294,685.37)</u>	<u>(1,294,685.37)</u>
Cash flows from financing activities:		
Long-term debt	(38,561.03)	(38,561.03)
Issuance of revenue bonds	(43,629.54)	(43,629.54)
Unamortized bond costs	1,486.95	1,486.95
Increase (decrease) in donor-restricted funds, net	31,631.59	31,631.59
Net cash provided by (used in) financing activities	<u>(49,072.03)</u>	<u>(49,072.03)</u>
Increase (decrease) in cash and cash equivalents	(798,004.69)	(798,004.69)
Cash and cash equivalents, beginning of period	<u>2,434,215.55</u>	<u>2,434,215.55</u>
Cash and cash equivalents, end of period	<u>1,636,210.86</u>	<u>1,636,210.86</u>

Investments as of 7/31/2008

ID	Purchase Date	Maturity Date	Institution	Broker	Certificate ID	Rate	Yield%	Principal Invested
1	02-Jun-08	01-Jul-08	Local Agency Investment Fund	Northern Inyo Hospital	20-14-002	2.79%	2.79%	9,360,858.37
2	25-Jun-08	01-Jul-08	Local Agency Investment Fund	Northern Inyo Hospital	20-14-002 Walker	2.79%	2.79%	305,218.00
4	13-Jun-08	16-Sep-08	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XAU88	4.04%	1.87%	100,554.10
5	15-Oct-03	15-Oct-08	R-G Crown Bank	Financial Northeast Corp.	74956XAAA4	4.00%	4.00%	97,000.00
6	17-Jun-08	01-Nov-08	Associates Corp North America Sr Nts	Multi-Bank Service	0460003JT7	3.26%	3.26%	505,450.00
7	09-Oct-07	24-Nov-08	Citigroup Med Term Note	Multi-Bank Service	125581AS7	5.33%	5.33%	1,330,153.95
8	28-Apr-08	08-Dec-08	First Tennessee Bank Note	Multi-Bank Service	33715WCM6	5.21%	5.21%	800,000.00
9	12-Jun-08	12-Dec-08	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XDT76	4.75%	2.00%	101,361.11
10	04-Jan-05	05-Jan-09	Mutual Bank	Financial Northeast Corp.	9N01836	4.36%	4.36%	99,000.00
11	17-Jun-08	16-Mar-09	Fedl National Mtg Asso-Wachovia	WACHOVIA SECURITIES	31359MUQ4	3.13%	2.27%	100,626.26
12	22-Feb-08	25-Mar-09	Bear Stearns Co Note	Multi-Bank Service	073902CF3	4.43%	4.43%	3,073,286.72
13	21-Sep-07	01-Apr-09	Citigroup Med Term Note	Multi-Bank Service	125581AJ7	3.38%	3.38%	239,293.07
14	12-Jun-08	19-Jun-09	Federal Home Loan Bank-Wachovia	WACHOVIA SECURITIES	3133XFPF0	5.25%	2.55%	102,702.62
Maturing Fiscal Year 2009								
16,215,504.20								
15	03-Jun-08	01-Jul-09	International Lease Finance Corp	Multi-Bank Service	459745FM2	4.75%	4.22%	1,005,500.00
16	21-Sep-07	01-Nov-09	Citigroup Med Term Note	Multi-Bank Service	12560PCL3	6.88%	6.65%	702,986.88
17	22-Feb-08	01-Nov-09	Federal Home Loan Mtg Corp-MBS	Multi-Bank Service	31282VBY0	4.50%	4.50%	82,942.93
18	30-Dec-04	07-Dec-09	Bear Stearns Co Note	Multi-Bank Service	073902BR8	7.63%	4.58%	933,927.36
19	25-Jul-08	30-Dec-09	Capital City Bank and Trust	Financial Northeast Corp.	9N01713	4.75%	4.75%	99,000.00
20	22-Apr-05	01-Mar-10	Schwab Medium Term Note	Multi-Bank Service	80851QCX0	4.33%	4.33%	528,440.00
21	24-Apr-08	22-Apr-10	Bank of Waukegan	Financial Northeast Corp.	065563AR9	4.75%	4.75%	99,000.00
		15-May-10	American General Finance Corp Note	Multi-Bank Service	0263SFSV6	4.47%	4.47%	503,905.00
Maturing Fiscal Year 2010								
3,955,702.17								
22	13-Nov-07	04-Aug-10	Merrill Lynch & Co Inc	Multi-Bank Service	59018YVV0	4.79%	5.35%	986,000.00
Maturing Fiscal Year 2011								
986,000.00								
23	12-Mar-08	12-Sep-11	Federal Home Loan Mtg Corp-FNC	Financial Northeast Corp.	3128X64J2	4.05%	4.05%	1,000,000.00
Maturing Fiscal Year 2012								
1,000,000.00								
24	18-Mar-08	01-Mar-13	Federal Home Loan Mtg Corp-FNC	Financial Northeast Corp.	3128X7BFO	4.38%	4.38%	3,000,000.00
Maturing Fiscal Year 2013								
3,000,000.00								
GRAND TOTAL ALL INVESTMENTS								
25,157,206.37								

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

Month	Operations Checking Account			Time Deposit Month-End Balances									
	Balance at Beginning of Month	Deposits	Disbursements	Balance at End of Month	Investment Operations Fund	Bond and Interest Fund (2)	Equipment Donations Fund	Childrens Fund	Scholarship Fund	Tobacco Settlement Fund	Total Revenue Bond Fund (1)	Project Revenue Bond Fund (1)	General Obligation Bond Fund
January	799,688	3,470,821	3,178,334	1,092,175	20,699,869	533,220	25,185	3,034	5,854	432,993	729,781	18,154	4,996,062
February	1,092,175	3,784,341	3,845,492	1,031,024	21,348,607	533,220	25,185	3,034	5,854	433,239	773,502	18,193	3,693,002
March	1,031,024	8,396,549	9,206,848	220,726	22,761,607	533,397	25,192	3,035	5,855	433,438	817,192	18,221	2,905,472
April	220,726	5,565,892	5,070,387	716,230	21,993,157	533,397	25,192	3,035	5,855	532,756	904,546	18,258	2,706,314
May	716,230	4,861,035	4,171,128	1,406,138	22,583,401	505,947	25,192	3,035	20,855	532,894	934,534	18,258	2,318,199
June	1,406,138	3,979,790	4,241,108	1,144,820	24,112,234	506,089	25,199	3,036	10,960	533,038	782,802	18,278	1,941,042
July	1,144,820	3,591,736	4,304,179	432,378	25,157,206	473,714	25,799	3,036	10,960	533,181	826,431	18,297	1,896,555
PRIOR YEAR													
August	506,401	4,397,557	4,059,627	844,331	20,725,316	478,140	25,157	3,031	5,842	431,050	872,949	17,876	8,000,350
September	844,331	3,624,606	4,136,051	332,887	21,064,617	478,437	25,173	3,033	5,846	431,441	915,472	17,935	6,743,527
October	332,887	5,621,707	5,376,158	578,436	19,686,180	34,442	25,173	3,033	5,846	431,874	958,132	17,996	6,095,837
November	578,436	4,268,508	4,207,737	639,207	19,167,169	34,442	25,173	3,033	5,846	432,257	1,020,656	18,056	5,862,534
December	639,207	4,613,761	4,453,280	799,688	19,603,236	533,220	25,185	3,034	5,849	432,642	686,080	18,106	4,973,046

Notes:

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

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

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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2007-08	Seimens Patient Monitor SC 9000XL	7,799
	3-D FOR M.E.P.	45,000
	OMNICELL COLOR TOUCH	58,354
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>111,152</u>
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>0</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	111,152
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>0</u>
	Year-to-Date Board-Approved Amount to be Expended	111,152
	Year-to-Date Administrator-Approved Amount	122,265 *
	Actually Expended in Current Fiscal Year	<u>0 *</u>
	Year-to-Date Completed Building Project Expenditures	0 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u><u>233,417</u></u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures (Hospital Information System and Building Project)	0
Reconciling Totals:		
	Actually Capitalized in the Current Fiscal Year Total-to-Date	122,265
	Plus: Lease Payments from a Previous Period	0
	Less: Lease Payments Due in the Future	0
	Less: Funds Expended in a Previous Period	0
	Plus: Other Approved Expenditures	<u>111,152</u>

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

MONTH APPROVED BY BOARD DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u><u>233,417</u></u>
Donations by Auxiliary	0
Donations by Hospice of the Owens Valley	0
Donations by Others (Barry Miller & Associates for Infant Security System)	0
Donations by Others (Union Bank of California for Infant Security System)	<u>0</u>
	<u><u>0</u></u>

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

**Completed in prior fiscal year

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

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
Board Approved Construction and Remodel amounts to be Reimburse from Revenue Bonds:		
FY 1996-97	Central Plant and Emergency Power Generator	3,000,884 **
FY 1997-98	Administration/Office Building (Includes Furniture and Landscaping)	1,617,772 **
FY 2000-01	New Water Line Construction	89,962 **
FY 2001-02	Siemens ICU Patient Monitoring Equipment	170,245 **
	Central Plant and Emergency Power Generator OSHPD Fee	18464.5 **
FY 2003-04	Emergency Room Remodel (Included in New Building & Remodel)	0
FY 2004-05	Emergency Room Remodel (add to \$500,000) (In New Building & Remodel)	0
FY 2005-06	Hospital Building and Remodel	39,500,000
FY 2005-06	Construction Cost Overrun Approval	15,250,000
Total-To-Date Board Approved Construction Amounts to be reimbursed from Revenue Bonds & General Obligation Bond		<u><u>59,647,328</u></u>
Total-To-Date Spent on Construction In Progress from Rev Bonds for Incomplete Projects (Includes Architect Fees for Future Phases)		

*Completed Purchase

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

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
Sectional Furniture in Radiology Waiting Area	Radiology	2,263		
Dell T3400n Workstation	Information Technology	2,513		
Dell T3400n Workstation	Information Technology	2,513		
Dell OptiPlez 755n Minitower	Information Technology	1,335		
Dell OptiPlez 755n Minitower	Information Technology	1,335		
Dell OptiPlez 755n Minitower	Information Technology	1,335		
Dell OptiPlez 755n Minitower	Information Technology	1,335		
Interqual Software Program	Utilization Review	15,000		
Gynnie OB-GYN Stretcher	Emergency Room	7,924		
SM204 M-Series w/Big Wheel	Emergency Room	6,260		
MEDC Scale with Digital Handrail	EKG	1,915		
Catalyst 2960 48	Information Technology	3,759		
Catalyst 2960 48	Information Technology	3,759		
Catalyst 2960 48	Information Technology	3,759		
CISCO Aironet Antenna 2.0 DBI	Information Technology	3,139		
CISCO Aironet 1200 ser-802	Information Technology	9,938		
CISCO SmartNet Premium Licenses	Information Technology	1,944		
Fujitsu FI-5750C Flatbed Swivel Scanner	Information Technology	5,726		
Power Pal 3100	Laundry	7,721		
2.2 DBI Dipole Antenna Stations	Information Technology	119		
Power Injector for 1100	Information Technology	147		

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

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
Dell Ultrasharp 1908FP Flat Panel Monitor	Information Technology	272		
Dell Ultrasharp 1908FP Flat Panel Monitor	Information Technology	272		
GIF-Q180 EVIS Gastroscope	Surgery	25,071		
Month Ending July 31, 2008 Totals			122,265	122,265

Financial Indicators

	Target	Jul-08	Jun-08	May-08	Apr-08	Mar-08	Feb-08	Jan-08	Dec-07	Nov-07	Oct-07	Sep-07	Aug-07
Current Ratio	>1.5-2.0	3.64	3.70	4.28	4.09	3.85	4.22	4.42	4.43	4.28	4.12	4.43	4.69
Quick Ratio	>1.33-1.5	3.18	3.31	3.85	3.64	3.40	3.44	3.63	3.99	3.84	3.71	4.04	4.29
Days Cash on Hand	>75	222.74	233.39	239.70	254.30	229.19	274.52	258.26	270.34	263.64	267.90	303.54	283.51

NORTHERN INYO HOSPITAL
DEPARTMENTAL NON-EMERGENCY OUTPATIENT VISITS

MONTHS 2008	* DIAGNOSTIC RADIOLOGY		* MAMMOGRAPHY		* NUCLEAR MEDICINE		* ULTRASOUND		* CT SCANNING		* MRI		LABORATORY		EKG/ EEG		PHYSICAL THERAPY		RESPIRATORY THERAPY		RURAL HEALTH CLINIC		TOTALS			
	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08	06 / 07 / 08		
JANUARY	312 / 308 / 544	229 / 198 / 193	29 / 36 / 71	107 / 166 / 205	123 / 112 / 170	85 / 86 / 89	1666 / 1621 / 1809	103 / 139 / 103	302 / 335 / 335	12 / 19 / 10	1029 / 941 / 1057	4017 / 3961 / 4586														
FEBRUARY	250 / 263 / 593	211 / 194 / 193	60 / 38 / 63	135 / 157 / 205	111 / 102 / 217	92 / 71 / 85	1633 / 1662 / 1744	82 / 84 / 113	361 / 302 / 364	19 / 19 / 11	970 / 965 / 1150	3924 / 3857 / 4738														
MARCH	329 / 269 / 529	83 / 122 / 311	52 / 29 / 133	133 / 144 / 223	126 / 95 / 233	105 / 76 / 403	1853 / 1724 / 1774	132 / 100 / 149	425 / 340 / 346	14 / 16 / 12	1099 / 1095 / 1211	4351 / 4020 / 5324														
APRIL	254 / 258 / 697	237 / 246 / 199	35 / 46 / 183	109 / 139 / 196	107 / 123 / 264	84 / 105 / 453	1984 / 1767 / 1984	84 / 85 / 121	397 / 300 / 410	21 / 14 / 14	915 / 883 / 1318	4227 / 3966 / 5839														
MAY	263 / 262 / 613	241 / 230 / 479	41 / 85 / 167	122 / 150 / 213	110 / 131 / 230	88 / 100 / 424	1741 / 1743 / 1758	95 / 112 / 137	374 / 295 / 349	18 / 18 / 9	958 / 1007 / 1308	4051 / 4133 / 5687														
JUNE	257 / 264 / 616	220 / 243 / 486	32 / 37 / 118	128 / 149 / 186	119 / 128 / 156	111 / 101 / 542	1828 / 2203 / 1752	104 / 90 / 123	370 / 250 / 314	10 / 7 / 19	859 / 864 / 1247	4038 / 4346 / 5559														
JULY	228 / 275 / 604	134 / 192 / 477	35 / 46 / 71	126 / 155 / 196	121 / 109 / 157	71 / 113 / 443	1615 / 1618 / 1716	93 / 94 / 142	379 / 276 / 357	13 / 17 / 15	946 / 887 / 1190	3761 / 3782 / 5368														
AUGUST	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /														
SEPTEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /														
OCTOBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /														
NOVEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /														
DECEMBER	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /	/ / /														
CALENDAR YEAR	1893 / 1899 / 4196	1355 / 1425 / 2338	284 / 317 / 806	860 / 1060 / 1424	817 / 800 / 1427	636 / 652 / 2439	12340 / 12348 / 12537	693 / 704 / 888	2608 / 2108 / 2475	107 / 110 / 90	6776 / 6642 / 8481	28368 / 28065 / 37101														
MONTHLY AVERAGES	270 / 271 / 599	194 / 204 / 334	41 / 45 / 115	123 / 151 / 203	117 / 114 / 204	91 / 93 / 348	1763 / 1764 / 1791	99 / 101 / 127	373 / 301 / 354	15 / 16 / 13	968 / 949 / 1212	4053 / 4009 / 5300														

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

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BETA HEALTHCARE GROUP

A Public Entity



1443 Danville Boulevard
Alamo, CA 94507-1911
Tel 925-838-6070 Fax 925-838-6088
www.betahg.com

September 4, 2008

John Halfen
Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514-2599

**RE: July 1, 2007 – June 30, 2008 Healthcare Entity
Comprehensive Liability (HCL) Contribution Audit
Northern Inyo County Local Hospital District**

Dear Mr. Halfen:

Attached to this correspondence are the results of the HCL contribution audit for the July 1, 2007 through June 30, 2008 contract period. In accordance with the terms of the HCL coverage contract, BHG recalculated the contract period contribution using the actual exposures reported from July 1, 2007 through June 30, 2008 and compared that contribution to the quoted HCL contribution, which was based on estimated exposures. If the actual calculated contribution owed is greater than five percent of the estimated contribution, BHG will invoice your facility for the entire amount that exceeds the estimated contribution. If the actual calculated contribution owed decreases by more than five percent, BHG will refund to your facility the entire amount that is less than the estimated contribution, subject to the quoted minimum contribution.

The audit form provides a breakdown of the primary \$5 million limits and the excess limits above \$5 million if purchased by the member facility. The annual rate for the primary contribution is included on the form and the excess rate is also included if limits above \$5 million are purchased by the member facility.

Please review this form carefully and contact us within **ten** calendar days from the date of this letter if you find any discrepancies in the data. **If your facility agrees with the results of the audit, you do not need to do anything further.**

If the audit form states that there will be no adjustment, then the estimated contribution paid by the member during the contract period will satisfy the member's contribution obligation and BHG will take no further action.

If the audit form indicates an adjustment and your facility does not contact us within **ten** calendar days from the date of this letter regarding discrepancies in the data, BHG will send an invoice shortly thereafter for the additional contribution due or will issue a refund check. Any additional contribution owed will be invoiced and due within 30 days from the date of invoice. Contribution refunds will be mailed within two weeks following the completion of the audit.

As always, if you have any questions regarding the contribution audit or the information in this correspondence, please do not hesitate to contact your account manager or me.

Sincerely,

A handwritten signature in black ink that reads "Susy Clay". The signature is written in a cursive, flowing style.

Susy Clay
Director
Underwriting and Client Services

Attachment

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Summary For Northern Inyo County Local Hospital District

Estimated for 07/01/2007 - 06/30/2008		Actuals for 7/1/2007 - 6/30/2008		Variance %
	Exposure Units		Exposure Units	
Total Exposure Units	73.87		75.51	2.2%

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$192,340	\$196,609	\$4,269	2.2%
Excess Contribution	\$19,517	\$20,420	\$903	4.6%
Total	\$211,857	\$217,029	\$5,172	2.4%

Per the terms of the HCL coverage contract, estimated contract contributions are subject to an end of contract period audit. At the end of the contract period, actual exposures submitted to BHG are used to calculate the actual contribution owed for the year. If the actual contributions owed are greater than 5% of the estimated contract contribution, the member will be invoiced for the amount that exceeds the estimated contribution. If the actual contributions owed decrease by more than 5%, BHG will refund the member the amount that is less than the estimated contribution, subject to the minimum contribution of \$169,485.

