



Northern Inyo County Local Hospital District

Board of Directors Regular Meeting

Wednesday September 19, 2012; 5:30pm

*Board Room
Birch Street Annex
2957 Birch Street, Bishop CA*

AGENDA

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT BOARD OF DIRECTORS MEETING

September 19, 2012 at 5:30 P.M.

In the Northern Inyo Hospital Board Room at 2957 Birch Street, Bishop, CA

1. Call to Order (at 5:30 p.m.).
 2. Opportunity for members of the public to comment on any items on this Agenda.
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Consent Agenda

3. Approval of the minutes of the July 18, 2012 regular meeting (*action item*).
 4. Financial and Statistical Reports for the month of June 2012; John Halfen (*action item*).
 - *Ended year with 2.1 million net surplus, compared to a budget of 1.5 million. The primary difference was over-budgeting depreciation, which was off due to timing differences with bringing assets on line. This level of net income produced about 5.0 million in available cash.*
 - *Accounts Receivable was relatively high at 78 days, due entirely to the accounts receivables conversion with Paragon. We expect it to be in the low 60's by next year end which will improve cash another 3.2 million.*
 - *Total expenses were up by 1.5 million, driven by payroll expense (due to Paragon implementation) and professional fees (largely contracted physician expense). The additional expenses were offset by patient revenue coming in at 1.8 million over budget. 340B activity also yielded .5 million to the surplus.*
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5. Administrator's Report; John Halfen.
 - A. Building Update
 - B. Orthopedic services update
 - C. Hospitalist Program update
 - D. Physician Recruiting Update
 - E. Security Reports for June and July 2012
 - F. Discussion on ACO's
6. Chief of Staff Report; Robbin Cromer-Tyler, M.D..
7. Old Business
 - A. 2012/2013 Annual Budget Approval (*action item*).
8. New Business
 - A. Construction Change Order Requests (*action items*):
 1. COR 341: Turner Contract Reconciliation
 2. COR 342: Extended AHU Warranty

3. COR 343: IB 330, Added Garbage Disposal and Resolution Lighting Conflicts
 4. COR 344: NIH Directed Campus Fiber and EB 362
 5. COR 345: Bond and GLI Reconciliation
 6. COR 346: IB 52, 105, 112 – Reconciliation
 7. COR 347: Concrete Allowance Reconciliation
 8. COR 348: Chiller Piping
- B. Approval of Actuarial Valuation as of January 1, 2012; revised (*action item*).
- C. Birch Street Annex Financing, Oak Valley Community Bank (*action item*).
- D. Agreement for Services of Medical Director of Hospitalist Program, Shiva Shabnam M.D. (*action item*).
- E. Relocation Expense Agreement with Shiva Shabnam, M.D. (*action item*).
- F. District Bylaws annual review (*action item*).
- G. Policy & Procedure manuals annual approval (*action items*):
- | | |
|------------------------------------|---------------------------------|
| 1. Anesthesia | 16. Mammography & MSQA |
| 2. Central Supply | 17. Med-Surg Unit |
| 3. Dietary | 18. MRI Safety |
| 4. EKG | 19. Nuclear Medicine |
| 5. Emergency Room | 20. Nursing Administration |
| 6. Exposure, Blood borne Pathogens | 21. OB Unit |
| 7. ICU Unit | 22. Outpatient Unit |
| 8. Infection Control | 23. PACU Unit |
| 9. Laboratory Manual | 24. Pediatric Unit |
| 10. Language Services | 25. Pharmacy |
| 11. Physical Therapy | 26. Safety |
| 12. Radiology | 27. Staff Development |
| 13. Radiation Safety | 28. Standby Kitchen |
| 14. Respiratory Therapy | 29. Surgical Services Unit |
| 15. Rural Health Clinic | 30. Surgery Lithotripsy Service |
- H. Discussion and approval of Hospital earthquake insurance coverage (*action item*).
- I. District Board Resolution 12-06; Oak Valley Community Bank (*action item*).
- J. Capital Lease, G.E. Financing, Phillips Monitoring System (*action item*).
- K. Consideration of a Claim Against the District (*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. Confer with legal counsel regarding pending litigation based on stop notice filed by Strocak, Inc. (Government Code Sections 910 et seq., 54956.9).
 - C. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).
 - D. Confer with legal counsel regarding a Claim Against the District (Government Code Section 54956.9(c)).
 - E. Confer with legal counsel regarding potential litigation (Government Code Section 54956.9(c)).
12. Return to open session, and report of any action taken in closed session.
13. Opportunity for members of the public to address the Board of Directors on items of interest.
14. Adjournment.

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- CALL TO ORDER The meeting was called to order at 5:30 pm by Peter Watercott, President.
- PRESENT Peter Watercott, President
John Ungersma, M.D., Vice President
M.C. Hubbard, Secretary
Denise Hayden, Treasurer
D. Scott Clark, M.D., Director
- ALSO PRESENT John Halfen, Administrator
Robbin Cromer-Tyler, M.D., Chief of Staff
Douglas Buchanan District Legal Counsel
Sandy Blumberg, Executive Assistant
- ALSO PRESENT FOR
RELEVANT PORTION(S) Dianne Shirley, R.N., Performance Improvement Coordinator
- OPPORTUNITY FOR
PUBLIC COMMENT Mr. Watercott 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. Craig Clayton, Administrator of Bishop Care Center introduced himself to the group, and stated he looks forward to see the Care Center's relationship with Northern Inyo Hospital (NIH) grow. He also stated that Bishop Care Center has been acquired by Plum Healthcare, and that Plum facilities have a very high patient and family satisfaction rate, as well as an excellent overall reputation. No other comments were heard.
- CONSENT AGENDA The proposed consent agenda for this meeting included the following items:
 1. Approval of the minutes of the June 20, 2012 regular meeting (*action item*)
 2. Approval of the financial and statistical reports for the month of May, 2012 (*action item*)
- ADMINISTRATOR'S
REPORT It was moved by John Ungersma, M.D., seconded by Denise Hayden, and passed to approve the proposed consent agenda items as presented.
- BUILDING UPDATE Mr. Halfen reported Turner Construction Company has not yet prepared its final contract reconciliation for the hospital rebuild project. He also noted we have decided not to use Turner Mobilization for the move into the new hospital building, due to the fact that the additional cost for their services is too high. Maintenance Director Dan Webster reported everything is coming together in the new building and the central plant, and as things are being fine-tuned the building is starting to come to life. The new building is currently being stocked with supplies, and we are working to resolve our chiller issues as quickly as possible. Interim Chief Nursing Officer Sharon Tourville, R.N. has become very involved with preparations for the move into the new building, and in preparations for our upcoming licensing visit. Sharon commented that nursing staff is

currently working on completing their competencies for the new building, and we will begin practicing patient care in the new facility next.

ORTHOPEDIC
SERVICES UPDATE

Mr. Halfen reported he recently met with Dr. Timothy Crall (an orthopedic surgeon currently practicing at Mammoth Hospital) to discuss the possibility of him also joining the Medical Staff at NIH. The conversation went very well, and Mr. Halfen intends to meet with Dr. Crall, Dr. Mark Robinson, and Mammoth Hospital CEO Gary Boyd in order to discuss this matter further.

PHYSICIAN
RECRUITING

There were no additional updates on the subject of physician recruiting, but Mr. Halfen reported that Kristin Collins, D.O. has joined the pediatric practice of Doctors Helvie and Casey, and things are going very well at this time.

SECURITY REPORT

Mr. Halfen also noted that the Security report for the month of May was included in the Board packet, and it contains no new security issues of significance. He also stated that members of the Medical Staff have expressed an interest in adding Security coverage during the day on weekends.

CHIEF OF STAFF
REPORT

POLICY AND
PROCEDURE
APPROVALS

Chief of Staff Robbin Cromer-Tyler, M.D. reported following careful review by the appropriate committees the Medical Executive Committee recommends approval of the following hospital wide policies and procedures:

1. *Performance Improvement Plan*
2. *Physician Complaint Resolution Process*
3. *Nebulized Lidocaine*
4. *Managing Drug Shortages*
5. *Pharmacist Clinical Interventions*
6. *Disinfection of Computer Devices*

It was moved by Ms. Hayden, seconded by M.C. Hubbard, and passed to approve all six policies and procedures as presented.

NEW BUSINESS

Doctor Cromer-Tyler also complimented NIH's Biomed department on an exemplary job done in helping to prepare the new hospital building for patients, and she also commented that she felt a great job was done on the opening ceremonies for the new hospital building.

CONSTRUCTION
CHANGE ORDER
REQUESTS

Mr. Halfen called attention to the following list of proposed Construction Change Order Requests (COR's), that are needed for completion of the hospital rebuild project:

1. COR 207R1; IB 247 Stair 2 Modification, \$8,905
2. COR 252; RFI 1139 Elevator 1 and 2 entrances, \$11,469
3. COR 299; IB 353, Indirect Waste, \$6,740
4. COR 333; Added GFI receptacles at OR Nurses Stations, \$3,991

5. COR 334; RFI 1317, Change S-3 sink for ADA Compliance (Room H2051), \$1,279
6. COR 335; Added filter rack in CUP and hose kits in janitor sink, \$2,449
7. COR 336; Added uni-strut for the OSHPD required mobile shelving tether, \$5,636
8. COR 337; 28 seismic kits over 41 IBs, \$7,521
9. COR 338; RFI for mesh required at shower curtains per ACO and blinds at LDRP, \$1,327
10. COR 339; Testing existing hospital GFIs per IOR, \$6,791
11. COR 340; IB 365 new fire alarm system in central plant to run parallel with new building, \$24,995

Property Manager Scott Hooker explained the need for each of the change orders, and following review of the items presented it was moved by Doctor Ungersma, seconded by Ms. Hayden, and passed to approve all 11 Construction Change Order Requests as presented. Mr. Halfen additionally noted that representatives from Turner Construction will be in attendance at the September Board meeting in order to present their final contract reconciliation.

DRAFT BUDGET AND
CAPITAL
EXPENDITURE
REQUESTS

Mr. Halfen called attention to a list of proposed capital expenditure requests for the 2012-2013 fiscal year. He noted the proposed expenditures include \$900,000 of type one requests, which are defined as large replacement items for existing equipment in the hospital facility. He additionally noted that preparation of the annual draft budget has been delayed due to changes resulting from implementation of the hospital's new Hospital Information System (H.I.S.). He additionally stated that budgeting accurately for this fiscal year will be extremely challenging for a variety of reasons, including the possibility that MediCal reimbursements may be further reduced. Following review of the information provided it was moved by Ms. Hubbard, seconded by Doctor Ungersma, and passed to approve the proposed Capital Expenditure Requests for the 2012-2013 fiscal year as requested.

NIH FOUNDATION
CONTRACT WITH
MARIE BOYD

NIH Foundation president Maggie Egan called attention to a proposed agreement for the Race Director services of Marie Boyd, R.N. for the Foundation-sponsored annual Bishop High Sierra Ultra marathon. Ms. Boyd has served as Race Director for the event for many years, and this year the Foundation wishes to compensate her for her efforts. Ms. Egan additionally noted the proposed agreement was drawn up by District Legal Counsel Douglas Buchanan, and therefore meets with his approval. It was moved by Doctor Ungersma, seconded by Ms. Hayden, and passed to approve the proposed contract with Ms. Boyd, and to also approve the Hospital District providing liability insurance coverage for the annual event.

PNEUMATIC TUBE
POLICY AND
PROCEDURE

Chief Operations Officer Leo Freis called attention to a proposed policy and procedure for pneumatic tube use in the new hospital building. The purpose of the policy is to ensure that the pneumatic tube system is used by qualified personnel for sending items safely and appropriately. Following review of the information provided it was moved by Ms. Hayden, seconded by Ms. Hubbard, and passed to approve the policy and procedure for pneumatic tube use as requested.

IMAGING
DEPARTMENT
ACCREDITATION
UPDATE

Mr. Halfen called attention to a report on Northern Inyo Hospital's imaging department, from the American College of Radiology (ACR). The report reveals that NIH is now fully accredited by the ACR in all advanced imaging modalities, and has received gold seal accreditation for the next three years. NIH is one of only 20 hospitals in the State of California to receive this distinction. Mr. Halfen praised everyone in the imaging department for their efforts, and in particular he praised the leadership of Radiology Director Patty Dickson.

PRACTICE
MANAGEMENT
AGREEMENT WITH
CHARLOTTE HELVIE,
M.D.

Mr. Halfen also called attention to a proposed practice management agreement with Charlotte Helvie, M.D.. This agreement serves as an early replacement of Dr. Helvie's existing contract, and it is necessitated by the addition of Dr. Kristin Collins to the pediatric practice. This update to Dr. Helvie's agreement is needed in order to make it more similar to the agreement with Dr. Collins, and it was noted that the compensation rate has been estimated at 50% of the industry standard. Following review of the information provided it was moved by Ms. Hayden, seconded by Doctor Ungersma, and passed to approve the Practice Management Agreement with Charlotte Helvie, M.D. as requested.

BOARD MEMBER
REPORTS

Mr. Watercott asked if any members of the Board of Directors wished to report on any items of interest. Doctor Ungersma reported he recently attended the Association of California Healthcare Districts (ACHD) annual meeting that was held in San Diego, and once again he found it to be very worthwhile. He would like to see increased representation from our Hospital District in attendance at the next annual meeting to be held in May of 2013. No other 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 comment on any items of interest. NIH Foundation President Maggie Egan reported on projects the Foundation is currently working on, including a healing garden for the new hospital building, and a donor tree for hospital contributors.

CLOSED SESSION

At 6:12 p.m. Mr. Watercott announced the meeting was being adjourned to closed session to allow the Board of Directors to:

- A. Hear reports on the hospital quality assurance activities, and hear a report from the Medical Staff Executive Committee (Section 32155 of

- the Health and Safety Code, and Government Code Section 54962).
- B. Confer with legal counsel regarding pending litigation based on stop notice filed by Strocal, Inc. (Government Code Sections 910 et seq., 54956.9)
 - C. Discussion to determine whether or not to initiate litigation (Government Code Section 54956.9(c)).
 - D. Confer with legal counsel regarding potential litigation (Government Code Section 54956.9(c)).
 - E. Confer with legal counsel regarding action filed by John Nesson M.D. against Northern Inyo County Local Hospital District and other Defendants (Government Code Section 54956.9(a)).

RETURN TO OPEN
SESSION AND REPORT
OF ACTION TAKEN

At 6:36 p.m. the meeting returned to open session. Mr. Watercott reported that the Board took no reportable action.

OPPORTUNITY FOR
PUBLIC COMMENT

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

ADJOURNMENT

The meeting was adjourned at 6:37 p.m..

Peter Watercott, President

Attest:

M.C. Hubbard, Secretary

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Northern Inyo Hospital
Statement of Operations as of June 30, 2012
(Mid-Audit)

	MTD ACTUAL	MTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Unrestricted Revenues, Gains & Other						
Inpatient Service Revenue						
Ancillary	492,398	555,480	(63,082)	6,420,272	6,776,818	(356,546)
Routine	1,901,284	1,937,515	(36,231)	21,239,354	23,637,627	(2,398,273)
Total Inpatient Service Revenue	2,393,682	2,492,995	(99,313)	27,659,626	30,414,445	(2,754,819)
Outpatient Service Revenue	5,267,032	5,071,414	195,618	63,130,625	61,871,176	1,259,449
Gross Patient Service Revenue	7,660,714	7,564,409	96,305	90,790,251	92,285,621	(1,495,370)
Less Deductions from Revenue						
Patient Service Revenue Deductions	124,707	125,007	(300)	1,975,373	1,525,087	450,286
Contractual Adjustments	2,737,793	2,859,491	(121,698)	34,803,979	34,885,803	(81,824)
Prior Period Adjustments	(1,105,028)		(1,105,028)	(3,708,022)		(3,708,022)
Total Deductions from Patient Service	1,757,472	2,984,498	(1,227,026)	33,071,330	36,410,890	(3,339,560)
Net Patient Service Revenue	5,903,242	4,579,911	1,323,331	57,718,921	55,874,731	1,844,190
Other revenue						
Other revenue	14,170	39,575	(25,405)	327,095	482,793	(155,698)
Transfers from Restricted Funds for Op	90,884	87,345	3,539	1,159,364	1,065,613	93,751
Total Other Revenue	105,054	126,920	(21,866)	1,486,459	1,548,406	(61,947)
Expenses:						
Salaries and Wages	1,641,139	1,599,930	41,209	20,406,051	19,519,100	886,951
Employee Benefits	1,000,278	1,017,546	(17,268)	12,549,703	12,414,058	135,645
Professional Fees	525,336	392,206	133,130	5,876,073	4,784,943	1,091,130
Supplies	232,766	468,774	(236,008)	5,990,363	5,719,038	271,325
Purchased Services	375,552	234,221	141,331	2,741,118	2,857,497	(116,379)
Depreciation	560,454	316,008	244,446	2,915,442	3,855,300	(939,858)
Interest Expense	180,085	111,153	68,932	1,402,330	1,356,059	46,271
Bad Debts	285,560	195,183	90,377	2,367,323	2,381,232	(13,909)
Other Expense	245,535	222,812	22,723	2,918,881	2,718,413	200,468
Total Expenses	5,046,704	4,557,833	488,871	57,167,284	55,605,640	1,561,644
Operating Income (Loss)	961,591	148,998	812,593	2,038,096	1,817,497	220,599
Other Income:						
District Tax Receipts	(4,431)	41,867	(46,298)	524,299	510,780	13,519
Partnership Investment Income	-	2,459	(2,459)	33,263	30,000	3,263
Grants and Other Contributions Unres	10,857	4,994	5,863	127,974	60,923	67,051
Interest Income	8,928	25,840	(16,912)	85,608	315,246	(229,638)
Other Non-Operating Income	1,049	5,052	(4,003)	37,015	61,639	(24,624)
Net Medical Office Activity	(338,933)	(103,545)	(235,388)	(1,275,776)	(1,263,291)	(12,485)
340B Net Activity	145,108	-	145,108	556,162	-	556,162
Non-Operating Income/Loss	(177,423)	(23,333)	(154,090)	88,545	(284,703)	373,248
Net Income/Loss	784,168	125,665	658,503	2,126,640	1,532,794	593,846

Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2012
 As of June 30, 2012

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
FY 2008-09	Coagulation Analyzer	25,000
FY 2009-10	Platelet Function Analyzer	9,000
	PMA-IT Server Room Wiring Project	34,625
	Nexus VOIP Telephone System	149,529 *
	MAIN COST LAST FY	
	Siemens Analyzers EXL/EXL200	250,940
FY 2010-11	McKesson Paragon Hospital Information System	2,896,049 *
	PenRad Mammography Software	17,869 *
	Kronos Workforce HR and Payroll	187,621 *
	AMOUNT APPROVED BY THE BOARD IN PRIOR FISCAL YEARS TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>3,570,633</u>
FY 2011-12	ULTRASOUND FOR ER (\$20,000 FROM NIH Auxiliary Donation unstead of below Bladder Scanner for ER to be purchased by NIH Auxillary Donation	62,988 *
	Transport Monitor for PACU to be purchased by NIH Auxillary Donation	15,000
	GE/DATEX Anethesia Patient Monitors	80,046 *
	Additional Coppber and Fiberoptic Cable	29,884
	Paragon Physician Documentation Module	137,254
	Ultrasound	40,106 *
	AMOUNT APPROVED BY THE BOARD IN THE CURRENT FISCAL YEAR TO BE EXPENDED IN THE CURRENT FISCAL YEAR	<u>365,278</u>
	Amount Approved by the Board in Prior Fiscal Years to be Expended in the Current Fiscal Year	3,570,633
	Amount Approved by the Board in the Current Fiscal Year to be Expended in the Current Fiscal Year	<u>365,278</u>
	Year-to-Date Board-Approved Amount to be Expended	742,007
	Year-to-Date Administrator-Approved Amount	403,060 *
	Actually Expended in Current Fiscal Year	<u>3,434,208 *</u>

Northern Inyo Hospital
 Monthly Report of Capital Expenditures
 Fiscal Year Ending JUNE 30, 2012
 As of June 30, 2012

MONTH APPROVED BY BOARD	DESCRIPTION OF APPROVED CAPITAL EXPENDITURES	AMOUNT
	Year-to-Date Completed Building Project Expenditures	0 *
	TOTAL FUNDS APPROVED TO BE EXPENDED	<u>4,579,274</u>
	Total-to-Date Spent on Incomplete Board Approved Expenditures	0
 Reconciling Totals:		
	Actually Capitalized in the Current Fiscal Year Total-to-Date	3,837,268
	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>742,007</u>
	ACTUAL FUNDS APPROVED IN THE CURRENT FISCAL YEAR TOTAL-TO-DATE	<u>4,579,274</u>
	Donations by Auxiliary	20,000
	Donations by Hospice of the Owens Valley	0
	+Tobacco Funds Used for Purchase	0
		<u>0</u>
		<u>20,000</u>

*Completed Purchase
 (Note: The budgeted amount for capital expenditures for all priority requests for the fiscal year ending June 30, 2011, is \$515,769 coming from existing hospital funds.)

**Completed in prior fiscal year

Northern Inyo Hospital
Monthly Report of Capital Expenditures
Fiscal Year Ending JUNE 30, 2012
As of June 30, 2012

Administrator-Approved Item(s)	Department	Amount	Month Total	Grand Total
Carpeting for Birch Street	Billing Office-Annex	2,751		
Electrical Composite and Wiring	Billing Office-Annex	8,983		
FENCING AT BIRCH STREET ANNEX	MAIN ANNEX BUILDING	250		
SIGNAGE AT BIRCH STREET ANNEX	MAIN ANNEX BUILDING	530		
LIGHTED FLAGPOLE AT ANNEX	MAIN ANNEX BUILDING	427		
CARPENTRY WORK	MAIN ANNEX BUILDING	5,759		
BOARD ROOM CARPETING	MAIN ANNEX BUILDING	3,994		
CARPETING IN ANNEX BUILDING	MAIN ANNEX BUILDING	8,108		
CEILING REMODEL AND REPAIRS	MAIN ANNEX BUILDING	17,088		
CARPENTRY WORK	MAIN ANNEX BUILDING	1,148		
DOORS AND FRAMES	MAIN ANNEX BUILDING	2,310		
VINYL FLOORING	MAIN ANNEX BUILDING	440		
SECURITY AND FIRE ALARMS	MAIN ANNEX BUILDING	2,101		
HVAC SYSTEM	MAIN ANNEX BUILDING	22,122		
PLUMBING AND FIXTURES	MAIN ANNEX BUILDING	2,474		
CONDUIT & WIRING	MAIN ANNEX BUILDING	44,585		
ELECTRICAL LIGHTING AND POWER	MAIN ANNEX BUILDING	34,606		
Karcher 18" Cylindrical Scrubber	ENVIRONMENT SERV	6,851		
MONTH ENDING JUNE 30, 2012			164,527	403,060

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NORTHERN INYO HOSPITAL

SECURITY REPORT

JUNE 2012

FACILITY SECURITY

Access security during this period revealed eight instances of open or unsecured entry doors being located during those hours when doors were to be secured. Five of those were in the new building. Two interior doors were located unsecure during this same period.

The old Main Building roof hatch was found unsecure once during this period.

The RHC Unlawful Entry Alarm was activated during this month. It was determined to be an employee error.

HUMAN SECURITY

On June 10th, ED Staff requested Security assistance with an extremely combative, overdose patient. The patient was controlled and placed in four-way restraints.

On June 13th, Security Staff was called to ICU for an uncooperative patient under the influence of an unknown substance. The patient became combative and with the assistance of Bishop Police Officers, was placed into four-way restraints.

On June 16th, Security Staff assisted ICU Staff with an uncooperative patient.

On June 22nd, Security Staff ED assisted Staff with an uncooperative patient.

On June 23rd, Security Staff was called to the ED for a very agitated patient who was the victim of an assault. Police Department personnel spoke with the patient who refused to provide any information regarding the incident.

On June 29th, Security Staff assisted ED Staff with a disruptive and uncooperative patient.

Security Staff provided Law Enforcement assistance on fifteen occasions during the month. Six were for Lab BAC's.

5150 standby was provided twice in June.

Security Staff provided patient assists in thirty three instances this month.

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NORTHERN INYO HOSPITAL

SECURITY REPORT

JULY 2012

FACILITY SECURITY

Access security during this period revealed two instances of open or unsecured entry doors being located during those hours when doors were to be secure. No interior doors were found unsecured during this period.

Numerous doors were found unsecured on the new building during this period. Some instances were the result doors not functioning properly and others were employee error. The malfunctioning doors were reported to maintenance and the problems were resolved.

The old Building, main roof access was found unsecured on three occasions this month.

HUMAN SECURITY

On July 20th, Security Staff was summoned to a loud and vulgar visitor creating a disturbance. This person was counseled by Security Staff and cooperated.

On July 24th, the smell of a hot electrical system was noticed on A Floor. The Bishop Fire Department responded and located an overheating ballast in an overhead light fixture.

On July 27th, Security was called to the Emergency Department for an uncooperative patient. This patient was ultimately treated, cleared and determined to be held for 5150 evaluation by Inyo County Mental Health Staff.

Security Staff provided Law Enforcement assistance on fifteen occasions this month. Two were for Lab BAC's.

5150 assistance was provided in six instances during this period.

Security Staff provided forty three patient assists in July.

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Northern Inyo Hospital Budget Assumptions

FY 2013 Budget

1. There is no change in patient activity budgeted for FY 2013. (Current YTD Average Daily Census is 9.63) Daily total patient census will average 10.0 patients per day, categorized as follows:
Med/Surg/Peds 2367 Annual 6.46 Daily Average (2566)
ICU 327 Annual 0.9 Daily Average (312)
OB 483 Annual 1.32 Daily Average (427)
Nursery 483 Annual 1.32 Daily Average (427)
RHC 1,200 visits per month
5 Swing beds will not affect budget.
2. There will be no budgeted change in the payer mix or services from current operations.
3. Other Operating Revenue will include \$524,299 from the District for Debt Service payments on the 2005 General Obligation Bond.
4. The cost of supplies, purchased services and miscellaneous expenses will increase at a 5.5% inflation rate.
5. Wages and salaries will increase by 1.0 % for cost of living adjustments effective the first payroll in July. Total wages will increase an additional 3.8% for anniversary (step) increase and wage adjustments. Approximately 60% of employees are eligible each year for step increase due to the additions of steps 6 & 7 to our wage master last year.
6. It is expected that employee benefits will run about 62% of Wages and Salaries.
7. The hospital's operating reserves (not including the building fund(s)) will decline to about \$4.0M producing a budgeted interest income of \$40,000
8. Capital expenditures will be budgeted at \$.943M excluding the building project related capital purchases. (Cash requirement is 328K, Remainder to be leased).
9. A 6.0% across the board rate increase (effective 7-1-2010) and other focused rate adjustments that would net another .5% in net increases.
10. This budget includes the lease expense of the temporary buildings (modulars) of \$502,713.

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September Board COR'S

COR		Requested
341	Turner Contract Reconciliation	\$274,208
342	Extended AHU Warranty	\$11,340
343	IB 330 Added Garbage Disposal and Resolution Lighting Conflicts	\$3,130
344	NIH Directed Campus Fiber and IB 362	\$5,191
345	Bond and GLI Reconciliation	\$49,342
346	IB 52, 105, 112 - Reconciliation	\$10,587
347	Concrete Allowance Reconciliation	\$19,386
348	Chiller Piping	TBD
TOTALS		\$373,183

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**Northern Inyo County
Local Hospital District Retirement Plan**

Actuarial Valuation as of January 1, 2012 – Revised

Prepared by:

Richard A. Wright
FSA, MAAA

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July 17, 2012



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July 17, 2012

Northern Inyo Hospital
150 Pioneer Lane
Bishop, California 93514-2599

***Northern Inyo County Local Hospital District Retirement Plan
Actuarial Valuation as of January 1, 2012 - REVISED***

At the request of the Hospital, I have made an actuarial valuation of the Northern Inyo County Local Hospital District Retirement Plan for the plan year beginning January 1, 2012.

In preparing this report, I have relied on financial information provided by New York Life Insurance Company and employee data furnished to me by the Hospital. While Milliman has not audited the financial and census data, they have been reviewed for reasonableness and are, in my opinion, sufficient and reliable for the purposes of our calculations. If any of this information as summarized in this report is inaccurate or incomplete, the results shown could be materially affected and this report may need to be revised.

The actuarial cost method and assumptions used as well as the supporting data and principal plan provisions upon which the valuation is based are set forth in the following report. In my opinion, each actuarial assumption, method, and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions.

The calculations reported herein have been made in accordance with the applicable provisions of the Internal Revenue Code. The results of this valuation are applicable only for the current year and are intended to be used only by the plan sponsor for the specific purposes described herein. Accordingly, this report may not be distributed to any third party without Milliman's written consent. Reliance on information contained in this report by anyone for anything other than the intended purpose puts the relying entity at risk of being misled.

Milliman's work is prepared solely for the internal business use of the Hospital. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The Hospital may provide a copy of Milliman's work, in its entirety, to the Hospital's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Hospital.
- (b) The Hospital may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, all costs, liabilities, and other factors under the Plan were determined in accordance with generally accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice of the American Academy of Actuaries. I further certify that, to the best of my knowledge, the report is complete and accurate and the information presented herein, in my opinion, fully and fairly discloses the actuarial position of the Plan.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



Richard A. Wright, FSA, MAAA
Consulting Actuary

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INTRODUCTION

This report sets forth the results of our valuation of the Northern Inyo County Local Hospital District Retirement Plan, as of January 1, 2012. In Section II we furnish certain financial statements and actuarial exhibits of the Fund for the 2011 plan year. Section III presents the determination of the contribution requirement for the 2012 plan year.

A summary of the Plan is set forth in Appendix A, and the actuarial assumptions and cost method used in determining the costs and liabilities are described in Appendix B. The membership data is shown in Appendix C.

HIGHLIGHTS

There were no changes to the plan provisions or the actuarial assumptions since the last valuation.

The projected unit credit normal cost increased from \$2,651,309 in last year's valuation to \$2,765,936 this year, due primarily to an increase in total payroll. The normal cost as a percentage of payroll remained stable, increasing by only .01% from 14.3% in last year's valuation to 14.4% this year.

The investment performance of the fund showed a return of 5.9% for 2011, which matches the return for 2010.

The Full Funding Limitation is a measure of the funded status of the plan as of the valuation date. It is normally used to determine minimum required contributions and the maximum tax-deductible limit for taxable entities. For the 2012 Plan Year, the Full Funding Limitation would limit contributions to the Plan to \$14,226,305 for the year.

The recommended contribution is based on a target funding level of 125% of the Accumulated Benefit Obligation (ABO). The plan's current funding level is 108.8% of ABO, compared with 111.7% as of January 1, 2011. As a result, there remains a funding target deficit this year that is subject to amortization. The applicable amortization amount for the year is added to the current year's ABO normal cost to determine the recommended contribution for the year. In this year's valuation, the amortization period for the funding target deficit has been reset to 20 years as of January 1, 2012. Previously, the funding target deficit was amortized over a 25-year period beginning on January 1, 2002. The recommended annual contribution for the 2012 plan year is \$3,888,000, or \$324,000 per month if paid in 12 monthly installments during the 7/1/2012-6/30/2013 fiscal year. The recommended contribution has increased over the past year, due to an increase total payroll and also due to an increase in the amortization amount for the funding target deficit (despite the lengthened amortization period).

RESULTS OF VALUATION

The following table summarizes the principal valuation results and compares them with the prior plan year.

	January 1, 2012	January 1, 2011
Number of Participants		
Active		
– Fully vested	133	130
– Partially vested	95	92
– Nonvested	<u>86</u>	<u>95</u>
– Total	314	317
Part-time employees with accrued benefits	10	5
Disabled employees with accrued benefits	1	1
Terminated vested	51	52
Retired	<u>0</u>	<u>0</u>
Total participants	376	375
Participant Payroll under NRA	\$ 19,172,237	\$ 18,511,239
Actuarial Liability (PBO)	\$ 45,948,795	\$ 43,327,021
Funding Target – 125% of Accumulated Benefit Obligation (ABO)	\$ 40,665,031	\$ 38,166,811
Actuarial Assets	\$ 35,387,982	\$ 34,091,039
Normal Cost at Beginning of Year	\$ 2,765,936	\$ 2,651,309
As a percentage of applicable payroll	14.4%	14.3%
Full Funding Limitation	\$ 14,226,305	\$ 12,689,683
Recommended Contribution	\$ 3,888,000	\$ 3,612,000
As a percentage of applicable payroll	20.3%	19.5%
Investment Return		
Current annual yield	5.9%	5.9%
Average annual yield for last 5 years	6.2%	6.1%

MONTHLY CONTRIBUTIONS

To satisfy the funding requirement for the 2012 plan year, we recommend the schedule of contributions shown below. Contributions for a fiscal year (July 1 to June 30) are being applied to the plan year (January 1 to December 31) ending within the fiscal year.

Approximate Date of Contribution	Contributions for the 2012 Plan Year
07/15/2012	\$ 324,000
08/15/2012	324,000
09/15/2012	324,000
10/15/2012	324,000
11/15/2012	324,000
12/15/2012	324,000
01/15/2013	324,000
02/15/2013	324,000
03/15/2013	324,000
04/15/2013	324,000
05/15/2013	324,000
06/15/2013	<u>324,000</u>
 Total	 \$ 3,888,000

EXHIBIT 1. SUMMARY OF PLAN ASSETS

The valuation assets as of January 1, 2012, are the sum of the accrued balances in the contractual Fixed Dollar Account (GA-928) and the Indexed Bond Fund (account #11344) as of December 31, 2011, maintained by New York Life, plus any accrued but unpaid contributions and minus any distributions payable. The balance in the contractual Pension Account is allocated to retired participants and beneficiaries and is excluded from the valuation. Development of the assets is as follows:

	January 1, 2012	January 1, 2011
Plan Assets		
Fixed Dollar Account (GA-928)	\$ 23,754,115	\$ 23,442,536
Indexed Bond Fund (Acc. #11344)	<u>9,827,867</u>	<u>9,166,503</u>
Total	\$ 33,581,982	\$ 32,609,039
Accrued Contributions	<u>1,806,000</u>	<u>1,482,000</u>
Actuarial Assets	\$ 35,387,982	\$ 34,091,039
Asset Allocation		
Fixed Dollar Account	67.1%	68.8%
Indexed Bond Fund	27.8%	26.9%
Accrued Contributions	<u>5.1%</u>	<u>4.3%</u>
Total	100.0%	100.0%

Note: We have not audited the fund's assets shown above. We have relied on the information furnished by New York Life Insurance Company.

EXHIBIT 2. SUMMARY OF CHANGES IN PLAN ASSETS

Plan assets increase or decrease each year due to employer contributions, investment income, benefit payments to retiring participants, plan expenses paid by the trust fund, and any realized and unrealized gains and losses from investments.

	PLAN YEAR ENDING	
	December 31, 2011	December 31, 2010
Beginning Balance	\$ 32,609,039	\$ 29,769,950
Additions:		
Employer contributions	3,288,000	3,006,000
Investment income	1,958,354	1,851,063
Experience adjustment	<u>0</u>	<u>0</u>
Total	5,246,354	4,857,063
Subtractions:		
Benefit payments	(4,084,868)	(1,767,403)
Expenses & related charges	(42,413)	(43,316)
Experience adjustment	<u>(146,130)</u>	<u>(207,255)</u>
Total	(4,273,411)	(2,017,974)
Ending Balance	\$ 33,581,982	\$ 32,609,039

EXHIBIT 3. HISTORICAL RETURNS ON PLAN ASSETS

The following table shows the historical return on plan assets since 1993:

Plan Year	Return
2011	5.94%
2010	5.88%
2009	5.97%
2008	6.53%
2007	6.71%
2006	5.57%
2005	5.32%
2004	5.84%
2003	5.41%
2002	8.18%
2001	7.33%
2000	8.48%
1999	4.42%
1998	7.90%
1997	8.64%
1996	5.70%
1995	12.16%
1994	2.89%
1993	8.89%
Average for last 5 years	6.21%
Average for last 10 years	6.13%

The actuarial valuation rate for the 2012 plan year is 6.75%.

EXHIBIT 4. PRESENT VALUE OF ACCUMULATED PLAN BENEFITS (ABO)

The present value of accumulated plan benefits (also known as the Accumulated Benefit Obligation or ABO) is the value of benefits that have been accrued to date.

	As of January 1, 2012	As of January 1, 2011
Vested Benefits		
Active participants	\$ 27,935,229	\$ 26,026,457
Part-time participants with accrued benefits	232,125	87,883
Terminated vested participants	2,876,220	2,901,663
Disabled participants	18,168	16,614
Participants currently receiving payments	<u>0</u>	<u>0</u>
Total	\$ 31,061,742	\$ 29,032,617
Nonvested Benefits	<u>1,470,283</u>	<u>1,500,832</u>
Total	\$ 32,532,025	\$ 30,533,449
Valuation Assets	\$ 35,387,982	\$ 34,091,039
Funding Ratio	108.8%	111.7%

EXHIBIT 5. CHANGES IN ACCUMULATED PLAN BENEFITS

The changes in the present value of accumulated plan benefits for the last two plan years are summarized below.

	PLAN YEAR ENDING	
	December 31, 2011	December 31, 2010
Beginning of Year	\$ 30,533,449	\$ 27,162,248
Benefits accumulated and actuarial experience	4,022,436	3,305,152
Increase for interest due to the decrease in the discount period	2,061,008	1,833,452
Plan amendment	0	0
Change in actuarial assumptions	0	0
Benefits paid	<u>(4,084,868)</u>	<u>(1,767,403)</u>
End of Year	\$ 32,532,025	\$ 30,533,449

EXHIBIT 6. DEVELOPMENT OF NORMAL COST

The normal cost is calculated according to the actuarial cost method. Under the projected unit credit cost method, the normal cost is equal to the value of the benefits accrued during the year based on compensation projected to retirement. The normal cost is as follows:

	PLAN YEAR BEGINNING	
	January 1, 2012	January 1, 2011
Normal cost as of beginning of plan year	\$ 2,765,936	\$ 2,651,309
Estimated payroll for plan participants	19,172,237	18,511,239
Normal Cost as % of payroll	14.4%	14.3%
Normal cost as of end of plan year	2,952,637	2,830,272

EXHIBIT 7. ACTUARIAL LIABILITY (PBO)

In the Projected Unit Credit method, the actuarial liability is equal to that portion of an employee's projected benefit that is allocated to past service periods and includes the value of assumed future compensation increases. This is also known as the Projected Benefit Obligation or PBO. Any actuarial liability in excess of the plan's assets is called an unfunded liability.

	As of January 1, 2012	As of January 1, 2011
Actuarial Liability (PBO)		
Active participants	\$ 42,822,282	\$ 40,320,861
Part-time participants with accrued benefits	232,125	87,883
Terminated vested participants	2,876,220	2,901,663
Disabled participants	18,168	16,614
Participants currently receiving payments	<u>0</u>	<u>0</u>
Total	\$ 45,948,795	\$ 43,327,021
 Actuarial Assets	 \$ 35,387,982	 \$ 34,091,039
 Unfunded Actuarial Liability	 \$ 10,560,813	 \$ 9,235,982

EXHIBIT 8. FULL FUNDING LIMITATION

The full funding limitation is defined by the Internal Revenue Code and limits minimum required and maximum deductible contributions of well-funded retirement plans.

	PLAN YEAR ENDING	
	December 31, 2012	December 31, 2011
Actuarial Liability	\$ 45,948,795	\$ 43,327,021
Normal Cost	<u>2,765,936</u>	<u>2,651,309</u>
Total	\$ 48,714,731	\$ 45,978,330
Actuarial assets	\$ 35,387,982	\$ 34,091,039
Full Funding Limitation, beginning of year	\$ 13,326,749	\$ 11,887,291
Interest	<u>899,556</u>	<u>802,392</u>
Full Funding Limitation, end of year	\$ 14,226,305	\$ 12,689,683

EXHIBIT 9. RECOMMENDED CONTRIBUTION

The recommended contribution targets a funding level of 125% of the Accumulated Benefit Obligation (ABO). Since the plan is currently funded less than 125% of ABO, the deficit is being amortized. The amortization period has been reset beginning January 1, 2012, to 20 years. Previously, the funding target deficit was amortized over a 25-year period beginning on January 1, 2002. The recommended contribution is reduced, if necessary, to the Full Funding Limitation.

	PLAN YEAR ENDING	
	December 31, 2012	December 31, 2011
Target Surplus		
Accumulated Benefit Obligation (ABO)	\$ 32,532,025	\$ 30,533,449
Funding Target %	x 125%	x 125%
Funding Target (125% of ABO)	\$ 40,665,031	\$ 38,166,811
Actuarial Assets	<u>35,387,982</u>	<u>34,091,039</u>
Excess / (deficit)	\$ (5,277,049)	\$ (4,075,772)
Recommended Contribution		
ABO Normal Cost	\$ 3,189,486	\$ 2,988,449
Amortization of (Excess) / Deficit	<u>457,592</u>	<u>397,501</u>
Total as of beginning of year	\$ 3,647,078	\$ 3,385,950
Interest	<u>246,178</u>	<u>228,552</u>
Total as of end of year	\$ 3,893,256	\$ 3,614,502
Full Funding Limitation, end of year	\$ 14,226,305	\$ 12,689,683
Recommended Contribution	\$ 3,893,256	\$ 3,614,502

APPENDIX A. SUMMARY OF PENSION PLAN

The following paragraphs are only a brief summary of the more important provisions of the plan. In the event there are any inconsistencies between statements contained in this Appendix and the plan document, the provisions of the plan document shall control.

Effective Date: March 1, 1975; last restatement January 1, 2009.

Plan Eligibility: An employee becomes a participant of the plan on the earliest January 1 or July 1 following the later of attainment of age 21 and completion of 1 year of service.

Vesting: 50% vesting after 5 years of Credited Service increasing 10% per year until 100% vested after 10 years of service. Active participants automatically become 100% vested upon attainment of normal retirement age or if they become totally and permanently disabled.

Normal Retirement Date: The first day of the month coinciding with or following the later of Participant's attainment of age 65 or completion of 5 years of plan participation. However, the Normal Retirement Date shall not be later than age 70.

Normal Retirement Benefit: 2.50% of Average Annual Compensation multiplied by years of Credited Service, but not less than \$600.

Average Annual Compensation: Average of annual compensation for the highest consecutive 36-month period preceding the determination date. Compensation includes wages, shift differential, standby pay, and 50% of the value of any unused and unpaid sick leave existing at the time of termination of employment, and accrued after April 26, 1997.

Accrued Benefit: Normal Retirement Benefit prorated on credited service.

Normal Form of Retirement Benefit: Life Annuity.

Early Retirement: The first day of the month coinciding with or following the Participant's attainment of age 55 and completion of at least 5 years of credited service. Then the normal retirement benefit will be reduced by 5/9% for each of the first 60 months and 5/18% for each additional month that payment starts before normal retirement age.

Pre-Retirement Death Benefit: If a vested participant dies prior to retirement, his or her beneficiary will receive the actuarially determined present value of his or her accrued benefit.

APPENDIX B. ACTUARIAL COST METHOD AND ASSUMPTIONS

The following cost method and assumptions were used in valuing the benefits of all participants.

	January 1, 2012	January 1, 2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Funding Interest Rate		
<i>Pre-retirement</i>	6.75%	6.75%
<i>Post-retirement</i>	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 8.00% DOP On/After 7/1/2009: 6.50%	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 8.00% DOP On/After 7/1/2009: 6.50%
Salary Scale	6.00%	6.00%
Administrative Expenses	None.	None.
Mortality	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years. DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.	<u>Based on Date of Participation</u> DOP Before 7/1/2009: 1984 UP Mortality Table set back 4 years. DOP On/After 7/1/2009: RP-2000 Table for Males set back 4 years.
Disability		
<i>Disablement Rate</i>	None.	None.
<i>Disabled Annuitants Mortality</i>	None.	None.
Withdrawal Rates	Table T-8, <u>The Actuary's Pension Handbook</u> , Crocker-Sarason-Straight.	Table T-8, <u>The Actuary's Pension Handbook</u> , Crocker-Sarason-Straight.
Retirement Age	The later of age 65 or the 5 th anniversary of date of participation; or age 70, if earlier.	The later of age 65 or the 5 th anniversary of date of participation; or age 70, if earlier.
Asset Valuation Method	Market value	Market value

APPENDIX C. SUMMARY OF PARTICIPANT DATA

Active Participants

Age	NUMBER OF PARTICIPANTS			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 25	1	3	4	\$ 27,668	\$ 87,639	\$ 115,307
25 - 29	4	16	20	224,130	641,395	865,525
30 - 34	8	23	31	722,671	1,035,608	1,758,279
35 - 39	6	14	20	447,551	845,050	1,292,601
40 - 44	5	19	24	298,100	1,004,109	1,302,209
45 - 49	10	26	36	889,146	1,693,234	2,582,380
50 - 54	13	50	63	1,022,197	3,047,657	4,069,854
55 - 59	8	55	63	463,186	3,617,410	4,080,596
60 - 64	6	33	39	481,988	2,080,885	2,562,873
65 - 69	6	8	14	896,874	461,067	1,357,941
70 & Over	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	67	247	314	\$ 5,473,511	\$ 14,514,054	\$ 19,987,565

Other Participants

Participant Status	NUMBER OF PARTICIPANTS			ANNUAL BENEFITS		
	Males	Females	Total	Males	Females	Total
Part-time	1	9	10	\$ 1,992	\$ 47,016	\$ 49,008
Disabled	0	1	1	0	1,944	1,944
Terminated Vested	10	41	51	81,391	394,866	476,257
Retired	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	11	51	62	\$ 83,383	\$ 443,826	\$ 527,209

APPENDIX D. GLOSSARY OF KEY TERMS

Accumulated Benefit Obligation (ABO). The present value of benefits accrued as of the valuation date. The ABO includes both vested and nonvested benefits, but does not include the cost of additional service or compensation increases after the valuation date.

Actuarial Cost Method. A method of allocating the present value of benefits to past and future periods. Actuarial cost methods generally take into consideration the effect of wage inflation.

Actuarial Gains and Losses. Changes to the funded status due to deviations from the actuarial assumptions. The deviations may result from gains and losses from investments, employee turnover, disability, retirement, mortality, and administrative expenses.

Funded Status. A comparison of the plan assets against liabilities for future benefits. The funded status will differ depending on which benefit liability is being compared. For example, the accrued liability can include the value of future compensation increases, but the present value of accumulated benefits does not. The funded status is also dependent on the interest rate used to discount future benefits back to the present.

Funding Target. For this plan, the funding target has been set by the plan sponsor to be equal to 125% of the Accumulated Benefit Obligation (ABO).

Normal Cost. The value of benefits earned for one year of service. The "projected unit credit normal cost" is calculated in accordance with the actuarial cost method. The ABO normal cost is the increase in the ABO due to one additional year of service and one additional year of compensation increases.

Present Value of Accumulated Benefits. This is the same as the ABO. This includes both vested and nonvested benefits, but does not include the cost of additional service or compensation increases after the valuation date.

Projected Benefit Obligation (PBO). The present value of benefits allocated to past service in accordance with the projected unit credit cost method. The PBO includes both vested and nonvested benefits. The PBO includes the value of future compensation increases, but does not include the cost of additional service after the valuation date.

Vested Benefits. These include benefits to which a plan participant has earned a nonforfeitable right as a result of having satisfied the applicable service requirement(s) for such benefits under the plan, which include normal retirement benefits, early retirement benefits, and the pre-retirement spouse's survivor annuity.

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LETTER OF INSTRUCTION TO TITLE COMPANY

TO: Inyo-Mono Title Company
 Attn: Chris Cortez
 873 North Main Street
 Bishop, CA 93514
 760/872-4741

DATED: August 13, 2012 (Amended)
 ORDER NO: 52674
 LOAN NO: 100107163
 TRUSTOR: Northern Inyo County Local
 Hospital District

Property Address: 2957 Birch Street, Bishop, CA 935141

- Deed of Trust Assignment of Rents Disbursement Promissory Note Section 4107 (D)(2) Private Entity Cert
 Governmental Certificate Business Loan Agreement 2-CIP (Customer Information Profile) 1-Financial Certification
 Hazard Insurance Disclosure Agreement to Provide Insurance Notice of Insurance Requirements

You are to record the enclosed Deed of Trust as a 1st when you can furnish us the documents checked below:

Title Insurance in the form of your (2006) ALTA Policy, together with endorsements 100, 116, 111.5, 8.1, 111.11 showing title vested in trustor(s), and insuring our Deed of Trust to be in the position listed above on the property described therein, subject only to exceptions No. 1, 2, 3, 4 (Pay Current); 5, 6, 7 OK; (Remove 8-11) as shown in your above numbered preliminary title report dated August 3, 2012 insuring us, our successors and assigns, to the extent of no less than \$600,000.00. Your Policy is to show the assessor's lot and block number and/or code area if applicable. The Property is to be separately assessed, and if not assessed, separately from all other property, you are to make application and have the property assessed on the next assessment roll. A legible plat of the property is to be attached to the policy showing the lot dimensions, the street on which the parcel is located, and the distance to the nearest intersection.

Furnish us with a certified copy of the borrower's closing statement, an itemized statement of expenses billed to us and a certified copy of all escrow instructions including amendments thereto. FURNISH US WITH THE RECORDING DATE AND INSTRUMENT NUMBER OF THE RECORDED DEED OF TRUST IN WRITING.

Fax or e-mail an itemized settlement statement to Rashel L. De bow, 209/844-7521; rdebow@ovcb.com prior to requesting loan funds.

The following will be deducted from the loan proceeds. The remaining proceeds in the amount of \$3,143.00 will be paid/wired to you when you are prepared to comply with all instructions.