Based on the results of BHG's 07/01/07 - 06/30/08 contribution audit, your facility will have **no contribution adjustment.**

Notes:

- Exposure units are calculated based on reported census
- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Northern Inyo County Local Hospital District

Exposure	Estimated for 07/01/2007 - 06/30/2008		Actuals for 7/1/2007 - 6/30/2008		Variance %
	Census	Exposure Units	Census	Exposure Units	
Acute Care Beds	3,579.00	9.78	3,594.00	9.81	0.3%
Cribs and Bassinets	503.00	1.37	495.00	1.35	-1.8%
Emergency Visits	955.00	3.27	1,183.00	4.05	23.9%
Non-Urgent ER Visits	5,830.00	4.54	5,916.00	4.61	1.5%
Outpatient Visits	32,328.00	25.18	33,334.00	25.96	3.1%
Reference Lab	6,888.00	1.02	7,492.00	1.11	8.7%
Home Health	401.00	0.06	355.00	0.05	-11.5%
Surgeries: Outpatient	892.00	4.63	1,161.00	6.02	30.2%
Surgeries: Inpatient	335.00	3.39	327.00	3.31	-2.4%
Vaginal Deliveries	168.00	4.43	138.00	3.64	-17.9%
C-Sections	61.00	1.61	80.00	2.11	31.1%
Physicians Group 3	7.56	1.68	1.87	0.42	-75.3%
Nurse Practitioner	31.92	2.73	28.48	2.43	-10.8%
	Total Exposure Units	63.69		64.87	1.9%

Primary Contribution = Total Exposure Units X Primary Annual Rate (actual dollar value listed below may vary due to rounding)

Primary Annual Rate: 2,603.64

Excess Contribution = Total Exposure Units X Excess Annual Rate(s).

Estimated Excess Exposure Units: 59.28

Actual Excess Exposure Units: 62.02

Excess Annual Rate = 329.23

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$165,835	\$168,916	\$3,081	1.9%
Excess Contribution	\$19,517	\$20,420	\$903	4.6%
Total	\$185,352	\$189,336	\$3,984	2.1%

Notes:

- Exposure units are calculated based on reported census
- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million

**BETA Healthcare Group Risk Management Authority
Northern Inyo County Local Hospital District**

HCL Contribution Audit

Northern Inyo County Local Hospital District ER

Exposure	Estimated for 07/01/2007 - 06/30/2008		Actuals for 7/1/2007 - 6/30/2008		Variance %
	Census	Exposure Units	Census	Exposure Units	
ER Providers - MDs, DOs, NPs	6,691.00	10.18	6,991.00	10.64	4.5%
	Total Exposure Units	10.18		10.64	4.5%

Primary Contribution = Total Exposure Units X Primary Annual Rate (actual dollar value listed below may vary due to rounding)

Primary Annual Rate: 2,603.64

	Estimated	Actual	Variance \$	Variance %
Primary Contribution	\$26,504	\$27,693	\$1,188	4.5%
Total	\$26,504	\$27,693	\$1,188	4.5%

Notes:

- Exposure units are calculated based on reported census
- Primary Contribution is the amount paid for the first \$5 million limits or limits less than \$5 million

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Compliance Deadline for FTC's Identity Theft Provision Fast Approaching

BY MARY ELLEN CALLAHAN
AND DANIEL MEADE

The Federal Trade Commission (FTC) last November issued a "Red Flags Rule" that requires financial institutions and creditors holding consumer or other "covered accounts" to develop and implement an identity theft prevention program. The rule may affect hospitals in several ways; compliance is required by Nov. 1.

The rule is actually three different but related rules:

- Debit and credit card issuers must develop policies and procedures to assess the validity of a request for a change of address that is followed closely by a request for an additional or replacement card. These rules likely apply to few, if any, hospitals.
- Users of consumer reports must develop reasonable policies and procedures to respond to any notice of an address discrepancy they receive from a consumer reporting agency. Hospitals, to the extent they use consumer reports, may be affected by this rule, but this portion of the rule is not the topic of this article.
- Financial institutions and creditors holding consumer or other "covered accounts" must develop and implement a written identity theft prevention program that covers both new and existing accounts. This rule is likely to be the primary source of hospitals' new obligations.

How Hospitals Are Affected

Hospitals likely meet the rule's broad defini-

tion of "creditor" and have patient accounts that would fall within the broad scope of "covered accounts." The definition of creditor is drawn from the Equal Credit Opportunity Act and includes anyone who defers payment for services rendered. Most hospitals bill for services previously rendered on either a continuing or *ad hoc* basis, and many aspects of hospital billing therefore may meet the rule's definition of creditor, even if the hospital does not request and/or use a consumer report.

Covered accounts are used mostly for personal, family or household purposes and involve multiple payments or transactions. However, accounts for business purposes that the creditor determines have a high risk of use in identity theft, such as small business or sole proprietorship accounts, also may meet the definition.

The rule and the FTC's guidance specifically identify certain types of relationships – such as automobile dealers, government or non-profit entities or telecommunications providers – where an individual establishes a *continuing relationship* (emphasis added) with the enterprise, including billing for previous services rendered, as covered accounts. There may be certain hospital services, such as emergency department or clinic visits, that as a regular practice are billed and paid for in one lump sum. These services, therefore, may not meet the continuing relationship standard in the covered account definition. But any type of patient account or payment plan that involves multiple transactions or multiple payments likely falls within the definition of covered account in the rule.

The FTC does not have jurisdiction over not-for-profit entities when the entities are engaging in their not-for-profit capacity, and the rule does not expressly

address whether it applies to not-for-profit entities. However, the FTC has consistently taken the position that not-for-profit organizations are subject to its jurisdiction when they are engaging in activities that a for-profit entity also would engage in.

In fact, in its July Guidance, "New 'Red Flag' Requirements for Financial Institutions and Creditors Will Help Fight Identity Theft," the FTC states, "[w]here non-profit and government entities defer payment for goods or services, they, too, are to be considered creditors." Therefore, the FTC likely would claim that a not-for-profit hospital that collects payment information from patients in order to bill them for services rendered falls within the definition of creditor and they would need to comply with the rule.

What's Required for Compliance

Under the rule, hospitals, as creditors holding covered accounts, must develop an identity theft prevention program that includes reasonable policies and procedures for detecting or mitigating identity theft. The program should enable the hospital to:

- Identify relevant "red flags" (patterns, practices and specific activities) that signal possible identity theft and incorporate those red flags into its identity theft program;
- Detect the red flags that have been incorporated into the program;
- Respond appropriately to detected red flags to prevent and mitigate identity theft; and
- Ensure the program is updated periodically to reflect changes in risks.

Hospitals will need their governing boards (or an appropriate committee thereof) or senior management to approve the initial written program. And they will need to obtain board approval quickly to meet the rule's Nov. 1 compliance deadline.

The FTC and federal banking regulators identified examples of the 26 "red flags" that are useful to incorporate into any identity theft prevention program, including address discrepancy; name discrepancy on identification and insurance information; presentation of suspicious documents; personal information inconsistent with information already on file; unusual use or suspicious activity related to a covered account; and/or notice from customers, law enforcement or others of unusual activity related to that covered account. These examples are in supplemental guidance issued as an appendix to the final rule.

The rule allows flexibility for structuring the identity theft prevention program, depending on the types of activities the creditor conducts and the "complexity" of its

covered accounts. Because most hospitals would likely only have covered accounts for their patients, some of whom may not have continuing relationships with the hospital, an appropriate identity theft prevention program may not need to be particularly detailed or complex. The program, however, should be written, approved by the board and implemented by all relevant departments throughout all parts of the hospital.

Although that requirement to obtain board approval may appear daunting, it is necessary to obtain the approval only for the first written program.

Many hospitals may have certain procedures in place to flag some address discrepancies. The Red Flags Rule requires



CALLAHAN



MEADE

that hospitals systematize their procedures and obtain governing board (or equivalent) approval of their programs. Even if this rule does not squarely apply to hospitals, they should consider it and establish a reasonable security program consistent with the rule.

The definitions of "creditor" and "covered accounts" are broad and likely encompass hospitals and their patient accounts. In addition, inadvertent non-compliance may trigger liability with the FTC. Furthermore, having these types of standards in place is an industry best practice. Therefore, establishing written procedures to identify major identity theft risks would benefit hospitals and their billing systems, allowing them to catch deficiencies previously not identified until it was too late.

Mary Ellen Callahan is a partner and Daniel Meade is an associate at Hogan & Hartson, LLP, where they practice in the firm's Privacy group. Hogan & Hartson is the AHA's outside counsel on privacy-related issues.

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Date: 9-5-8

Time: 9:15

Reinspection _____

Food Facility Inspection Report

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

		cos	maj	out		out
In N/O	1 Demonstration of knowledge				24 Person in charge present and performs duties	
In	2 Communicable disease restriction				25 Personal cleanliness and hair restraint	
In N/O	3 Discharge of eyes, nose, mouth				26 Approved thawing methods	
In N/O	4 Eating, tasting, drinking, tobacco				27 Food separated and protected	
In N/O	5 Hands properly washed, glove use				28 Washing fruits and vegetables	
In	6 Handwashing facilities available				29 Toxic substances properly identified and stored	
In N/A N/O	7 Proper hot and cold holding				30 Food storage 31 self service 32 labeled	
In N/A N/O	8 Time as control, records				33 Nonfood contact surfaces clean	
In N/A N/O	9 Proper cooling				34 Warewashing facilities maintained, test strips	
In N/A N/O	10 Cook time, temp				35 Equipment, utensils, approved, clean good repair	
In N/A N/O	11 Reheating temperature				36 Equipment, utensils and linens, storage and use	
In N/A N/O	12 Returned and reservice of food				37 Vending Machines	
In	13 Food in good condition, safe				38 Adequate ventilation and lighting	
In N/A N/O	14 Food contact surfaces clean, sanitized				39 Thermometers provided and adequate	
In	15 Food from approved source				40 Wiping cloths properly used and stored	
In N/A N/O	16 Shell stock tags 17 Gulf Oyster regs				41 Plumbing, proper backflow prevention	
In N/A N/O	18 Compliance with HACCP plan				42 Garbage properly disposed, facilities maintained	
In N/A N/O	19 Advisory for raw/undercooked food				43 Toilet facilities supplied, clean	
In N/A	20 Health care/ School prohibited food				44 Premises clean, vermin proof	
In	21 Hot & cold water. Hot Temp: <u>119</u> °F				45 Floors, walls and ceilings maintained and clean	
In	22 Wastewater properly disposed				46 No unapproved living or sleeping quarters	
In	23 No rodents, insects, birds, animals				47 Signs posted; Last inspection report available	

No PHF []

Temp	Food	Location	Temp	Food	Location	Temp	Food	Location
<u>40</u>		<u>WALK-IN</u>						
<u>35</u>		<u>LINE</u>						
<u>38, 36, 32, 32</u>		<u>UPRIGHTS</u>						

Comments:

NO PROBLEMS NOTED. A MODEL OPERATION.

Received By: Susan Sandoval REHS: ANDREW KIRK

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Shoulder Dystocia	
Scope:	Department: OB/Gyn
Source: Kneip, Jan	Effective Date:

PURPOSE:

To describe nursing interventions used to assist the delivering physician to disimpact the fetal shoulder and effect delivery.

POLICY:

Nursing interventions for shoulder dystocia are to be performed by the Registered Nurse upon the request of the physician and/or upon identification of the signs of shoulder dystocia (e.g., "turtle sign", or retraction of the fetal head back against perineum).

RESPONSIBILITY:

Labor and Delivery Registered Nurses

PROCEDURE:

1. Identify patients at risk for shoulder dystocia during admission assessment, review of the prenatal records, and labor assessment. Communicate any identified risk factors to physician. Risk factors include:
 - Diabetes
 - Fetal macrosomia (estimated fetal weight >4500 grams)
 - Excessive maternal weight gain
 - Obesity (>200 lbs.)
 - Previous large infant (>4000 grams)
 - History of previous shoulder dystocia
 - Abnormal labor progress, including prolonged 2nd stage

2. When a shoulder dystocia is identified:
 - Note time shoulder dystocia is called
 - Position the patient appropriately to permit room for intravaginal manipulation.
 - Call for appropriate personnel to attend delivery stat (e.g., anesthesiologist, pediatrician, Respiratory Therapy, etc.)
 - Assess bladder filling and catheterize, if necessary.
 - Perform McRobert's maneuver by hyperflexing the mother's legs against her abdomen to dislodge the impacted shoulder by flattening the angle of inclination.
(see illustration)

3. Perform suprapubic pressure upon request of the physician:
 - Press down firmly on the suprapubic area, directly above the pubic bone. (see illustration)
 - Apply the pressure straight down to direct the anterior shoulder behind the pubic bone and under the symphysis.
 - If a higher elevation is needed to achieve proper positioning and to maintain proper body mechanics, stand on a footstool.

AVOID FUNDAL PRESSURE WHEN THERE IS A SHOULDER DYSTOCIA AS IT MAY LEAD TO FURTHER IMPACTION OF THE SHOULDER AGAINST THE SYMPHYSIS

**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Shoulder Dystocia	
Scope:	Department: OB/Gyn
Source: Kneip, Jan	Effective Date:

DOCUMENTATION:

1. What time the shoulder dystocia was identified and called.
2. Time of delivery of baby's head.
3. What procedures were performed and the times they were performed, including all nursing actions.
4. When the delivery is complete
5. All neonatal resuscitation steps necessary.
6. Any maternal or neonatal abnormalities noted.

REFERENCES:

American College of Obstetricians and Gynecologists. *Shoulder Dystocia*. Practice Bulletin #40. Washington, D.C. November 2002

American College of Obstetricians and Gynecologist. *Fetal Macrosomia*. Technical Bulletin Number 159. Washington, D.C: ACOG, September, 1991.

Benedetti, T. *Dystocia: Causes, Consequences, Correct Response*. Contemporary OB/GYN Vol. 36, 37-38. Oct. 15 1991 Special Issue. Medical Economics Publishing. Montvale, NJ.

Gabbe, SG. Niebyl, JR, Simpson, JL. Obstetrics: Normal & Problem Pregnancies. 3rd ed. Chap.16. *Malpresentation*. 490-494. Churchill Livingstone 1996.

Hall, S. *The Nurse's Role in the Identification of Risks and Treatment of Shoulder Dystocia*. JOGNN Journal of Obstetrical, Gynecologic, and Neonatal Nursing. Vol. 26:1, 25-32, Jan/Feb 1997. Lippincott-Raven Publishers. Philadelphia, PA.

Penney, D., Perlis, D. *Shoulder Dystocia: When to Use Suprapubic or Fundal Pressure*. MCN The Journal of Materna/Child Nursing. Vol. 7:1, 34-36, Jan/Feb 1992.

Rice-Simpson, K., Creehan, P. AWHONN's Perinatal Nursing, 2nd ed. Chap. 9, 323-326. Lippincott-Raven Publishers. Philadelphia PA. 2001.

Rice-Simpson, K. *Shoulder Dystocia & Risk Management Strategies*. MCN, vol. 24, no.6. November/December 1999.pp.305-310.

Rommel, C. *Risk Management Issues in the Perinatal Setting*. Journal of Perinatal and Neonatal Nursing. Vol. 10:3, 13-14, Nov/Dec 1996. Aspen Publishers, Inc. Gaithersburg MD.

Committee approval needed:

Responsibility for review and maintenance:

Index Listings: Shoulder Dystocia

Initiated:

Revised:

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Ultrasound in the Perinatal unit	
Scope:	Department: Perinatal
Source: Jan Kneip	Effective Date: 4/2008

PURPOSE:

To define the use of the LOGIQ e ultrasound machine in the perinatal unit by the perinatal nursing staff.

POLICY:

The use of the ultrasound equipment by nursing staff in the perinatal unit will be limited to a few basic circumstances. It can be used to determine fetal position, and to locate the fetal heartbeat. There is no charge for this and it is to be considered preliminary with follow-up by the physician or the radiology department. The nursing staff may be asked to assist the physician during a procedure. Basic instruction will be given to perinatal staff members before use of the machine.

PROCEDURE:

The ultrasound machine will be located in the perinatal unit. The majority of the time it should be left plugged in. There is sterile and non-sterile conductive gel available for use as required. For the actual procedure please refer to the users manual located with the machine. There is a vaginal probe that is located in room 4.

Clean the probe appropriately between each use.

Committee Approval	Date
Perinatal-Pediatric Committee	✓
Administration	
Executive Committee	✓
Hospital District Board of Directors	

Revised
Reviewed
Supercedes

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NORTHERN INYO HOSPITAL POLICY AND PROCEDURE

Title: Saline Contrast Study	
Scope: Multi Departmental	Department: Nursing; EKG
Source: EKG Manager	Effective Date:

PURPOSE:

To provide guidelines for performing a saline contrast study.

POLICY:

Upon physician's order for Saline Contrast Study the procedure herein will be followed.

RATIONAL/OUTCOME

Contrast echocardiography involves the injection of microbubbles in agitated saline to confirm the presence of a right-to-left shunt. The microbubbles are intense ultrasound reflectors that can be detected in the right atrium and right ventricle. Their appearance in the left heart implies a pathologic right-to-left shunt. By analyzing the location and timing, the nature of the shunt can often be determined as being an atrial septal defect, patent foramen ovale, or pulmonary arteriovenous malformation (AVM).

Equipment:

1. 0.9% NaCl Sterile for Injection 20ml vial
2. 2 each 10 or 12 ml syringes
3. 1 each 18g Needle
4. 1 each 3-way stopcock with 20 inch tubing
5. 1 ea 22g IV catheter
6. gloves

PROCEDURE:

1. Confirm physician's order
2. Assemble equipment and prime tubing.
3. Explain procedure to patient, and determine patient's understanding.
4. Perform hand hygiene
5. Don gloves and obtain IV access
6. Echo tech to obtain echocardiogram images.
7. Stopcock is off to patient. Agitate 5ml of normal saline between two 10ml syringes attached to the two ports off of stopcock. Push 5ml of agitated saline through IV

8. Echo tech records images; watch for contrast to cross from right to left side of the heart.
9. Repeat steps 6-7, with patient doing the Valsalva maneuver if necessary
10. For valsalva instruct patient hold their breath until contrast is first seen in the echo image, and then instruct patient to relax. Repeat of necessary
11. Discontinue IV
12. Properly dispose of all materials and perform hand hygiene.

Committee Approval	Date
Medical/ICU Committee	
Medical Executive Committee	
Administration	
Board of Directors	

Revised
Reviewed
Supersedes

**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Picture Archival Communication System Direct Physician Access	
Scope: Multi-Departmental	Department: Radiology, Privacy, IT
Source: Radiology PACS Manager	Effective Date:

PURPOSE:

To set forth the provisions and restrictions of physician access to images in the Picture Archival Communication System (PACS)

POLICY:

Physicians accessing the PACS through in-house access devices while at Northern Inyo Hospital (NIH) may do so within the scope and provisions of their medical staff membership.

Physicians who are not members of the NIH Medical Staff and who access the PACS through electronic connection with NIH will be allowed to do so after signing the "PICTURE ARCHIVAL COMMUNICATION SYSTEM (PACS) CONFIDENTIALITY AND DISCLOSURE OF PATIENT INFORMATION AGREEMENT BETWEEN NORTHERN INYO HOSPITAL AND PHYSICIAN."

Committee Approval	Date
Radiology Committee	
Medical Executive Committee	
Board of Directors	

Revised
Reviewed
Supercedes

**PICTURE ARCHIVAL COMMUNICATION SYSTEM (PACS) CONFIDENTIALITY
AND DISCLOSURE OF PATIENT INFORMATION AGREEMENT BETWEEN
NORTHERN INYO HOSPITAL AND PHYSICIAN**

[_____] (hereinafter “Physician”) whose principal offices are at [_____] and Northern Inyo Local Hospital District (hereinafter “NIH”) whose locations is 150 Pioneer Lane, Bishop, California 93514 enter in to this agreement to establish their relationship with respect to patient privacy while accessing the Northern Inyo Hospital Picture Archival Communication System (hereinafter “PACS”).