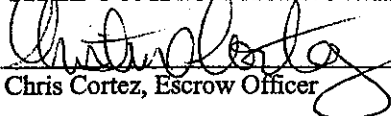
(a) LOAN FEE - OVCB	\$6,000.00		
(b) DOCUMENTATION FEE - OVCB	\$250.00		
(c) FLOOD FEE	\$16.00		
(d) TAX SERVICE FEE	\$72.00		
(e) UNDISBURSED	\$590,519.00	Total	\$596,857.00

- Attach the legal description to our deed of trust prior to recording, with verbiage: Exhibit "A".
 Vesting is to agree with our documents.
 There is to be no secondary financing.
 Please complete the Customer Information Profile, sign as OVCB "agent" and return along with other documents as indicated.
 Please notify us when you can comply with these instructions and are ready to record by faxing to our Office an executed copy of this Escrow Instruction at (209) 844-7542, Attn: Rashel L. De bow, 209/844-7521; rdebow@ovcb.com.
 All taxes are to be paid and current.
 Please return certified copy of the Deed of Trust for review prior to funding/recording to: 125 North Third Avenue, Oakdale, CA 95361, Attn: Rashel L. De Bow.
 Please call Rashel L. De bow, 209/844-7521; rdebow@ovcb.com with instrument number on the same day Deed records.

*We reserve the right to cancel this undertaking at any time prior to the recording of the Deed of Trust. Kindly acknowledge receipt of the above instructions and the enclosed documents by signing and returning the attached duplicate of this letter. If this transaction has not closed within seven (7) days from the date of this letter, please contact us.

TITLE COMPANY ACKNOWLEDGMENT

OAK VALLEY COMMUNITY BANK


 Chris Cortez, Escrow Officer

 Cathy Miller, VP



Inyo-Mono Title Company

**Borrower
Settlement Statement**
Folder Number: 52674

Settlement Date: _____ Estimated

Name and Address of Borrower(s): NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT,
150 PIONEER LANE
BISHOP, CA 93514

Property Location(s): 152 PIONEER LANE & 2957 BIRCH ST
BISHOP, CA 93514

Settlement Agent: INYO-MONO TITLE COMPANY
873 NORTH MAIN STREET
BISHOP, CA 93514
Contact: CHRIS CORTEZ at (760)873-5821

Description	(POC)	Borrower Debit	Borrower Credit
NEW LOAN(S)			
OAK VALLEY COMMUNITY BANK.....			600,000.00
ITEMS PAYABLE IN CONNECTION WITH LOAN			
Loan Origination.....		6,000.00	
to OAK VALLEY COMMUNITY BANK			
Appraisal Fee.....	(7,500.00B)		
to OAK VALLEY COMMUNITY BANK			
Tax Service.....		72.00	
to OAK VALLEY COMMUNITY BANK			
Flood Certification.....		16.00	
to OAK VALLEY COMMUNITY BANK			
DOCUMENTATION FEE.....		250.00	
to OAK VALLEY COMMUNITY BANK			
APPRAISAL REVIEW FEE.....	(500.00B)		
to OAK VALLEY COMMUNITY BANK			
ENVIRONMENTAL FEE.....	(250.00B)		
to OAK VALLEY COMMUNITY BANK			
UNDISBURSED.....		590,519.00	
to OAK VALLEY COMMUNITY BANK			
TITLE CHARGES			
Refinance Escrow Fee.....		768.00	
to INYO-MONO TITLE COMPANY			
Title Insurance			
ALTA Loan (REFINANCE).....		1,920.00	
Coverage.....		\$600,000.00	
Premium.....		\$1,920.00	
to INYO-MONO TITLE COMPANY			
8.1 Endorsement.....		100.00	
to INYO-MONO TITLE COMPANY			
111.5 Endorsement.....		50.00	
to INYO-MONO TITLE COMPANY			
111.11 Endorsement.....		25.00	
to INYO-MONO TITLE COMPANY			
Copying Of Loan Documents.....		25.00	
to INYO-MONO TITLE COMPANY			
Loan Handling/Email Fee.....		75.00	
to INYO-MONO TITLE COMPANY			
Wire Fee.....		50.00	
to INYO-MONO TITLE COMPANY			
Express Mailings.....		30.00	
to INYO-MONO TITLE COMPANY			
GOVERNMENT RECORDING AND TRANSFER CHARGES			
Recording Fee			
Mortgage.....		100.00	
Due From Borrower.....		600,000.00	
Total Paid By/For Borrower.....			600,000.00

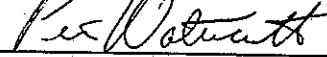
Settlement Date:

Borrower Settlement Statement

Folder No.: 52674

Description	(POC)	Borrower Debit	Borrower Credit
Due From Borrower.....	600,000.00		
Total Paid By/For Borrower.....	<u>600,000.00</u>		
.....	0.00		

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT,



PETER WATERCOTT, PRESIDENT

OWNER'S AFFIDAVIT

THE UNDERSIGNED, FIRST BEING DULY SWORN, DEPOSES AND SAYS:

1. THAT IT IS THE OWNER OF THAT CERTAIN REAL PROPERTY DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF;

THAT THE LANDS ARE:

- RESIDENTIAL HOME
 INDUSTRIAL BUILDING
 OTHER _____

2. THAT TO THE BEST OF THE AFFIANT'S KNOWLEDGE, THERE HAVE BEEN NO REPAIRS, WORKS OF IMPROVEMENT OR MATERIALS FURNISHED TO THE PREMISES WITHIN 90 DAYS, EXCEPT:

On-going maintenance + repairs being done by owner (IF NONE, SO STATE)

THAT THE WORK OF IMPROVEMENT, IF ANY:

- STARTED ON _____
 WAS COMPLETED ON _____
 WILL BE COMPLETED ON _____

3. THAT TO THE BEST OF THE AFFIANT'S KNOWLEDGE, THERE ARE NO UNPAID BILLS FOR LABOR OR MATERIALS BECAUSE OF ANY IMPROVEMENTS MADE TO THE PREMISES, EXCEPT:

None (IF NONE, SO STATE)

4. THAT TO THE BEST OF THE AFFIANT'S KNOWLEDGE, THERE ARE NO PERSON(S), OTHER THAN THOSE SHOWN IN THAT CERTAIN PRELIMINARY TITLE REPORT SHOWN AS EXHIBIT "B" ATTACHED HERETO AND MADE A PART HEREOF, IN POSSESSION OF, OR WHO HAVE ACCESS TO, THE PREMISES OTHER THAN:

- THE UNDERSIGNED
 TENANTS BASED ONLY ON MONTH-TO-MONTH RENTAL AGREEMENTS, COPIES OF WHICH ARE ATTACHED HERETO
 LESSEES BASED UPON EXISTING LEASES, COPIES OF WHICH ARE ATTACHED HERETO
 OTHER _____

5. THAT TO THE BEST OF THE AFFIANT'S KNOWLEDGE, THERE ARE NO OPTIONS TO PURCHASE OR RIGHTS OF FIRST REFUSAL EXCEPT:

None (IF NONE, SO STATE)

6. THAT NO PERSON(S) OTHER THAN THOSE MENTIONED ABOVE OR THOSE SHOWN IN SAID REPORT HAVE ANY RIGHTS, EASEMENTS, LICENSES OR AGREEMENTS ALLOWING THEM TO USE, ENCROACH ON, OR TRAVEL OVER, THE PREMISES EXCEPT:

None (IF NONE, SO STATE)

7. THAT TO THE BEST OF THE AFFIANT'S KNOWLEDGE, THERE ARE NO TAXES OR ASSESSMENTS, RECORDED OR UNRECORDED, OTHER THAN THOSE SHOWN IN SAID REPORT, EXCEPT:

None (IF NONE, SO STATE)

8. THE UNDERSIGNED HAS REVIEWED SAID REPORT AND THAT IN REFERENCE TO THE LAND DESCRIBED THEREIN THE UNDERSIGNED HAS NOT DONE ANYTHING TO CREATE A LIEN, ENCUMBRANCE, TRANSFER OF INTEREST, CONSTRUCTIVE TRUST OR OTHER EQUITY IN THE LAND WHICH IS NOT DISCLOSED IN SAID REPORT, NOR DOES THE UNDERSIGNED HAVE ANY KNOWLEDGE OF ANY CLAIM OF AN INTEREST IN OR TO SAID LAND WHICH IS NOT DISCLOSED IN SAID REPORT, EXCEPT:

None (IF NONE, SO STATE)

9. THE UNDERSIGNED DOES NOT HAVE ANY KNOWLEDGE OF ANY BANKRUPTCY, LITIGATION OR ANY OTHER CLAIM ADVERSE TO THE TITLE TO SAID PROPERTY WHICH IS NOT SHOWN IN SAID REPORT, EXCEPT:

None

(IF NONE, SO STATE)

- 10. THAT THIS AFFIDAVIT IS GIVEN FOR THE PURPOSE OF INDUCING CHICAGO TITLE COMPANY AND IT'S AGENTS, OFFICERS AND SUBSIDIARIES TO ISSUE ITS POLICY OF TITLE INSURANCE, WHICH MAY PROVIDE COVERAGE AS TO THE ITEMS MENTIONED ABOVE AND THAT THE STATEMENTS MADE HEREIN ARE TRUE AND CORRECT OF MY KNOWLEDGE;
- 11. THE UNDERSIGNED ACKNOWLEDGES THAT HE HAS READ THE FOREGOING AND FULLY UNDERSTANDS THE LEGAL ASPECTS OF ANY MISREPRESENTATIONS AND/OR UNTRUE STATEMENTS MADE HEREIN AND INDEMNIFIES AND HOLDS HARMLESS INYO-MONO TITLE COMPANY AND CHICAGO TITLE COMPANY AGAINST LIABILITY OCCASIONED BY REASON OF RELIANCE UPON THE STATEMENTS MADE HEREIN;
- 12. THAT THIS AFFIDAVIT IS MADE FOR THE PROTECTION AND BENEFIT OF ALL PARTIES NOW OR HEREAFTER DEALING WITH, OR WHO MAY ACQUIRE AN INTEREST IN, THE REAL PROPERTY DESCRIBED IN SAID REPORT, AND PARTICULARLY FOR THE BENEFIT OF INYO-MONO TITLE COMPANY AND CHICAGO TITLE INSURANCE COMPANY WHICH IS ABOUT TO INSURE THE TITLE TO SAID PROPERTY IN RELIANCE UPON THIS AFFIDAVIT, AND ANY OTHER TITLE COMPANY WHICH MAY HEREAFTER INSURE THE TITLE TO SAID PROPERTY;
- 13. THAT DECLARANT WILL TESTIFY, DECLARE, DEPOSE, OR CERTIFY BEFORE ANY COMPETENT TRIBUNAL, OFFICER, OR PERSON, IN ANY CASE NOW PENDING OR WHICH MAY HEREAFTER BE INSTITUTED, TO THE TRUTH OF THE PARTICULAR FACTS HEREINABOVE SET FORTH.

Peter Watercott
AFFIANT

SUBSCRIBED AND SWORN TO (OR AFFIRMED) BEFORE ME, ON THIS 17th DAY OF August, 2012 BY Peter Watercott PROVED TO ME ON THE BASIS OF SATISFACTORY EVIDENCE TO BE THE PERSON(S) WHO APPEARED BEFORE ME.

Christine Cortez
NOTARY PUBLIC

(SEAL)

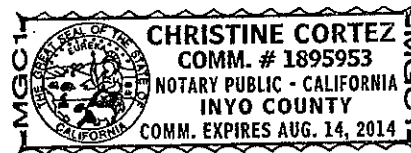


EXHIBIT A
LEGAL DESCRIPTION

LEGAL DESCRIPTION

LOTS 3 TO 6 INCLUSIVE OF BLOCK 1 OF GRANDVIEW HEIGHTS SUBDIVISION, COUNTY OF INYO, STATE OF CALIFORNIA, AS PER AMENDED MAP RECORDED IN BOOK 2, PAGE 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT B
PRELIMINARY TITLE REPORT



PRELIMINARY REPORT

"Since 1913"

INYO-MONO TITLE COMPANY
873 NORTH MAIN STREET
BISHOP, CA 93514
PHONE (760) 872-4741 FAX (760) 873-8938

www.inyomonotitle.com

INYO-MONO TITLE COMPANY
ATTN: CHRIS CORTEZ
873 NORTH MAIN STREET
BISHOP, CA 93514

DATE ISSUED: AUGUST 3, 2012

YOUR REF: NORTHERN INYO HOSPITAL
OUR FILE NO.: 52674

Effective date of this report is: **JULY 30, 2012 @ 07:30 AM**

In response to the above referenced application for a policy of title insurance, **Inyo-Mono Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

The form of policy of title insurance contemplated by this report is:

ALTA LOAN POLICY (06-17-06)

SEAN M. O'BRIEN, TITLE OFFICER
SOBRIEN@INYOMONOTITLE.COM

THIS REPORT IS SUBJECT TO A MINIMUM CANCELLATION CHARGE AS REQUIRED UNDER SECTION 12404 OF THE STATE OF CALIFORNIA INSURANCE CODE.

THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS A FEE

TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

AT THE DATE HEREOF EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS CONTAINED IN SAID POLICY FORM WOULD BE AS FOLLOWS:

1. GENERAL AND SPECIAL COUNTY TAXES FOR THE FISCAL YEAR 2012-2013, A LIEN NOT YET PAYABLE.
 - A. GENERAL AND SPECIAL COUNTY TAXES FOR THE FISCAL YEAR 2011-2012,

FIRST INSTALLMENT	:	\$62.03 PAID
SECOND INSTALLMENT	:	\$62.03 PAID
TOTAL AMOUNT	:	\$124.06
PROPERTY ID NUMBER	:	11-280-81
BILL NUMBER	:	5994
 - B. THE LIEN OF SUPPLEMENTAL TAXES, IF ANY, ASSESSED PURSUANT TO THE PROVISIONS OF CHAPTER 3.5 (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA. **PROPERTY ID NUMBER: 11-280-81**
2. THE HEREIN DESCRIBED LAND LIES WITHIN THE CONSOLIDATION NO. 2009-01 - INDIAN CREEK AND WESTRIDGE COMMUNITY SERVICES DISTRICTS AND IS SUBJECT TO ANY LIENS OR ASSESSMENTS THEREOF.
3. THE HEREIN DESCRIBED LAND LIES WITHIN THE BISHOP ASSESSMENT DISTRICT #1 AND IS SUBJECT TO ANY LIENS OR ASSESSMENTS THEREOF.
4. THE HEREIN DESCRIBED LAND LIES WITHIN THE EASTERN SIERRA COMMUNITY SERVICE DISTRICT AND IS SUBJECT TO ANY LIENS OR ASSESSMENTS THEREOF.
5. COVENANTS, CONDITIONS AND RESTRICTIONS IN THE DECLARATION OF RESTRICTIONS, BUT "OMITTING ANY COVENANT OR RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS OR NATIONAL ORIGIN UNLESS AND ONLY TO THE EXTENT SAID COVENANT (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS."
EXECUTED BY : DEAN W. KNIGHT & SONS, INC.
RECORDED : JUNE 14, 1965, IN BOOK 169, PAGE 459, OF OFFICIAL RECORDS

WHICH PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT OR RENDER INVALID THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE.

NOTE: SECTION 12956.1(B)(1) OF THE CALIFORNIA GOVERNMENT CODE PROVIDES THE FOLLOWING: IF THIS DOCUMENT CONTAINS ANY RESTRICTION, PREFERENCE, LIMITATION OR DISCRIMINATION BASED ON RACE, COLOR, RELIGION, SEX, SEXUAL ORIENTATION, FAMILIAL STATUS, DISABILITY, HANDICAP, NATIONAL ORIGIN, GENETIC INFORMATION, GENDER, GENDER IDENTITY, GENDER EXPRESSION, SOURCE OF INCOME (AS DEFINED IN CALIFORNIA GOVERNMENT CODE §12955(P)) OR ANCESTRY, TO THE EXTENT SUCH COVENANTS, CONDITIONS OR RESTRICTIONS VIOLATE 42 U.S.C. §3604(C) OR CALIFORNIA GOVERNMENT CODE §12955. LAWFUL RESTRICTIONS UNDER STATE AND FEDERAL LAW ON THE AGE OF OCCUPANTS IN SENIOR HOUSING OR HOUSING FOR OLDER PERSONS SHALL NOT BE CONSTRUED AS RESTRICTIONS BASED ON FAMILIAL STATUS.

6. AN EASEMENT AFFECTING THE PORTION OF SAID LAND AND FOR THE PURPOSES STATED HEREIN, AND INCIDENTAL PURPOSES, SHOWN OR DEDICATED BY THE MAP OF
 TRACT : GRANDVIEW HEIGHTS SUBDIVISION
 FOR : UTILITY
 AFFECTS : THE NORTH 10 FEET OF LOTS 3 THROUGH 6 INCLUSIVE; AND THE WEST 10 FEET OF LOT 6
7. THE EFFECT OF AN INSTRUMENT ENTITLED "ASSUMPTION OF RISK AND INDEMNITY AGREEMENT", AFFECTING THE LAND DESCRIBED HEREIN UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 DATED : JANUARY 5, 1979
 EXECUTED BY : G.A. DONA
 AND : MAC FORD
 RECORDED : AUGUST 8, 1979; IN BOOK 241, PAGE 906, OF OFFICIAL RECORDS
8. THE REQUIREMENT THAT A DULY ENACTED RESOLUTION, PURSUANT TO THE NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, AUTHORIZING THE PROPOSED TRANSACTION BE PROVIDED PRIOR TO CLOSING.
9. RIGHTS OF PARTIES IN POSSESSION OF SAID LAND BY REASON OF UNRECORDED LEASES, IF ANY. KINDLY FORWARD SAID LEASES FOR EXAMINATION.
10. THE REQUIREMENT THAT AN "OWNERS AFFIDAVIT", SATISFACTORY TO INYO-MONO TITLE, BE SUBMITTED FOR OUR EXAMINATION.
11. BASED UPON THE INFORMATION PROVIDED TO THE COMPANY WHEN THIS ORDER WAS OPENED, IT IS UNCERTAIN WHAT LAND IS TO BE COVERED BY THIS PRELIMINARY REPORT AND THE POLICY(IES) TO BE ISSUED. THE COMPANY BELIEVES THAT THE LAND DESCRIBED IN THIS PRELIMINARY REPORT IS THAT WHICH WAS REQUESTED, HOWEVER, THE COMPANY MAKES NO SUCH PRESENTATIONS. PLEASE VERIFY THAT THE DESCRIPTION OF THE LAND IN THIS PRELIMINARY REPORT IS ACCURATE AND THE LAND WHICH THE PARTIES WISH TO BE COVERED BY THE POLICY(IES) TO BE ISSUED. UNLESS THE COMPANY IS ADVISED TO THE CONTRARY IT WILL PROCEED ON THE ASSUMPTION THAT THE LAND DESCRIBED IN THIS PRELIMINARY REPORT IS THE LAND WHICH IS TO BE COVERED BY THE POLICY(IES) TO BE ISSUED PURSUANT HERETO.

END OF EXCEPTIONS

NOTES:

- A. NOTE: THE SUBJECT PROPERTY'S ADDRESS IS AS FOLLOWS:

2957 BIRCH ST
 BISHOP, CA 93514

- B. NOTE: CALIFORNIA "GOOD FUNDS" LAW EFFECTIVE JANUARY 1, 1990, CALIFORNIA INSURANCE CODE SECTION 12313.1, (CHAPTER 598, STATUTES OF 1989), PROHIBITS A TITLE INSURANCE COMPANY, CONTROLLED ESCROW COMPANY, OR UNDERWRITTEN TITLE COMPANY FROM DISBURSING FUNDS FROM AN ESCROW OR SUB-ESCROW ACCOUNT, (EXCEPT FOR FUNDS DEPOSITED BY WIRE TRANSFER, ELECTRONIC PAYMENT OR CASH) UNTIL THE DAY THESE FUNDS ARE MADE AVAILABLE TO THE DEPOSITOR PURSUANT TO PART 229 OF TITLE 12 OF THE CODE OF FEDERAL REGULATIONS, (REG. CC). ITEMS SUCH AS CASHIER'S, CERTIFIED, OR TELLER'S CHECKS MAY BE AVAILABLE FOR DISBURSEMENT ON THE BUSINESS DAY FOLLOWING THE BUSINESS DAY OF DEPOSIT; HOWEVER, OTHER FORMS OF DEPOSITS MAY CAUSE EXTENDED DELAYS IN CLOSING THE ESCROW OR SUB-ESCROW.

- C. FUNDS WIRED ARE AVAILABLE FOR SAME DAY DISBURSEMENT IF THEY ARE CONFIRMED THE SAME DAY. DIRECT YOUR BANK TO WIRE TO THE FOLLOWING ACCOUNT:

CITY NATIONAL BANK
TREASURY SERVICES DEPOSITS
555 SOUTH FLOWER STREET, 17TH FLOOR
LOS ANGELES, CA 90071

ACCOUNT NAME: INYO-MONO TITLE COMPANY
ACCOUNT NUMBER: 555064934
ROUTING NUMBER: 122016066

PLEASE BE SURE TO REFERENCE YOUR COMPANY NAME AND OUR TITLE NUMBER. WE CANNOT ACCEPT ACH TRANSACTIONS.

- D. THE TITLE INSURER ON THIS FILE WILL BE CHICAGO TITLE INSURANCE COMPANY.
- E. NOTE: THE POLICY OF TITLE INSURANCE WILL INCLUDE AN ARBITRATION PROVISION. THE COMPANY OR THE INSURED MAY DEMAND ARBITRATION. ARBITRABLE MATTERS MAY INCLUDE, BUT ARE NOT LIMITED TO, ANY CONTROVERSY OR CLAIM BETWEEN THE COMPANY AND THE INSURED ARISING OUT OF OR RELATING TO THIS POLICY, ANY SERVICE OF THE COMPANY IN CONNECTION WITH ITS ISSUANCE OR THE BREACH OF A POLICY PROVISION OR OTHER OBLIGATION. PLEASE ASK YOUR ESCROW OR TITLE OFFICER FOR A SAMPLE COPY OF THE POLICY TO BE ISSUED IF YOU WISH TO REVIEW THE ARBITRATION PROVISIONS AND ANY OTHER PROVISIONS PERTAINING TO YOUR TITLE INSURANCE COVERAGE.

I=COMMERCIAL

LEGAL DESCRIPTION

LOTS 3 TO 6 INCLUSIVE OF BLOCK 1 OF GRANDVIEW HEIGHTS SUBDIVISION, COUNTY OF INYO, STATE OF CALIFORNIA, AS PER AMENDED MAP RECORDED IN BOOK 2, PAGE 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.



PRIVACY POLICY

WE ARE COMMITTED TO SAFEGUARDING CUSTOMER INFORMATION

IN ORDER TO BETTER SERVE YOUR NEEDS NOW AND IN THE FUTURE, WE MAY ASK YOU TO PROVIDE US WITH CERTAIN INFORMATION. WE UNDERSTAND THAT YOU MAY BE CONCERNED ABOUT WHAT WE WILL DO WITH SUCH INFORMATION – PARTICULARLY ANY PERSONAL OR FINANCIAL INFORMATION. WE AGREE THAT YOU HAVE A RIGHT TO KNOW HOW WE WILL UTILIZE THE PERSONAL INFORMATION YOU PROVIDE TO US. THEREFORE, WE HAVE ADOPTED THIS PRIVACY POLICY TO GOVERN THE USE AND HANDLING OF YOUR PERSONAL INFORMATION.

APPLICABILITY

THIS PRIVACY POLICY GOVERNS OUR USE OF THE INFORMATION WHICH YOU PROVIDE TO US. IT DOES NOT GOVERN THE MANNER IN WHICH WE MAY USE INFORMATION WE HAVE OBTAINED FROM ANY OTHER SOURCE, SUCH AS INFORMATION OBTAINED FROM A PUBLIC RECORD OR FROM ANOTHER PERSON OR ENTITY.

TYPES OF INFORMATION

DEPENDING UPON WHICH OF OUR SERVICES YOU ARE UTILIZING, THE TYPES OF NONPUBLIC PERSONAL INFORMATION THAT WE MAY COLLECT INCLUDE:

- INFORMATION WE RECEIVE FROM YOU ON APPLICATIONS, FORMS AND IN OTHER COMMUNICATIONS TO US, WHETHER IN WRITING, IN PERSON, BY TELEPHONE OR ANY OTHER MEANS;
- INFORMATION ABOUT YOUR TRANSACTIONS WITH US, OUR AFFILIATED COMPANIES, OR OTHERS; AND
- INFORMATION WE RECEIVE FROM A CONSUMER REPORTING AGENCY.

USE OF INFORMATION

WE REQUEST INFORMATION FROM YOU FOR OUR OWN LEGITIMATE BUSINESS PURPOSES AND NOT FOR THE BENEFIT OF ANY NONAFFILIATED PARTY. THEREFORE, WE WILL NOT RELEASE YOUR INFORMATION TO NONAFFILIATED PARTIES EXCEPT: (1) AS REQUIRED BY LAW.

FORMER CUSTOMERS

EVEN IF YOU ARE NO LONGER OUR CUSTOMER, OUR PRIVACY POLICY WILL CONTINUE TO APPLY TO YOU.

CONFIDENTIALITY AND SECURITY

WE WILL USE OUR BEST EFFORTS TO ENSURE THAT NO UNAUTHORIZED PARTIES HAVE ACCESS TO ANY OF YOUR INFORMATION. WE RESTRICT ACCESS TO NONPUBLIC PERSONAL INFORMATION ABOUT YOU TO THOSE INDIVIDUALS AND ENTITIES WHO NEED TO KNOW THAT INFORMATION TO PROVIDE PRODUCTS OR SERVICES TO YOU. WE WILL USE OUR BEST EFFORTS TO TRAIN AND OVERSEE OUR EMPLOYEES AND AGENTS TO ENSURE THAT YOUR INFORMATION WILL BE HANDLED RESPONSIBLY AND IN ACCORDANCE WITH THIS PRIVACY POLICY. WE CURRENTLY MAINTAIN PHYSICAL, ELECTRONIC, AND PROCEDURAL SAFEGUARDS THAT COMPLY WITH FEDERAL REGULATIONS TO GUARD YOUR NONPUBLIC PERSONAL INFORMATION.