Whereas, Northern Inyo Hospital and Physician agree that Physician may have electronic access to Northern Inyo Hospital’s PACS for the purpose of providing Physician with digital radiological images made by Northern Inyo Hospital and required by Physician for the care of Physician’s patients; and

Whereas, in the course of providing access to digital radiological images made by Northern Inyo Hospital, Northern Inyo Hospital discloses to Physician certain Protected Health Information (“PHI,”)(as defined in 45 C.F. R. §164.501) that is subject to protection under the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”); and

Whereas, Northern Inyo Hospital is a “Covered Entity” as that term is defined in the HIPAA regulations, 45 C.F.R. Part 160 and Part 164, Subparts A and E, the Standards for Privacy of Individually Identifiable Health Information (“Privacy Rule”); and

Whereas, Physician may or may not be a “Covered Entity” as that term is defined in the HIPAA regulations, 45 C.F.R. Part 160 and Part 164, Subparts A and E, the Standards for Privacy of Individually Identifiable Health Information (“Privacy Rule”); and

Whereas the parties hereto wish to protect PHI in accordance with provisions of the Privacy Rule, including, but not limited to, the Business Associate contract requirements at 45 C.F.R. §164.504(e).

NOW, THEREFORE in consideration of the mutual promises and covenants contained herein, the parties agree as follows:

NIH will provide Physician with an NIH PACS access code and electronic authorization subject to the terms and conditions set forth herein.

1. Physician will use PHI obtained through connection to the PACS only as necessary to provide authorized patient care.
2. Physician agrees to the following terms and conditions:
 - a. Physician will only access the specific information necessary for the care of patients; and
 - b. Physician will not in any way divulge copy, release, sell, loan, review, alter or destroy any PHI except as authorized by NIH.

- c. PHI will not be disclosed to any third party except as required by applicable law, or authorized in writing by the patient whose PHI is to be disclosed.
- d. Physician will notify NIH in writing within 10 days of any inadvertent disclosure of PHI obtained through the PACS.
- e. Physician agrees to safeguard and not disclose its PACS access code to any third party.
- f. Physician accepts responsibility for all activities undertaken using its PACS access code.
- g. Physician agrees to report to NIH activities by any individual or entity that Physician suspects may have gained unauthorized access to PHI through the NIH PACS.
- h. NIH will hold in confidence, to the extent permitted by law, reports made in good faith about suspect activities including the name of the individual reporting the activities.
- i. Physician agrees that obligations for protection of PHI under this agreement survive the agreement.
- j. Physician understands and agrees that privileges with regards to viewing Images and reports through PACS maybe subject to periodic review, revision and, renewal.
- k. NIH may, at any time, revoke Physician's access code, electronic authorization, or access to the PACS.
- l. Physician understands and agrees that breach of any terms or conditions of this agreement may result in Physician's loss of access to the NIH PACS
- m. Nothing herein shall indemnify either party from legal liability with regard to the use or disclosure of PHI obtained pursuant to this agreement.

This Agreement shall be effective on the latest date of execution below.

Physician	Northern Inyo Hospital
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

PACS User Name and Password sign up

User name should be Physician's name (ideally) all small letter with no spaces.

John Doe for example would be **johndoe**

The password must be at least 8 characters long and contain at least one number.

Name: _____

User Name: _____

Password: _____

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title:	Radiology-Pregnant Patient		
Scope:	Departmental	Department:	
Source:		Effective Date:	Radiology
Radiology Manager:	<i>Marsha Winston</i>	Date signed:	<i>7/9/08</i>
Radiation Safety Officer:	<i>John W. Pearson</i>	Date signed:	<i>7-10-08</i>

POLICY:

Northern Inyo Hospital should take every reasonable step to avoid accidental and unnecessary exposure to pregnant patients.

PROCEDURE:

The exposure of pregnant patients to x-rays should be kept to a minimum.

Pregnancy warning signs should be conspicuously displayed in the patient reception area, dressing rooms, and in procedure rooms. If there is a predominant second language in the patient population, pregnancy signs should also be posted in that language.

The patient should be asked at scheduling and check-in if there is any possibility of pregnancy. The technologist should ask this question again, in the privacy of the procedure room. If the patient indicates there is a known or possible pregnancy, the technologist should discuss this information with the radiologist. Radiologist approval must be obtained before the exam is performed.

Non-emergency x-ray exams should be scheduled during the first fourteen days after the menstrual period begins.

If an exam on a pregnant patient is deemed necessary, shielding should be used for protection of the fetus, unless it interferes with the exam.

If accidental fetal exposure occurs, the Radiation Safety Officer should be contacted immediately. Fetal exposure should be determined and exposure records should be retained with the patient's exam records.

Committee Approval	Date

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Reviewed
Supercedes

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Radiation Protection for the Patient	
Scope: Departmental	Department: Radiology
Source:	Effective Date:
Radiology Manager: <i>Marsha Winston</i>	Date signed: <i>7/9/08</i>
Radiation Safety Officer: <i>John W. Person</i>	Date signed: <i>7-10-08</i>

POLICY:

To maintain ALARA principles, every effort should be taken to provide adequate radiation protection for the patient undergoing the x-ray exam.

PROCEDURE:

The x-ray beam should be collimated to the area of interest only. Excessive field size contributes directly to the exposure of patients and scatter radiation. Gonadal shielding must be used for all patients of childbearing age, unless the use of such shielding interferes with the diagnostic image. Care should be taken to ensure correct positioning and proper exposure technique to avoid "repeat" exposures. Patient motion should be avoided through careful instruction, use of restraining devices and positioning aids. During fluoroscopic exams, actual beam "on" time should be kept to a minimum.

The protection of patients against excessive radiation exposure is important not only for the patient but also for the personnel. Scatter radiation from the patient constitutes a major percentage of personnel exposure. Any reduction in exposure to the patient will result in reduction of exposure to personnel.

Committee Approval	Date

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Reviewed
Supercedes

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title:	Patient Restraint		
Scope:	Department	Department:	Radiology
Source:		Effective Date:	
Radiology Manager:	<i>Marsha Winston</i>	Date signed:	<i>7/9/08</i>
Radiation Safety Officer:	<i>John W. Deppa</i>	Date signed:	<i>7-10-08</i>

POLICY:

To keep occupational exposure consistent with ALARA principals, radiology personnel should never hold or restrain patients except during medical emergencies.

PROCEDURE:

Every attempt should be made to use patient restraining equipment for all routine examinations. Examples of this type of equipment are "Pigg-O-Stats" for children, "mummy bag" restraints and wall holding rods.

During medical emergencies, when the patient must be held or restrained during the exposure, lead aprons and gloves should be used. Non-occupationally exposed persons should be used, when possible. Personnel holding or restraining patients should ensure that no part of their body is in the primary x-ray beam, that they never stand behind the patient during exposure and that they are not holding a film cassette. During fluoroscopic exams the patient should not be held or turned while the x-ray beam is on.

The same personnel should not be routinely requested to hold patients. All personnel should be properly monitored.

Committee Approval	Date

Revised
Reviewed
Supersedes

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Patient Radiation Exposure	
Scope: Departmental	Department: Radiology
Source:	Effective Date:
Radiology Manager: <i>Marsha Winston</i>	Date signed: <i>7/9/08</i>
Radiation Safety Officer: <i>John W. Sisson</i>	Date signed: <i>7-10-08</i>

POLICY:

Patient skin exposure charts should be prepared and available at the facility

PROCEDURE:

Skin exposure values must be based on measured parameters obtained by the health physicist during annual equipment calibrations. The exposure information should be placed on the corresponding x-ray equipment for quick reference.

Committee Approval	Date

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Reviewed
Supercedes

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Administration Of Controlled Substances In The Radiology Department	
Scope:	Department: Emergency Dept, ICU/CCU, Medical/Surgical
Source: Wagoner, Ann	Effective Date:

POLICY:

In the course of a radiologic exam, any patient requiring additional medication will have a nurse assigned to administer a controlled substance.

Note: Patients having any IV sedation will be monitored by an RN following the IV/Oral Conscious Sedation policy.

Pediatric patients (12 and under) will be monitored according to the section for pediatric oral sedation under the IV/Oral Conscious Sedation policy.

If an intramuscular injection has been ordered, the nurse will remain with the patient 30 minutes after the injection to monitor the patient's blood pressure, pulse and respirations (every 10 minutes) and to observe for any side effects.

PROCEDURE:

The Radiology Department will notify the nursing supervisor if administration of controlled substance will be necessary for a patient that is scheduled for a diagnostic exam.

If the Outpatient Department is too busy to handle this, the nursing supervisor will assign a nurse prior to the patient going for the diagnostic exam.

Radiology will give the nurse the written orders for the controlled substance including dose and route of administration or the radiologist may give the nurse the orders over the phone. The nurse will immediately enter the order into the patient's chart.

The nurse will obtain the medication from an Automated Dispensing Cabinet. If the radiologist will be administering the medication, the appropriate documentation should be made in the chart.

The nurse will check that the patient will not be driving himself/herself home after the procedure. The nurse will also check for allergies before administering any medication. The nurse will document any medication given to the patient including time, route, dose, and signature.

When the RN leaves, the radiologist should ensure that the patient receives written discharge instructions. The x-ray tech should ensure that a responsible adult is taking the patient home.

Committee approval needed: Surgery/Tissue/Anesthesia Committee: _____, Pharmacy Committee: _____
(Review by Radiology Committee: _____)

Responsibility for review and maintenance: OP/PACU Head Nurse, Pharmacy, and Radiology

Index Listings: Radiology, Controlled Substances; Controlled Substances in Radiology; Medication - Administration of Controlled Substances in Radiology.

Reviewed/Revised: 1/95; 8/99, 9/99

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**NORTHERN INYO HOSPITAL
POLICY AND PROCEDURE**

Title: Handling of Infants/Fetus/Stillborns and Genetic Workup	
Scope:	Department: Emergency Dept, OB/Gyn, Rural Health Clinic, Surgery
Source: Stuhaan, Barbara	Effective Date:

PURPOSE:

To provide guidelines for nursing personnel in the care of neonatal death and fetal demise (stillborn) when sending infant to pathology as a specimen or to the mortuary.

POLICY:

Every neonatal death and/or fetal demise (stillborn) shall be processed in a legal manner. The attending Physician will determine the gestational age of the infant/fetus.

The following guidelines/protocol will be followed when sending an infant to pathology. Included is a protocol when a genetic workup has been requested or when the body is to be sent to the mortuary.

SPECIAL CONSIDERATIONS:

Physician order required YES NO
Procedure may be performed by RN LVN OR TECH
Special education required YES NO
Review of policy and procedure.

PROCEDURE:

FETUS OF 20 WEEKS OR LESS GESTATION OR LESS THAN 400 GRAMS

(May be handled as a specimen)

1. A permit for disposal is required
2. Clinician's statement on age of gestation is a prime factor, if reasonable. Upper limit is 27cm. crown to heel length and fetal weight less than 400 grams.
3. If clinical estimate of age is not given, you must contact the primary physician.
4. Place in **STERILE NORMAL SALINE** and send to pathology lab.

FETUS OF MORE THAN 20 WEEKS GESTATION OR CROWN TO HEEL WEIGHT MORE THAN 400 GRAMS MUST BE SENT TO THE MORTUARY.

1. Contact the clinician immediately with information that a death certificate is required.
2. If an autopsy is requested, it will be completed by a Pathologist, preferably a Forensic Pathologist.
3. All paperwork must be filled out and given to the mortuary at the time they arrive to receive the body.

PROTOCOL FOR HANDLING GENETIC WORKUP

1. If a genetic workup is requested (regardless of gestational age.) **The Placenta is the most important tissue for genetic testing.**
 - A. **First priority** is obtaining the **Placenta** for genetic testing. Placenta is to be sent to pathology in a sterile container. **DO NOT PUT FORMALIN ON PLACENTA.** **If during normal working hours send immediately to Pathology without placing the tissue in any solution.** If after normal working hours for pathology, place the placenta in sterile normal saline and refrigerate until morning, then send to pathology. **DO NOT FREEZE. Physician can harvest a one inch square of placenta and place it in a sterile container of sterile saline and place in the refrigerator if they choose. This is a sufficient sample for the pathologist.**
 - B. **Second priority is obtaining a cord blood in a green top tube** (green top tubes contain sodium heparin). If possible obtain at least 3cc of cord blood before cord is severed. **This is not to be refrigerated.** Label the tube with name, date, and time collected. **Note that specimen is from cord blood. Send to pathology.**
 - C. If **cord blood is not obtainable** then both the fetus and placenta must be sent to pathology. **If the fetus is 20 weeks or less** it is to be preserved in **sterile normal saline, and refrigerated.** The **placenta** must also be placed in sterile normal saline and be refrigerated. If the **fetus is more than 20 weeks** it is to be wrapped and placed in the refrigerator on "A" floor (after hours).
 - D. All the proper paperwork and information is to accompany the specimen and be sent to the pathology lab or to be placed in the box outside the pathology lab (after hours - see below).

***NOTE** - Paperwork is essential not only for the mortuary but also for genetic workup. All information including date of birth, live birth or fetal demise, sex and name of baby, parent's name, insurance and the type of test requested is vital. Please fill out the form completely.

PATHOLOGY LABORATORY HOURS

6:30am - 3:00pm, Monday - Friday

During working hours send specimens to the path lab.

AFTER-HOURS

Place fetus and placenta in the lab refrigerator on "A" floor and place a note in the pathology box outside of path lab to notify the techs.

DOCUMENTATION:

The correct and complete information is essential and must accompany the fetus either to the mortuary or to path for genetic workups. The disposition of the fetus will be documented on the operating room record or nursing notes for OB.

Reference: NIH Pathology procedure/ Perinatal Unit Policy & Procedure.

Committee approval needed ___ Yes X No

Responsibility for review and maintenance: Surgery Nurse Manager

Index listings: Stillborn handling of/ Genetic studies for stillborn / Infants/ Death in OR (Infants) Infants and stillborn handling protocol.

Revised 9/97 BS

Reviewed 03/05/2008 BS

Committee Approval	Date
Surgery, Tissue, Transfusion & Anesthesia Committee	
Perinatal – Pediatrics Committee	
Emergency Room Service Committee	
Medical Executive Committee	
Hospital Administration	
NICLHD Board of Directors	

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NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC
MEDICAL DIRECTOR AND
PROFESSIONAL SERVICES AGREEMENT

This Medical Director and Professional Services Agreement (this "Agreement") dated as of 10-1-2008, is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Stacey Brown, M.D. ("Physician").

RECITALS

A. Hospital operates a general acute care hospital, which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 B Pioneer Lane, Bishop, California.

B. Physician is an individual duly licensed to practice medicine in the State of California, specializing in primary care, and is a member of the Northern Inyo Hospital Active Medical Staff.

C. Hospital desires to obtain administrative and professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.

D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

1.01 Professional Services. Physician shall provide the following services, consistent with the Clinic's policies and procedures, to the Clinic and Clinic patients, provided that Physician's obligations hereunder are limited to the provision of services within his professional capabilities:

- A. Medical Services. In cooperation with the Hospital, arrange for appropriate coverage for the provision of professional primary health care services to Clinic patients.

Physician shall cooperate in Clinic's participation in the Medicare and Medi-Cal programs. Physician shall provide services to Medicare and Medi-Cal beneficiaries in a nondiscriminatory manner.

- B. On-Call Coverage. Physician shall provide such on call coverage as is necessary to provide primary health care call coverage as necessary to provide primary health care services for Clinic patients during the Clinic's operating hours, excluding inpatient admission responsibilities. Physician shall provide Emergency Room Call as may be required by the Medical Staff bylaws for the privileges held. Physician will be required to provide up to 10 weeks per year Emergency Room Call for RHC patients without additional compensation. Call taken in excess of above shall be compensated at rate equivalent to agreements with other physicians who provide call for these patients.
- C. Supervision. Monitor and review the clinical performance of all physician and non-physician providers of medical and technical services, including nurse practitioners and Clinic and/or Hospital employees who provide services to Clinic patients.

1.02 Medical Director and Administrative Services. Physician shall act as Medical Director of Clinic, and in this role, Physician shall provide to Clinic those services set forth on Exhibit A.

- A. Time Commitment. Physician shall devote a minimum of eight (8) hours per month to provide the administrative services described in this Agreement.
- B. Physician Time Reports. Physician shall maintain quarterly time reports, which provide accurate accountings of his time spent, providing administrative services to the Clinic. Such reports shall be substantially in the form attached as Exhibit B, or as otherwise required by Hospital or State and Federal Payers, and shall document Physician's actual provision of administrative services. All time reports shall be submitted to Hospital no later than the 10th day of the calendar month following the quarter in which the services are performed.

1.03 Personal Services. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Physician. Physician shall continue to be primarily responsible for fulfilling the terms of the Agreement, except as specifically set forth in this Agreement.

1.04 Absences. In the event Physician is unable to perform the obligations under this Agreement due to illness, continuing education responsibilities, leave or other justifiable cause, Hospital shall designate a qualified replacement. The person who provides services on behalf of Physician in Physician's absence shall be bound by all terms of this Agreement. Hospital shall have the right to approve the length of Physician's absence, and any unapproved absence shall constitute a breach of this Agreement. Physician may elect to seek his own locums coverage at his option.

1.05 Availability. Physician shall inform Hospital, on a monthly basis, of Physician's schedule and availability to provide services pursuant to this Agreement. Physician shall not be required to provide professional services in the Clinic in excess of twenty (20) hours per week. Physician's availability shall be subject to the following:

- A. Physician may take up to four (4) weeks per year of personal vacation;
- B. Physician may take up to one (1) day per month of personal business leave;
- C. Physician may take up to one (1) week per year of leave for the purpose of fulfilling continuing medical education requirements; and
- D. Except in emergency situations or pursuant to Physician's scheduled on-call services, Physician is not required to provide services at the Clinic during holidays designated annually by the Hospital.

1.06 Professional Services. Physician shall provide professional services to and for the benefit of the Clinic. All revenues associated with Clinic activities belong to the Clinic. Physician shall give first priority to performing all Clinic activities consistent with the terms of this Agreement. Physician shall not undertake non-Clinic activities to the extent that such undertaking would interfere with his obligations under this Agreement.

1.07 Limitation on Use of Space. No part of the Clinic's premises shall be used at any time by Physician as an office for the private practice of medicine or to see patients other than Clinic patients.

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

- A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.

2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.

2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic taking into consideration recommendations of Physician in his role as Medical Director.

2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.

2.06 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.

III. COMPENSATION.

3.01 Compensation. Hospital shall pay Physician \$5250.00 per month for administrative services during the term of this Agreement. In addition, Hospital shall pay Physician for professional medical services a flat fee of \$40/hour and \$37.50 per encounter for patients seen in the Clinic by Physician. These rates will be adjusted annually by the amount of the NIH employee board approved Cost of Living Adjustment. Said sums are payable on the 20th day of the calendar month following the month in which the services are performed.

3.02 Community Pool. In addition to 3.01 above, Hospital shall contribute \$2.50 per patient seen into a pool of all patients seen by all participating contracted providers. Funds in the pool shall be distributed amongst all the contracted and eligible providers quarterly beginning with the first full quarter of 2009 (paid within 10 working days of the end of each quarter) in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. Disputes will be adjudicated by the Hospital District Board.