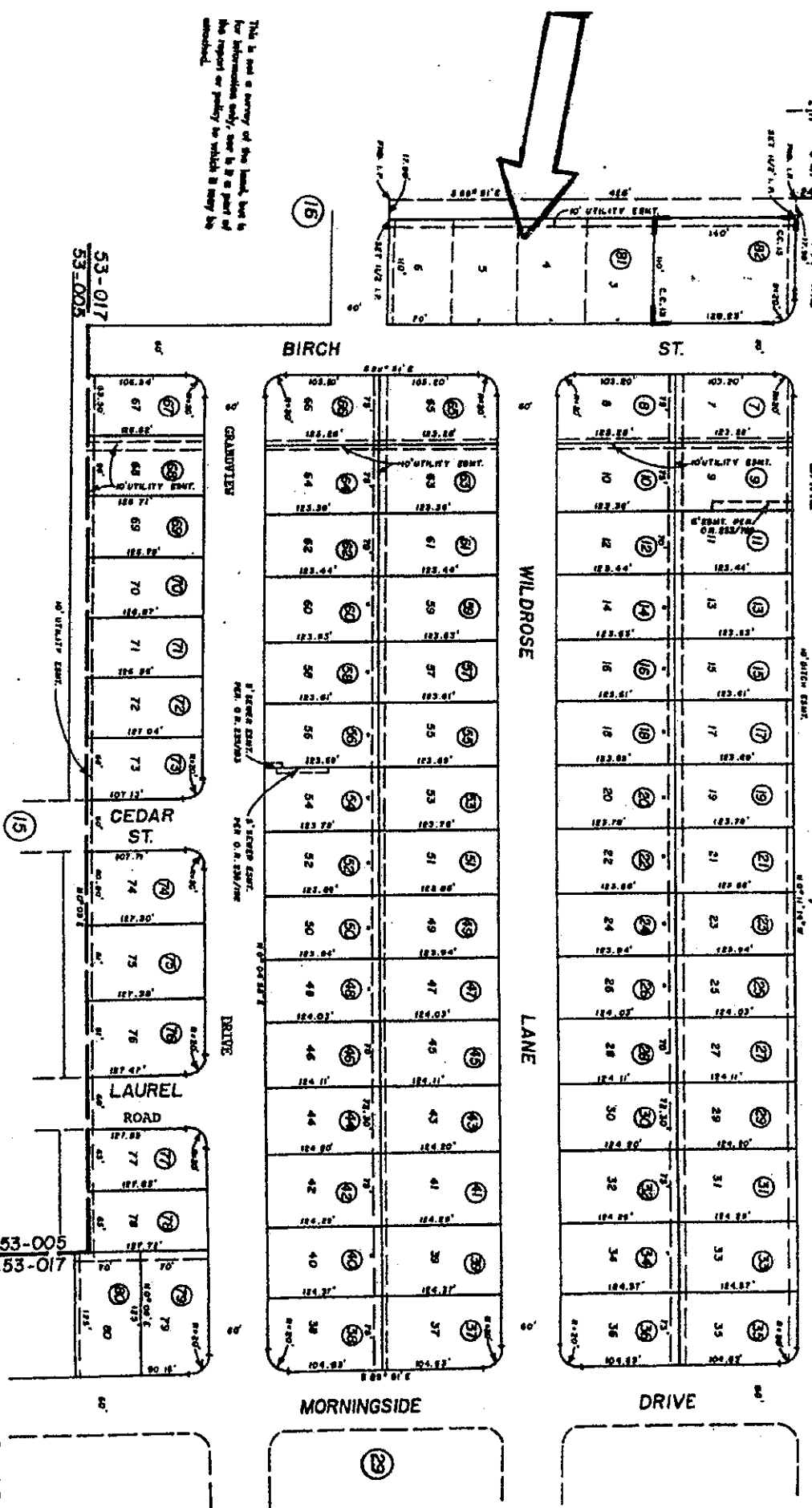
GRANDVIEW HEIGHTS SUB.

BLOCK 1

TAX MAP AREA
53-017

11-28

53-010
53-017 LANE POR. NW 1/4 SEC. 11 T. 7 S., R. 32 E. M.D.B. & M. (39)



This is not a survey of the land, but is for information only, and is to be used in the report or policy to which it may be attached.

SUBDIVISION MAP No. 2, Pg 10
C.C.13

Assessor's Map Bk. 11 - Pg. 28
County of Inyo, Calif.
1959

ATTACHMENT ONE

2006 AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (06-17-06) EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:



1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
- (c) resulting in no loss or damage to the Insured Claimant;
- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
- (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records;
- (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

<p>A. SETTLEMENT STATEMENT</p>   <h2 style="text-align: center;">Inyo-Mono Title Company</h2> <p style="text-align: center;">ESTIMATED</p> <p style="text-align: center;">U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</p>	<p>B. TYPE OF LOAN</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:33%;">1. <input type="checkbox"/> FHA</td> <td style="width:33%;">2. <input type="checkbox"/> RHS</td> <td style="width:33%;">3. <input checked="" type="checkbox"/> CONV. UNIN</td> </tr> <tr> <td>4. <input type="checkbox"/> VA</td> <td>5. <input type="checkbox"/> CONV. INS.</td> <td>OTHER</td> </tr> <tr> <td colspan="2">6. File Number 52674</td> <td>7. Loan Number 100107163</td> </tr> <tr> <td colspan="3">8. Mortgage Insurance Case No.</td> </tr> </table>	1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input checked="" type="checkbox"/> CONV. UNIN	4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.	OTHER	6. File Number 52674		7. Loan Number 100107163	8. Mortgage Insurance Case No.		
1. <input type="checkbox"/> FHA	2. <input type="checkbox"/> RHS	3. <input checked="" type="checkbox"/> CONV. UNIN											
4. <input type="checkbox"/> VA	5. <input type="checkbox"/> CONV. INS.	OTHER											
6. File Number 52674		7. Loan Number 100107163											
8. Mortgage Insurance Case No.													

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent. Items marked "(P.O.C.)" were paid outside the closing; they are shown here for informational purposes and are not included.

D. NAME AND ADDRESS OF BORROWER: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT,
150 PIONEER LANE
BISHOP, CA 93514

E. NAME, ADDRESS AND TIN OF SELLER:

F. NAME AND ADDRESS OF LENDER: OAK VALLEY COMMUNITY BANK
125 NORTH THIRD AVENUE
OAKDALE, CA 95361

G. PROPERTY LOCATION: 152 PIONEER LANE & 2957 BIRCH ST
BISHOP, CA 93514

H. SETTLEMENT AGENT: INYO-MONO TITLE COMPANY (760)873-5821

PLACE OF SETTLEMENT: 873 NORTH MAIN STREET, BISHOP, CA 93514

I. SETTLEMENT DATE: _____ **DISBURSEMENT:** _____ **PRORATION:** _____ **FUNDING:** _____

J. SUMMARY OF BORROWER'S TRANSACTION			K. SUMMARY OF SELLER'S TRANSACTION		
100. GROSS AMOUNT DUE FROM BORROWER:			400. GROSS AMOUNT DUE TO SELLER:		
101 Contract sales price			401 Contract sales price		
102 Personal Property			402 Personal Property		
103 Settlement charges to borrower (line 1400)	600,000.00		403		
104			404		
105			405		
Adjustments for items paid by seller in advance			Adjustments for items paid by seller in advance		
106 City/town taxes	to		406 City/town taxes	tc	
107 County taxes	to		407 County taxes	tc	
108 Assessments	to		408 Assessments	tc	
109			409		
110			410		
111			411		
112			412		
113			413		
114			414		
115			415		
116			416		
120 GROSS AMOUNT DUE FROM BORROWER	600,000.00		420 GROSS AMOUNT DUE TO SELLER		
200. AMOUNTS PAID BY/OR IN BEHALF OF BORROWER:			500. REDUCTIONS IN AMOUNT DUE TO SELLER:		
201 Deposit or earnest money			501 Excess deposit (see instructions)		
202 Principal amount of new loan OAK VALLEY CO	600,000.00		502 Settlement charges to seller (line 1400)		
203 Existing loan taken subject to			503 Existing loan taken subject to:		
204			504 Payoff first mortgage		
205			505 Payoff second mortgage		
206			506		
207			507		
208			508		
209			509		
Adjustments for items unpaid by seller			Adjustments for items unpaid by seller		
210 City/town taxes	to		510 City/town taxes	to	
211 County taxes	to		511 County taxes	to	
212 Assessments	to		512 Assessments	to	
213			513		
214			514		
215			515		
216			516		
217			517		
218			518		
219			519		
220 TOTAL PAID BY/FOR BORROWER	600,000.00		520 TOTAL REDUCTION AMOUNT DUE SELLER		
300. CASH AT SETTLEMENT FROM/TO BORROWER			600. CASH AT SETTLEMENT TO/FROM SELLER		
301 Gross amount due from borrower (line 120)	600,000.00		601 Gross amount due to seller (line 420)		
302 Less amounts paid by/for borrower (line 220)	600,000.00		602 Less reductions in amount due seller (line 520)		
303 CASH (X FROM) (TO) BORROWER	0.00		603 CASH (FROM) (X TO) SELLER		

L. SETTLEMENT CHARGES				BORROWER'S FUNDS AT SETTLEMENT	SELLER'S FUNDS AT SETTLEMENT
700. TOTAL REAL ESTATE BROKER FEES:					
Division of Commission (line 700) as follows:					
701.	to				
702.	to				
703.	Commission paid at Settlement				
704.					
800. ITEMS PAYABLE IN CONNECTION WITH LOAN (P.O.C.)					
801.	Our origination charge	6,000.00	(From GFE #1)		
802.	Your credit or charge(points) for the specific interest rate chosen		(From GFE #2)		
803.	Your adjusted origination charge		(From GFE #A)		
804.	Appraisal fee to OAK VALLEY COMMUNITY BANK		(From GFE #3) (7,500.00B)	6,000.00	
805.	Credit report to		(From GFE #3)		
806.	Tax service to OAK VALLEY COMMUNITY BANK		(From GFE #3)	72.00	
807.	Flood certification OAK VALLEY COMMUNITY BANK		(From GFE #3)	16.00	
808.	DOCUMENTATION FEE OAK VALLEY COMMUNITY BANK			250.00	
809.	APPRAISAL REVIEW FEE OAK VALLEY COMMUNITY BANK		(500.00B)		
810.	ENVIRONMENTAL FEE OAK VALLEY COMMUNITY BANK		(250.00B)		
811.	UNDISBURSED OAK VALLEY COMMUNITY BANK			590,519.00	
812.					
813.					
814.					
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE (P.O.C.)					
901.	Daily interest charges from @ /day		(From GFE #10)		
902.	Mortgage Insurance Premium for		(From GFE #3)		
903.	Homeowner's insurance for		(From GFE #11)		
904.					
905.					
1000. RESERVES DEPOSITED WITH LENDER (P.O.C.)					
1001.	Initial deposit for your escrow account		(From GFE #9)		
1002.	Homeowner's insurar months @ \$ /month				
1003.	Mortgage insurance months @ \$ /month				
1004.	City Property Taxes months @ \$ /month				
1005.	County Property Tax months @ \$ /month				
1006.					
1007.	Aggregate Adjustment				
1008.					
1100. TITLE CHARGES (P.O.C.)					
1101.	Title services and lender's title insurance		(From GFE #4)	3,043.00	
1102.	Settlement or closing fee	948.00			
1103.	Owner's title insurance		(From GFE #5)		
1104.	Lender's title insurance INYO-MONO TITLE COMPANY	2,095.00			
1105.	Lender's title policy limit \$600,000.00				
1106.	Owner's title policy limit				
1107.	Agent's portion of the total title insurance premium	1,843.60			
1108.	Underwriter's portion of the total title insurance premium	251.40			
1109.					
1110.					
1111.					
1112.					
1113.					
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES (P.O.C.)					
1201.	Government recording charges		(From GFE #7)	100.00	
1202.	Recording: Deed \$ Mortgage \$ 100.00 Release \$				
1203.	Transfer taxes		(From GFE #8)		
1204.	City/county tax/stamp Deed \$ Mortgage \$				
1205.	State tax/stamps: Deed \$ Mortgage \$				
1206.	Aggregate Recording Charge				
1207.					
1208.					
1300. ADDITIONAL SETTLEMENT CHARGES (P.O.C.)					
1301.	Required services that you can shop for		(From GFE #6)		
1302.					
1303.					
1304.					
1305.					
1306.					
1307.					
1308.					
1400.	TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)			600,000.00	

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	
Charges That Cannot Increase	HUD-1 Line Number
Our origination charge	#801
Your credit or charge (points) for the specific interest rate	#802
Your adjusted origination charges	#803
Transfer taxes	#1203
Tolerance Adjustment	
Total	

Good Faith Estimate	HUD-1
0.00	6,000.00
0.00	0.00
0.00	6,000.00
0.00	0.00
	(0.00)
0.00	6,000.00

Charges That In Total Cannot Increase More Than 10%	
Government recording charges	#1201
Appraisal Fee	#804
Tax Service	#806
Flood Certification	#807
DOCUMENTATION FEE	#808
APPRAISAL REVIEW FEE	#809
ENVIRONMENTAL FEE	#910
UNDISBURSED	#811
Title Services and Lender Title Insurance	#1101
Tolerance Adjustment	
Total	
Increase between GFE and HUD-1 Charges	

Good Faith Estimate	HUD-1
0.00	100.00
0.00	7,500.00
0.00	72.00
0.00	16.00
0.00	250.00
0.00	500.00
0.00	250.00
0.00	590,519.00
0.00	1,123.00
0.00	
0.00	
0.00	600,330.00
\$ 600,330.00	or %

Charges That Can Change	
Initial deposit for your escrow account	#1001
Daily Interest charges	#901 \$0.00/Day
Homeowner's insurance	#903
Tolerance Adjustment	
Total	

Good Faith Estimate	HUD-1
0.00	0.00
0.00	0.00
0.00	0.00

Loan Terms

Your initial loan amount is	\$600,000.00
Your loan term is	
Your initial interest rate is	_____ %
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	<p>Includes</p> <input type="checkbox"/> Principal <input type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of _____%. The first change will be on _____ and can change again every _____ after _____. Every change date, your interest rate can increase or decrease by _____%. Over the life of the loan, your interest rate is guaranteed to never be lower than _____% or high than _____%.
Even if you make payments on time, can your loan balance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, it can rise to a maximum of __\$_____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No <input type="checkbox"/> Yes, the first increase can be on _____ and the monthly amount owed can rise to __\$_____. The maximum it can ever rise to is \$_____.
Does your loan have a prepayment penalty?	<input type="checkbox"/> No <input type="checkbox"/> Yes, your maximum prepayment penalty is __\$_____.
Does your loan have a balloon payment?	<input type="checkbox"/> No <input type="checkbox"/> Yes, you have a balloon payment of __\$_____ due in _____ years on _____.
Total monthly amount owed including escrow account payments	<input type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself. <input type="checkbox"/> You have an additional monthly escrow payment of __\$_____ that results in a total initial monthly amount owed of __\$_____. This includes principal, interest, any mortgage insurance and any items checked below: <input type="checkbox"/> Property taxes <input type="checkbox"/> Home Owner's Insurance <input type="checkbox"/> Flood Insurance <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Note: If you have any questions about the Settlement Charges and Loan Terms listed in this form, please contact your lender.

I have carefully reviewed the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

BORROWERS:


NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT,



PETER WATERCOTT, PRESIDENT

SETTLEMENT AGENT:

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause funds to be disbursed in accordance with this statement.


INYO-MONO TITLE COMPANY



INYO-MONO TITLE COMPANY LOAN ESCROW INSTRUCTIONS

SERVING INYO AND MONO COUNTIES
SINCE 1913

TO:
INYO-MONO TITLE COMPANY
873 NORTH MAIN STREET
BISHOP, CA 93514
PHONE NO: (760) 873-5821
FAX NO: (760) 873-7804

DATE: AUGUST 13, 2012
ESCROW NO: 52674
ESCROW OFFICER: CHRIS CORTEZ

SECTION I

BORROWER HEREIN WILL EXECUTE AND DELIVER A NEW FIRST CONVENTIONAL DEED OF TRUST IN THE AMOUNT OF \$600,000.00.

SECTION II

AND WILL DELIVER TO YOU ANY INSTRUMENTS WHICH THIS ESCROW REQUIRES SHALL BE EXECUTED BY ME, ALL OF WHICH YOU ARE INSTRUCTED TO USE PROVIDED THAT YOU ARE ABLE TO PROCURE A CURRENT FORM OF ALTA LENDERS OF TITLE INSURANCE, WITH LIABILITY IN THE AMOUNT OF NEW LOAN TO BE PROCURED OR AMOUNT OF LIABILITY REQUIRED BY BUYER'S LENDER, WHICHEVER IS GREATER, ON THE REAL PROPERTY DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 3 TO 6 INCLUSIVE OF BLOCK 1 OF GRANDVIEW HEIGHTS SUBDIVISION, COUNTY OF INYO, STATE OF CALIFORNIA, AS PER AMENDED MAP RECORDED IN BOOK 2, PAGE 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SUBJECT PROPERTY ADDRESS:

152 PIONEER LANE & 2957 BIRCH ST
BISHOP, CA 93514

SHOWING TITLE VESTED IN:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT,

SUBJECT TO:

1. CURRENT GENERAL AND SPECIAL TAXES FOR THE FISCAL YEAR IN WHICH THIS ESCROW CLOSSES, AND SUBSEQUENT YEARS, INCLUDING REASSESSMENTS, IF ANY, AND INCLUDING ANY SPECIAL DISTRICT LEVIES OR PERSONAL PROPERTY TAXES, PAYMENT FOR WHICH ARE INCLUDED THEREIN AND COLLECTED THEREWITH, AND IMPROVEMENT BOND ASSESSMENTS, WHEN APPLICABLE.
2. THE LIEN OF SUPPLEMENTAL TAXES, IF ANY, ASSESSED PURSUANT TO THE PROVISIONS OF CHAPTER 3.5 (COMMENCING WITH SECTION 75) OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA.
3. COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, EASEMENTS AND RIGHTS OF WAY OF RECORD, AND OTHER ITEMS AS DISCLOSED BY THE PRELIMINARY TITLE REPORT.
4. A DEED OF TRUST TO RECORD IN FAVOR OF **OAK VALLEY COMMUNITY BANK** WHICH SECURES A PROMISSORY NOTE IN THE PRINCIPAL AMOUNT OF **\$600,000.00**.

BORROWER(S) DEPOSIT OF THE EXECUTED LOAN DOCUMENTS INTO ESCROW FOR RECORDATION SHALL BE DEEMED BORROWER(S) APPROVAL OF THE TERMS AND CONDITIONS OF SAID LOAN. ESCROW HOLDER IS AUTHORIZED TO COMPLY WITH THE INSTRUCTIONS OF THE LENDER(S), AND BORROWER(S) WILL PAY BORROWER'S COSTS IN CONNECTION THEREWITH.

SECTION III

1. ESCROW HOLDER IS AUTHORIZED TO OBTAIN A DEMAND FROM ALL LIENS OF RECORD, AND ALL LIENS SHALL BE PAID FROM BORROWERS PROCEEDS AT THE CLOSE OF THIS ESCROW.
2. IF APPLICABLE, BORROWER AGREES TO PROVIDE A NEW OR EXISTING HAZARD/FIRE INSURANCE POLICY (OR COPY THEREOF) FOR AT LEAST LENDERS REQUIREMENT WITH LENDER'S LOSS PAYABLE ENDORSEMENT IN FAVOR OF THE BENEFICIARY(S) AS THEIR INTEREST MAY EXIST AND TO AUTHORIZE PAYMENT OF PREMIUM THROUGH ESCROW UNLESS A PAID RECEIPT IS PROVIDED TO ESCROW.
3. BORROWER IS AWARE THAT INTEREST ON EXISTING LOAN(S) DOES NOT STOP ACCRUING AT THE CLOSE OF ESCROW, BUT CONTINUES UNTIL THE ACTUAL DAY OF RECEIPT OF THE PAYOFF BY LENDER. BORROWER IS AWARE THAT INTEREST WILL ACCRUE THROUGH WEEKENDS OR HOLIDAYS. BORROWER IS ALSO AWARE THAT THEY ARE RESPONSIBLE FOR PAYMENT OF ALL OF SUCH INTEREST AND WILL INDEMNIFY AND HOLD ESCROW HOLDER HARMLESS IN CONNECTION WITH THE PAYMENT OF SUCH INTEREST.
4. THE UNDERSIGNED HEREBY AUTHORIZES AND INSTRUCTS ESCROW HOLDER TO CHARGE BORROWER FOR FEDERAL EXPRESS, UPS OVERNIGHT, SPECIAL MAIL HANDLING/COURIER AND/OR INCOMING/OUTGOING WIRE TRANSFER FEES. UNLESS SPECIFIED IN WRITING BY THE UNDERSIGNED, ESCROW HOLDER IS AUTHORIZED TO SELECT SPECIAL MAIL/DELIVERY OR COURIER SERVICES TO BE USED. WIRE SERVICES REQUIRED BY THE PARTIES HEREIN OR BY THEIR INDIVIDUAL LENDERS WILL BE CHARGED \$25.00 PER WIRE, INCOMING OR OUTGOING.
5. FROM SAID FUNDS WHEN CREDITED TO THE BORROWER(S), ESCROW HOLDER IS AUTHORIZED TO DEDUCT ALL COSTS INCLUDING BUT NOT LIMITED TO ESCROW FEES, POLICY OF TITLE INSURANCE PREMIUM (IF APPLICABLE), RECORDING FEES, CHARGES, ADVANCES, AND COSTS NECESSARY TO COMPLY THE LENDER(S) REQUIREMENTS.
6. IF APPLICABLE, BUYER(S)/BORROWER(S) ARE AWARE THAT THE NEW LOAN(S) IN THIS ESCROW WILL BE FUNDED BY LENDER, AT LEAST ONE OR TWO DAYS PRIOR TO THE DATE OF RECORDATION OF DOCUMENTS (THE CLOSE OF ESCROW), PERMITTING THE ESCROW HOLDER TO COMPLY WITH THE REQUIREMENTS OF STATE LAW. EXCEPT FOR FUNDS DEPOSITED BY WIRE TRANSFER OR ELECTRONIC PAYMENT, CALIFORNIA INSURANCE CODE SECTION 12413.1 (CHAPTER 598, STATUTES OF 1989), PROHIBIT THE DISBURSEMENT OF FUNDS UNTIL THE DAY THESE FUNDS ARE MADE AVAILABLE UNDER THE STATUTE. LOAN FUNDS REMITTED BY CASHIER'S, CERTIFIED, OR TELLER'S CHECKS ARE GENERALLY AVAILABLE ON THE NEXT BUSINESS DAY FOLLOWING DEPOSIT, HOWEVER, OTHER FORMS OF PAYMENT MAY FURTHER DELAY THE DATE OF RECORDATION (CLOSE OF ESCROW) AND DISBURSEMENT OF FUNDS. INTEREST ON SAID LOANS SHALL COMMENCE AS OF THE DATE OF FUNDING, AND BORROWER(S) AGREE TO BEAR THE PER DIEM COST(S) IN ACCORDANCE WITH THE LENDER(S) INSTRUCTIONS, INCLUDING THE CHARGE(S) FOR AVAILABILITY DELAYS, WEEKENDS AND/OR HOLIDAYS. INYO-MONO TITLE COMPANY, UNDERWRITTEN BY TICOR TITLE INSURANCE/CHICAGO TITLE WILL NOT BE HELD RESPONSIBLE OR LIABLE FOR ACCRUALS OF INTEREST OR OTHER CHARGES RESULTING FROM COMPLIANCE WITH THE DISBURSEMENT RESTRICTIONS IMPOSED BY STATE LAW.

***** IMPORTANT NOTICE *****

EXCEPT FOR ELECTRONIC PAYMENT OR WIRE TRANSFERS, FUNDS REMITTED TO THIS ESCROW ARE SUBJECT TO AVAILABILITY REQUIREMENTS IMPOSED BY CALIFORNIA INSURANCE CODE SECTION 12413.1 (CHAPTER 598, STATUTES OF 1989) EFFECTIVE JANUARY 1, 1990. CASHIER'S CHECKS, CERTIFIED CHECKS, OR TELLER'S CHECKS, PAYABLE TO INYO-MONO TITLE COMPANY, (INYO-MONO TITLE COMPANY IS LICENSED BY THE CALIFORNIA DEPARTMENT OF INSURANCE) ARE GENERALLY AVAILABLE FOR DISBURSEMENT ON THE NEXT BUSINESS DAY FOLLOWING THE DATE OF DEPOSIT. OTHER FORMS OF PAYMENT MAY CAUSE EXTENDED DELAYS IN THE CLOSING OF YOUR TRANSACTION. INYO-MONO TITLE COMPANY WILL NOT BE RESPONSIBLE FOR ACCRUALS OF INTEREST OR OTHER CHARGES RESULTING FROM COMPLIANCE WITH THE DISBURSEMENT RESTRICTIONS IMPOSED BY STATE LAW. WIRE TRANSFER INFORMATION IS AVAILABLE UPON REQUEST.

GENERAL PROVISIONS

1. ALL FUNDS RECEIVED IN THIS ESCROW SHALL BE DEPOSITED WITH OTHER ESCROW FUNDS IN A GENERAL ESCROW ACCOUNT OR ACCOUNTS OF INYO-MONO TITLE COMPANY WITH ANY STATE OR NATIONAL BANK. YOU SHALL HAVE NO OBLIGATION TO ACCOUNT FOR THE VALUE OF ANY ESCROW-RELATED ACCOUNTING SERVICES AND INCIDENTAL BENEFITS THAT MAY BE PROVIDED TO THE COMPANY BY ANY DEPOSITORY BANK. ALL DISBURSEMENTS SHALL BE MADE BY YOUR CHECK, UNLESS OTHERWISE INSTRUCTED. YOU SHALL NOT BE RESPONSIBLE FOR ANY DELAY IN CLOSING IF FUNDS RECEIVED BY ESCROW ARE NOT AVAILABLE FOR IMMEDIATE WITHDRAWAL. INYO-MONO TITLE COMPANY MAY, AT ITS OPTION, REQUIRE CONCURRING INSTRUCTIONS FROM ALL PRINCIPALS PRIOR TO THE RELEASE OF ANY FUNDS ON DEPOSIT IN THIS ESCROW.
2. ALL PRORATIONS AND ADJUSTMENTS CALLED FOR IN THIS ESCROW ARE TO BE MADE ON THE BASIS OF A 30 DAY MONTH UNLESS OTHERWISE INSTRUCTED IN WRITING. YOU ARE NOT RESPONSIBLE FOR ANY PAYMENT, ADJUSTMENT OR PRORATION OF A HOMEOWNERS ASSOCIATION (OR SIMILAR) CHARGE, OR UNRECORDED LIEN UNLESS SET FORTH IN THE ESCROW INSTRUCTIONS.
3. THE PHRASE "CLOSE OF ESCROW" (OR COE OR CE) AS USED IN THIS ESCROW MEANS THE DATE ON WHICH DOCUMENTS ARE RECORDED, UNLESS OTHERWISE SPECIFIED.
4. RECORDATION OF ANY INSTRUMENTS DELIVERED THROUGH THIS ESCROW, IF NECESSARY OR PROPER FOR THE ISSUANCE OF THE POLICY OF TITLE INSURANCE CALLED FOR, IS AUTHORIZED.
5. YOU ARE AUTHORIZED TO FURNISH COPIES OF PRELIMINARY TITLE REPORT, ESCROW INSTRUCTIONS, SUPPLEMENTS, AMENDMENTS OR NOTICES OF CANCELLATION AND CLOSING STATEMENTS IN THIS ESCROW TO THE REAL ESTATE BROKER(S) AND LENDER(S) REFERRED TO IN THIS ESCROW.
6. YOU ARE AUTHORIZED TO EXECUTE ON BEHALF OF THE PRINCIPALS HERETO, FORM ASSIGNMENTS OF INTEREST IN ANY INSURANCE POLICY (OTHER THAN TITLE INSURANCE) CALLED FOR IN THIS ESCROW, FORWARD ASSIGNMENT AND POLICY TO THE AGENT REQUESTING THAT INSURER CONSENT TO SUCH ASSIGNMENT AND ATTACH A LOSS PAYABLE CLAUSE OR SUCH OTHER ENDORSEMENTS AS MAY BE REQUIRED, AND TO FORWARD SUCH POLICY TO THE LENDERS AND PRINCIPAL ENTITLED THERETO.
7. NO EXAMINATION OR INSURANCE AS TO THE AMOUNT OR PAYMENT OF PERSONAL PROPERTY TAXES IS REQUIRED UNLESS SPECIFICALLY REQUESTED.
8. IF A DEMAND TO CANCEL IS SUBMITTED AFTER THE TIME LIMIT DATE, ANY PRINCIPAL SO REQUESTING YOU TO CANCEL THIS ESCROW SHALL FILE NOTICE OF DEMAND TO CANCEL IN YOUR OFFICE IN WRITING. YOU SHALL WITHIN 3 WORKING DAYS THEREAFTER MAIL BY CERTIFIED MAIL ONE COPY OF SUCH NOTICE TO EACH OF THE OTHER PRINCIPALS AT THE ADDRESSES STATED IN THIS ESCROW. UNLESS WRITTEN OBJECTION THERETO IS FILED IN YOUR OFFICE BY A PRINCIPAL WITHIN 15 CALENDAR DAYS AFTER DATE OF SUCH MAILING, YOU ARE AUTHORIZED TO CANCEL THIS ESCROW. IF WRITTEN OBJECTION IS FILED WITH YOU, YOU ARE AUTHORIZED TO HOLD ALL MONEY AND DOCUMENTS IN THIS ESCROW AND TAKE NO FURTHER ACTION UNTIL OTHERWISE DIRECTED, EITHER BY THE PRINCIPALS MUTUAL WRITTEN INSTRUCTIONS OR BY FINAL ORDER OF A COURT OF COMPETENT JURISDICTION. IF THIS IS A SALE ESCROW, YOU MAY RETURN LENDER'S PAPERS AND/OR FUNDS UPON LENDER'S DEMAND.
9. ALL WRITTEN NOTICES, COMMUNICATIONS, CHANGE OF INSTRUCTIONS AND DOCUMENTS ARE REQUIRED TO BE DELIVERED TIMELY AT THE OFFICE OF INYO-MONO TITLE COMPANY SET FORTH HEREIN.

10. THE PRINCIPALS HERETO EXPRESSLY AGREE THAT YOU, AS ESCROW HOLDER, HAVE THE ABSOLUTE RIGHT AT YOUR ELECTION TO FILE AN ACTION IN INTER PLEADER IN A COURT OF COMPETENT JURISDICTION REQUIRING THE PRINCIPALS TO ANSWER AND LITIGATE THEIR SEVERAL CLAIMS AND RIGHTS AMONG THEMSELVES AND YOU ARE AUTHORIZED TO DEPOSIT WITH THE CLERK OF THE COURT ALL DOCUMENTS AND FUNDS HELD IN THIS ESCROW. IN THE EVENT SUCH ACTION IS FILED, THE PRINCIPALS JOINTLY AND SEVERALLY AGREE TO PAY YOUR CANCELLATION CHARGES AND COSTS, EXPENSES AND REASONABLE ATTORNEY'S FEES WHICH YOU ARE REQUIRED TO EXPEND OR INCUR IN SUCH INTER PLEADER ACTION, THE AMOUNT THEREOF TO BE FIXED AND JUDGMENT TO BE RENDERED BY THE COURT. UPON THE FILING OF SUCH ACTION, YOU SHALL THEREUPON BE FULLY RELEASED AND DISCHARGED FROM ALL OBLIGATIONS TO FURTHER PERFORM ANY DUTIES OR OBLIGATIONS OTHERWISE IMPOSED BY THE TERMS OF THIS ESCROW. IN THE EVENT THIS ESCROW IS CANCELED, ANY FEES OR CHARGES DUE INVO-MONO TITLE COMPANY, INCLUDING CANCELLATION FEES AND ANY EXPENDITURES INCURRED OR AUTHORIZED SHALL BE PAID FROM FUNDS ON DEPOSIT UNLESS OTHERWISE SPECIFICALLY AGREED TO OR DETERMINED BY A COURT OF COMPETENT JURISDICTION. UPON PAYMENT THEREOF, RETURN DOCUMENTS AND MONIES TO THE RESPECTIVE PARTIES DEPOSITING SAME, OR AS ORDERED BY THE COURT AND VOID ANY EXECUTED DOCUMENTS.
11. IN THE EVENT OF CANCELLATION OF THIS ESCROW, YOU ARE AUTHORIZED TO DEMAND PAYMENT OF YOUR CHARGES AND, ON PAYMENT THEREOF, RETURN DOCUMENTS AND MONIES TO THE RESPECTIVE PARTIES DEPOSITING SAME OR FOR WHOSE BENEFIT AN UNCONDITIONAL DEPOSIT WAS MADE, AND TO VOID EXECUTED INSTRUMENTS.
12. IF THERE IS NO WRITTEN ACTIVITY BY A PRINCIPAL DELIVERED TO THIS ESCROW WITHIN ANY SIX-MONTH PERIOD AFTER THE TIME LIMIT DATE AS SET FORTH IN THE ESCROW INSTRUCTIONS OR WRITTEN EXTENSION THEREOF, YOUR AGENCY OBLIGATION SHALL TERMINATE AT YOUR OPTION AND ALL DOCUMENTS, MONIES OR OTHER ITEMS HELD BY YOU SHALL BE RETURNED TO THE RESPECTIVE PARTIES ENTITLED THERETO, LESS FEES AND CHARGES HEREIN PROVIDED.
13. IN THE EVENT YOU SHOULD RECEIVE OR BECOME AWARE OF ANY CONFLICTING DEMANDS OR CLAIMS WITH RESPECT TO THIS ESCROW OR THE RIGHTS OF ANY OF THE PARTIES HERETO, OR ANY MONEY OR PROPERTY DEPOSITED HEREIN, YOU SHALL HAVE THE ABSOLUTE RIGHT AT YOUR OPTION TO DISCONTINUE ANY OR ALL FURTHER ACTS UNTIL SUCH CONFLICT IS RESOLVED TO YOUR SATISFACTION.
14. YOU ARE NOT TO BE CONCERNED WITH ANY QUESTION OF USURY IN ANY LOAN OR ENCUMBRANCE INVOLVED IN THE PROCESSING OF THIS ESCROW AND YOU ARE HEREBY RELEASED FROM ANY RESPONSIBILITY OR LIABILITY THEREFORE.
15. YOU ARE TO BE CONCERNED ONLY WITH THE DIRECTIVES SPECIFICALLY SET FORTH IN THE ESCROW INSTRUCTIONS AND AMENDMENTS THERETO, AND ARE NOT TO BE CONCERNED OR LIABLE FOR ITEMS DESIGNATED AS "MEMORANDA" IN THE WITHIN ESCROW INSTRUCTIONS NOR WITH ANY OTHER AGREEMENT OR CONTRACT BETWEEN THE PARTIES.
16. YOU ARE AUTHORIZED TO DESTROY OR OTHERWISE DISPOSE OF ANY AND ALL DOCUMENTS, PAPERS, INSTRUCTIONS, CORRESPONDENCE AND OTHER MATERIAL PERTAINING TO THIS ESCROW AT THE EXPIRATION OF FIVE YEARS FROM THE CLOSE OF ESCROW OR CANCELLATION THEREOF, WITHOUT LIABILITY AND WITHOUT FURTHER NOTICE TO PARTIES TO THE TRANSACTION.
17. YOU ARE RELEASED FROM AND SHALL HAVE NO LIABILITY, OBLIGATION OR RESPONSIBILITY WITH RESPECT TO (A) WITHHOLDING OF FUNDS PURSUANT TO SECTION 1445 OF THE INTERNAL REVENUE CODE OF 1954 AS AMENDED, (B) ADVISING THE PARTIES AS TO THE REQUIREMENTS OF SUCH SECTION, (C) DETERMINING WHETHER THE TRANSFEROR IS A FOREIGN PERSON UNDER SUCH SECTION, NOR (D) OBTAINING A NON-FOREIGN AFFIDAVIT OR OTHER EXEMPTION FROM WITHHOLDING UNDER SUCH SECTION NOR OTHERWISE MAKING ANY INQUIRY CONCERNING COMPLIANCE WITH SUCH SECTION BY ANY PARTY TO THE TRANSACTION.
18. IN THE EVENT THE ESCROW HAS CLOSED AND ESCROW HOLDER HAS BEEN INSTRUCTED TO HOLD ESCROW FUNDS FOR ANY PURPOSE, ESCROW HOLDER MAY CHARGE A HOLD OPEN FEE FOR PROCESSING AND ACCOUNTING WORK AT THE RATE OF \$25.00 PER MONTH OR ANY PORTION THEREOF.

TIME IS OF THE ESSENCE OF THESE INSTRUCTIONS. IF THIS ESCROW IS NOT IN A CONDITION TO CLOSE BY THE TIME LIMIT DATE AND WRITTEN DEMAND FOR CANCELLATION IS RECEIVED BY YOU FROM ANY PRINCIPAL TO THIS ESCROW AFTER SAID DATE, YOU SHALL ACT IN ACCORDANCE WITH PARAGRAPH 8 OF SAID GENERAL PROVISIONS. IN THE EVENT ONE OR MORE OF THE ABOVE GENERAL PROVISIONS IS HELD TO BE INVALID IN JUDICIAL PROCEEDINGS, THE REMAINING RESPECTIVE GENERAL PROVISIONS WILL CONTINUE TO BE OPERATIVE. ANY AMENDMENTS OF OR SUPPLEMENTS TO ANY INSTRUCTIONS AFFECTING THIS ESCROW MUST BE IN WRITING. SIGNATURES ON ANY DOCUMENTS AND INSTRUCTIONS PERTAINING TO THIS ESCROW INDICATE THE SIGNER'S UNCONDITIONAL APPROVAL THEREOF. PRINCIPALS WILL HAND YOU ANY FUNDS AND INSTRUMENTS REQUIRED FROM EACH RESPECTIVELY TO COMPLETE THIS ESCROW.

IF NO DEMAND FOR CANCELLATION IS MADE, YOU WILL PROCEED TO CLOSE THIS ESCROW WHEN THE PRINCIPALS HAVE COMPLIED WITH THE ESCROW INSTRUCTIONS. THESE INSTRUCTIONS MAY BE EXECUTED IN COUNTERPARTS, EACH OF WHICH SHALL BE DEEMED AN ORIGINAL REGARDLESS OF DATE OF EXECUTION OR DELIVERY, AND TOGETHER SHALL CONSTITUTE ONE AND THE SAME DOCUMENT. IF THESE INSTRUCTIONS RELATE TO A SALE, BUYER AGREES TO BUY AND SELLER AGREES TO SELL, UPON THE TERMS AND CONDITIONS THEREOF. ALL DOCUMENTS, BALANCES AND STATEMENTS DUE THE UNDERSIGNED ARE TO BE MAILED TO THE RESPECTIVE ADDRESS SHOWN BELOW, UNLESS OTHERWISE DIRECTED. IN THESE INSTRUCTIONS, WHENEVER THE CONTEXT SO REQUIRES, THE MASCULINE GENDER INCLUDES THE FEMININE AND/OR NEUTER, AND THE SINGULAR NUMBER INCLUDES THE PLURAL.

IF ANY CHECK SUBMITTED TO ESCROW IS DISHONORED UPON PRESENTMENT FOR PAYMENT, YOU ARE AUTHORIZED TO NOTIFY ALL PRINCIPALS AND/OR THEIR RESPECTIVE AGENTS OF SUCH NONPAYMENT.

ALL PARTIES TO THIS ESCROW ACKNOWLEDGE THAT INVO-MONO TITLE COMPANY DOES NOT PROVIDE LEGAL ADVISE NOR HAS IT MADE ANY INVESTIGATION, REPRESENTATIONS OR ASSURANCES WHATSOEVER REGARDING THE LEGAL ASPECTS OR COMPLIANCE OF THIS TRANSACTION WITH ANY TAX, SECURITIES OR ANY OTHER STATE OR FEDERAL LAWS. IT IS RECOMMENDED THAT THE PARTIES OBTAIN INDEPENDENT LEGAL COUNSEL AS TO SUCH MATTERS.

NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT

BY: 
PETER WATERCOTT, PRESIDENT

150 PIONEER LANE
BISHOP, CA 93514



00000000100107163124508092012

CUSTOMER INFORMATION PROFILE

WATERCOTT, PETER

CUSTOMER INFORMATION

Customer Name: PETER WATERCOTT
Customer Type: Individual
Street Address: 150 PIONEER LANE
Mailing Address: BISHOP, CA 93514
Primary Phone Number:
Employer/Occupation:

IDENTIFICATION

Taxpayer ID: Taxpayer ID Applied For
Birth Date:
Primary ID: Secondary ID:
ID Number: ID Number:
Issue Date: Issue Date:
Exp. Date: Exp. Date:
Issued By: Issued By:

ACCOUNT INFORMATION

Branch Location: 001 Oakdale Branch
Bank Rep. Name: DeBow, Rashel
Product Type: Loan Number: Opening Date:
3 - SECURED COMMERCIAL DEED OF TRUST 100107163 08-09-2012

RESULTS OF NON-DOCUMENTARY VERIFICATION

Customer's identity has been verified using the non-documentary methods described below:
 ChexSystemsSM Verification Logical Verification Other _____
 Credit Report Obtained Fraud/Bad Check Database Checked Other _____
 Financial Statement Reference Check Other _____
 Unable to verify customer's identity (explanation and resolution of discrepancies):

COMPARISON WITH GOVERNMENT LISTS

Does customer's name appear on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency?
 Yes No

LEGAL NAME AS SHOWN ON PRIMARY ID: _____

NAME DISCREPANCY

() Names match () Names Don't Match (describe and reconcile any difference in name):

By signing below, I certify the following:

I have verified the identity of each borrower by personally reviewing their unexpired photographic identification and/or other non-documentary methods.

I have explained any discrepancy between the name on the loan and the name on any identification.

Agent or Employee Name (Print): _____

Agent or Employee Signature: _____

Date: _____



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CUSTOMER INFORMATION PROFILE

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

CUSTOMER INFORMATION

Customer Name: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
Customer Type: Government
Street Address: 150 PIONEER LANE
Mailing Address: BISHOP, CA 93514
Primary Phone Number:

IDENTIFICATION

Taxpayer ID: 95-6005449 Taxpayer ID Applied For
Primary ID: Secondary ID:
ID Number: ID Number:
Issue Date: Issue Date:
Issued By: Issued By:

ACCOUNT INFORMATION

Branch Location: 001 Oakdale Branch
Bank Rep. Name: DeBow, Rasha

Product Type	Loan Number	Opening Date
3 - SECURED COMMERCIAL DEED OF TRUST	100107163	08-09-2012

RESULTS OF NON-DOCUMENTARY VERIFICATION

Customer's Identity has been verified using the non-documentary methods described below:

- ChexSystemsSM Verification
- Credit Report Obtained
- Financial Statement
- Logical Verification
- Fraud/Bad Check Database Checked
- Reference Check
- Other _____
- Other _____
- Unable to verify customer's identity (explanation and resolution of discrepancies):

COMPARISON WITH GOVERNMENT LISTS

Does customer's name appear on any list of known or suspected terrorists or terrorist organizations issued by any Federal government agency?
 Yes No

LEGAL NAME AS SHOWN ON PRIMARY ID: _____

NAME DISCREPANCY

() Names match () Names Don't Match (describe and reconcile any difference in name):

By signing below, I certify the following:

I have verified the identity of each borrower by personally reviewing their unexpired photographic identification and/or other non-documentary methods.

I have explained any discrepancy between the name on the loan and the name on any identification.

Agent or Employee Name (Print): Peter J. Watercraft

Agent or Employee Signature: _____

Date: _____

GOVERNMENTAL CERTIFICATE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L71		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Entity: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE ENTITY'S EXISTENCE. The complete and correct name of the governmental entity is NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT ("Entity"). The Entity is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws and regulations of the State of California. The Entity has the full power and authority to own its properties and to transact the business and activities in which it is presently engaged or presently proposes to engage. The Entity maintains an office at 150 PIONEER LANE, BISHOP, CA 93514. The Entity shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of the Entity and any other governmental or quasi-governmental authority or court applicable to the Entity and the Entity's business activities.

CERTIFICATES ADOPTED. At a meeting of the appropriate governing body of the Entity, duly called and held on _____, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Certificate were adopted.

OFFICIAL. The following named person is an Official of NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
PETER WATERCOTT	President	y	x 

ACTIONS AUTHORIZED. The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Entity. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Entity:

Borrow Money. To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Entity and Lender, such sum or sums of money as in his or her judgment should be borrowed, without limitation.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of the Entity's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Entity's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Entity or in which the Entity now or hereafter may have an interest, including without limitation all of the Entity's real property and all of the Entity's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Entity to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Entity or in which the Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Entity's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the Official may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Certificate. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from the Entity, at Lender's address shown above, written notice of revocation of such authority: **JOHN HALFEN.**

ASSUMED BUSINESS NAMES. The Entity has filed or recorded all documents or filings required by law relating to all assumed business names used by the Entity. Excluding the name of the Entity, the following is a complete list of all assumed business names under which the Entity does business: **None.**

NOTICES TO LENDER. The Entity will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Entity's name; (B) change in the Entity's assumed business name(s); (C) change in the structure of the Entity; (D) change in the authorized signer(s); (E) change in the Entity's principal office address; (F) change in the Entity's principal residence; or (G) change in any other aspect of the Entity that directly or indirectly relates to any agreements between the Entity and Lender.

CERTIFICATION CONCERNING OFFICIALS AND CERTIFICATES. The Official named above is duly elected, appointed, or employed by or for the Entity, as the case may be, and occupies the position set opposite his or her respective name. This Certificate now stands of record on the

**GOVERNMENTAL CERTIFICATE
(Continued)**

Loan No: 100107163

Page 2

books of the Entity, is in full force and effect, and has not been modified or revoked in any manner whatsoever.


CONTINUING VALIDITY. Any and all acts authorized pursuant to this Certificate and performed prior to the passage of this Certificate are hereby ratified and approved. This Certificate shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Entity's agreements or commitments in effect at the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand and attest that the signature set opposite the name listed above is his or her genuine signature.

I have read all the provisions of this Certificate, and I personally and on behalf of the Entity certify that all statements and representations made in this Certificate are true and correct. This Governmental Certificate is dated August 9, 2012.

CERTIFIED TO AND ATTESTED BY:

x


Secretary of NORTHERN INYO COUNTY HOSPITAL
DISTRICT

NOTE: If the Official signing this Certificate is designated by the foregoing document as one of the officials authorized to act on the Entity's behalf, it is advisable to have this Certificate signed by at least one non-authorized official of the Entity.



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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L71		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

Principal Amount: \$600,000.00

Date of Note: August 9, 2012

PROMISE TO PAY. NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT ("Borrower") promises to pay to Oak Valley Community Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Six Hundred Thousand & 00/100 Dollars (\$600,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

PAYMENT. Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on August 9, 2014. In addition, Borrower will pay regular monthly payments of all accrued unpaid interest due as of each payment date, beginning September 9, 2012, with all subsequent interest payments to be due on the same day of each month after that. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to any late charges; and then to principal. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

VARIABLE INTEREST RATE. The interest rate on this Note is subject to change from time to time based on changes in an index which is the PRIME LENDING RATE AS PUBLISHED IN THE WEST COAST EDITION OF THE WALL STREET JOURNAL. WHEN A RANGE OF RATES HAS BEEN PUBLISHED, THE HIGHER OF THE RATES WILL BE USED (the "Index"). Lender will tell Borrower the current index rate upon Borrower's request. The interest rate change will not occur more often than each DAY. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 3.250% per annum. Interest on the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 1.000 percentage point over the Index, adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 6.500%. NOTICE: Under no circumstances will the interest rate on this Note be less than 6.500% per annum or more than the maximum rate allowed by applicable law.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Note.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$75.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Oak Valley Community Bank, Attn: Loan Operations, 125 North Third Avenue Oakdale, CA 95361.

LATE CHARGE. If a payment is 15 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$50.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, the interest rate on this Note shall, if permitted under applicable law, immediately increase by adding an additional 5.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help,

**PROMISSORY NOTE
(Continued)**

Loan No: 100107163

Page 2

repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

EXPENSES. If Lender institutes any suit or action to enforce any of the terms of this Note, Lender shall be entitled to recover such sum as the court may adjudge reasonable. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the loan payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals, to the extent permitted by applicable law. Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of California.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

COLLATERAL. Borrower acknowledges this Note is secured by the following collateral described in the security instruments listed herein:

(A) a Deed of Trust dated August 9, 2012, to a trustee in favor of Lender on real property located in INYO County, State of California. That agreement contains the following due on sale provision: Lender may, at Lender's option, declare immediately due and payable all sums secured by the Deed of Trust upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by applicable law.

(B) an Assignment of All Rents to Lender on real property located in INYO County, State of California.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances under this Note may be requested either orally or in writing by Borrower or as provided in this paragraph. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: JOHN HALFEN. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs.

ADDITIONAL EVENT OF DEFAULT. IN THE EVENT FINANCIAL RECORDS ARE NOT DELIVERED TO LENDER WITHIN THE PERIOD DESCRIBED IN YOUR BUSINESS LOAN AGREEMENT, AFFIRMATIVE COVENANTS SECTION, THE NOTE SHALL BE CONSIDERED IN DEFAULT AND LENDER MAY, IN ADDITION TO ANY OTHER REMEDY AVAILABLE TO LENDER, INCREASE THE EFFECTIVE RATE OF INTEREST CHARGED UNDER THE NOTE BY TWO PERCENTAGE POINTS (2.000%). THE INCREASED RATE SHALL BE IN EFFECT UNTIL SUCH TIME AS ALL FINANCIAL RECORDS ARE DELIVERED TO LENDER.