3.03 Reports. Payment of the compensation described in section 3.01 is conditioned on Physician's proper maintenance of Physician Time Study reports, as described in Exhibit B, Hospital's timely receipt of such time reports, and Hospital's reasonable verification of such time reports. Physician's time reports shall be considered timely received if they are submitted to Hospital within at least ten (10) days after the end of each quarter in which the services are performed.

3.03 Allocation Agreement. Physician shall allocate time between administrative services provided to Clinic, services provided to individual patients, and services, which are not reimbursed by Medicare. Physician shall indicate such time allocation on the Physician's time report attached, as Exhibit B. Physician and Hospital shall retain Physician's time reports for four (4) years after the cost-reporting period to which the report applies. It is understood by the parties that the requirement for allocation of time and all supporting time reports and documentation are prepared expressly in response to the requirements of the Medicare program and do not constitute the creation of an employer-employee relationship.

3.04 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

4.01 Term. The term of this Agreement shall be for a period of two years beginning on 10-1-08 ("Effective Date"), and ending on 10-1-10 .

4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:

- A. Either party at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
- B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
- C. Immediately upon closure of the Hospital or Clinic;
- D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment; or

4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain Medical Staff privileges (sufficient to carry out the obligations of this contract) on the Active Medical Staff of Hospital, and maintain such membership and privileges throughout the term of this Agreement. Such membership and privileges shall be subject to all of the privileges and responsibilities of Medical Staff membership.

5.02 Licensure and Standards. Physician shall:

- A. At all times be licensed to practice medicine in the State of California;
- B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- C. Be a member, in good standing, of the Active Medical Staff of the Hospital;
- D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
- E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. NONPHYSICIAN PERSONNEL.

All nonphysician personnel required for the proper operation and conduct of Clinic shall be employed and paid by Hospital. With the advice and recommendation of Physician, Hospital shall establish and classify all nonphysician positions and shall designate the persons assigned to each nonphysician position. Although Physician may make recommendations to Hospital relating to the performance of nonphysician employees, Hospital shall have the sole and exclusive right to control, select, schedule and discharge such employees, and to take any direct disciplinary measures as needed.

VII. RELATIONSHIP BETWEEN THE PARTIES.

7.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine.

Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved

methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.

B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits, disability benefits, unemployment benefits, sick leave, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

7.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses of all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VIII. GENERAL PROVISIONS.

8.01 No Solicitation. Physician agrees that he will not, either directly or indirectly, during and after the term of this Agreement, call on, solicit or take away, or attempt to call on, solicit or take away any patients or patient groups with whom Physician dealt or became aware of as a result of Physician's past, present or future affiliation with Hospital and Clinic.

8.02 Access to Records. To the extent required by Section 1861(v)(i)(I) of the Social Security Act, as amended, and by valid regulation which is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of HHS, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of Hospital's costs for services provided by Physician.

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve-month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest, penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those

provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

8.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.

8.04 Arbitration and Dispute Resolution.

A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board Shall be final.

B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.

8.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.

8.06 Attorneys' Fees. If any legal action or other proceeding is commenced by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 8.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.

8.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.

8.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.

8.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Stacey Brown, M.D.
153 B Pioneer Lane
Bishop, CA 93514

8.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.

8.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.

8.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.

8.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.

8.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.

8.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.

8.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By: _____
Peter Watercott, President
Board of Directors

By: _____
Stacey Brown, MD

EXHIBIT A

ADMINISTRATIVE SERVICES TO BE PROVIDED

Physician shall:

- 1) Provide general administration of the day-to-day operations of the clinic
- 2) Advise and assist in the development and implementation of the clinic's policies and procedures
- 3) Provide medical consultation in the area of the Physician's specialty as needed
- 4) Schedule, coordinate and supervise the provision of medical and ancillary services within the clinic
- 5) Advise, assist and assure physician coverage of the clinic, with cooperation of Hospital
- 6) Monitor the quality of all medical care provided at the clinic, assure the maintenance of consistently high quality service, and advise Hospital in the development and implementation of an appropriate quality assurance program with respect to clinic
- 7) Insure that each medical professional providing services to patients shall at all times provide only those services that he/she is qualified to deliver, and shall provide such services in a manner consistent with the patient's best interests
- 8) Advise and assist in the organization and implementation of an effective utilization review program with respect to the clinic and related services
- 9) Coordinate and consult with Hospital and medical staff regarding the efficiency and effectiveness of the clinic, and make recommendations and analyses as needed for Hospital to ensure cost-effectiveness and deliver quality services provided in the clinic.
- 10) Advise Hospital regarding budget, equipment, building, supplies and other items necessary for the proper and efficient operation of the clinic
- 11) Advise and assist in the interview process of prospective physicians and other medical personnel
- 12) Develop, review and provide training programs to physicians and other medical personnel providing services in the clinic
- 13) Advise and assist in potential disciplinary action and dismissal of current physicians or other medical personnel
- 14) Ensure that the clinic is operated in accordance with all requirements of all applicable licensing requirements, and all other relevant requirements promulgated by any federal, state or local agency; and, in the event that Hospital seeks and/or obtains accreditation of the clinic by the Joint Commission on Accreditation of Healthcare Organizations (JACHO), ensure that the clinic is operated in accordance with all JCAHO requirements
- 15) Assist with applications regarding grants and alternative funding sources from federal, state or local agencies
- 16) Prepare such reports and records as may be required by Hospital or the clinic
- 17) Participate in Hospital, clinic and medical staff committees upon request
- 18) Participate in the development and presentation of programs related to the marketing of the clinic's services and enhancing clinic/community relations, provided, however, that Physician shall not be required to participate in any advertising or commercials related to clinic services
- 19) Participate in on-site teaching of interns, residents or medical students as necessary
- 20) Upon request by the clinic or Hospital, be available to respond/consult in the event of urgent or emergent situations
- 21) Cooperate in all litigation matters affecting Physician and/or the clinic
- 22) Maintain accurate and complete records the time spent and work done by Physician in his/her director role.
- 23) Maintain on call schedule for RHC patients and confer with Administration and the Medical Staff Office as to difficulties and vacancies thereto.

PHYSICIAN TIME STUDY

Provider: NORTHERN INYO HOSPITAL Physician: _____

Provider #: 05-1324 Department: _____ Account #: _____

Time Study Conducted From: _____ To: _____

PLEASE PRINT.

ACTIVITY	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	TOTALS
	/ /	/ /	/ /	/ /	/ /	/ /	/ /	
A. PROVIDER SERVICES								
Supervision, or training of nurses, technicians, etc.								
Utilization review, or other committees								
Administration								
Teaching								
Supervision of Interns/Residents								
Quality Control								
Autopsies								
Other, Specify: _____ _____ _____								
Other, Specify: _____ _____ _____								
Other, Specify: _____ _____ _____								
TOTAL OF "A"								WEEKLY TOTALS
B. DIRECT MEDICAL & SURGICAL SERVICES TO INDIVIDUAL PATIENTS								
C. NON-COVERED ACTIVITIES (E.G. Research)								
DAILY TOTALS								GRAND TOTALS

I certify that this time study reflects a true and accurate record of my timer, as spent at the facility identified above, during the period indicated. To ensure accuracy, the time study was completed on a daily basis during the specified period of the time study.

Physician Signature: _____ Date: _____

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**SECURITY SERVICES AGREEMENT
PER DIEM EMPLOYMENT AGREEMENT**

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, a political subdivision organized and existing pursuant to the Local Hospital District Law (Health and Safety Code Section 32000, et seq.) of the State of California, hereinafter referred to as "District", and Steve Day, hereinafter referred to as "Officer", agrees as follows:

PART I

RECITALS

1. The District is the owner and operator of a Hospital located in Bishop, California. District employees several hundred employees, operates a physical plant of over 90,000 sq. feet and is currently undertaking a significant replacement of it facilities.
2. The District requires that it's employees, patients, visitors, and assets enjoy a reasonably safe and secure environment while they are on the District Campus.
3. Officer is duly qualified and appropriately licensed and or certified and or registered to perform the duties as described herein. Officer has experience is managing public disturbances and in securing business operations.
4. District has concluded that engaging Officer is the most desirable course of action considering both the cost and quality of service, as compared to other arrangements available to District.

PART II

AGREEMENTS

1. **Duties of the Officer.** The Officer shall:
 - a. Patrol areas, said areas will be designated from time to time, and will change from time to time. Patrol means to provide a visible, physical presence, to observe the areas for unsafe conditions, and to improve said conditions when practical.
 - b. Escort employees, patients and visitors to their cars as requested.
 - c. Assist District employees and other caregivers in transporting patients as required.
 - d. Provide information to the public as requested.
 - e. Restrict entrance of the public when called for.
 - f. Assist in the management of unruly patients, visitors, and general public.
 - g. Enforce District policy relative to restricted areas.
 - h. Assist patient transportation as requested.

- i. Report to and adhere to the instructions of the Nursing Supervisor in charge.
 - j. Assist EMT's and ambulance personnel as requested.
 - k. Notify the appropriate agencies should a security problem arise warranting outside assistance.
2. **Working Hours.** The District will designate a "lead" Officer. Said Officer will construct and publish, on a monthly basis, the schedule for the remaining officers. Shifts will be for seven days a week, including holidays, for 10 to 12 hours, typically from 6 pm until 6am. Each Officer will volunteer for shifts each month. Once agreed to and published, the Officer will be responsible, in the event he/she is unable to work a scheduled shift, to secure his/her replacement from the remaining contracted officers or notify the lead Officer or District Administrator of said deficiency. Repeated deficiencies will result in termination.
3. **Uniforms.** Officer will wear the prescribed uniform, which will consist of a District logoed shirt and black pants, provided by the District. The officer will also wear, if appropriately licensed/ permitted etc, guns, mace, pepper spray, handcuffs, and batons.
4. **Background Checks.** The Officer will submit to background checks as will be required by the District initially and from time to time.
5. **Compensation.** The District will compensate the Officer \$40.00 for each completed hour and \$10.00 for each completed 15 minute increment. No minimal number of shifts will be required by the District, but the number of shifts awarded to the Officer will be solely determined by the Lead Officer, in consultation with the District Administrator when necessary.
6. **Benefits.** There are no benefits of any kind, no provision for absence or sick pay, no pension, etc expressed or implied herein.
7. **Notices and Termination.** Each party agrees to accept notices at the addresses stated below. Either party may terminate this contract with 30 written notice to the other. District may terminate this contract immediately upon the arrest or conviction of the officer of any State, County, or Local Law/Ordinance or upon the Officer's loss of licensure/certification/permit that is required by this contract or the duties described herein.
8. **Payment.** Lead Officer will submit a roster of shifts worked for a given month by the fifth working day of the following month. Officer will clock in, be subject to all wage and hour regulations, and will be paid bi-weekly.
9. **PER DIEM EMPLOYEE.** Officer is at all times a Perdiem employee and subject to all the policies and regulations of all NIH employees.
11. **Liability Insurance.** District agrees to procure and maintain, throughout the term of this Agreement, at its sole expense, a policy of general liability insurance coverage with limits of at

least \$1,000,000 for any one occurrence, and \$3,000,000 annual aggregate coverage per Officer. Said insurance will cover each officer within the scope of their duties.

12. Not Exclusive. It is specifically agreed and understood that Officer shall not be required to, nor is it anticipated that Officer will devote full time to District, it being understood that Officer may have additional agreements.

13. Assignment. Officer shall not assign, sell or transfer this Agreement or any interest therein without the consent of the District in writing first had and obtained. Notwithstanding any of the foregoing, it is understood and agreed that, in the event that Officer forms an alternative professional organization, duly authorized under the laws of this State to practice medicine, said alternative professional organization may be substituted in the place of Officers, with all of the rights and subject to all of the obligations of Officer under the terms of this Agreement. Said substitution shall be effected upon Officer giving written notice to District.

14. Term. The term of this Agreement shall be from _____ to _____, and continuing from year to year thereafter. .

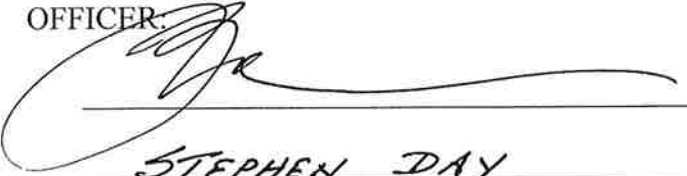
15. Amendment. This Agreement may be amended at any time by written agreement duly executed by both parties.

16. Attorney's Fees. In the event that suit is brought regarding the provisions of this Agreement or the enforcement thereof, the prevailing party shall be awarded its cost of suit and reasonable attorney's fees as a part of any Judgment rendered therein.

DISTRICT:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

BY  _____
John Halfen
Administrator

OFFICER:  _____
STEPHEN DAY
(Print name)

**SECURITY SERVICES AGREEMENT
LEAD OFFICER ADDENDUM
9-1-2008**

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, a political subdivision organized and existing pursuant to the Local Hospital District Law (Health and Safety Code Section 32000, et seq.) of the State of California, hereinafter referred to as "District", and Steve Day, hereinafter referred to as "Officer", agrees as follows:

PART I

RECITALS

1. The District is the owner and operator of a Hospital located in Bishop, California. District employees several hundred employees, operates a physical plant of over 90,000 sq. feet and is currently undertaking a significant replacement of its facilities.
2. The District requires that it's employees, patients, visitors, and assets enjoy a reasonably safe and secure environment while they are on the District Campus.
3. Officer is duly qualified and appropriately licensed and or certified and or registered to perform the duties as described herein. Officer has experience in managing public disturbances, in securing business operations and in leading other Officers to do the same.
4. District has concluded that engaging Officer is the most desirable course of action considering both the cost and quality of service, as compared to other arrangements available to District.

PART II

AGREEMENTS

- A. Duties of the Lead Officer:** The Lead Officer shall:
- a. Execute and be bound by all of the provisions of the Security Services Agreement, dated 9-1-2008, (hereinafter referred to "AGREEMENT"), or as amended and in force at the time, unless specifically precluded by terms in this agreement.
 - b. Recruit, retain, and screen for appropriateness, officers to perform the functions as described in the Agreement.

- c. Ensure and enforce the contract terms of the Agreement.
- d. Schedule all Officers for the shifts described in the Agreement, publish the Schedule with the NIH Administrator or his designee on a monthly basis, and notify NIH of any changes to the schedule.
- e. Work a minimum of three shifts per month.
- f. Meet with NIH officials from time to time to review the performance of the officers and discuss any needed changes in the duties required by the Agreement.
- g. Ensure that all officers are appropriately licensed, registered, or certified to perform the duties they will perform.
- h. Submit a completion schedule of shifts taken by officers each month and submit said schedule to NIH.


2. **Compensation.** NIH will compensate Officer \$1,000 per month no later than the tenth of each month for that month.

3. **Term.** This agreement will run coincident with the Agreement and be subject to said Agreement. Either Party may cancel this agreement by 30 days written notice to the other.

IN WITNESS WHEREOF, the parties hereto have executed this Security Services Agreement Addendum at Bishop, California on _____.

DISTRICT:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

BY 
John Halfen
Administrator

LEAD OFFICER: Steve Day

BY 

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Beck & Casey

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made this 14th Day of June, 2007, at the City of Bishop, County of Inyo, State of California, by and between, Alice Casey, MD and Clifford Beck, M.D. ("SELLER") and Northern Inyo County Local Hospital District ("BUYER").

Recitals

- A. BUYER is a Local Health Care District duly organized and existing under the laws of the State of California and more specifically under the Local Health Care District Law, Health and Safety Code §§32000, et seq. BUYER owns and operates Northern Inyo Hospital to provide acute care, full service medical services to the community in which it serves.
- B. SELLER is the owner of a 17.78% general partnership interest in a general partnership named Pioneer Medical Associates (the "Partnership").
- C. The primary asset of the Partnership is a parcel of real property, including improvements located thereon, commonly known as the Pioneer Medical Building, located at 152 Pioneer Lane, Bishop, California 93514. This real property is legally described as Parcel 1 of Parcel Map 209 recorded in Book 3, Pages 25-26 of Parcel Maps in the office of the Inyo County Recorder; APN 11-240-14A (the "Real Property").
- D. SELLER occupies a medical suite on the Real Property identified as Suite H in the Pioneer Medical Building (the "Leasehold"). With respect to the Leasehold, SELLER is tenant, and the Partnership is landlord.
- E. SELLER desires to sell to BUYER, and BUYER desires to purchase and acquire from SELLER: (1) all of Seller's right, title, and interest in and to the Partnership, specifically including all of SELLER's direct and indirect (through SELLER's Partnership interest) right, title, and interest in and to the Real Property; and (2) the Leasehold. All of the foregoing is hereinafter collectively referred to as the "Property."

Agreement

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

1. Purchase and Sale. BUYER agrees to purchase and SELLER agrees to sell the Property.

2. Purchase Price and Terms. The total purchase price to be paid is Four Hundred Eleven Thousand and Seventy-Four Dollars (\$411,074.00). The purchase price shall be paid as follows:

2.1. BUYER shall deposit into escrow upon opening the sum of Twenty Thousand Dollars (\$20,000.00), which shall be applied to the purchase price upon the Close of Escrow.

2.2. BUYER shall deposit into escrow by closing the balance of the purchase price in the sum of Three Hundred Ninety One Thousand and Seventy-Four Dollars (\$391,074.00). in cash, together with sufficient funds to cover BUYER'S share of closing costs.

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

<u>Item</u>	<u>Amount</u>
Partnership interest	\$ 1
Leasehold	\$ 411,073
FF&E	\$ 0
Total	<u>\$ 411,074</u>

Each of the parties hereto acknowledges and agrees that the foregoing allocation of the purchase price consideration will be used for income tax and/or property tax reporting purposes by both BUYER and SELLER. The parties hereby declare that the allocations stated hereinabove were determined in good faith, through arms length negotiation. Each party agrees to report the transaction for income tax and/or property tax purposes in accordance with the allocations stated hereinabove and not to take a position inconsistent with those allocations, except (1) with the written consent of the other party hereto; or (2) if the Internal Revenue Service, Franchise Tax Board, County tax assessor, or other taxing authority has taken a position with respect to the other party hereto contrary to the allocations recited hereinabove, in which case a party may take a protective position by adopting the taxing agency's contention until the controversy between the taxing agency and the other party is resolved.

2.4 Immediately following the Close of Escrow The Buyer agrees to Lease the property to Seller and the Seller agrees to Lease from Buyer for a term on not less than 5 years at lease rate of not less than \$1.25/sq foot, the subject property. Said Lease will be subject to addition terms and conditions to be agreed upon prior to the close of escrow.

3. Bulk Sales Transfer. Consummation of this Agreement and the escrow shall be conducted in accordance with and in full compliance with the requirements of the Bulk Transfers Division of the California Commercial Code.

4. Escrow. Immediately upon execution of this agreement, the parties shall cause an escrow to be opened with Inyo-Mono Title Company, Bishop branch. The parties shall jointly retain Inyo-Mono Title Company to act as escrowholder herein. The parties shall instruct escrowholder to insert the following material terms in said escrowholder's standard form Real Property and Bulk Sale Escrow Instructions:

4.1. Title. As of the date of this Agreement, it appears that title to the Real Property is vested in the Partnership. With respect to the interest of SELLER in and to the Real Property either directly or indirectly by virtue of SELLER's interest in the Partnership, title to SELLER's interest in the Real Property is to be delivered to BUYER free of liens, encumbrances, easements, restrictions, rights and conditions of record or known to SELLER. SELLER shall furnish to BUYER at SELLER's expense, if available from escrowholder, a standard California Land Title Association (CLTA) policy issued by Inyo-Mono Title Company, insuring the 17.78% interest in the Real Property of BUYER (either directly or indirectly through the 17.78% interest in the Partnership), subject only to the above. Except as otherwise provided for herein, BUYER shall have until December Seventh, 2007 to disapprove any title exceptions disclosed in the current preliminary title report furnished as of this date at the expense of SELLER, by giving written notice of such disapproval to SELLER. If SELLER is unwilling or unable to eliminate any title matter disapproved by BUYER as set forth above, BUYER may elect to terminate this Agreement. BUYER may elect to obtain an American Land Title Association (ALTA) policy, provided that the closing date is not delayed as a result. In such event, BUYER shall pay the premium amount in excess of the premium (including all costs associated therewith such as engineering fees, survey fees) for the CLTA policy referenced above.

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

4.3. Possession. Possession and occupancy of the Leasehold shall be delivered to BUYER upon close of escrow.

4.4. Vesting. BUYER shall provide escrowholder with vesting prior to closing.

4.5. All escrow fees and costs, other than those expressly set forth herein, shall be borne equally by the parties.

4.6. Escrow shall be deemed opened by the parties after the parties have signed and delivered escrow instructions to escrowholder.

4.7. Escrow shall close on a mutually agreed upon date, (the "Closing Date").

4.8. All claims made by any creditor or claimant shall be handled by escrowholder in accordance with the provisions of the Bulk Transfers Division of the California Commercial Code.

4.9. Except as otherwise expressly set forth herein, all liens, encumbrances, and other liabilities pertaining to or against the FF&E shall be satisfied and extinguished by SELLER upon the close of escrow. In connection therewith, SELLER, with SELLER paying the cost and expense thereof, shall request by way of a UCC-3 form with the Secretary of State all information concerning any secured creditors or other perfected interest in or against the FF&E. SELLER shall provide the report to BUYER. As to the Real Property, Seller shall pay 17.78% of any amount due under any liens, encumbrances, or other liabilities pertaining to the Real Property, except as otherwise expressly set forth herein.

4.10. All sales and use taxes pertaining to the FF&E and which may be incurred as a result of this transfer shall be paid by BUYER.

4.11 BUYER shall have the absolute right to cancel this Agreement at any time during the escrow period based upon: (1) any dissatisfaction or objection to the physical condition of the Property, (2) any failure of a condition, or (3) any other basis expressly provided for in this Agreement; it being the express intent of the parties that BUYER's decision to accept the condition of the Property or raise an objection shall be within the sole and absolute discretion of BUYER. In the event BUYER elects to cancel this transaction as provided for herein, all deposits of BUYER shall immediately be returned to BUYER and that any instructions to the escrowholder that requires the return of any deposit to BUYER shall cause the refund to be made immediately without any requirement for SELLER's concurrence or acceptance. Escrowholder shall be instructed to return the deposit to BUYER based on an instruction signed by BUYER only. Escrowholder shall hold such instruction from BUYER for a period of ten (10) days from the date of such instruction in order to provide SELLER with the 10-day period to express any objection thereto and claim of default on the part of the BUYER. In the event SELLER timely gives such notice of objection and default, escrowholder to interplead such funds pursuant to the standard form preprinted provisions of escrowholder's escrow instructions, or any order of a court of competent jurisdiction.

5. Partnership and Leasehold. Upon the close of escrow, SELLER shall have: (1) executed all documents necessary to transfer and assign to BUYER a 17.78% general partnership interest in Pioneer Medical Associates, and (2) transferred, conveyed, and assigned to BUYER the Leasehold with the consent and approval of the landlord.

5.1. The Partnership Interest. As a condition precedent to the obligations of BUYER hereunder, the parties shall have obtained the approval and consent of the remaining general partners of the Partnership to admit BUYER as a general partner, and BUYER shall in its sole and absolute discretion have approved the form of the governing documents of the Partnership.

5.2. Lease for the Leasehold. As a condition precedent to the obligations of BUYER hereunder, the partnership as landlord and BUYER as tenant of the Leasehold shall have agreed to the form and material terms and provisions of a lease for the Leasehold to take effect upon the close of escrow.

6. Conditions Precedent to the Obligations of BUYER. Each of the following shall be conditions precedent to the obligations of BUYER:

6.1. Due Diligence. BUYER shall have until ten (10) days after the opening of escrow (the "Due Diligence Date") to complete its due diligence of the Property and approve or disapprove the Property including without limitation the following matters:

(1) the physical condition of the Real Property and the Leasehold, including without limitation soils conditions, the size, dimensions and boundaries of the Real Property, the building foundation, structure, exterior and roof, and all plumbing, electrical, mechanical, heating, ventilation, air conditioning and other systems;

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

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

(4) title matters, including without limitation the Permitted Exceptions;

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

(6) the cost and availability of financing;

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

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

6.1 If BUYER fails to terminate this Agreement on or before the Due Diligence Date, by giving written notice to SELLER, BUYER shall be deemed to have completed its due diligence and approved the Property.

6.2 BUYER shall have satisfied the conditions pertaining to the Partnership and Leasehold set forth in section 5 and this section 6 of the Agreement.

6.3 The performance by SELLER of all of its obligations under this Agreement.

6.4 The title insurer shall be prepared to issue the title policy upon the Close of Escrow, subject only to approved exceptions.

6.5 BUYER and its authorized agents, employees and representatives shall be given the continuing right to inspect the books and records relating to the Partnership and to make extracts from these books and records, and further including BUYER's review, inspection, and approval copies of (1) books and records, not less than the prior 3 years of tax returns and filings, financial, credit and other information relating to the Partnership, and (2) any and all contracts, licenses, leases, and other such information relating to the Partnership. SELLER shall otherwise cooperate with BUYER through the close of escrow to the end that BUYER and its agents and employees shall be afforded the opportunity to obtain all necessary information and knowledge of the Partnership. BUYER shall assure that its conduct, and that of its employees, agents, and representatives, during such process is at all times unobtrusive and does not interfere with the operation of the Partnership in the ordinary course of business operations. BUYER shall indemnify, defend, and hold SELLER financially free and harmless from any and all claims, demands, liabilities, obligations, and causes of action related to the activities of SELLER or its agent pursuant to this section 6.5. SELLER represents to BUYER hereby that SELLER does not have custody, control, or current access to the foregoing books and records but will use its best efforts to assist BUYER as provided for herein.

7. Closing Obligations of SELLER. SELLER shall deposit into escrow for delivery to BUYER upon closing each of the following:

7.1 A duly executed and acknowledged grant deed or other requisite document of conveyance of SELLER's interest in the Real Property, including without limitation what may be required by escrowholder, in a form satisfactory to BUYER.

7.2 Although SELLER is not in possession of any of the following items, SELLER shall reasonably assist BUYER in obtaining each of the following: keys and security codes to all units, rooms, storage areas, and other facilities of the Leasehold and the Real Property, and excluding keys and security codes for areas under the exclusive control of others.

8. Closing Obligations of BUYER. BUYER shall deposit into escrow for delivery to SELLER upon closing each of the following;

8.1 Any remaining cash requirements.

8.2 Written assumption of obligations under the Partnership.

9. Representations by SELLER.

9.1 To SELLER's knowledge, there exists no pending or threatened litigation involving the Property, which have not been rectified by SELLER and which would

materially or adversely affect the value or operation of the Property, and to the best of SELLER's knowledge, no governmental authority has commenced or is contemplating any investigation regarding any possible violations.

9.2 All FF&E shall be in working order upon the close of escrow, except as may otherwise be disclosed by SELLER in writing and approved by BUYER prior to the Close of Escrow.

9.3 Other than the parties to this Agreement, there exists no other individuals or entities who claim any right, title, or interest in and to the Property

9.4 SELLER has received no written notice of any violations of any law, rule, or regulation affecting the Property, which have not been rectified by SELLER and which would materially or adversely affect the value or operation of the Property, and to the best of SELLER's knowledge no governmental authority has commenced or is contemplating any investigation regarding any possible violation.

9.5 Except as disclosed to BUYER in writing by SELLER prior to the close of escrow, and except as may be incidental to the conduct of the business presently conducted at the Property, SELLER has no actual knowledge of (i) the presence, now or at any prior time, or any "Hazardous Substances" located on the Property; (ii) spills of any Hazardous Substances on the Property or from any adjacent property onto the Property, (iii) the use of asbestos or other Hazardous Substances in the construction of any improvements located on the Property, or (iv) any notice of any violation or claimed violation of any law, rule, or regulation relating to Hazardous Substances. "Hazardous Substances" as used herein shall mean petroleum base products, pesticides, paints and solvents. Polychlorinated biphenyl, lead, cyanide, DDT, acids, ammonium compounds, PCB's, asbestos, and other chemical products and any substance or material defined or designated as a hazardous or toxic substance, or other similar term, by any federal, state, or local environmental statute, regulation, or ordinance. SELLER expressly agrees to indemnify, defend, and hold BUYER financially free and harmless from any and all claims, demands, liabilities, actions, and causes of action which may be asserted against BUYER and SELLER by any person, entity, or governmental entity relating to any hazardous waste, hazardous material, or any other matter subject to regulation under any local, state, or federal law, acts, ordinances, or regulations, except for any matter proven to have occurred subsequent to the date of Close of Escrow. Any liability of SELLER for the foregoing shall be severally limited to SELLER's 17.78% interest in the partnership.

9.6 All representations and warranties of SELLER set forth above and in this Agreement shall survive the closing of escrow.

10. Brokers, Agents, Finders. Each party hereby represents and warrants to the other that, in connection with this transaction and the consummation hereof, each such party has dealt with no broker, agent, finder, or other person acting in such capacity. In the event of a breach of the representations and warranties herein, the breaching party shall indemnify, defend, and hold the other party financially free and harmless from any

claims, demands, commissions, liabilities, and actions, including attorney's fees and costs, which may be incurred by the non-breaching party.

11. Indemnification and Hold Harmless. Except as otherwise provided for in this Agreement, SELLER shall indemnify, defend, and hold BUYER financially free and harmless from any and all claims, demands, liabilities, tax assessments, obligations, and causes of action accruing up to the close of escrow and which may arise out of the ownership, occupancy, or possession of the Property by SELLER, including attorney's fees and costs.

12. Notices. Any notices to be given by either party to the other shall be in writing and shall be transmitted either by (1) personal delivery, (2) mail, registered or certified, postage prepaid with return receipt requested, (3) by an overnight delivery service (e.g., Federal Express), or (4) by facsimile transmission with a confirmation copy by regular mail, first class postage prepaid. Overnight delivery or mailed notices shall be addressed to the parties at the addresses listed below. Facsimile notices shall be transmitted to the telephone numbers listed below. Each party may change that address and facsimile telephone number by giving written notice in accordance with this paragraph. In the event of any mailing, notice shall be deemed given on the 3rd day after deposit. The addresses and facsimile telephone numbers of the parties are as follows:

TO BUYER: Northern Inyo County Local Hospital District
150 Pioneer Lane
Bishop, CA 93514

with a copy to: Douglas Buchanan
363 Academy Street
Bishop, CA 93514

TO SELLER: Alice Casey, M.D.
Clifford Beck, M.D.
152 Pioneer Lane, Suite H
Bishop, CA 93514

13. Attorney's Fees and Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which that party may be entitled.

14. Integration. It is intended by the parties that this Agreement be the final expression of the intentions and agreements of the parties. This Agreement supersedes any and all prior or contemporaneous agreements, either oral or in writing, between the parties hereto and contains all of the covenants and agreements between the parties. No other agreements, representations, inducements, or promises, not contained in this

Agreement shall be valid or binding. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

16. Partial Invalidity. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

17. Governing Law, Venue. This Agreement shall be interpreted under the laws of the State of California. Exclusive venue for any legal action shall be Inyo County, California.

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

19. Remedies Cumulative. Any and all remedies provided by this Agreement, operation of law, or otherwise, shall be deemed to be cumulative, and the choice or implementation of any particular remedy shall not be deemed to be an election of remedies to the mutual exclusion of any other remedy provided for herein, by operation of law, or otherwise.

20. Attorney Representation. BUYER has retained the Law Offices of Douglass Buchanan to advise it in connection with the negotiation and execution of this Agreement.

21. Joint Preparation. This Agreement shall be deemed to be jointly prepared by all parties hereto. In connection therewith, the provisions of Civil Code Section 1654 shall not be deemed applicable in the event of any interpretation of this Agreement.


22. Execution of Documents. Each party shall execute all documents reasonably necessary to carry out the terms and provisions of this Agreement, including any items which might arise or occur subsequent to closing.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. In addition, this Agreement may contain more than one counterpart of the signature page and may be executed by the affixing of the signatures of each of the parties to any one of such counterpart signature pages; all of such counterpart signature pages shall read as though one and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the day and year first above written.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

By: _____
John Halfen, Administrator

By:  _____
Ailee Casey, MD

By:  _____
Clifford Beck, MD

**THIS SHEET
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LEASE AGREEMENT

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

Recitals

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

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

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

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

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

I

TERM

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

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

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

II

RENT

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

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

III

REPAIRS, MAINTENANCE & IMPROVEMENTS

3.01. **Improvements to be made by Landlord.** None.

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

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

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

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

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

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

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

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

3.06. Tenant Improvements and Trade Fixtures.

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

condition and repair, excluding ordinary wear and tear.

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

3.07. Liens.

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

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

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

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

IV

USE OF PREMISES

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

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

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

V

INSURANCE & TAXES

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

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

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

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

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

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

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

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

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

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

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

VI

DESTRUCTION OF PREMISES

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

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

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

6.02. Termination of Lease for Certain Losses.

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

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

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

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

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

6.04. Abatement of Rent.

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

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

VII

CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

VIII

INDEMNIFICATION

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

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

IX

DEFAULTS & REMEDIES

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

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

(b) Terminate this Lease and recover from Tenant:

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

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

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

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

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

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

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

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

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

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

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

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

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

X

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

LANDLORD: Pioneer Medical Associates, a
California General Partnership

by

CLIFFORD BECK, M.D.
Managing Partner

TENANT:NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

by

PETER WATERCOTT
President, Board of Directors

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PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made this 22nd Day of May, 2007, at the City of Bishop, County of Inyo, State of California, by and between, Scott Clark, MD (“SELLER”) and Northern Inyo County Local Hospital District (“BUYER”).

Recitals

- A. BUYER is a Local Health Care District duly organized and existing under the laws of the State of California and more specifically under the Local Health Care District Law, Health and Safety Code §§32000, et seq. BUYER owns and operates Northern Inyo Hospital to provide acute care, full service medical services to the community in which it serves.
- B. SELLER is the owner of an 8.57% general partnership interest in a general partnership named Pioneer Medical Associates (the “Partnership”).
- C. The primary asset of the Partnership is a parcel of real property, including improvements located thereon, commonly known as the Pioneer Medical Building, located at 152 Pioneer Lane, Bishop, California 93514. This real property is legally described as Parcel 1 of Parcel Map 209 recorded in Book 3, Pages 25-26 of Parcel Maps in the office of the Inyo County Recorder; APN 11-240-14A (the “Real Property”).
- D. SELLER occupies a medical suite on the Real Property identified as Suite F in the Pioneer Medical Building (the “Leasehold”). With respect to the Leasehold, SELLER is tenant, and the Partnership is landlord.
- E. SELLER desires to sell to BUYER, and BUYER desires to purchase and acquire from SELLER: (1) all of Seller’s right, title, and interest in and to the Partnership, specifically including all of SELLER’s direct and indirect (through SELLER’s Partnership interest) right, title, and interest in and to the Real Property; and (2) the Leasehold. All of the foregoing is hereinafter collectively referred to as the “Property.”

Agreement

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

1. Purchase and Sale. BUYER agrees to purchase and SELLER agrees to sell the Property.

2. Purchase Price and Terms. The total purchase price to be paid is One Hundred Ninety Eight Thousand Dollars (\$198,000.00). The purchase price shall be paid as follows:

2.1. BUYER shall deposit into escrow upon opening the sum of Twenty Thousand Dollars (\$20,000.00), which shall be applied to the purchase price upon the Close of Escrow.

2.2. BUYER shall deposit into escrow by closing the balance of the purchase price in the sum of One Hundred Seventy Eight Thousand Dollars (\$178,000.00). in cash, together with sufficient funds to cover BUYER'S share of closing costs.

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

<u>Item</u>	<u>Amount</u>
Partnership interest	\$ 1
Leasehold	\$ 197,999
FF&E	\$ 0
Total	<u>\$198,000</u>

Each of the parties hereto acknowledges and agrees that the foregoing allocation of the purchase price consideration will be used for income tax and/or property tax reporting purposes by both BUYER and SELLER. The parties hereby declare that the allocations stated hereinabove were determined in good faith, through arms length negotiation. Each party agrees to report the transaction for income tax and/or property tax purposes in accordance with the allocations stated hereinabove and not to take a position inconsistent with those allocations, except (1) with the written consent of the other party hereto; or (2) if the Internal Revenue Service, Franchise Tax Board, County tax assessor, or other taxing authority has taken a position with respect to the other party hereto contrary to the allocations recited hereinabove, in which case a party may take a protective position by adopting the taxing agency's contention until the controversy between the taxing agency and the other party is resolved.

2.4 Immediately following the Close of Escrow The Buyer agrees to Lease the property to Seller and the Seller agrees to Lease from Buyer for a term on not less than 5 years at lease rate of not less than \$1.25/sq foot, the subject property. Said Lease will be subject to addition terms and conditions to be agreed upon prior to the close of escrow.

3. Bulk Sales Transfer. Consummation of this Agreement and the escrow shall be conducted in accordance with and in full compliance with the requirements of the Bulk Transfers Division of the California Commercial Code.

4. Escrow. Immediately upon execution of this agreement, the parties shall cause an escrow to be opened with Inyo-Mono Title Company, Bishop branch. The parties

shall jointly retain Inyo-Mono Title Company to act as escrowholder herein. The parties shall instruct escrowholder to insert the following material terms in said escrowholder's standard form Real Property and Bulk Sale Escrow Instructions:

4.1. Title. As of the date of this Agreement, it appears that title to the Real Property is vested in the Partnership. With respect to the interest of SELLER in and to the Real Property either directly or indirectly by virtue of SELLER's interest in the Partnership, title to SELLER's interest in the Real Property is to be delivered to BUYER free of liens, encumbrances, easements, restrictions, rights and conditions of record or known to SELLER. SELLER shall furnish to BUYER at SELLER's expense, if available from escrowholder, a standard California Land Title Association (CLTA) policy issued by Inyo-Mono Title Company, insuring the 8.57% interest in the Real Property of BUYER (either directly or indirectly through the 8.57% interest in the Partnership), subject only to the above. Except as otherwise provided for herein, BUYER shall have until December Seventh, 2007 to disapprove any title exceptions disclosed in the current preliminary title report furnished as of this date at the expense of SELLER, by giving written notice of such disapproval to SELLER. If SELLER is unwilling or unable to eliminate any title matter disapproved by BUYER as set forth above, BUYER may elect to terminate this Agreement. BUYER may elect to obtain an American Land Title Association (ALTA) policy, provided that the closing date is not delayed as a result. In such event, BUYER shall pay the premium amount in excess of the premium (including all costs associated therewith such as engineering fees, survey fees) for the CLTA policy referenced above.