DISPUTE RESOLUTION. Borrower and Lender desire to resolve quickly and efficiently any disputes that might arise between them. For any controversy, claim or judicial action arising from or relating to this Note or any related agreement, transaction or conduct, whether sounding in contract, tort or otherwise:

Judicial Reference. Where an action is pending before a court of any judicial district of the State of California, Borrower and Lender shall each have the right to require that all questions of fact or law be submitted to general reference pursuant to California Code of Civil Procedure Section 638 et seq., and any successor statutes thereto.

(1) A single referee who is a retired superior court judge shall be appointed by the court pursuant to Code of Civil Procedure 640 and shall preside over the reference proceeding. If Borrower and Lender do not agree upon the referee, each of them may submit to the court up to three nominees who are retired superior court judges.

(2) If Borrower and Lender do not agree on how the payment of the referee's fees and expenses will be shared, the court may apportion such fees and expenses between Borrower and Lender in a fair and reasonable manner that is consistent with Code of Civil Procedure Section 645.1.

(3) Borrower and Lender shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(4) The referee's statement of decision shall contain written findings of fact and conclusions of law, and the court shall enter judgment thereon pursuant to Code of Civil Procedure Sections 644(a) and 645. The decision of the referee shall then be appealable as if made by the

**PROMISSORY NOTE
(Continued)**

Loan No: 100107163

Page 3

court.

No provision of this section shall limit the right of any party to exercise self-help remedies, to foreclose against or sell any real or personal property collateral or to obtain provisional or ancillary remedies, such as injunctive relief or appointment of a receiver, from a court of competent jurisdiction before, after, or during the pendency of any reference proceeding. The exercise of a remedy does not waive the right of either party to resort to reference.

Jury Trial Waiver. In any action pending before any court of any jurisdiction, Borrower waives, and Lender shall not have, any right to a jury trial.

ATTORNEYS' FEES. In any action arising from or relating to this Note and subject to any limits under applicable law, the prevailing party shall be entitled to reasonable attorneys' fees in accordance with California Civil Code Section 1717. Whether or not an action is involved, the expenses of Lender described in the paragraph of this Note titled "Expenses" include, without limitation, attorneys' fees incurred by Lender.

LOAN AGREEMENT. THIS NOTE IS SUBJECT TO, AND SHALL BE GOVERNED BY, ALL THE TERMS AND CONDITIONS OF THE BUSINESS LOAN AGREEMENT DATED AUGUST 9, 2012, WHICH LOAN AGREEMENT IS INCORPORATED HEREIN BY REFERENCE.

TRUST AS BORROWER OR GUARANTOR. NOTE SUBJECT TO TRUST CERTIFICATE. If a person acting as a trustee of a trust is either (i) Borrower, (ii) a member, manager or partner of Borrower or (iii) a guarantor of or collateral pledgor for this Note, Borrower acknowledges and agrees that this Note is subject to, and shall be governed by, all the terms and conditions of a trust certificate that such person, as trustee, has signed and given to Lender in connection with this Note (the "Trust Certificate"). Among other things, the Trust Certificate supplements the terms of this Note with respect to events and conditions that will constitute an Event of Default (as otherwise defined in the Default section of this Note) or will permit Lender to cease making advances on this Note.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: 

PETER WATERCOTT, President of NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT



00000000100107163007008092012

BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / LFI		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*" has been omitted due to text length limitations.

Borrower: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

THIS BUSINESS LOAN AGREEMENT dated August 9, 2012, is made and executed between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT ("Borrower") and Oak Valley Community Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of August 9, 2012, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

ADVANCE AUTHORITY. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: **JOHN HALFEN.**

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 150 PIONEER LANE, BISHOP, CA 93514. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: **None.**

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 100107163

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delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than one-hundred-twenty (120) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Financial Covenants and Ratios. Comply with the following covenants and ratios:

Minimum Income and Cash flow Requirements. Borrower shall comply with the following cash flow ratio requirements:

Debt Coverage Ratio. Maintain a ratio of Debt Coverage in excess of 1.250 to 1.000. The ratio "Debt Coverage" means Cash Flow divided by Debt Service. For the purpose of this paragraph "Cash Flow" is defined as the sum of (a) Total Revenue & Public Support less (b) Total Expenses plus (c) Depreciation, plus (d) Amortization, and plus (e) Interest Expense. For the purpose of this paragraph "Debt Service" is defined as Interest Expense plus Borrower's Current Portion of Long Term Indebtedness. This ratio will be evaluated at each fiscal year end based on Borrower's financial statement. This coverage ratio will be evaluated as of year-end.

Except as provided above, all computations made to determine compliance with the requirements contained in this paragraph shall be made in accordance with generally accepted accounting principles, applied on a consistent basis, and certified by Borrower as being true and correct.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including

**BUSINESS LOAN AGREEMENT
(Continued)**

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stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged,

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(Continued)**

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(2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) make any distribution with respect to any capital account, whether by reduction of capital or otherwise.

Loans, Acquisitions and Guaranties. (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's or any Grantor's property or Borrower's or any Grantor's ability to repay the Loans or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

ADDITIONAL EVENT OF DEFAULT. IN THE EVENT FINANCIAL RECORDS ARE NOT DELIVERED TO LENDER WITHIN THE PERIOD DESCRIBED UNDER THE "AFFIRMATIVE COVENANTS" SECTION OF THIS AGREEMENT, THE NOTE SHALL BE CONSIDERED IN DEFAULT AND LENDER MAY, IN ADDITION TO ANY OTHER REMEDY AVAILABLE TO LENDER, INCREASE THE EFFECTIVE RATE OF INTEREST CHARGED UNDER THE NOTE BY TWO PERCENTAGE POINTS (2.000%). THE INCREASED RATE SHALL BE IN EFFECT UNTIL SUCH TIME AS ALL FINANCIAL RECORDS ARE DELIVERED TO LENDER.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

TRUST AS BORROWER OR GUARANTOR. NOTE SUBJECT TO TRUST CERTIFICATE. If a person acting as a trustee of a trust is either (i) Borrower, (ii) a member, manager or partner of Borrower or (iii) a guarantor or collateral pledgor for the Note, Borrower acknowledges and agrees that this Agreement and the Note are subject to, and shall be governed by, all the terms and conditions of a trust certificate that such person, as trustee, has signed and given to Lender in connection with this Agreement (the "Trust Certificate"). Among other things, the Trust

**BUSINESS LOAN AGREEMENT
(Continued)**

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Certificate supplements the terms of this Agreement and the Note with respect to events and conditions that will constitute an Event of Default (as otherwise defined in the Default section of this Agreement and the Note) or will permit Lender to cease making advances on this Note.

OUT OF DEBT PROVISION. THIS LINE SHALL MAINTAIN A THIRTY (30) CONSECUTIVE DAY OUT OF DEBT PERIOD FOR RENEWAL ELIGIBILITY.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Expenses. If Lender institutes any suit or action to enforce any of the terms of this Agreement, Lender shall be entitled to recover such sum as the court may adjudge reasonable. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Loan payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, to the extent permitted by applicable law. Borrower also will pay any court costs, in addition to all other sums provided by law.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DISPUTE RESOLUTION. Borrower and Lender desire to resolve quickly and efficiently any disputes that might arise between them. For any controversy, claim or judicial action arising from or relating to this Agreement or any related agreement, transaction or conduct, whether

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 100107163

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sounding in contract, tort or otherwise:

Judicial Reference. Where an action is pending before a court of any judicial district of the State of California, Borrower and Lender shall each have the right to require that all questions of fact or law be submitted to general reference pursuant to California Code of Civil Procedure Section 638 et seq., and any successor statutes thereto.

(1) A single referee who is a retired superior court judge shall be appointed by the court pursuant to Code of Civil Procedure 640 and shall preside over the reference proceeding. If Borrower and Lender do not agree upon the referee, each of them may submit to the court up to three nominees who are retired superior court judges.

(2) If Borrower and Lender do not agree on how the payment of the referee's fees and expenses will be shared, the court may apportion such fees and expenses between Borrower and Lender in a fair and reasonable manner that is consistent with Code of Civil Procedure Section 645.1.

(3) Borrower and Lender shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(4) The referee's statement of decision shall contain written findings of fact and conclusions of law, and the court shall enter judgment thereon pursuant to Code of Civil Procedure Sections 644(a) and 645. The decision of the referee shall then be appealable as if made by the court.

No provision of this section shall limit the right of any party to exercise self-help remedies, to foreclose against or sell any real or personal property collateral or to obtain provisional or ancillary remedies, such as injunctive relief or appointment of a receiver, from a court of competent jurisdiction before, after, or during the pendency of any reference proceeding. The exercise of a remedy does not waive the right of either party to resort to reference.

Jury Trial Waiver. In any action pending before any court of any jurisdiction, Borrower and Lender each waive any right it may have to a jury trial.

ATTORNEYS' FEES. In any action arising from or relating to this Agreement and subject to any limits under applicable law, the prevailing party shall be entitled to reasonable attorneys' fees in accordance with California Civil Code Section 1717. Whether or not an action is involved, the expenses of Lender described in the paragraph of this Agreement titled "Expenses" include, without limitation, attorneys' fees incurred by Lender.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means Oak Valley Community Bank, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 100107163

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existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means any and all Notes, whether now or hereafter existing, executed by borrower, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the notes or credit agreements.

Permitted Liens. The words "Permitted Liens" mean (1) liens and security interests securing indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED AUGUST 9, 2012.

BORROWER:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: 

PETER WATERCOTT, President of NORTHERN INYO
COUNTY LOCAL HOSPITAL DISTRICT

LENDER:

OAK VALLEY COMMUNITY BANK

By: _____

Jon Godfrey, LOAN OFFICER

RECORDATION REQUESTED BY:

Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361

WHEN RECORDED MAIL TO:

Oak Valley Community Bank
Attn: Loan Operations
125 North Third Avenue
Oakdale, CA 95361

SEND TAX NOTICES TO:

Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361

FOR RECORDER'S USE ONLY



*****034008092012*

DEED OF TRUST

**Variable Interest Rate
Revolving Line of Credit**

THIS DEED OF TRUST is dated August 9, 2012, among NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, whose address is 150 PIONEER LANE, BISHOP, CA 93514 ("Trustor"); Oak Valley Community Bank, whose address is Oakdale Branch, 125 North Third Avenue, P O Box 98, Oakdale, CA 95361 (referred to below sometimes as "Lender" and sometimes as "Beneficiary"); and OAK VALLEY BANCORP., whose address is 125 NORTH THIRD AVENUE, OAKDALE, CA 95361 (referred to below as "Trustee").

CONVEYANCE AND GRANT. For valuable consideration, Trustor irrevocably grants, transfers and assigns to Trustee in trust, with power of sale, for the benefit of Lender as Beneficiary, all of Trustor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, (the "Real Property") located in INYO County, State of California:

See EXHIBIT "A", which is attached to this Deed of Trust and made a part of this Deed of Trust as if fully set forth herein.

The Real Property or its address is commonly known as 2957 BIRCH STREET, BISHOP, CA 93514. The Assessor's Parcel Number for the Real Property is 11-280-81.

REVOLVING LINE OF CREDIT. This Deed of Trust secures the indebtedness including, without limitation, a revolving line of credit, which obligates Lender to make advances to Trustor so long as Trustor complies with all the terms of the Note. Notwithstanding the amount outstanding at any particular time, this Deed of Trust secures the total amount of the Note. The unpaid balance of the revolving line of credit under the Note may at certain times be Zero Dollars (\$0.00). A zero balance does not affect Lender's agreement to make advances to Trustor under the Note. Therefore, Lender's interest under this Deed of Trust will remain in full force and effect notwithstanding a zero balance on the Note.

Trustor presently assigns to Lender (also known as Beneficiary in this Deed of Trust) all of Trustor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. This is an absolute assignment of Rents made in connection with an obligation secured by real property pursuant to California Civil Code Section 2938. In addition, Trustor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

THIS DEED OF TRUST, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF THE TRUSTOR UNDER THE NOTE, THE RELATED DOCUMENTS, AND THIS DEED OF TRUST. THIS DEED OF TRUST IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Deed of Trust, Trustor shall pay to Lender all amounts secured by this Deed of Trust as they become due, and shall strictly and in a timely manner perform all of Trustor's obligations under the Note, this Deed of Trust, and the Related Documents.

**DEED OF TRUST
(Continued)**

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POSSESSION AND MAINTENANCE OF THE PROPERTY. Trustor agrees that Trustor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Trustor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property.

Duty to Maintain. Trustor shall maintain the Property in tenantable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Trustor represents and warrants to Lender that: (1) During the period of Trustor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Trustor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Trustor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Trustor authorizes Lender and its agents to enter upon the Property to make such inspections and tests, at Trustor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Deed of Trust. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Trustor or to any other person. The representations and warranties contained herein are based on Trustor's due diligence in investigating the Property for Hazardous Substances. Trustor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Trustor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Deed of Trust or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Trustor's ownership or interest in the Property, whether or not the same was or should have been known to Trustor. The provisions of this section of the Deed of Trust, including the obligation to indemnify and defend, shall survive the payment of the indebtedness and the satisfaction and reconveyance of the lien of this Deed of Trust and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Trustor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Trustor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Trustor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Trustor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Trustor's compliance with the terms and conditions of this Deed of Trust.

Compliance with Governmental Requirements. Trustor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Trustor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Trustor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Trustor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Trustor agrees neither to abandon or leave unattended the Property. Trustor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Deed of Trust upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. However, this option shall not be exercised by Lender if such exercise is prohibited by applicable law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Deed of Trust:

Payment. Trustor shall pay when due (and in all events at least ten (10) days prior to delinquency) all taxes, special taxes, assessments, charges (including water and sewer), fines and impositions levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Trustor shall maintain the Property free of all liens having priority over or equal to the interest of Lender under this Deed of Trust, except for the lien of taxes and assessments not due and except as otherwise provided in this Deed of Trust.

Right to Contest. Trustor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Trustor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Trustor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or

**DEED OF TRUST
(Continued)**

other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and permissible fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Trustor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Trustor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Trustor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Trustor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Trustor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Trustor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Deed of Trust.

Maintenance of Insurance. Trustor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Trustor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Trustee and Lender being named as additional insureds in such liability insurance policies. Additionally, Trustor shall maintain such other insurance, including but not limited to hazard, business interruption, and boiler insurance, as Lender may reasonably require. Notwithstanding the foregoing, in no event shall Trustor be required to provide hazard insurance in excess of the replacement value of the improvements on the Real Property. Policies shall be written in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Trustor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Trustor or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Trustor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Trustor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Trustor fails to do so within fifteen (15) days of the casualty. If in Lender's sole judgment Lender's security interest in the Property has been impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If the proceeds are to be applied to restoration and repair, Trustor shall repair or replace the damaged or destroyed improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Trustor from the proceeds for the reasonable cost of repair or restoration if Trustor is not in default under this Deed of Trust. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Deed of Trust, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the indebtedness. If Lender holds any proceeds after payment in full of the indebtedness, such proceeds shall be paid to Trustor as Trustor's interests may appear.

Trustor's Report on Insurance. Upon request of Lender, however not more than once a year, Trustor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Trustor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Trustor fails to comply with any provision of this Deed of Trust or any Related Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Deed of Trust or any Related Documents; Lender on Trustor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Trustor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Deed of Trust also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Deed of Trust:

Title. Trustor warrants that: (a) Trustor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Deed of Trust, and (b) Trustor has the full right, power, and authority to execute and deliver this Deed of Trust to Lender.

Defense of Title. Subject to the exception in the paragraph above, Trustor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Trustor's title or the interest of Trustee or Lender under this Deed of Trust, Trustor shall defend the action at Trustor's expense. Trustor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding

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by counsel of Lender's own choice, and Trustor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Trustor warrants that the Property and Trustor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Trustor in this Deed of Trust shall survive the execution and delivery of this Deed of Trust, shall be continuing in nature, and shall remain in full force and effect until such time as Trustor's indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to eminent domain and inverse condemnation proceedings are a part of this Deed of Trust:

Proceedings. If any eminent domain or inverse condemnation proceeding is commenced affecting the Property, Trustor shall promptly notify Lender in writing, and Trustor shall promptly take such steps as may be necessary to pursue or defend the action and obtain the award. Trustor may be the nominal party in any such proceeding, but Lender shall be entitled, at its election, to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Trustor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If any award is made or settlement entered into in any condemnation proceedings affecting all or any part of the Property or by any proceeding or purchase in lieu of condemnation, Lender may at its election, and to the extent permitted by law, require that all or any portion of the award or settlement be applied to the indebtedness and to the repayment of all reasonable costs, expenses, and attorneys' fees incurred by Trustee or Lender in connection with the condemnation proceedings.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Deed of Trust:

Current Taxes, Fees and Charges. Upon request by Lender, Trustor shall execute such documents in addition to this Deed of Trust and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Trustor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Deed of Trust, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Deed of Trust.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Deed of Trust or upon all or any part of the indebtedness secured by this Deed of Trust; (2) a specific tax on Trustor which Trustor is authorized or required to deduct from payments on the indebtedness secured by this type of Deed of Trust; (3) a tax on this type of Deed of Trust chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Trustor.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Deed of Trust, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Trustor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Deed of Trust as a security agreement are a part of this Deed of Trust:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Trustor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. Trustor shall reimburse Lender for all expenses incurred in perfecting or continuing this security interest. Upon default, Trustor shall not remove, sever or detach the Personal Property from the Property. Upon default, Trustor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Trustor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Trustor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Deed of Trust may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Deed of Trust.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Deed of Trust:

Further Assurances. At any time, and from time to time, upon request of Lender, Trustor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Trustor's obligations under the Note, this Deed of Trust, and the Related Documents, and (2) the liens and security interests created by this Deed of Trust as first and prior liens on the Property, whether now owned or hereafter acquired by Trustor. Unless prohibited by law or Lender agrees to the contrary in writing, Trustor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-in-Fact. If Trustor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Trustor and at Trustor's expense. For such purposes, Trustor hereby irrevocably appoints Lender as Trustor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

**DEED OF TRUST
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FULL PERFORMANCE. If Trustor pays all the Indebtedness when due, and otherwise performs all the obligations imposed upon Trustor under this Deed of Trust, Lender shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Trustor suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Lender may charge Trustor a reasonable reconveyance fee at the time of reconveyance.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Deed of Trust:

Payment Default. Trustor fails to make any payment when due under the Indebtedness.

Other Defaults. Trustor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Deed of Trust or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Trustor.

Compliance Default. Failure to comply with any other term, obligation, covenant or condition contained in this Deed of Trust, the Note or in any of the Related Documents.

Default on Other Payments. Failure of Trustor within the time required by this Deed of Trust to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to affect discharge of any lien.

Default in Favor of Third Parties. Should Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or Grantor's ability to repay the Indebtedness or Grantor's ability to perform Grantor's obligations under this Deed of Trust or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Trustor or on Trustor's behalf under this Deed of Trust or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Deed of Trust or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The death of Trustor, the insolvency of Trustor, the appointment of a receiver for any part of Trustor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Trustor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Trustor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Trustor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Trustor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Trustor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Trustor under the terms of any other agreement between Trustor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Trustor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Trustor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default in payment is curable and if Trustor has not been given a notice of a breach of the same provision of this Deed of Trust within the preceding twelve (12) months, it may be cured if Trustor, after Lender sends written notice to Trustor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Deed of Trust, at any time thereafter, Trustee or Lender may exercise any one or more of the following rights and remedies:

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Trustor under this Deed of Trust, after Trustor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Foreclosure by Sale. Upon an Event of Default under this Deed of Trust, Beneficiary may declare the entire Indebtedness secured by this Deed of Trust immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold the Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note, other documents requested by Trustee, and all documents evidencing expenditures secured hereby. After the lapse of such time as may then be required by law following the recordation of the notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in the notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement in accordance with

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applicable law. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary may purchase at such sale. After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

Judicial Foreclosure. With respect to all or any part of the Real Property, Lender shall have the right in lieu of foreclosure by power of sale to foreclose by judicial foreclosure in accordance with and to the full extent provided by California law.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code, including without limitation the right to recover any deficiency in the manner and to the full extent provided by California law.

Collect Rents. Lender shall have the right, without notice to Trustor to take possession of and manage the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender may require any tenant or other user of the Property to make payments of rent or use fees directly to Lender. If the Rents are collected by Lender, then Trustor irrevocably designates Lender as Trustor's attorney-in-fact to endorse instruments received in payment thereof in the name of Trustor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Tenancy at Sufferance. If Trustor remains in possession of the Property after the Property is sold as provided above or Lender otherwise becomes entitled to possession of the Property upon default of Trustor, Trustor shall become a tenant at sufferance of Lender or the purchaser of the Property and shall, at Lender's option, either (1) pay a reasonable rental for the use of the Property, or (2) vacate the Property immediately upon the demand of Lender.

Other Remedies. Trustee or Lender shall have any other right or remedy provided in this Deed of Trust or the Note or available at law or in equity.

Notice of Sale. Lender shall give Trustor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Sale of the Property. To the extent permitted by applicable law, Trustor hereby waives any and all rights to have the Property marshalled. In exercising its rights and remedies, the Trustee or Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Expenses. If Lender institutes any suit or action to enforce any of the terms of this Deed of Trust, Lender shall be entitled to recover such sum as the court may adjudge reasonable. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Trustor also will pay any court costs, in addition to all other sums provided by law.

Rights of Trustee. Trustee shall have all of the rights and duties of Lender as set forth in this section.

POWERS AND OBLIGATIONS OF TRUSTEE. The following provisions relating to the powers and obligations of Trustee are part of this Deed of Trust:

Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the written request of Lender and Trustor: (a) join in preparing and filing a map or plat of the Real Property, including the dedication of streets or other rights to the public; (b) join in granting any easement or creating any restriction on the Real Property; and (c) join in any subordination or other agreement affecting this Deed of Trust or the interest of Lender under this Deed of Trust.

Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Trustor, Lender, or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

Trustee. Trustee shall meet all qualifications required for Trustee under applicable law. In addition to the rights and remedies set forth above, with respect to all or any part of the Property, the Trustee shall have the right to foreclose by notice and sale, and Lender shall have the right to foreclose by judicial foreclosure, in either case in accordance with and to the full extent provided by applicable law.

Successor Trustee. Lender, at Lender's option, may from time to time appoint a successor Trustee to any Trustee appointed under

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this Deed of Trust by an instrument executed and acknowledged by Lender and recorded in the office of the recorder of INYO County, State of California. The instrument shall contain, in addition to all other matters required by state law, the names of the original Lender, Trustee, and Trustor, the book and page where this Deed of Trust is recorded, and the name and address of the successor trustee, and the instrument shall be executed and acknowledged by Lender or its successors in interest. The successor trustee, without conveyance of the Property, shall succeed to all the title, power, and duties conferred upon the Trustee in this Deed of Trust and by applicable law. This procedure for substitution of Trustee shall govern to the exclusion of all other provisions for substitution.

Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

NOTICES. Any notice required to be given under this Deed of Trust shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Deed of Trust. Trustor requests that copies of any notices of default and sale be directed to Trustor's address shown near the beginning of this Deed of Trust. All copies of notices of foreclosure from the holder of any lien which has priority over this Deed of Trust shall be sent to Lender's address, as shown near the beginning of this Deed of Trust. Any party may change its address for notices under this Deed of Trust by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Trustor agrees to keep Lender informed at all times of Trustor's current address. Unless otherwise provided or required by law, if there is more than one Trustor, any notice given by Lender to any Trustor is deemed to be notice given to all Trustors.

STATEMENT OF OBLIGATION FEE. Lender may collect a fee, not to exceed the maximum amount permitted by law, for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California.

TRUST AS TRUSTOR ON DEED OF TRUST. DEED OF TRUST SUBJECT TO TRUST CERTIFICATE. If a person acting as a trustee of a trust is (i) Trustor of this Deed of Trust or (ii) a member, manager or partner of Trustor, Trustor acknowledges and agrees that this Deed of Trust is subject to, and shall be governed by, all the terms and conditions of a trust certificate that such person, as trustee, has signed and given to Lender in connection with this Deed of Trust (the "Trust Certificate"). Among other things, the Trust Certificate supplements the terms of this Deed of Trust with respect to events and conditions that will constitute an Event of Default (as otherwise defined in the Default section of this Deed of Trust).

DISPUTE RESOLUTION. Trustor and Beneficiary desire to resolve quickly and efficiently any disputes that might arise between them. For any controversy, claim or judicial action arising from or relating to this Deed of Trust, any Related Documents or any related transaction or conduct, whether sounding in contract, tort or otherwise:

Judicial Reference. Where an action is pending before a court of any judicial district of the State of California, Trustor and Beneficiary shall each have the right to require that all questions of fact or law be submitted to general reference pursuant to California Code of Civil Procedure Section 638 et seq., and any successor statutes thereto.

(1) A single referee who is a retired superior court judge shall be appointed by the court pursuant to Code of Civil Procedure 640 and shall preside over the reference proceeding. If Trustor and Beneficiary do not agree upon the referee, each of them may submit to the court up to three nominees who are retired superior court judges.

(2) If Trustor and Beneficiary do not agree on how the payment of the referee's fees and expenses will be shared, the court may apportion such fees and expenses between Trustor and Beneficiary in a fair and reasonable manner that is consistent with Code of Civil Procedure Section 645.1.