4.2. Prorations. Property taxes, assessments of record, and any other related items or expenses shall be prorated as of the close of escrow. Any bond or assessment which is a lien, against the Property shall be paid current by SELLER and the outstanding principal balance shall be assumed by BUYER. As to the Real Property, SELLER's obligation to pay current shall be limited to 8.57% of such obligation. Transfer taxes, if any, shall be paid by SELLER.

4.3. Possession. Possession and occupancy of the Leasehold shall be delivered to BUYER upon close of escrow.

4.4. Vesting. BUYER shall provide escrowholder with vesting prior to closing.

4.5. All escrow fees and costs, other than those expressly set forth herein, shall be borne equally by the parties.

4.6. Escrow shall be deemed opened by the parties after the parties have signed and delivered escrow instructions to escrowholder.

4.7. Escrow shall close on a mutually agreed upon date, (the "Closing Date").

4.8. All claims made by any creditor or claimant shall be handled by escrowholder in accordance with the provisions of the Bulk Transfers Division of the California Commercial Code.

4.9. Except as otherwise expressly set forth herein, all liens, encumbrances, and other liabilities pertaining to or against the FF&E shall be satisfied and extinguished by SELLER upon the close of escrow. In connection therewith, SELLER, with SELLER paying the cost and expense thereof, shall request by way of a UCC-3 form with the Secretary of State all information concerning any secured creditors or other perfected interest in or against the FF&E. SELLER shall provide the report to BUYER. As to the Real Property, Seller shall pay 8.57% of any amount due under any liens, encumbrances, or other liabilities pertaining to the Real Property, except as otherwise expressly set forth herein.

4.10. All sales and use taxes pertaining to the FF&E and which may be incurred as a result of this transfer shall be paid by BUYER.

4.11 BUYER shall have the absolute right to cancel this Agreement at any time during the escrow period based upon: (1) any dissatisfaction or objection to the physical condition of the Property, (2) any failure of a condition, or (3) any other basis expressly provided for in this Agreement; it being the express intent of the parties that BUYER's decision to accept the condition of the Property or raise an objection shall be within the sole and absolute discretion of BUYER. In the event BUYER elects to cancel this transaction as provided for herein, all deposits of BUYER shall immediately be returned to BUYER and that any instructions to the escrowholder that requires the return of any deposit to BUYER shall cause the refund to be made immediately without any requirement for SELLER's concurrence or acceptance. Escrowholder shall be instructed to return the deposit to BUYER based on an instruction signed by BUYER only. Escrowholder shall hold such instruction from BUYER for a period of ten (10) days from the date of such instruction in order to provide SELLER with the 10-day period to express any objection thereto and claim of default on the part of the BUYER. In the event SELLER timely gives such notice of objection and default, escrowholder to interplead such funds pursuant to the standard form preprinted provisions of escrowholder's escrow instructions, or any order of a court of competent jurisdiction.

5. Partnership and Leasehold. Upon the close of escrow, SELLER shall have: (1) executed all documents necessary to transfer and assign to BUYER a 8.57% general partnership interest in Pioneer Medical Associates, and (2) transferred, conveyed, and assigned to BUYER the Leasehold with the consent and approval of the landlord.

5.1. The Partnership Interest. As a condition precedent to the obligations of BUYER hereunder, the parties shall have obtained the approval and consent of the remaining general partners of the Partnership to admit BUYER as a general partner, and BUYER shall in its sole and absolute discretion have approved the form of the governing documents of the Partnership.

5.2. Lease for the Leasehold. As a condition precedent to the obligations of BUYER hereinunder, the partnership as landlord and BUYER as tenant of the Leasehold shall

have agreed to the form and material terms and provisions of a lease for the Leasehold to take effect upon the close of escrow.

6. Conditions Precedent to the Obligations of BUYER. Each of the following shall be conditions precedent to the obligations of BUYER:

6.1. Due Diligence. BUYER shall have until ten (10) days after the opening of escrow (the "Due Diligence Date") to complete its due diligence of the Property and approve or disapprove the Property including without limitation the following matters:

(1) the physical condition of the Real Property and the Leasehold, including without limitation soils conditions, the size, dimensions and boundaries of the Real Property, the building foundation, structure, exterior and roof, and all plumbing, electrical, mechanical, heating, ventilation, air conditioning and other systems;

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

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

(4) title matters, including without limitation the Permitted Exceptions;

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

(6) the cost and availability of financing;

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

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

6.1 If BUYER fails to terminate this Agreement on or before the Due Diligence Date, by giving written notice to SELLER, BUYER shall be deemed to have completed its due diligence and approved the Property.

6.2 BUYER shall have satisfied the conditions pertaining to the Partnership and Leasehold set forth in section 5 and this section 6 of the Agreement.

6.3 The performance by SELLER of all of its obligations under this Agreement.

6.4 The title insurer shall be prepared to issue the title policy upon the Close of Escrow, subject only to approved exceptions.

6.5 BUYER and its authorized agents, employees and representatives shall be given the continuing right to inspect the books and records relating to the Partnership and to make extracts from these books and records, and further including BUYER's review, inspection, and approval copies of (1) books and records, not less than the prior 3 years of tax returns and filings, financial, credit and other information relating to the Partnership, and (2) any and all contracts, licenses, leases, and other such information relating to the Partnership. SELLER shall otherwise cooperate with BUYER through the close of escrow to the end that BUYER and its agents and employees shall be afforded the opportunity to obtain all necessary information and knowledge of the Partnership. BUYER shall assure that its conduct, and that of its employees, agents, and representatives, during such process is at all times unobtrusive and does not interfere with the operation of the Partnership in the ordinary course of business operations. BUYER shall indemnify, defend, and hold SELLER financially free and harmless from any and all claims, demands, liabilities, obligations, and causes of action related to the activities of SELLER or its agent pursuant to this section 6.5. SELLER represents to BUYER hereby that SELLER does not have custody, control, or current access to the foregoing books and records but will use its best efforts to assist BUYER as provided for herein.

7. Closing Obligations of SELLER. SELLER shall deposit into escrow for delivery to BUYER upon closing each of the following:

7.1 A duly executed and acknowledged grant deed or other requisite document of conveyance of SELLER's interest in the Real Property, including without limitation what may be required by escrowholder, in a form satisfactory to BUYER.

7.2 Although SELLER is not in possession of any of the following items, SELLER shall reasonably assist BUYER in obtaining each of the following: keys and security codes to all units, rooms, storage areas, and other facilities of the Leasehold and the Real Property, and excluding keys and security codes for areas under the exclusive control of others.

8. Closing Obligations of BUYER. BUYER shall deposit into escrow for delivery to SELLER upon closing each of the following;

8.1 Any remaining cash requirements.

8.2 Written assumption of obligations under the Partnership.

9. Representations by SELLER.

9.1 To SELLER's knowledge, there exists no pending or threatened litigation involving the Property, which have not been rectified by SELLER and which would materially or adversely affect the value or operation of the Property, and to the best of SELLER's knowledge, no governmental authority has commenced or is contemplating any investigation regarding any possible violations.

9.2 All FF&E shall be in working order upon the close of escrow, except as may otherwise be disclosed by SELLER in writing and approved by BUYER prior to the Close of Escrow.

9.3 Other than the parties to this Agreement, there exists no other individuals or entities who claim any right, title, or interest in and to the Property

9.4 SELLER has received no written notice of any violations of any law, rule, or regulation affecting the Property, which have not been rectified by SELLER and which would materially or adversely affect the value or operation of the Property, and to the best of SELLER's knowledge no governmental authority has commenced or is contemplating any investigation regarding any possible violation.

9.5 Except as disclosed to BUYER in writing by SELLER prior to the close of escrow, and except as may be incidental to the conduct of the business presently conducted at the Property, SELLER has no actual knowledge of (i) the presence, now or at any prior time, or any "Hazardous Substances" located on the Property; (ii) spills of any Hazardous Substances on the Property or from any adjacent property onto the Property, (iii) the use of asbestos or other Hazardous Substances in the construction of any improvements located on the Property, or (iv) any notice of any violation or claimed violation of any law, rule, or regulation relating to Hazardous Substances. "Hazardous Substances" as used herein shall mean petroleum base products, pesticides, paints and solvents. Polychlorinated biphenyl, lead, cyanide, DDT, acids, ammonium compounds, PCB's, asbestos, and other chemical products and any substance or material defined or designated as a hazardous or toxic substance, or other similar term, by any federal, state, or local environmental statute, regulation, or ordinance. SELLER expressly agrees to indemnify, defend, and hold BUYER financially free and harmless from any and all claims, demands, liabilities, actions, and causes of action which may be asserted against BUYER and SELLER by any person, entity, or governmental entity relating to any hazardous waste, hazardous material, or any other matter subject to regulation under any local, state, or federal law, acts, ordinances, or regulations, except for any matter proven to have occurred subsequent to the date of Close of Escrow. Any liability of SELLER for the foregoing shall be severally limited to SELLER's 8.57% interest in the partnership.

9.6 All representations and warranties of SELLER set forth above and in this Agreement shall survive the closing of escrow.

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

11. Indemnification and Hold Harmless. Except as otherwise provided for in this Agreement, SELLER shall indemnify, defend, and hold BUYER financially free and harmless from any and all claims, demands, liabilities, tax assessments, obligations, and causes of action accruing up to the close of escrow and which may arise out of the ownership, occupancy, or possession of the Property by SELLER, including attorney's fees and costs.

12. Notices. Any notices to be given by either party to the other shall be in writing and shall be transmitted either by (1) personal delivery, (2) mail, registered or certified, postage prepaid with return receipt requested, (3) by an overnight delivery service (e.g., Federal Express), or (4) by facsimile transmission with a confirmation copy by regular mail, first class postage prepaid. Overnight delivery or mailed notices shall be addressed to the parties at the addresses listed below. Facsimile notices shall be transmitted to the telephone numbers listed below. Each party may change that address and facsimile telephone number by giving written notice in accordance with this paragraph. In the event of any mailing, notice shall be deemed given on the 3rd day after deposit. The addresses and facsimile telephone numbers of the parties are as follows:

TO BUYER: Northern Inyo County Local Hospital District
150 Pioneer Lane
Bishop, CA 93514

with a copy to: Douglas Buchanan
363 Academy Street
Bishop, CA 93514

TO SELLER: Scott Clark, M.D.
152 Pioneer Lane, Suite F
Bishop, CA 93514

13. Attorney's Fees and Costs. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which that party may be entitled.

14. Integration. It is intended by the parties that this Agreement be the final expression of the intentions and agreements of the parties. This Agreement supersedes any and all prior or contemporaneous agreements, either oral or in writing, between the parties hereto and contains all of the covenants and agreements between the parties. No other agreements, representations, inducements, or promises, not contained in this Agreement shall be valid or binding. Any modification of this Agreement shall be effective only if it is in writing and signed by the party to be charged.

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

16. Partial Invalidity. If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

17. Governing Law, Venue. This Agreement shall be interpreted under the laws of the State of California. Exclusive venue for any legal action shall be Inyo County, California.

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

19. Remedies Cumulative. Any and all remedies provided by this Agreement, operation of law, or otherwise, shall be deemed to be cumulative, and the choice or implementation of any particular remedy shall not be deemed to be an election of remedies to the mutual exclusion of any other remedy provided for herein, by operation of law, or otherwise.

20. Attorney Representation. BUYER has retained the Law Offices of Douglass Buchanan to advise it in connection with the negotiation and execution of this Agreement.

21. Joint Preparation. This Agreement shall be deemed to be jointly prepared by all parties hereto. In connection therewith, the provisions of Civil Code Section 1654 shall not be deemed applicable in the event of any interpretation of this Agreement.

22. Execution of Documents. Each party shall execute all documents reasonably necessary to carry out the terms and provisions of this Agreement, including any items which might arise or occur subsequent to closing.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. In addition, this Agreement may contain more than one counterpart of the signature page and may be executed by the affixing of the signatures of each of the parties to any one of such counterpart signature pages; all of such counterpart signature pages shall read as though one and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the parties hereto have executed this instrument on the day and year first above written.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

By: _____
John Halfen, Administrator

By: _____
Scott Clark, MD

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**RESOLUTION NO. 08-02
OF THE
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
BOARD OF DIRECTORS**

WHEREAS, the Northern Inyo County Local Hospital District is required to establish an annual appropriations limit in accordance with Article XIII B of the California Constitution; and

WHEREAS, using data provided by the State of California Department of Finance, on July 18, 2007, the Board of Directors of Northern Inyo Hospital established an appropriations limit of \$549,330.47 for the July 1, 2007 to June 30, 2008 fiscal year; and

WHEREAS, using the attached data provided by the State of California Department of Finance, an appropriations limit of \$571,808.24 has been calculated for the July 1, 2008 to June 30, 2008 fiscal year.

NOW, THEREFORE, BE IT RESOLVED by this Board of Directors of Northern Inyo County Local Hospital District, meeting in regular session this 17th day of September, 2008 that an appropriations limit of \$572,808.35 be established for the Northern Inyo County Local Hospital District for the 2006-2007 fiscal year; and

BE IT FURTHER RESOLVED that this Resolution be made a part of the minutes of this meeting.

Peter J. Watercott, President

Attest:

Michael Phillips, Secretary

APPROPRIATIONS LIMIT CALCULATIONS
FISCAL YEAR 2009

Per capita change multiplied by the population change yields a calculation factor.

For the district this is:

$$1.0429 \times .9981 = 1.0409$$

$$1.0409 \times \$549,330.47 = \$571,808.24$$

New Limit is \$571,808.24



May 2008

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2008, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2008-09. Enclosure I provide the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2008-09 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2008.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL C. GENEST
Director
By:

ANA J. MATOSANTOS
Chief Deputy Director

Enclosure

May 2008

Enclosure I

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2008-2009 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2008-2009	4.29

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2008-2009 appropriation limit.

2008-2009:

Per Capita Cost of Living Change = 4.29 percent
 Population Change = 1.31 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.29 + 100}{100} = 1.0429$

Population converted to a ratio: $\frac{1.31 + 100}{100} = 1.0131$

Calculation of factor for FY 2008-2009: $1.0429 \times 1.0131 = 1.0566$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2007 to January 1, 2008 and Total Population, January 1, 2008

<u>County</u> <u>City</u>	<u>Percent Change</u> 2007-2008	<u>--- Population Minus Exclusions ---</u>		<u>Total</u> <u>Population</u>
		1-1-07	1-1-08	1-1-2008
Inyo				
Bishop	0.14	3,546	3,551	3,551
Unincorporated	-0.27	14,516	14,477	14,601
County Total	-0.19	18,062	18,028	18,152

(*) Exclusions include residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.

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Proposal and Agreement of Sale

BAKERSFIELD
7100 DISTRICT BLVD.
BAKERSFIELD
CA 93313
Telephone: 661-397-3833
Fax: 661-397-4019

SALE AGREEMENT NO.: 165666
ACCOUNT NO.: 717372
SALE AGREEMENT DATE: 08/12/2008
PAGE: 1

MODULAR SPACE CORPORATION, a Delaware corporation hereinafter referred to as "Seller", hereby submits for acceptance by:

NORTHERN INYO COUNTY LOCAL HOS
150 Pioneer Lane
BISHOP
CA 93512
Customer Contact: John Halfen
Telephone: 444 444 4444
Fax: 555 555 5555

Delivery Address:
BISHOP
CA 93512

hereinafter referred to as "Buyer", the following proposal to furnish the equipment described below for the prices indicated:

Table with 3 columns: QTY, DESCRIPTION, PRICE. Row 1: 1 Unit: 000000, S/N: Unit Size: 0' x 0' DMV DOH CHARGES (Qty: 1 at \$375.00) 17,800.00 375.00. Sub Total 18,175.00. Total 18,175.00.

Building sold "as is" with no warranty.

Payment Terms: Due upon Receipt of Invoice

Seller estimates that delivery of the equipment described above will require _____ weeks after Seller is in receipt of complete information and drawings approved by Buyer, and satisfactory financial arrangements have been made. This estimate is subject to paragraph of the General Terms and Conditions, specified later in this agreement. This proposal by Seller must be accepted in its entirety by Buyer within fifteen (15) days from the date hereof, and acceptance shall be defined for the purposes of this Proposal and Agreement as receipt by Seller duly executed original hereof at its offices in Berwyn, Pennsylvania, or personal delivery thereof to a duly authorized agent or representative of Seller. Buyer's acceptance of this Proposal subsequent to fifteen (15) days from the date hereof shall be deemed to be a counterproposal, which shall be subject to renegotiation. The Seller agrees to sell and the Buyer agrees to buy the above described equipment for the price and on the terms herein set forth, including the Terms and Conditions set forth specified later in this Proposal and Agreement, which Terms and Conditions are incorporated herein by reference as if hereat set out in full. This Agreement will not become binding and effective until signed by an authorized agent of the Buyer and an authorized agent of the Seller (Subject to condition 1 specified in the Terms and Conditions). Buyer warrants that the person signing in Buyer's behalf is authorized to enter into this agreement for the Buyer. IN WITNESS WHEREOF, the parties hereto have caused this Proposal to be accepted at the prices and upon the Terms and Conditions named herein and to be executed by a duly authorized agent.

SELLER
MODULAR SPACE CORPORATION

BUYER

By _____
Title _____
Date _____
By _____
Title _____
Date _____

By _____
Title _____
Date _____
Purchase Order No. _____



Proposal and Agreement of Sale

SALE AGREEMENT NO.: 165666
ACCOUNT NO.: 717372
SALE AGREEMENT DATE: 08/12/2008
PAGE: 2

GENERAL TERMS AND CONDITIONS

1. Acceptance of this proposal shall constitute an agreement by the buyer to all the terms and conditions herein, subject, however, to the right of the seller at its home office to cancel this agreement within fifteen (15) days of receipt of acceptance or order by seller's home office.
2. In consideration of Seller furnishing equipment described on the front page hereof, the Buyer shall pay to the Seller the sum stipulated on the front page hereof, subject to such additions or deductions relative to changes which may hereinafter be agreed upon between the parties in writing. Payment shall be made to the Seller at its offices at 120 W Swedesford Road, Berwyn, PA 19312. The Buyer shall pay to the Seller the full sales price within ten (10) days of invoice date, or sooner if otherwise stipulated on the front page hereof. In the event delivery of equipment for the project requires more than one shipment, Seller, may, at its option, render separate invoices for each shipment. If shipment of any part of the project is delayed Buyer's obligation for the remainder of the equipment shall not be affected thereby.
3. TAXES: In addition to the total price, Buyer shall pay or reimburse Seller for any and all sales and use taxes including, but not limited to, value added taxes, personal property taxes or other direct taxes levied against or based upon the price or value of the Equipment purchased hereunder or its use or operation, or any other taxes levied against or based upon this Agreement, or the execution, filing, recording or performance thereof. The term direct taxes as used herein, shall include all taxes (except taxes related to the income of Seller), charges and fees levied, assessed or charged by any local, state or federal Taxing authority. If Customer claims any exemption from any of the Taxes, Customer will supply to ModSpace a valid exemption certificate. If at any time ModSpace determines the exemption claimed is not valid, ModSpace will invoice Customer for any tax not previously invoiced.
4. Seller's delivery of the equipment described on the front page hereof, is subject to delays in manufacture of delivery due to fire, flood, windstorm, riot civil disobedience, strike, failure to secure materials from the usual source of supply, Act of God, or any other circumstances beyond the Seller's control which shall prevent the manufacture of equipment or the making of deliveries in the normal course of business. It is further understood and agreed that Buyer will not hold Seller responsible for liquidated damages or other damages for delay which may be imposed upon Buyer pursuant to any other contract which Buyer may have entered into with respect to the project to which Seller is not a party.
5. The Buyer shall be solely responsible for any and all additional materials, labor, site preparation and all other items on the project other than those materials as specifically set forth on the front page hereof.
6. The Buyer shall be solely responsible for compliance with applicable building codes, for obtaining any type of building permits and licenses that may be required in the project, and for payment of state and local taxes which may be applicable to the sale covered by this Proposal and Agreement.
7. The Buyer agrees to indemnify and save harmless the Seller against all losses, costs or damages incurred or paid by Seller on account of any claim under Workmen's Compensation Acts or other employee benefit acts, any claim for damages because of bodily injury, including death, to Buyer's employees and all others, and any claims for damages to property caused by, resulting from, or arising out of the performance of this Agreement or any aspect hereof or of the project to which this Agreement is related. Buyer shall pay and all attorney's fees and expenses incurred or paid by the Seller on account of any such claims; and Buyer, if requested by Seller, shall assume and defend at its own expense any suit, action or other legal proceeding arising therefrom.
8. The Buyer agrees that it shall not assign or transfer this Agreement or any part hereof or any amount payable hereunder, except with the prior written consent of the Seller.
9. THE BUYER SHALL:
 - a. Reimburse Seller for all costs incurred in order to correct improper or inaccurately constructed foundations, to correct misalignment or inaccuracy in anchor bolts, walls, footings, cutoffs for doors, or other work.
 - b. Provide storage and be responsible for loss of or damage to materials and equipment if site and foundations are not ready or accessible in accordance with the delivery provision contained in this contract, and reimburse the Seller for all additional costs incurred by the Seller including, but not limited to, the cost of unloading, reloading, and hauling materials resulting from the Buyer's failure to perform this condition. Delay in completing foundation and inaccessibility of site may necessitate rescheduling of the order for which Seller shall not be responsible, and shall extend the period of performance by the period of delay.
 - c. Schedule his operations so that the erection, by the Seller, can be carried out in one continuous operation and in proper sequence. Should delays in preparation of the foundation and the site be encountered which would delay erection, Seller must be advised thereof not less than ten (10) days in advance of the tentative shipping date set by the Seller at the time of acknowledgement of order. In the event that the provisions of this sub-paragraph are not complied with, Buyer shall reimburse the Seller for actual costs and damages incurred, including a reasonable profit for the work performed thereon resulting from such delay. Any delay resulting therefrom shall extend the period of performance under this agreement by the period of delay.
 - d. Provide and maintain roadway to each building site so that trucks can drive alongside each building site; provide suitably leveled and compacted area within each building unit for the support of crane operation in erection; furnish power for the Seller's machine tools during the course of erection; and furnish necessary utility services required by the Seller in the performance of the contract at the job site.
10. Unless otherwise specified, additional expense caused by obstructions, either overhead or underground, demolition work, grading to bring site to level, or extra depth or width of concrete footings, foundations or excavations caused by earth fill, or abnormal soil conditions which may require foundations different from the standard plans approved by Building Department, are to be paid for by the Buyer.



Proposal and Agreement of Sale

SALE AGREEMENT NO.: 165666
ACCOUNT NO.: 717372
SALE AGREEMENT DATE: 08/12/2008
PAGE: 3

GENERAL TERMS AND CONDITIONS

11. The Buyer warrants that he owns, or has the right to construct buildings on, the property upon which the equipment as described herein is to be delivered, constructed, or other work performed, and will designate to the Seller the location of the corner stakes of the property and will furnish the plot plan showing the boundary dimensions and angles of the property, and the proposed location of the site of the building or other work to be performed, together with all necessary information concerning contours, grades, soil conditions, tree locations, utility service lines, rights of way, easements and restrictions, dimensions and other relevant data pertaining to existing structures on the premises. Seller shall not be responsible for encroachments of any type. Buyer warrants that the said construction will not violate zoning restrictions or other laws, and the Buyer agrees to indemnify and hold the Seller harmless from all loss or damage or liability which may result by reason of the construction of the said building or other work done, of from any lack or defect of title in the Buyer, or by reason of said construction violating any zoning restrictions or other laws.
12. The Buyer agrees not to interfere with the progress of the work, and not to occupy any portion of the building until all terms and conditions herein are fulfilled by both parties. Buyer further agrees not to permit any workmen other than those of the Seller to work at or in the immediate vicinity of the building without the Seller's written consent until the Seller's work on the building is completed. Should any workmen or contractors or sub-contractors of the Buyer perform any such work, the Buyer will furnish to the Seller in writing their names before such work is commenced. The Buyer agrees to pay the Seller for any damage that may be caused by anyone other than workmen or sub-contractors of the Seller, by reason of disturbing or damaging concrete forms, grade finishing or any construction work in process whatsoever.
13. No charge for labor or material furnished by the Buyer shall be allowed as a credit under this agreement unless authorized in writing by the Seller.
14. The Buyer shall obtain insurance naming Seller as sole insured on all Seller's property located on the building site, against loss by fire, lightning, wind, storm, riot, civil disobedience, earthquake, Act of God and against other perils ordinarily included under the extended coverage endorsement as well as any other insurance which the Buyer deems necessary upon the work covered by the proposal for the full insurable value thereof. The minimum coverage of said insurance shall be the fair market value of such property as established by the contract price contained herein. Such insurance shall also cover the following items whether they be in or adjacent to the structure insured, materials in place or used to be as part of permanent construction including surplus materials, temporary structures, scaffolding and stagings, protective fence, bridging, forms and miscellaneous materials and supplies. Insurance need not cover tools or equipment owned by or rented by the Seller. Buyer shall furnish to the Seller certificates of insurance on demand by Seller.
15. Expressly incorporated herein by reference hereto are the plans and specifications relating to the equipment specified in this Proposal and Agreement of Sale.
16. In the event any act or thing required of Buyer hereunder shall not be done and performed in the manner and at the time or times required by this Agreement, Buyer shall thereby be held in default and all amounts due under the terms and conditions of this Agreement shall be payable immediately by Buyer to Seller, without demand by Seller. In addition Buyer will reimburse Seller for any legal fees and costs that become due as a direct result of Buyer's default of this Agreement and Buyer will pay to Seller interest at the rate of 18% per annum, calculated on a 360 days = equals one (1) year base, on the full sale price stipulated on the face hereof. Interest will be calculated from the date said default takes place, through and including the date of Settlement.
17. The Seller's equipment as described herein is warranted for a period of one year against structural failure due to defective material or workmanship in the equipment manufactured, unless otherwise stated by warranties of the Seller. The Seller's equipment as described herein is warranted for a period of one year against structural failure due to defective material or workmanship in the equipment manufactured, unless otherwise stated by warranties of the Seller's supplier of purchased components. Such warranties will be conveyed to Buyer and Buyer will deal directly with the Supplier if a claim arises. Seller's liability is limited to replacing (but to dismantling and installing) defective parts on an exchange basis, F.O.B. the manufacturer's factory. The warranty is limited to "Normal" usage and exposure. The following are excluded by the definition of "Normal" and therefore from this warranty if such conditions exist:
 - A. Improper installation affecting the structural design of the building or failure to provide drainage of water from all surfaces without internal penetration of the building.
 - B. Improper Maintenance.
 - C. Installation in an area subject to heavy fall out or corrosive chemicals, ash or fumes from chemical plants, foundries, plating works, kilns, fertilizing manufacturers, paper plants and the like.
 - D. Acts of God, vandalism, falling objects, external forces, explosion, fire, riots, acts of war and radiation. In the event that any defect is discovered by the Buyer, notice of the defect shall be given to the Seller in writing and such notice must be sent within the warranty period by certified registered mail. The warranty is tendered for the sole benefit of the original Buyer and is not transferable or assignable and further is void in the event the product is removed from its original location of installation. THERE ARE NO OTHER WARRANTIES EXPRESSED OR IMPLIED (INCLUDING WARRANTIES RELATING TO MERCHANTABILITY) EXCEPT THOSE STATED HEREIN.
18. The warranty as outlined in Paragraph 17 is hereby specifically EXCLUDED as to materials and equipment currently owned and in possession of the Seller. Said material and equipment is sold in an "as is" condition with NO WARRANTIES EXPRESSED OR IMPLIED.
19. The failure by Seller to enforce at any time, or for any period of time, any one or more of the terms of this Proposal and Agreement shall not be a waiver of such terms and conditions or of the Seller's right thereafter to enforce each and every term and condition contained herein.
20. Upon acceptance of this Proposal, together with its terms and conditions, shall constitute the entire agreement between the Seller and the Buyer, there being merged all prior and collateral representations, promises and conditions in connection with this proposal, and any representation, promise or condition not incorporated herein shall not be binding on either party.
21. Manufacturer's certificate of origin or title (if applicable) to the equipment described herein will be conveyed to the Buyer within 30 days of payment in full to Seller.



Proposal and Agreement of Sale

SALE AGREEMENT NO.:	165666
ACCOUNT NO.:	717372
SALE AGREEMENT DATE:	08/12/2008
PAGE:	4

GENERAL TERMS AND CONDITIONS

22. Definitions :

- A. Delivery - Date that structures arrive at site address.
- B. Notice of Completion - Date of written notice given by Seller to Buyer that structures are complete and available for Buyer's occupancy.
- C. Equipment - The term equipment as used herein shall refer to the item or items provided by the Seller as described on the front page of this Proposal and Agreement of Sale.

23. Stenographical and clerical errors herein are subject to correction.

24.

25. This Agreement and Terms and Conditions of Sale shall be construed in accordance by the laws of the State of Pennsylvania.

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**NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC STAFF PHYSICIAN
PROFESSIONAL SERVICES AGREEMENT**

This Professional Services Agreement (this "Agreement"), dated as of September 17, 2008 is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Jennifer Scott, M.D. ("Physician").

RECITALS

- A. Hospital operates a general acute care hospital, which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 Pioneer Lane, Bishop, California.
- B. Physician is an individual duly licensed to practice medicine in the State of California, and she desires to relocate her practice to Bishop, California.
- C. Hospital desires to obtain professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.
- D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

- 1.01 Services. Hospital hereby engages Physician to serve as Clinic staff physician, and Physician hereby accepts such engagement on the terms and conditions set forth in this Agreement. In her capacity as staff physician, Physician shall provide Hospital with the benefit of her direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the Clinic. The scope of services to be performed by Physician are described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.
- 1.02 Limitation on Use of Space. No part of the Clinic's premises shall be used at any time by Physician as an office for the private practice of medicine or to see patients other than Clinic patients.

1.03 Covenants of Physician: Physician shall:

(a) Apply for and maintain Provisional or Active Medical Staff membership and the aforesaid obstetrical and family practice privileges for the term of this Agreement.

(b) Provide on-call coverage to the Hospital's Emergency Service within the scope of privileges granted her by Hospital.

(c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, and services, and other costs and expenses of whatever nature, for which she may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract she may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a 12-month period, when said sub-contract is with a related organization.

(d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.

(e) As much as is practical, Physician shall be on call or in actual physical presence to provide the emergency coverage required by this Agreement. However, District expressly agrees that said such other qualified physicians might perform services as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, and has received approval in writing by the Hospital.

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make all decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.
- 2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic.
- 2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.
- 2.06 Hospital Phone-In Service. Hospital intends to establish a patient phone-in service during the term of this Agreement. Hospital shall staff such service as part of its responsibilities under this Agreement.
- 2.07 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.08 Clinic Hours. The Hospital guarantees the physician the availability of two-day shifts per week for the one year and one day shift per week for the second year of this agreement. Specific shifts will be scheduled according to normal operating procedures of the Clinic.

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$40.00 per hour and \$37.50 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Community Pool. In addition to 3.01 above, Hospital shall contribute \$2.50 per patient seen into a pool of all patients seen by all participating contracted providers. Funds in the pool shall be distributed amongst all the contracted and eligible providers quarterly beginning with the first full quarter of 2009 (paid within 10 working days of the end of each quarter) in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. The Hospital District Board will adjudicate disputes.**
- 3.03 Malpractice Insurance. Physician agrees to secure her own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement.
- 3.04 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for

all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

4.01 Term. The term of this Agreement shall be for a period of two years beginning on the first day of the first shift scheduled for the physician to work ("Effective Date"), and ending on the last day of the twenty-fourth month thereafter.

4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:

- A. By either party, at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
- B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
- C. Immediately upon closure of the Hospital or Clinic;
- D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment.

4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.

5.02 Licensure and Standards. Physician shall:

- A. At all times be licensed to practice medicine in the State of California;
- B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
- C. Be a member in good standing of the Active Medical Staff of the Hospital;
- D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
- E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
- F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine. Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.
- B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits,

disability benefits, unemployment benefits, sick leave, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

- 6.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

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

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve-month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

- 7.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.
- 7.04 Arbitration and Dispute Resolution.
- A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.
- B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.
- 7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.
- 7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Jennifer Scott, M.D.
C/O Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

- 7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 7.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.
- 7.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Jennifer Scott, MD

EXHIBIT A
POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi disciplinary care team. She provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.

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**NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC STAFF PHYSICIAN
PROFESSIONAL SERVICES AGREEMENT**

This Professional Services Agreement (this "Agreement"), dated as of September 17, 2008 is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Kenneth G. Gilliland, M.D. ("Physician").

RECITALS

A. Hospital operates a general acute care hospital, which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 Pioneer Lane, Bishop, California.

B. Physician is an individual duly licensed to practice medicine in the State of California, and he desires to relocate his practice to Bishop, California.

C. Hospital desires to obtain professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.

D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

1.01 Services. Hospital hereby engages Physician to serve as Clinic staff physician, and Physician hereby accepts such engagement on the terms and conditions set forth in this Agreement. In his capacity as staff physician, Physician shall provide Hospital with the benefit of his direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the Clinic. The scope of services to be performed by Physician are described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.

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1.03 Covenants of Physician: Physician shall:

(a) Apply for and maintain Provisional or Active Medical Staff membership and the aforesaid obstetrical and family practice privileges for the term of this Agreement.

(b) Provide on-call coverage to the Hospital's Emergency Service within the scope of privileges granted him by Hospital.

(c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, and services, and other costs and expenses of whatever nature, for which he may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract he may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a 12-month period, when said sub-contract is with a related organization.

(d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.

(e) As much as is practical, Physician shall be on call or in actual physical presence to provide the emergency coverage required by this Agreement. However, District expressly agrees that said such other qualified physicians might perform services as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, and has received approval in writing by the Hospital.

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make all decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.
- 2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic.
- 2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.
- 2.06 Hospital Phone-In Service. Hospital intends to establish a patient phone-in service during the term of this Agreement. Hospital shall staff such service as part of its responsibilities under this Agreement.
- 2.07 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.08 Clinic Hours. The Hospital guarantees the physician the availability of two-day shifts per week for the one year and one day shift per week for the second year of this agreement. Specific shifts will be scheduled according to normal operating procedures of the Clinic.

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$40.00 per hour and \$37.50 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Community Pool. In addition to 3.01 above, Hospital shall contribute \$2.50 per patient seen into a pool of all patients seen by all participating contracted providers. Funds in the pool shall be distributed amongst all the contracted and eligible providers quarterly beginning with the first full quarter of 2009 (paid within 10 working days of the end of each quarter) in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. The Hospital District Board will adjudicate disputes.**
- 3.03 Malpractice Insurance. Physician agrees to secure his own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement.
- 3.04 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for

all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

4.01 Term. The term of this Agreement shall be for a period of two years beginning on the first day of the first shift scheduled for the physician to work ("Effective Date"), and ending on the last day of the twenty-fourth month thereafter.

4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:

- A. By either party, at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
- B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
- C. Immediately upon closure of the Hospital or Clinic;
- D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment.

4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

- 5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.
- 5.02 Licensure and Standards. Physician shall:
- A. At all times be licensed to practice medicine in the State of California;
 - B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
 - C. Be a member in good standing of the Active Medical Staff of the Hospital;
 - D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
 - E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
 - F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine. Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.
- B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits,

disability benefits, unemployment benefits, sick leave, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

- 6.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

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

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve-month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

- 7.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.
- 7.04 Arbitration and Dispute Resolution.
- A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.
- B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.
- 7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.
- 7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Kenneth G. Gilliland.
214 Arcturus Circle
Bishop, CA 93514

- 7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 7.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.
- 7.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Kenneth G. Gilliland MD

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi disciplinary care team. He provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.

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**NORTHERN INYO HOSPITAL
RURAL HEALTH CLINIC STAFF PHYSICIAN
PROFESSIONAL SERVICES AGREEMENT**

This Professional Services Agreement (this "Agreement"), dated as of September 17, 2008 is entered into by and between Northern Inyo Hospital Local Hospital District ("Hospital") and Michael Phillips, M.D. ("Physician").

RECITALS

A. Hospital operates a general acute care hospital, which, among other things, owns and operates a Rural Health Clinic (the "Clinic"), located at 153 Pioneer Lane, Bishop, California.

B. Physician is an individual duly licensed to practice medicine in the State of California, and he desires to relocate his practice to Bishop, California.

C. Hospital desires to obtain professional medical services from Physician for the patients of Clinic, and Physician desires to furnish such services upon the terms and conditions set forth in this Agreement.

D. Hospital believes that high standards of patient care can be achieved if Physician assumes the responsibilities set out further in this Agreement.

THEREFORE, THE PARTIES AGREE:

I. PHYSICIAN RESPONSIBILITIES.

- 1.01 Services. Hospital hereby engages Physician to serve as Clinic staff physician, and Physician hereby accepts such engagement on the terms and conditions set forth in this Agreement. In his capacity as staff physician, Physician shall provide Hospital with the benefit of his direct patient care expertise and experience, and shall render those services necessary to enable Hospital to achieve its goals and objectives for the Clinic. The scope of services to be performed by Physician are described in Exhibit A attached hereto and incorporated by reference herein. Physician shall provide Hospital with patient medical record documentation of all direct patient care services rendered hereunder; such documentation shall be submitted to Hospital on an ongoing basis, and shall be in the form, and contain the information, requested by the Hospital such that a complete medical record can be assembled.
- 1.02 Limitation on Use of Space. No part of the Clinic's premises shall be used at any time by Physician as an office for the private practice of medicine or to see patients other than Clinic patients.

1.03 Covenants of Physician: Physician shall:

(a) Apply for and maintain Provisional or Active Medical Staff membership and the aforesaid obstetrical and family practice privileges for the term of this Agreement.

(b) Provide on-call coverage to the Hospital's Emergency Service within the scope of privileges granted him by Hospital.

(c) Maintain books, records, documents, and other evidence pertaining to all costs and expenses incurred, and revenue acquired, pursuant to this Agreement to the extent, and in such detail, as will properly reflect all net costs, direct and indirect, of labor, materials, equipment, supplies, and services, and other costs and expenses of whatever nature, for which he may claim payment or reimbursement from the District. Physician acknowledges and agrees that any federal office authorized by law shall have access, for the purpose of audit and examination, to any books, documents, papers, and records of Physician which are relevant to this Agreement, at all reasonable times for a period of four (4) years following the termination of this Agreement, during which period Physician shall preserve and maintain said books, documents, papers, and records. Physician further agrees to transfer to the District, upon termination of this Agreement, any books, documents, papers or records which possess long-term [*i.e.*, more than four (4) years] value to the Hospital. Physician shall include a clause providing similar access in any sub-contract he may enter with a value of more than Ten Thousand Dollars (\$10,000) or for more than a 12-month period, when said sub-contract is with a related organization.