(3) Trustor and Beneficiary shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(4) The referee's statement of decision shall contain written findings of fact and conclusions of law, and the court shall enter judgment thereon pursuant to Code of Civil Procedure Sections 644(a) and 645. The decision of the referee shall then be appealable as if made by the court.

No provision of this section shall limit the right of any party to exercise self-help remedies, to foreclose against or sell any real or personal property collateral or to obtain provisional or ancillary remedies, such as injunctive relief or appointment of a receiver, from a court of competent jurisdiction before, after, or during the pendency of any reference proceeding. The exercise of a remedy does not waive the right of either party to resort to reference.

Jury Trial Waiver. In any action pending before any court of any jurisdiction, Trustor waives, and Beneficiary shall not have, any right to a jury trial.

ATTORNEYS' FEES. In any action arising from or relating to this Deed of Trust and subject to any limits under applicable law, the prevailing party shall be entitled to reasonable attorneys' fees in accordance with California Civil Code Section 1717. Whether or not an action is involved, the expenses of Beneficiary described in the paragraph of this Deed of Trust titled "Expenses" include, without limitation, attorneys' fees incurred by Beneficiary.

LEASES OF PROPERTY. THE FOLLOWING PROVISIONS RELATING TO THE LEASES OF PROPERTY ARE A PART OF THIS DEED OF TRUST:

Books and Records. Trustor shall maintain, or cause to be maintained, proper and accurate books, rent rolls, records and accounts reflecting all items of income and expense in connection with the operation of the Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Property, whether such income or expense be realized by Trustor or by any other person or entity whatsoever excepting persons unrelated to and unaffiliated with Trustor and who leased from Trustor portions of the Property for the purposes of occupying the same. Upon the request of Lender, Trustor shall prepare and deliver to Lender copies of such books, rent rolls, records and accounts and such other information regarding the operation of the Property as Lender may reasonably request. Lender, or its designee, shall have the right from time to time during normal business hours to examine such books, rent rolls, records and accounts and to make copies or extracts therefrom.

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Lease Covenants. "Lease" means any lease of all or any portion of the Property or Improvements, entered into at any time and includes any extensions or renewals thereof and any amendments thereto consented to by Lender. If requested in writing by Lender, Trustor shall not enter into any Lease unless Lender has approved in writing the terms and conditions of such Lease, the proposed tenant thereunder and the proposed utilization of the leased premises by such tenant. If requested in writing by Lender, Trustor shall provide Lender with true, correct and complete copies of all Leases, together with such other information relating to the Leases and the tenants thereunder, as Lender shall reasonably request. Trustor shall not accept prepayments of rent for any period in excess of one month and shall perform all covenants of the lessor under all Leases. If requested in writing by Lender, Trustor shall not amend any Leases or consent to any assignment or subletting under any Leases without the prior written consent of Lender. Trustor shall not terminate any Lease without the prior written consent of Lender except such consent shall not be required for any Lease under which the tenant is in default. Trustor shall perform and carry out all of the provisions of the Leases to be performed by Trustor and shall appear in and defend any action in which the validity of any Lease is at issue and shall commence and maintain any action or proceeding necessary to establish or maintain the validity of any Lease and to enforce the provisions thereof. Trustor shall immediately give notice to Lender of any default under any of the Leases it receives or delivers. Lender shall have the right, but not the obligation, to cure any default of Trustor under any of the Leases.

Subordination of Leases and Attornment. Each Lease of any portion of the Property or Improvements shall be absolutely subordinate to the lien of this Deed of Trust and shall contain a provision satisfactory to Lender that in the event of the exercise of the private power of sale or a judicial foreclosure hereunder or a deed in lieu of foreclosure, such Lease shall not be terminated and the tenant thereunder shall attorn to such purchaser and, if requested to do so, shall enter into a new Lease for the balance of the term of such Lease then remaining upon the same terms and conditions. If requested in writing by Lender, each such Lease shall be separately assigned to Lender upon Lender's approved form, and each such assignment shall be recorded and acknowledged by the tenant thereunder. However, any such Lease and the rents thereunder shall be subject to this Deed of Trust, regardless of whether or not Lender requests a separate assignment. If requested in writing by Lender, concurrently with the execution of any and all Leases executed after the date hereof, Trustor shall cause the tenants thereunder to execute a lease subordination and attornment agreement in favor of Lender in form and substance satisfactory to Lender and immediately thereafter deliver such agreement to Lender.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Deed of Trust:

Amendments. This Deed of Trust, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Deed of Trust. No alteration of or amendment to this Deed of Trust shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Trustor's residence, Trustor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Trustor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Deed of Trust are for convenience purposes only and are not to be used to interpret or define the provisions of this Deed of Trust.

Merger. There shall be no merger of the interest or estate created by this Deed of Trust with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Governing Law. This Deed of Trust will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Deed of Trust has been accepted by Lender in the State of California.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Deed of Trust unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Deed of Trust shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Deed of Trust. No prior waiver by Lender, nor any course of dealing between Lender and Trustor, shall constitute a waiver of any of Lender's rights or of any of Trustor's obligations as to any future transactions. Whenever the consent of Lender is required under this Deed of Trust, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Deed of Trust to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Deed of Trust. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Deed of Trust shall not affect the legality, validity or enforceability of any other provision of this Deed of Trust.

Successors and Assigns. Subject to any limitations stated in this Deed of Trust on transfer of Trustor's interest, this Deed of Trust shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Trustor, Lender, without notice to Trustor, may deal with Trustor's successors with reference to this Deed of Trust and the indebtedness by way of forbearance or extension without releasing Trustor from the obligations of this Deed of Trust or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Deed of Trust.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Deed of Trust. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Deed of Trust shall have the meanings attributed to such terms in the Uniform Commercial Code:

Beneficiary. The word "Beneficiary" means Oak Valley Community Bank, and its successors and assigns.

**DEED OF TRUST
(Continued)**

Borrower. The word "Borrower" means NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Deed of Trust. The words "Deed of Trust" mean this Deed of Trust among Trustor, Lender, and Trustee, and includes without limitation all assignment and security interest provisions relating to the Personal Property and Rents.

Default. The word "Default" means the Default set forth in this Deed of Trust in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Deed of Trust in the events of default section of this Deed of Trust.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word "Improvements" means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Trustor's obligations or expenses incurred by Trustee or Lender to enforce Trustor's obligations under this Deed of Trust, together with interest on such amounts as provided in this Deed of Trust.

Lender. The word "Lender" means Oak Valley Community Bank, its successors and assigns.

Note. The word "Note" means the promissory note dated August 9, 2012, in the original principal amount of \$600,000.00 from Trustor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement. **NOTICE TO TRUSTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.**

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Trustor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Deed of Trust.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness; except that the words do not mean any guaranty or environmental agreement, whether now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all present and future leases, rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property together with the cash proceeds of the Rents.

Trustee. The word "Trustee" means OAK VALLEY BANCORP., whose address is 125 NORTH THIRD AVENUE, OAKDALE, CA 95361 and any substitute or successor trustees.

Trustor. The word "Trustor" means NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT.

TRUSTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS DEED OF TRUST, AND TRUSTOR AGREES TO ITS TERMS, INCLUDING THE VARIABLE RATE PROVISIONS OF THE NOTE SECURED BY THIS DEED OF TRUST.

TRUSTOR:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: 

PETER WATERCOTT, President of NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

DEED OF TRUST
(Continued)

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF California

COUNTY OF Inyo

On August 17, 2012 before me, Christine Cortez, Notary Public
(here insert name and title of the officer)

personally appeared PETER WATERCOTT, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Christine Cortez



(Seal)

(DO NOT RECORD)
REQUEST FOR FULL RECONVEYANCE
(To be used only when obligations have been paid in full)

To: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by this Deed of Trust have been fully paid and satisfied. You are hereby directed, upon payment to you of any sums owing to you under the terms of this Deed of Trust or pursuant to any applicable statute, to cancel the Note secured by this Deed of Trust (which is delivered to you together with this Deed of Trust), and to reconvey, without warranty, to the parties designated by the terms of this Deed of Trust, the estate now held by you under this Deed of Trust. Please mail the reconveyance and Related Documents to:

Date: _____

Beneficiary: _____

By: _____

Its: _____

EXHIBIT "A"

LEGAL DESCRIPTION

LOTS 3 TO 6 INCLUSIVE OF BLOCK 1 OF GRANDVIEW HEIGHTS SUBDIVISION, COUNTY OF INYO, STATE OF CALIFORNIA, AS PER AMENDED MAP RECORDED IN BOOK 2, PAGE 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

RECORDATION REQUESTED BY:

Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361

WHEN RECORDED MAIL TO:

Oak Valley Community Bank
Attn: Loan Operations
125 North Third Avenue
Oakdale, CA 95361

SEND TAX NOTICES TO:

Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361

FOR RECORDER'S USE ONLY



#####011508092012

ASSIGNMENT OF RENTS

THIS ASSIGNMENT OF RENTS dated August 9, 2012, is made and executed between **NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT**, whose address is 150 PIONEER LANE, BISHOP, CA 93514 (referred to below as "Grantor") and Oak Valley Community Bank, whose address is 125 North Third Avenue, P O Box 98, Oakdale, CA 95361 (referred to below as "Lender").

ASSIGNMENT. For valuable consideration, Grantor hereby assigns, grants a continuing security interest in, and conveys to Lender all of Grantor's right, title, and interest in and to the Rents from the following described Property located in INYO County, State of California:

See EXHIBIT "A", which is attached to this Assignment and made a part of this Assignment as if fully set forth herein.

The Property or its address is commonly known as 2957 BIRCH STREET, BISHOP, CA 93514. The Assessor's Parcel Number for the Property is 11-280-81.

This is an absolute assignment of Rents made in connection with an obligation secured by property pursuant to California Civil Code section 2938.

REVOLVING LINE OF CREDIT. This Assignment secures the indebtedness including, without limitation, a revolving line of credit, which obligates Lender to make advances to Grantor so long as Grantor complies with all the terms of the Note. Notwithstanding the amount outstanding at any particular time, this Assignment secures the total amount of the Note. The unpaid balance of the revolving line of credit under the Note may at certain times be Zero Dollars (\$0.00). A zero balance does not affect Lender's agreement to make advances to Grantor under the Note. Therefore, Lender's interest under this Assignment will remain in full force and effect notwithstanding a zero balance on the Note.

THIS ASSIGNMENT IS GIVEN TO SECURE (1) PAYMENT OF THE INDEBTEDNESS AND (2) PERFORMANCE OF ANY AND ALL OBLIGATIONS OF GRANTOR UNDER THE NOTE, THIS ASSIGNMENT, AND THE RELATED DOCUMENTS. THIS ASSIGNMENT IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Assignment or any Related Documents, Grantor shall pay to Lender all amounts secured by this Assignment as they become due, and shall strictly perform all of Grantor's obligations under this Assignment. Unless and until Lender exercises its right to collect the Rents as provided below and so long as there is no default under this Assignment, Grantor may remain in possession and control of and operate and manage the Property and collect the Rents, provided that the granting of the right to collect the Rents shall not constitute Lender's consent to the use of cash collateral in a bankruptcy proceeding.

GRANTOR'S REPRESENTATIONS AND WARRANTIES. Grantor warrants that:

Ownership. Grantor is entitled to receive the Rents free and clear of all rights, loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

Right to Assign. Grantor has the full right, power and authority to enter into this Assignment and to assign and convey the Rents to Lender.

ASSIGNMENT OF RENTS
(Continued)

No Prior Assignment. Grantor has not previously assigned or conveyed the Rents to any other person by any instrument now in force.

No Further Transfer. Grantor will not sell, assign, encumber, or otherwise dispose of any of Grantor's rights in the Rents except as provided in this Assignment.

LENDER'S RIGHT TO RECEIVE AND COLLECT RENTS. Lender shall have the right at any time, and even though no default shall have occurred under this Assignment, to collect and receive the Rents. For this purpose, Lender is hereby given and granted the following rights, powers and authority:

Notice to Tenants. Lender may send notices to any and all tenants of the Property advising them of this Assignment and directing all Rents to be paid directly to Lender or Lender's agent.

Enter the Property. Lender may enter upon and take possession of the Property; demand, collect and receive from the tenants or from any other persons liable therefor, all of the Rents; institute and carry on all legal proceedings necessary for the protection of the Property, including such proceedings as may be necessary to recover possession of the Property; collect the Rents and remove any tenant or tenants or other persons from the Property.

Maintain the Property. Lender may enter upon the Property to maintain the Property and keep the same in repair; to pay the costs thereof and of all services of all employees, including their equipment, and of all continuing costs and expenses of maintaining the Property in proper repair and condition, and also to pay all taxes, assessments and water utilities, and the premiums on fire and other insurance effected by Lender on the Property.

Compliance with Laws. Lender may do any and all things to execute and comply with the laws of the State of California and also all other laws, rules, orders, ordinances and requirements of all other governmental agencies affecting the Property.

Lease the Property. Lender may rent or lease the whole or any part of the Property for such term or terms and on such conditions as Lender may deem appropriate.

Employ Agents. Lender may engage such agent or agents as Lender may deem appropriate, either in Lender's name or in Grantor's name, to rent and manage the Property, including the collection and application of Rents.

Other Acts. Lender may do all such other things and acts with respect to the Property as Lender may deem appropriate and may act exclusively and solely in the place and stead of Grantor and to have all of the powers of Grantor for the purposes stated above.

No Requirement to Act. Lender shall not be required to do any of the foregoing acts or things, and the fact that Lender shall have performed one or more of the foregoing acts or things shall not require Lender to do any other specific act or thing.

APPLICATION OF RENTS. All costs and expenses incurred by Lender in connection with the Property shall be for Grantor's account and Lender may pay such costs and expenses from the Rents. Lender, in its sole discretion, shall determine the application of any and all Rents received by it; however, any such Rents received by Lender which are not applied to such costs and expenses shall be applied to the Indebtedness. All expenditures made by Lender under this Assignment and not reimbursed from the Rents shall become a part of the Indebtedness secured by this Assignment, and shall be payable on demand, with interest at the Note rate from date of expenditure until paid.

FULL PERFORMANCE. If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations imposed upon Grantor under this Assignment, the Note, and the Related Documents, Lender shall execute and deliver to Grantor a suitable satisfaction of this Assignment and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Property. Any termination fee required by law shall be paid by Grantor, if permitted by applicable law.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Assignment or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Assignment or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Rents or the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Assignment also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Assignment:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Assignment or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Default on Other Payments. Failure of Grantor within the time required by this Assignment to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Default in Favor of Third Parties. Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Assignment or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Assignment or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

ASSIGNMENT OF RENTS (Continued)

Defective Collateralization. This Assignment or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The death of Grantor, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against the Rents or any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Property Damage or Loss. The Property is lost, stolen, substantially damaged, sold, or borrowed against.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Assignment within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of any Event of Default and at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment fee that Grantor would be required to pay.

Collect Rents. Lender shall have the right, without notice to Grantor, to take possession of the Property and collect the Rents, including amounts past due and unpaid, and apply the net proceeds, over and above Lender's costs, against the Indebtedness. In furtherance of this right, Lender shall have all the rights provided for in the Lender's Right to Receive and Collect Rents Section, above. If the Rents are collected by Lender, then Grantor irrevocably designates Lender as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Lender in response to Lender's demand shall satisfy the obligations for which the payments are made, whether or not any proper grounds for the demand existed. Lender may exercise its rights under this subparagraph either in person, by agent, or through a receiver.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Other Remedies. Lender shall have all other rights and remedies provided in this Assignment or the Note or by law.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Assignment, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

Expenses. If Lender institutes any suit or action to enforce any of the terms of this Assignment, Lender shall be entitled to recover such sum as the court may adjudge reasonable. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

LEASES OF PROPERTY. THE FOLLOWING PROVISIONS RELATING TO THE LEASES OF PROPERTY ARE A PART OF THIS ASSIGNMENT OF RENTS:

Books and Records. Trustor shall maintain, or cause to be maintained, proper and accurate books, rent rolls, records and accounts reflecting all items of income and expense in connection with the operation of the Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Property, whether such income or expense be realized by Trustor or by any other person or entity whatsoever excepting persons unrelated to and unaffiliated with Trustor and who leased from Trustor portions of the Property for the purposes of occupying the same. Upon the request of Lender, Trustor shall prepare and deliver to Lender copies of such

**ASSIGNMENT OF RENTS
(Continued)**

Page 4

books, rent rolls, records and accounts and such other information regarding the operation of the Property as Lender may reasonably request. Lender, or its designee, shall have the right from time to time during normal business hours to examine such books, rent rolls, records and accounts and to make copies or extracts therefrom.

Lease Covenants. "Lease" means any lease of all or any portion of the Property or Improvements, entered into at any time and includes any extensions or renewals thereof and any amendments thereto consented to by Lender. If requested in writing by Lender, Trustor shall not enter into any Lease unless Lender has approved in writing the terms and conditions of such Lease, the proposed tenant thereunder and the proposed utilization of the leased premises by such tenant. If requested in writing by Lender, Trustor shall provide Lender with true, correct and complete copies of all Leases, together with such other information relating to the Leases and the tenants thereunder, as Lender shall reasonably request. Trustor shall not accept prepayments of rent for any period in excess of one month and shall perform all covenants of the lessor under all Leases. If requested in writing by Lender, Trustor shall not amend any Leases or consent to any assignment or subletting under any Leases without the prior written consent of Lender. Trustor shall not terminate any Lease without the prior written consent of Lender except such consent shall not be required for any Lease under which the tenant is in default. Trustor shall perform and carry out all of the provisions of the Leases to be performed by Trustor and shall appear in and defend any action in which the validity of any Lease is at issue and shall commence and maintain any action or proceeding necessary to establish or maintain the validity of any Lease and to enforce the provisions thereof. Trustor shall immediately give notice to Lender of any default under any of the Leases it receives or delivers. Lender shall have the right, but not the obligation, to cure any default of Trustor under any of the Leases.

Subordination of Leases and Attornment. Each Lease of any portion of the Property or Improvements shall be absolutely subordinate to the lien of this Assignment of Rents and shall contain a provision satisfactory to Lender that in the event of the exercise of the private power of sale or a judicial foreclosure hereunder or a deed in lieu of foreclosure, such Lease shall not be terminated and the tenant thereunder shall attorn to such purchaser and, if requested to do so, shall enter into a new Lease for the balance of the term of such Lease then remaining upon the same terms and conditions. If requested in writing by Lender, each such Lease shall be separately assigned to Lender upon Lender's approved form, and each such assignment shall be recorded and acknowledged by the tenant thereunder. However, any such Lease and the rents thereunder shall be subject to this Assignment of Rents, regardless of whether or not Lender requests a separate assignment. If requested in writing by Lender, concurrently with the execution of any and all Leases executed after the date hereof, Trustor shall cause the tenants thereunder to execute a lease subordination and attornment agreement in favor of Lender in form and substance satisfactory to Lender and immediately thereafter deliver such agreement to Lender.

DISPUTE RESOLUTION. Trustor and Beneficiary desire to resolve quickly and efficiently any disputes that might arise between them. For any controversy, claim or judicial action arising from or relating to this Deed of Trust, any Related Documents or any related transaction or conduct, whether sounding in contract, tort or otherwise:

Judicial Reference. Where an action is pending before a court of any judicial district of the State of California, Trustor and Beneficiary shall each have the right to require that all questions of fact or law be submitted to general reference pursuant to California Code of Civil Procedure Section 638 et seq., and any successor statutes thereto.

(1) A single referee who is a retired superior court judge shall be appointed by the court pursuant to Code of Civil Procedure 640 and shall preside over the reference proceeding. If Trustor and Beneficiary do not agree upon the referee, each of them may submit to the court up to three nominees who are retired superior court judges.

(2) If Trustor and Beneficiary do not agree on how the payment of the referee's fees and expenses will be shared, the court may apportion such fees and expenses between Trustor and Beneficiary in a fair and reasonable manner that is consistent with Code of Civil Procedure Section 645.1.

(3) Trustor and Beneficiary shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(4) The referee's statement of decision shall contain written findings of fact and conclusions of law, and the court shall enter judgment thereon pursuant to Code of Civil Procedure Sections 644(a) and 645. The decision of the referee shall then be appealable as if made by the court.

No provision of this section shall limit the right of any party to exercise self-help remedies, to foreclose against or sell any real or personal property collateral or to obtain provisional or ancillary remedies, such as injunctive relief or appointment of a receiver, from a court of competent jurisdiction before, after, or during the pendency of any reference proceeding. The exercise of a remedy does not waive the right of either party to resort to reference.

Jury Trial Waiver. In any action pending before any court of any jurisdiction, Trustor waives, and Beneficiary shall not have, any right to a jury trial.

ATTORNEYS' FEES. In any action arising from or relating to this Deed of Trust and subject to any limits under applicable law, the prevailing party shall be entitled to reasonable attorneys' fees in accordance with California Civil Code Section 1717. Whether or not an action is involved, the expenses of Beneficiary described in the paragraph of this Deed of Trust titled "Expenses" include, without limitation, attorneys' fees incurred by Beneficiary.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Assignment:

Amendments. This Assignment, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Assignment. No alteration of or amendment to this Assignment shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Caption Headings. Caption headings in this Assignment are for convenience purposes only and are not to be used to interpret or define the provisions of this Assignment.

Governing Law. This Assignment will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Assignment has been accepted by Lender in the State of California.

Merger. There shall be no merger of the interest or estate created by this assignment with any other interest or estate in the Property

ASSIGNMENT OF RENTS (Continued)

at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Interpretation. (1) In all cases where there is more than one Borrower or Grantor, then all words used in this Assignment in the singular shall be deemed to have been used in the plural where the context and construction so require. (2) If more than one person signs this Assignment as "Grantor," the obligations of each Grantor are joint and several. This means that if Lender brings a lawsuit, Lender may sue any one or more of the Grantors. If Borrower and Grantor are not the same person, Lender need not sue Borrower first, and that Borrower need not be joined in any lawsuit. (3) The names given to paragraphs or sections in this Assignment are for convenience purposes only. They are not to be used to interpret or define the provisions of this Assignment.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Assignment unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Assignment shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Assignment. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Assignment, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Assignment shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Assignment. Any party may change its address for notices under this Assignment by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Powers of Attorney. The various agencies and powers of attorney conveyed on Lender under this Assignment are granted for purposes of security and may not be revoked by Grantor until such time as the same are renounced by Lender.

Severability. If a court of competent jurisdiction finds any provision of this Assignment to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Assignment. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Assignment shall not affect the legality, validity or enforceability of any other provision of this Assignment.

Successors and Assigns. Subject to any limitations stated in this Assignment on transfer of Grantor's interest, this Assignment shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Assignment and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Assignment or liability under the indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Assignment.

Waiver of Right of Redemption. NOTWITHSTANDING ANY OF THE PROVISIONS TO THE CONTRARY CONTAINED IN THIS ASSIGNMENT, GRANTOR HEREBY WAIVES ANY AND ALL RIGHTS OF REDEMPTION FROM SALE UNDER ANY ORDER OR JUDGMENT OF FORECLOSURE ON GRANTOR'S BEHALF AND ON BEHALF OF EACH AND EVERY PERSON, EXCEPT JUDGMENT CREDITORS OF GRANTOR, ACQUIRING ANY INTEREST IN OR TITLE TO THE PROPERTY SUBSEQUENT TO THE DATE OF THIS ASSIGNMENT.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Assignment. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Assignment shall have the meanings attributed to such terms in the Uniform Commercial Code:

Assignment. The word "Assignment" means this ASSIGNMENT OF RENTS, as this ASSIGNMENT OF RENTS may be amended or modified from time to time, together with all exhibits and schedules attached to this ASSIGNMENT OF RENTS from time to time.

Borrower. The word "Borrower" means NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT.

Default. The word "Default" means the Default set forth in this Assignment in the section titled "Default".

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Assignment in the default section of this Assignment.

Grantor. The word "Grantor" means NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor's obligations or expenses incurred by Lender to enforce Grantor's obligations under this Assignment, together with interest on such amounts as provided in this Assignment.

Lender. The word "Lender" means Oak Valley Community Bank, its successors and assigns.

Note. The word "Note" means the promissory note dated August 9, 2012, in the original principal amount of

ASSIGNMENT OF RENTS
(Continued)

\$600,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Assignment" section of this Assignment.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness; except that the words do not mean any guaranty or environmental agreement, whether now or hereafter existing, executed in connection with the indebtedness.

Rents. The word "Rents" means all of Grantor's present and future rights, title and interest in, to and under any and all present and future leases, including, without limitation, all rents, revenue, income, issues, royalties, bonuses, accounts receivable, cash or security deposits, advance rentals, profits and proceeds from the Property, and other payments and benefits derived or to be derived from such leases of every kind and nature, whether due now or later, including without limitation Grantor's right to enforce such leases and to receive and collect payment and proceeds thereunder.

THE UNDERSIGNED ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS ASSIGNMENT, AND NOT PERSONALLY BUT AS AN AUTHORIZED SIGNER, HAS CAUSED THIS ASSIGNMENT TO BE SIGNED AND EXECUTED ON BEHALF OF GRANTOR ON AUGUST 9, 2012.