(d) At all times comply with all relevant policies, rules and regulations of the Hospital, subject to California and federal statutes governing the practice of medicine.

(e) As much as is practical, Physician shall be on call or in actual physical presence to provide the emergency coverage required by this Agreement. However, District expressly agrees that said such other qualified physicians might perform services as the Physician may employ or otherwise provide so long as each such physician has received proper training, is properly licensed, and has received approval in writing by the Hospital.

II. HOSPITAL RESPONSIBILITIES.

2.01 Hospital Services.

A. Space. Hospital shall make available for Physician reasonably necessary facilities for the operation of Clinic.

B. Equipment. In consultation with Physician, Hospital shall make all decisions regarding the acquisition of all equipment as may be reasonably necessary for the proper operation and conduct of Clinic. Hospital shall repair, replace or supplement such equipment and maintain it in good working order.

- 2.02 General Services. Hospital shall furnish ordinary janitorial services, maintenance services, and utilities, including telephone service, as may be required for the proper operation and conduct of Clinic.
- 2.03 Supplies. Hospital shall purchase and provide all supplies as may be reasonably required for the proper treatment of Clinic patients. Physician shall inform Hospital of supply needs in a timely manner and shall manage the use of supplies in an efficient manner that promotes quality and cost-effective patient care.
- 2.04 Personnel. Hospital shall determine and furnish all other personnel required to operate Clinic.
- 2.05 Business Operations. Hospital shall be responsible for all business operations related to operation of the Clinic, including personnel management, billing and payroll functions.
- 2.06 Hospital Phone-In Service. Hospital intends to establish a patient phone-in service during the term of this Agreement. Hospital shall staff such service as part of its responsibilities under this Agreement.
- 2.07 Hospital Performance. The responsibilities of Hospital under this Article shall be subject to Hospital's discretion and its usual purchasing practices, budget limitations and applicable laws and regulations.
- 2.08 Clinic Hours. The Hospital guarantees the physician the availability of two-day shifts per week for the one year and one day shift per week for the second year of this agreement. Specific shifts will be scheduled according to normal operating procedures of the Clinic.

III. COMPENSATION.

- 3.01 Compensation. Hospital shall pay Physician \$40.00 per hour and \$37.50 per patient encounter for patients scheduled to be seen in the Clinic by Physician. Said sums are payable on the 20th day of the calendar month immediately following the service performed.
- 3.02 Community Pool. In addition to 3.01 above, Hospital shall contribute \$2.50 per patient seen into a pool of all patients seen by all participating contracted providers. Funds in the pool shall be distributed amongst all the contracted and eligible providers quarterly beginning with the first full quarter of 2009 (paid within 10 working days of the end of each quarter) in accordance with a Quality Assurance and Performance Plan established by the RHC Medical Director. The Hospital District Board will adjudicate disputes.**
- 3.03 Malpractice Insurance. Physician agrees to secure his own malpractice insurance with limits and coverage's appropriate for the physician to provide services under this agreement.
- 3.04 Billing for Professional Services. Physician assigns to Clinic all claims, demands and rights of Physician to bill and collect for all professional services rendered to Clinic patients. Physician acknowledges that Clinic shall be solely responsible for billing and collecting for

all professional services provided by Physician to Clinic patients at Clinic, and for managing all Clinic receivables and payables, including those related to Medicare and Medi-Cal beneficiaries. Physician shall not bill or collect for any services rendered to Clinic patients, and all Clinic receivables and billings shall be the sole and exclusive property of Clinic. In particular, any payments made pursuant to a payer agreement (including co-payments made by patients) shall constitute revenue of the Clinic. In the event payments are made to Physician pursuant to any payer agreement, Physician shall promptly remit the payments directly to Clinic.

IV. TERM AND TERMINATION.

- 4.01 Term. The term of this Agreement shall be for a period of two years beginning on the first day of the first shift scheduled for the physician to work ("Effective Date"), and ending on the last day of the twenty-fourth month thereafter.
- 4.02. Termination. Notwithstanding the provisions of section 4.01, this Agreement may be terminated:
- A. By either party, at any time, without cause or penalty, upon sixty (60) days' prior written notice to the other party;
 - B. Immediately by Hospital in its sole discretion if Physician fails to maintain the professional standards described in Article V of this Agreement;
 - C. Immediately upon closure of the Hospital or Clinic;
 - D. By either party upon written notice to the other party in the event that any federal, state or local government or agency passes, issues or promulgates any law, rule, regulation, standard or interpretation at any time while this Agreement is in effect that prohibits, restricts, limits or in any way substantially changes the arrangement contemplated herein or which otherwise significantly affects either party's rights or obligations under this Agreement; provided that in such event, Hospital must give notice to Physician equal to that provided to Hospital by the relevant federal, state or local government or agency. If this Agreement can be amended to the satisfaction of both parties to compensate for any such prohibition, restriction, limitation or change, this clause shall not be interpreted to prevent such amendment.
- 4.03 Rights Upon Termination. Upon any termination or expiration of this Agreement, all rights and obligations of the parties shall cease except those rights and obligations that have accrued or expressly survive termination.

V. PROFESSIONAL STANDARDS.

- 5.01 Medical Staff Standing. Prior to performing services pursuant to this Agreement, Physician must obtain full Medical Staff privileges on the Medical Staff of Hospital, and maintain such membership throughout the term of this Agreement. Such membership shall be subject to all of the privileges and responsibilities of Medical Staff membership.
- 5.02 Licensure and Standards. Physician shall:
- A. At all times be licensed to practice medicine in the State of California;
 - B. Comply with all policies, bylaws, rules and regulations of Hospital and Clinic and its Medical Staff, including those related to documenting all advice to patients and proper sign-off of lab and X-ray reports;
 - C. Be a member in good standing of the Active Medical Staff of the Hospital;
 - D. Maintain professional liability coverage in an amount required for membership on the Active Medical Staff of the Hospital;
 - E. Participate in continuing education as necessary to maintain licensure and the current standard of practice; and
 - F. Comply with all applicable laws, rules and regulations of any and all governmental authorities, and applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations.

VI. RELATIONSHIP BETWEEN THE PARTIES.

6.01 Professional Relations.

- A. Independent Contractor. No relationship of employer and employee is created by this Agreement. In the performance of Physician's work and duties, Physician is at all times acting and performing as an independent contractor, practicing the profession of medicine. Hospital and Clinic shall neither have nor exercise control or direction over the methods by which Physician performs professional services pursuant to this Agreement; provided, however, that Physician agrees that all work performed pursuant to this Agreement shall be in strict accordance with currently approved methods and practices in Physician's professional specialty and in accordance with the standards set forth in this Agreement. The sole interest of Hospital is to insure that such services are performed and rendered in a competent and cost effective manner.
- B. Benefits. Except as specifically set forth in this Agreement, it is understood and agreed that Physician shall have no claims under this Agreement or otherwise against Hospital for social security benefits, worker's compensation benefits,

disability benefits, unemployment benefits, sick leave, or any other employee benefit of any kind. In addition, Hospital shall have no obligation to reimburse Physician for any costs or expenses associated with Physician's compliance with continuing medical education requirements.

- 6.02 Responsibility for Own Acts. Each party will be responsible for its own acts or omissions and all claims, liabilities, injuries, suits, demands and expenses for all kinds which may result or arise out of any malfeasance or neglect, caused or alleged to have been caused by either party, their employees or representatives, in the performance or omission of any act or responsibility of either party under this contract. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their interest.

VII. GENERAL PROVISIONS.

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

Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of the Physician's duties under this Agreement at a cost of \$10,000 or more over a twelve-month period, and if that subcontractor is organizationally related to Physician.

Such books, documents, and records shall be preserved and available for four (4) years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify Hospital of the nature and scope of such request, and Physician shall make available, upon written request of Hospital, all such books, documents or records. Physician shall indemnify and hold harmless Hospital in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but not be limited to the amount of reimbursement denied, plus any interest penalties and legal costs.

This section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to insure compliance with those provisions. In the event that the requirements or those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

- 7.03 Amendment. This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, and signed by the parties.
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- A. Non Medical Disagreements. In the event that disagreements arise between the parties concerning their performance under this Agreement, or on other matters, such disagreements shall be the subject of negotiations between Physician and the Hospital Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital's Board of Directors and the decision of the Board shall be final.
- B. Medical Disagreement. Any questions or disagreements concerning standards of professional practice or the medical aspects of the service furnished in Clinic shall be referred to a peer group of qualified physicians recommended by the Medical Executive Committee, which shall recommend a resolution of the matter to the Administrator. In the event Physician is not satisfied with the decision of the Administrator, the dispute shall be submitted to the Hospital Board of Directors and the decision of the Board shall be final.
- 7.05 Assignment. Physician shall not assign, sell, transfer or delegate any of the Physician's rights or duties, including by hiring or otherwise retaining additional physicians to perform services pursuant to this Agreement, without the prior written consent of Hospital.
- 7.06 Attorneys' Fees. If any legal action or other proceeding is commenced, by either party, to enforce rights, duties, and/or responsibilities under this Agreement, the prevailing party shall be entitled to recover a reasonable attorney's fee and costs. As used in this Section 7.06, the term "prevailing party" shall have the meaning assigned by Section 1032(a)(4) of the California Code of Civil Procedure.
- 7.07 Choice of Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California.
- 7.08 Exhibits. All Exhibits attached and referred to herein are fully incorporated by this reference.
- 7.09 Notices. All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

Hospital: Administrator
Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

Physician: Michael Phillips M.D.
2568 Dixon Lane
Bishop, CA 93514

- 7.10 Records. All files, charts and records, medical or otherwise, generated by a Medical Professional in connection with services furnished during the term of this Agreement are the property of Clinic. Physician agrees to maintain medical records according to Clinic policies and procedures and in accordance with community standards. Each party agrees to maintain the confidentiality of all records and materials in accordance with all applicable state and federal laws. Hospital agrees to permit Physician to have access during or after the term of the Agreement, to medical records generated by Physician if necessary in connection with claims, litigation, investigations, or treatment of patients.
- 7.11 Prior Agreements. This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No prior oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement.
- 7.12 Referrals. This Agreement does not impose any obligation or requirement that Hospital shall make any referral of patients to Physician or that Physician shall make any referral of patients to Hospital. The payment of compensation pursuant to section 3.01 is not based in any way on referrals of patients to Hospital.
- 7.13 Severability. If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.
- 7.14 Waiver. The failure of either party to exercise any right under this Agreement shall not operate as a waiver of that right.
- 7.15 Gender and Number. Use of the masculine gender shall mean the feminine or neuter, and the plural number the singular, and vice versa, as the context shall indicate.
- 7.16 Authority and Executive. By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

PHYSICIAN

By _____
Peter J. Watercott, President
Board of Directors

By _____
Michael Phillips, MD

EXHIBIT A

POSITION DESCRIPTION

TITLE

Staff Physician

DEPARTMENT

Rural Health Clinic

POSITION SUMMARY

The Rural Health Clinic Staff Physician is a Member of the Northern Inyo Hospital Active Medical Staff and the Clinic multi disciplinary care team. He provides direct primary medical diagnostic and treatment to patients. The Staff physician will:

1. Provide high quality primary medical care services.
2. Direct the need for on-going educational programs that serve the patient.
3. Evaluate and develop treatment plans to facilitate the individual healthcare needs of each patient.
4. Work with all office personnel to meet the healthcare needs of all patients.
5. Assess, evaluate, and monitor on-going health care and medication of Clinic patients.
6. Manage all medical and surgical emergencies.
7. Participate in professional development activities and maintain professional affiliations.
8. Participate with Hospital to meet all Federal and State Rural Health Clinic regulations.

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**MEMORANDUM OF UNDERSTANDING
BETWEEN
THE NORTHERN INYO HOSPITAL FOUNDATION
AND
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT**

THIS MEMORANDUM OF UNDERSTANDING is made and entered into this ____ day of _____, 2008, by and between THE NORTHERN INYO HOSPITAL FOUNDATION, a California non-profit public benefit corporation, organized and existing under The Non-Profit Corporation Law, *Corporations Code §5000, et seq.* (hereinafter “FOUNDATION”) and NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, a California health care district organized and existing under The Local Health Care District Law, *Health & Safety Code § 32000, et seq.* (hereinafter “DISTRICT”).

WITNESSETH:

I

RECITALS

1.01. The specific purpose of the Foundation, set forth in its Articles of Incorporation filed June 19, 1995, “is to raise funds, both capital and income, for Northern Inyo Hospital, a hospital operated by the Northern Inyo County Local Hospital District, a public entity.”

1.02. The Foundation has been granted, and maintains, exemption from federal and state income taxation by, respectively, the Internal Revenue Service under *Internal Revenue Code § 501(c)(3)*, and the California Franchise Tax Board under *Revenue & Taxation Code § 23701d*.

1.03. The Parties wish to memorialize a procedure which would allow the District to provide assistance and support to the Foundation in applying for grants and contributions which

it would receive and pass through to the District.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

II

COVENANTS

2.01. The Foundation will allow the District to prepare applications and other documents which it may require in order to apply for tax-exempt grants and contributions, which documents may include reference to The Foundation's tax-exempt status as appropriate.

2.02. The Foundation will promptly consider, through its Directors and, if approved, execute by its officers, the aforesaid applications and other documents and return them to the District for processing.

2.03. The District will, after preparing any relevant application or other document, promptly submit same to the Foundation's Board of Directors for its consideration.

2.04. The District will maintain records, including a log, of all applications prepared on behalf of The Foundation and submitted thereto, said log to indicate date of submission to The Foundation, date of approval, and date of filing with the appropriate potential grantor or contributor.

2.05 The District will, upon receipt of any funds granted or contributed to The Foundation but delivered to District, promptly notify The Foundation's Directors and Treasurer. The term "Treasurer" as used herein shall include any person to whom The Foundation has granted authority to write checks passing donated funds to The District.

2.06. The Foundation will promptly, upon receipt of funds in response to the aforesaid applications, pass them to The District.

III

GENERAL PROVISIONS

3.01. This Memorandum of Understanding will take effect immediately upon its execution by the second of the parties to sign, and shall remain in effect until either party shall have given written notice of rescission to the other.

IN WITNESS WHEREOF, the Parties subscribe this Memorandum of Understanding at Bishop, California on the day, month and year first above written.

NORTHERN INYO HOSPITAL FOUNDATION

by _____

CAROLYN TIERNAN, M.D.
Chairman, Board of Directors

NORTHERN INYO COUNTY
LOCAL HOSPITAL DISTRICT

by _____

PETER WATERCOTT
President, Board of Directors

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papers or records, which possess long-term (ie. more than four (4) years) value to the Hospital. Physician shall include a clause providing similar access in any subcontract he may enter with a value of more than \$10,000, or for more than a 12 month period, when said sub-contract is with a related organization.

5. Physician shall, at all times, comply with all relevant policies, rules and regulations of the Hospital, subject to State and federal statutes governing the practice of medicine.

III

COVENANTS OF THE HOSPITAL

6. Hospital shall furnish, for the use of Physician in rendering services hereunder:

- a. Sufficient space in the Hospital to enable him to perform his duties under this Agreement; and,

- b. Ordinary janitorial and in-house messenger service, and such electricity for light and power, gas, water, and heat as may be required by him to perform his duties under this Agreement.

- c. Hospital shall pay Physician, for his services as Chief, an administrative fee of \$1,600.00 per month. In addition, Physician shall be paid \$7,600 per month for professional fees, as listed in Exhibit A for these interpretations. Said sums are payable on the tenth (10th) day of the calendar month immediately following the month that the service was performed. Payments made pursuant to this Paragraph 7 shall be deemed Physician's full, complete, and reasonable compensation for services under this Agreement. **These rates will be adjusted annually by the amount of the NIH employee board approved Cost of Living Adjustment.**

Hospital shall bill for and retain for all professional fees in Exhibit A.

IV

GENERAL PROVISIONS

1. Services to be performed by Physician under this Agreement may be performed by other physicians who are approved in writing (which approval is revocable) by Hospital and who shall be members of the Hospital Medical Staff. Physician shall provide an acceptable substitute to perform his duties hereunder during such time as he is absent due to illness, vacation, or attendance at scientific or medical meetings. Notwithstanding anything to the contrary contained herein, Physician shall not have the right to assign this agreement, or any rights or obligations there under, without the written consent of Hospital first had and obtained.

Init (NIH): _____ Init ((AK) _____
Effective: 9-1-2008

job description or does not meet the standards set by the Hospital Administrator or the Board of Directors, then the Hospital Administrator or the Board of Directors may dismiss the Medical Director from this position, but such action by itself will not affect the medical Staff privileges held by the practitioner.

QUALIFICATIONS

The Medical Director of Respiratory Therapy should be a physician certified or eligible for certification by the American Board of Internal Medicine or the American Board of Anesthesiology. He must be a member of the Active Medical Staff, and be knowledgeable in the procedures and techniques of respiratory care.

COMPENSATION AND TIME INVOLVED

The Medical Director of Respiratory Therapy is paid a monthly fee of \$1,000.00, and is expected to spend a minimum of ten hours a month in his assigned duties as Medical Director of Respiratory Therapy. **These rates will be adjusted annually by the amount of the NIH employee board approved Cost of Living Adjustment.**

The Medical Director is also paid a monthly fee for interpreting pulmonary function studies done at the Hospital. This monthly fee shall equal twenty percent of the Hospital's total monthly charges for pulmonary function studies.

The Medical Director may continue to function as a fee-for-service consultant when in-depth consultation and management is requested by the attending physician or an emergency medical staff physician.

Peter Watcrott, Board of Directors

Asao Kamei, M.D. Medical Director of
Respiratory Therapy

John Halfen, Administrator

Effective: _____

Dated: _____

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The highlighted paragraph is the current compensation criteria for NIH dual-role interpreters.

B) Level II Dual-Role Interpreter.

Definition: an employee holding a full-time job in any department, providing interpretive services in medical and non-medical settings. **Their primary job is not interpreting, but patient care priorities permitting,** they shall be available to interpret within their home department, and outside home department when needed.

Criteria:

- a) Must pass language proficiency test from Language Line at level 4;
- b) Complete the 40-hour training for health care interpreters, i.e. Connecting Worlds training;
- c) Complete a medical terminology course in English;
- d) Complete a bilingual medical terminology course;
- e) Complete three practicum hours, in medical settings, with different providers; and
- f) Must attend 80% of scheduled Language Services in-services.

Compensation: dual-role interpreters are compensated for their interpreting skill and for their availability to interpret. Compensation is \$200.00 per month from home department. **Compensation is not automatically given;** to qualify for compensation, interpreter must have a full-time status and **must submit a completed “dual-role interpreter monthly log” to Language Services the first day of each month.** The interpreter’s supervisor must sign monthly log.¹

¹ Northern Inyo Hospital, Language Services General Policy, page 7.

This is the proposed change to dual-role interpreter's compensation criteria.

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Compensation: dual-role interpreters are compensated for their interpreting skill and for their availability to interpret. **Compensation is not automatically given; to qualify for compensation, interpreter must have a full-time status and must submit a completed "dual-role interpreter monthly log" to Language Services the first day of each month.** The interpreter's supervisor must sign monthly log. Compensation per month, from home department, is based on the number of interpreting sessions: for zero sessions, compensation is \$50.00; for 1 – 10 sessions: \$100.00; for 11 – 20 sessions: \$150.00; and for 21 or more sessions: \$200.00.

END