GRANTOR:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: Peter Watercott
PETER WATERCOTT, President of NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

CERTIFICATE OF ACKNOWLEDGMENT

STATE OF California)
) SS
COUNTY OF Inyo)

On August 17, 2012 before me, Christine Cortez, Notary Public
(here insert name and title of the officer)

personally appeared PETER WATERCOTT, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Christine Cortez



(Seal)

EXHIBIT "A"

LEGAL DESCRIPTION

LOTS 3 TO 6 INCLUSIVE OF BLOCK 1 OF GRANDVIEW HEIGHTS SUBDIVISION, COUNTY OF INYO, STATE OF CALIFORNIA, AS PER AMENDED MAP RECORDED IN BOOK 2, PAGE 25 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SECTION 4107(D)(2) PRIVATE ENTITY BORROWER CERTIFICATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L71		CA5	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

SECTION 4107(D)(2) PRIVATE ENTITY BORROWER CERTIFICATION

This certification is required by Section 4107(d)(2) of the Small Business Jobs Act of 2010 from any private entity that receives a loan, a loan guarantee, or other financial assistance using funds received by a participating institution under the Small Business Lending Fund.

Private Entity Borrower:

As required by Section 4107(d)(2) of the Small Business Jobs Act of 2010, the Private Entity Borrower hereby certifies to each of Oak Valley Bancorp and Oak Valley Community Bank that none of the Principals of the Private Entity Borrower have been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)). For the purposes of this Certification, Principal means the following: if a sole proprietorship, the proprietor; if a partnership, each partner; if a corporation, limited liability company, association or a development company, each director, each of the five most highly compensated executives, officers, or employees of the entity, and each direct or indirect holder of twenty percent (20%) or more of the ownership stock or stock equivalent of the entity.

Legal Name of Private Entity Borrower:


PETER WATERCOTT, President of
NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT

DATE: AUGUST 9, 2012.



00000000100107163003508092012

AGREEMENT TO PROVIDE INSURANCE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L71		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Grantor: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

INSURANCE REQUIREMENTS. Grantor, NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

Collateral: 2957 BIRCH STREET, BISHOP, CA 93514.

Type: Fire and extended coverage.

Amount: Full Insurable Value; however in no event greater than the value of the replacement cost of the improvements.

Basis: Replacement value.

Endorsements: Standard mortgagee's clause with stipulation that coverage will not be cancelled or diminished without a minimum of 30 days prior written notice to Lender, and without disclaimer of the insurer's liability for failure to give such notice.

Comments: OAK VALLEY COMMUNITY BANK IS FIRST MORTGAGEE.

Latest Delivery Date: By the loan closing date.

INSURANCE COMPANY. Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

FLOOD INSURANCE. Flood Insurance for the Collateral securing this loan is described as follows:

Real Estate at 2957 BIRCH STREET, BISHOP, CA 93514.

The Collateral securing this loan is not currently located in an area identified as having special flood hazards. Therefore, no special flood hazard insurance is necessary at this time. Should the Collateral at any time be deemed to be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Collateral is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan. Flood insurance may be purchased under the National Flood Insurance Program or from private insurers.

INSURANCE MAILING ADDRESS. All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

Oak Valley Community Bank
Attn: Insurance Department
P O Box 4020
Napa, CA 94558

LIENHOLDER. ALL INSURANCE POLICIES MUST CONTAIN THE FOLLOWING INFORMATION:

Name of Grantor and insured must agree.

Policy to include the loan number shown above

MORTGAGEE/LOSS PAYEE TO READ:

Oak Valley Community Bank, its successors and/or assigns
PO BOX 4020
NAPA, CA 94558.

FAILURE TO PROVIDE INSURANCE. Grantor agrees to deliver to Lender, on the latest delivery date stated above, evidence of the required insurance as provided above, with an effective date of August 9, 2012, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

AUTHORIZATION. For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

**AGREEMENT TO PROVIDE INSURANCE
(Continued)**

Loan No: 100107163

Page 2

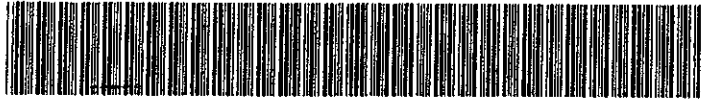
GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 9, 2012.

GRANTOR:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: *Peter Watercott*
PETER WATERCOTT, President of NORTHERN INYO
COUNTY LOCAL HOSPITAL DISTRICT

FOR LENDER USE ONLY INSURANCE VERIFICATION	
DATE: _____	PHONE _____
AGENT'S NAME: _____	
AGENCY: _____	
ADDRESS: _____	
INSURANCE COMPANY: _____	
POLICY NUMBER: _____	
EFFECTIVE DATES: _____	
COMMENTS: _____	



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NOTICE OF INSURANCE REQUIREMENTS

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
	08-09-2012		100107163	040 / L71		CAS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.

Grantor: NORTHERN INYO COUNTY LOCAL HOSPITAL
 DISTRICT
 150 PIONEER LANE
 BISHOP, CA 93514

Lender: Oak Valley Community Bank
 Oakdale Branch
 125 North Third Avenue
 P O Box 98
 Oakdale, CA 95361
 (209) 848-2265

TO:

ATTN: Insurance Agent

DATE: August 9, 2012

RE:

Policy Number(s):
 Insurance Companies/Company:

Dear Insurance Agent:

Grantor, NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT ("Grantor") is obtaining a loan from Oak Valley Community Bank. Please send appropriate evidence of insurance to Oak Valley Community Bank, together with the requested endorsements, on the following property, which Grantor is giving as security for the loan.

Collateral: 2957 BIRCH STREET, BISHOP, CA 93514.

Type: Fire and extended coverage.

Amount: Full Insurable Value; however in no event greater than the value of the replacement cost of the improvements.

Basis: Replacement value.

Endorsements: Standard mortgagee's clause with stipulation that coverage will not be cancelled or diminished without a minimum of 30 days prior written notice to Lender, and without disclaimer of the insurer's liability for failure to give such notice.

Comments: OAK VALLEY COMMUNITY BANK IS FIRST MORTGAGEE.

Latest Delivery Date: By the loan closing date.

LIENHOLDER. ALL INSURANCE POLICIES MUST CONTAIN THE FOLLOWING INFORMATION:

Name of Grantor and insured must agree.

Policy to include the loan number shown above

MORTGAGEE/LOSS PAYEE TO READ:

Oak Valley Community Bank, its successors and/or assigns
 PO BOX 4020
 NAPA, CA 94558.

GRANTOR:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By:

Peter Watercott
 PETER WATERCOTT, President of NORTHERN INYO
 COUNTY LOCAL HOSPITAL DISTRICT

RETURN TO:

Oak Valley Community Bank
 Attn: Insurance Department
 P O Box 4020
 Napa, CA 94558



00000000100107163016008092012

HAZARD INSURANCE DISCLOSURE

Principal	Loan Date	Maturity	Loan No	Coll / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L71		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

HAZARD INSURANCE DISCLOSURE

Made Pursuant to California Civil Code Section 2955.5

IMPORTANT

DO NOT SIGN THIS FORM UNTIL YOU CAREFULLY READ IT AND UNDERSTAND ITS CONTENT

You have applied for a loan or credit accommodation that will be secured by real property. As a condition of the loan or credit accommodation, Lender may require you to maintain hazard insurance coverage for the real property. California law provides that Lender cannot require you, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the property (such as fire and other perils) in an amount exceeding the replacement value of the building or structures attached to the property.

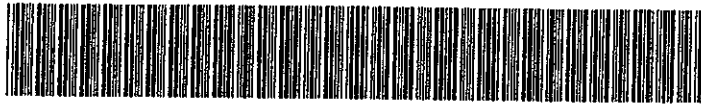
BY SIGNING BELOW, YOU ACKNOWLEDGE THAT YOU HAVE READ, RECEIVED AND UNDERSTAND THIS HAZARD INSURANCE DISCLOSURE. THIS DISCLOSURE IS DATED AUGUST 9, 2012.

BORROWER:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By:

Peter Watercott
PETER WATERCOTT, President of NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT



00000000100107163034508092012

DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$600,000.00	08-09-2012	08-09-2014	100107163	040 / L31		CA5	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: NORTHERN INYO COUNTY LOCAL HOSPITAL
DISTRICT
150 PIONEER LANE
BISHOP, CA 93514

Lender: Oak Valley Community Bank
Oakdale Branch
125 North Third Avenue
P O Box 98
Oakdale, CA 95361
(209) 848-2265

LOAN TYPE. This is a Variable Rate Nondisclosable Revolving Line of Credit Loan to a Government Entity for \$600,000.00 due on August 9, 2014.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: REVOLVING LINE OF CREDIT.

FLOOD INSURANCE. As reflected on Flood Map No. 06027C-0335D dated 08-16-2011, for the community of INYO CO, the property that will secure the loan is not located in an area that has been identified by the Director of the Federal Emergency Management Agency as an area having special flood hazards. Therefore, although flood insurance may be available for the property, no special flood hazard insurance protecting property not located in an area having special flood hazards is required by law for this loan at this time.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$600,000.00 as follows:

Undisbursed Funds:	\$590,519.00
Other Charges Financed:	\$3,393.00
\$3,043.00 TITLE FEES	
\$100.00 RECORDING FEES	
\$250.00 DOCUMENTATION FEE	
Total Financed Prepaid Finance Charges:	\$6,088.00
\$6,000.00 LOAN FEE	
\$16.00 FLOOD CERTIFICATION	
\$72.00 TAX SERVICE	
Note Principal:	\$600,000.00

CHARGES PAID IN CASH. Borrower has paid or will pay in cash as agreed the following charges:

Prepaid Finance Charges Paid in Cash:	\$0.00
Other Charges Paid in Cash:	\$8,250.00
\$7,500.00 APPRAISAL FEE (PAID)	
\$500.00 APPRAISAL REVIEW FEE (PAID)	
\$250.00 ENVIRONMENTAL FEE (PAID)	
Total Charges Paid in Cash:	\$8,250.00

LIEN RELEASE FEES. In addition to all other charges, Borrower agrees, to the extent not prohibited by law, to pay all governmental fees for release of Lender's security interests in collateral securing this loan. Borrower will pay these fees at the time the lien or liens are released. The estimated amount of these future lien release fees is \$81.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED AUGUST 9, 2012.


DISBURSEMENT REQUEST AND AUTHORIZATION
(Continued)

Loan No: 100107163

Page 2

BORROWER:

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

By: 
PETER WATERCOTT, President of NORTHERN INYO
COUNTY LOCAL HOSPITAL DISTRICT



CERTIFICATE OF FINANCIAL EXHIBITS

NAME	Northern Inyo County Local Hospital District			
ADDRESS				
BUSINESS ADDRESS	150 Pioneer Lane, Bishop CA 93514			
<input type="checkbox"/> INDIVIDUAL	<input type="checkbox"/> PARTNERSHIP	<input type="checkbox"/> CORPORATION	<input checked="" type="checkbox"/> X	<input type="checkbox"/> OTHER

To OAK VALLEY COMMUNITY BANK

The attached is a statement of my financial conditions as of 6.30.08 - 3.31.12 and is the most recent financial statement prepared by or for me. I understand that OAK VALLEY COMMUNITY BANK is relying on the information in the financial statement (including any designation of property as separate or community property) in deciding to give or continue the financial accommodation or extension of credit requested or received. I promise that this is a true statement of my financial condition.

You may rely on the information contained in these financial statements, tax returns for years N/A and other financial exhibits as being true and correct until I otherwise notify you in writing.

You may retain this financial statement and verify the information on it. Lender is authorized to make any investigation of my/our credit and/or employment status directly or through any agency selected by lender. Lender may disclose to any other interested parties Lender's experience with my/our loan/deposit account.

If this is a joint financial statement, these representations and warranties are from each of us. If this is a statement of the financial condition of a partnership, corporation, or other business organization, the representations and warranties are those of that partnership, corporation, or business organization.

I HAVE READ, UNDERSTAND, AND AGREE TO MAKE THESE REPRESENTATIONS AND WARRANTIES.

If an Individual:

Signature _____
 Date: _____
 Signature _____
 Date: _____

If a Partnership, Corporation or Other:

Signature *Peter John Watercott*
 By: Peter John Watercott
 Title President
 Date: 8/17/2012

**THIS SHEET
INTENTIONALLY
LEFT BLANK**

**NORTHERN INYO HOSPITAL
AGREEMENT FOR SERVICES OF
MEDICAL DIRECTOR OF HOSPITALIST PROGRAM**

THIS AGREEMENT MADE AND ENTERED INTO this 1st day of November, 2012, by and between NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT (hereinafter "Hospital") and Shiva Shabnam, M.D. (hereinafter "Physician").

**I
RECITALS**

- A. Hospital is located at 150 Pioneer Lane, Bishop, California, and operates therein a service designated as the Hospitalist Service.
- B. Physician is a sole practitioner licensed to practice medicine in the State of California, and is certified by the American Board of Internal Medicine. Physician has represented, and does represent, to the Hospital that, on the basis of her training or experience, she is knowledgeable in the management of physicians and the requirements of managing a Hospitalist Service.
- C. Hospital desires to contract with Physician to provide professional management of a Hospitalist Service.
- D. The parties desire to enter this Agreement to provide a complete statement of their respective duties and obligations.

NOW, THEREFORE, in consideration of the covenants and agreements set forth below, the parties agree as follows:

**II
COVENANTS OF PHYSICIAN**

- I. Physician shall perform the following services:
 - a. Be available as a paid physician to provide full time management of a Hospitalist Service as described in Exhibit A.
 - b. In her role as Medical Director, may read or review any chart generated by the Hospitalist Service.
 - c. Make recommendations to appropriate members of the Hospital Medical Staff, Hospital administration, and the Hospital staff, as well as any credentialing agency whose approval the Hospital aspires to attain with respect to policies and procedures of the Hospitalist Service.

- d. Participate in retrospective evaluation of care provided by the Hospitalist Service.
 - e. Insure that the Service is operated in accordance with all the rules and regulations as may be promulgated by any State, Federal, or local jurisdiction; and in accordance with Medical Staff Bylaws, rules, and regulations; as well as any credentialing agency that the Hospital aspires to attain.
2. Comply with the policies, rules, and regulations of the Hospital, subject to State and federal statutes the Service. No part of the Hospital premises shall be used, at any time, by Physician for the general practice of medicine except during the exercise of privileges granted Physician as a member of the Hospital Medical Staff.
 3. 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 Hospital. 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 Hospital, upon termination of this Agreement, any books, documents, 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 she may enter with a value of more than \$10,000, or for more than a 12 month period, when said subcontract is with a related organization.
 4. Comply with all relevant policies, rules and regulations of the Hospital and Medical Staff, subject to State and federal statutes governing the practice of medicine.
 5. Establish her principle residence in the District.
 6. Work a minimum of 23 and a maximum of 29 Hospitalist rotations annually. Physician shall be solely responsible for the scheduling of hospitalists and shall advise the Hospital administrator and the Chief of Staff of any unfilled rotations in the schedule. Physician shall use her best efforts to schedule and distribute the hospitalist schedule 90 days in advance.
 7. Perform chart review on relevant cases as requested by the Medical Staff.
 8. Participate in Medical Staff governance.
 9. Use and support the Electronic Medical Record as supplied by the Hospital.

III
COVENANTS OF THE HOSPITAL

1. Hospital shall furnish, for the use of Physician in rendering services hereunder:
 - a. Sufficient space in the Hospital to enable her to perform her duties under this Agreement; and,
 - b. Ordinary janitorial and such electricity for light and power, gas, water, and heat as may be required by her to perform her duties under this Agreement.
 - c. Hospital shall pay Physician, for her services as Medical Director, an administrative fee of \$2,500.00 per month for the first six months and \$5,000.00 per month thereafter. In addition; Physician shall be paid \$8,500.00 per week for professional service as a Hospitalist.
 - d. Hospital shall provide professional malpractice insurance, including tail coverage, in the amounts and kinds as the other physicians with like arrangements are provided.
 - e. Hospital shall provide housing and half of the utilities as it does the other hospitalists that it provides coverage for.
 - f. Hospital shall compensate Physician a \$10,000.00 signing bonus.
 - g. Hospital shall provide basic Medical, Dental, and Vision coverage.
 - h. Hospital shall provide Life and disability insurance in amounts currently available to physician, if that cannot be determined, in amounts and coverages in a like manner to those provided to other physicians with like contracts with the Hospital, or in the alternative, at the hospitals option, \$500,000.00 of group term life and the maximum legally permissible disability policy.
 - i. Hospital shall make a pension plan contribution to the existing plan belonging to the Physician, if possible, or a new plan if available, or cash compensation in a like amount to any other arrangement or substitute plan that the Hospital and Physician agree on.
 - j. Hospital shall bill for and retain for all professional fees associated with the Hospitalist Service.
 - k. Physician shall receive a production bonus of \$4460 for each quarter that physician works in excess of five shifts.

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 her duties hereunder during such time as she 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.

2. In the performance of her duties and obligations under this Agreement, it is further mutually understood and agreed that:

a. Physician is at all times acting and performing as an independent contractor; that Hospital shall neither have nor exercise any control or direction over the methods by which she shall perform her work and functions (except that Physician shall do so at all times in strict compliance with currently approved methods and practices of internal medicine, and in accord with the Hospital's By-laws and with the Hospital Medical Staff By-laws and Rules and Regulations).

The sole interest of Hospital is to assure that the services of Physician shall be performed and rendered in a competent, efficient, and satisfactory manner in accord with the highest medical standards possible.

b. No act, commission, or omission of Physician pursuant to the terms and conditions of this Agreement shall be construed to make or render Physician an agent, employee, or servant of the Hospital.

c. It is the intent of the parties that Physician be an independent contractor, and not an employee, in the performance of her duties under this Agreement. In order to protect the Hospital from liability Physician shall defend, indemnify, and hold harmless the Hospital from liability for any and all claims arising out of the performance of her duties under this Agreement.

3. Physician shall, at all relevant times, be a member of the Hospital Active Medical Staff.

4. Each party shall comply with all applicable requirements of law relating to licensure and regulation of both physicians and hospitals.

5. This is the entire agreement of the parties, and supersedes any and all prior oral and/or written agreements. It may be modified only by a written instrument signed by both parties.

6. Whenever, under the terms of this Agreement, written notice is required or permitted to be given, such notice shall be deemed given when deposited in the United States mail, first class postage prepaid, addressed as follows:

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

PHYSICIAN: Shiva Shabnam, M.D.
150 Pioneer Lane
Bishop, California 93514

or to such other address as either party may notify the other, in writing.

7. The term of this Agreement will commence on November 1, 2012 and end at midnight on October 31, 2015.

8. Notwithstanding the aforesaid term, Hospital may terminate this Agreement Immediately upon the occurrence of any of the following events:

a. Physician's death, loss of Active Medical Staff membership, loss of license to practice medicine, or loss of Hospital Medical Staff privileges required to render services under this Agreement;

b. Physician's inability to render services hereunder without providing a substitute acceptable to the Hospital;

c. The appointment of a receiver of the assets of Physician, an assignment by her for the benefit of her creditors, or any action taken or suffered by her (with respect to her) under any bankruptcy or insolvency law;

d. Closure of the Hospital;

e. Sixty (60) days after written notice of termination without cause is given by Hospital to the Physician. However, the parties understand and acknowledge that termination of this Agreement shall not affect Physician's membership on the Hospital's Medical Staff.

9. Notwithstanding the aforesaid term, Physician may terminate this Agreement:

a. Upon written 90-day notice.

b. Immediately, upon death or disability.

c. Immediately upon Hospital's failure to perform its obligations under this agreement.

10. This Agreement is for the personal services of Physician and Physician may not assign her rights, duties, obligations or responsibilities there under.

11. Subject to the restrictions against transfer or assignment set forth above, the provisions of this Agreement shall inure to the benefit, and be binding upon, the heirs, successors, assigns, agents, personal representatives, conservators, executors and administrators of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement at Bishop, California, on the day, month and year first above written.

Shiva Shabnam, M.D.

By _____
Peter Watercott, President, Board of Directors
Northern Inyo County Local Hospital District

APPROVED FOR FORM:

Douglas Buchanan
District Legal Counsel

SCHEDULE A

1. Organize and maintain Hospitalist call coverage.
2. Round on in-patients as needed.
3. Assist with transfers as requested.
4. Complete charts as needed.
5. Assist in the recruiting and credentialing of Hospitalists.
6. Participate in the development of the hospital information systems computerized physician order entry module.
7. Perform peer review as requested and participate in medical Staff governance as assigned.
8. Conduct a minimum of 4 meetings annually of contracted hospitalists, Administration, and Nursing, if needed.

SCHEDULE A

RELOCATION EXPENSE AGREEMENT

THIS AGREEMENT, MADE AND ENTERED into this first day of November, 2012, by and between the NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT, hereinafter referred to as "District" and Shiva Shabnam, M.D. hereinafter referred to as "Physician."

I

RECITALS

1.01. District is a Local Healthcare District, organized and existing under the California Local Health Care District Law, Health and Safety Code Section 32000, et seq., with its principal place of business in Bishop, California, at which location it operates Northern Inyo Hospital (hereinafter "Hospital").

1.02. Physician is licensed to practice medicine in the State of California, and is certified by the American Board of Internal Medicine. Physician holds membership on the Medical Staff of Northern Inyo Hospital. Physician warrants that she is qualified for membership on the Provisional Active Medical Staff and Active Medical Staff of the Hospital and that there is no impediment to her maintaining such membership.

1.03. The Board of Directors (hereinafter "Board") of District has determined, pursuant to Health & Safety Code section 32121.3, that the Northern Inyo Hospital Medical Staff requires an additional physician practicing Primary Care as a Hospitalist in order to insure adequate coverage of that medical specialty and, further, has determined that recruitment of such a physician would be in the best interests of the public health of the communities served by the District and would benefit the District.

1.04. Physician desires to relocate her practice to Bishop, California.

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES SET FORTH BELOW,
THE PARTIES AGREE AS FOLLOWS:

II

COVENANTS OF THE PARTIES

2.01. Physician agrees to relocate her practice in Bishop, California; to apply for and use her best efforts to maintain membership on the Provisional Active Medical Staff and Active Medical Staff of Northern Inyo Hospital, with privileges in Primary Care (Medicine), Hospitalist, to maintain such memberships continuously for an aggregate period of at least two (2) years and to maintain an active practice in Primary Care, Medicine in the City of Bishop, California, for at least two (2) years.

2.02. District agrees to pay up to \$16,000, as incurred, to Physician for moving expenses (which shall include items such as moving company fees, U-Haul and other conveyance expenses, travel expenses, and lodging) to support her move to Bishop, California.

2.03. Physician agrees that should she fail to perform all of the acts promised in Section 2.01 above, that she shall, not later than thirty (30) days after being given written notice by the District, repay to the District, with interest at the rate of three and six tenths percent (3.6%) a prorated share, representing that portion of the two (2) years in which she is or will not be performing such acts, of those funds expended by the District pursuant to Section 2.02 above. For example, if Physician fulfills her obligations for 20 months, then she shall repay the District, with interest, \$13,333.33 (representing the product of $20/24 \times \$16,000$).

III

GENERAL PROVISIONS

3.01. This is the entire agreement of the parties with respect to the subject matter set forth in the Relocation Agreement. It may not be modified except by a writing signed by each of the parties.

3.02. Any written notice given pursuant to the Agreement shall be deemed given when such notice is deposited in the U.S. Mail, first class postage prepaid, addressed to the respective parties as follows:

Administrator
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT
150 Pioneer Lane
Bishop, CA 93514

Shiva Shabnam, MD
C/O Northern Inyo Hospital
150 Pioneer Lane
Bishop, CA 93514

3.03. If either party brings legal action to enforce any rights or obligations under this Agreement, the Court shall have the power to award reasonable attorney's fees to the prevailing party.

3.04. The rights and obligations set forth in this Agreement are personal to all parties, and may not be assigned without the express written consent of all parties.

3.05. This Agreement shall be binding upon the heirs, successors, assigns, and personal representatives of the respective parties.

3.06. The parties acknowledge and agree, in accord with the requirements of Health & Safety Code section 32121.3(c) (2), that no payment or other consideration shall be made for the referral of patients to the District's hospital or to any affiliated non-profit corporation, and that no such payment or consideration is contemplated or intended.

3.7. This Agreement shall be interpreted according to the laws of California.

3.08. The term of this agreement shall be from the first day of November 2012 and is available to fulfill these agreement obligations until the last day of the twenty-fourth month thereafter.

EXECUTED at Bishop, California, on the day and year first above written.

NORTHERN INYO COUNTY LOCAL
HOSPITAL DISTRICT

By _____
John Halfen, Administrator
Northern Inyo County Local Hospital District

By _____
Shiva Shabnam, M.D.

**THIS SHEET
INTENTIONALLY
LEFT BLANK**

BYLAWS

of the

NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT

REVISED AND APPROVED

August 20, 1980

August 19, 1981

August 18, 1982

February 16, 1983

August 17, 1983

August 15, 1984

August 21, 1985

December 18, 1985

August 20, 1986

August 19, 1987

August 17, 1988

August 16, 1989

June 20, 1990

July 17, 1991

July 15, 1992

July 21, 1993

July 19, 1995

July 17, 1996

July 16, 1997

July 15, 1998

July 21, 1999

July 19, 2000

June 20, 2001

July 17, 2002

March 16, 2005

January 18, 2006

April 21, 2010

June 15, 2011

**BYLAWS OF THE
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT**

PREAMBLE

Section 1. Name

The name of this non-profit hospital district organization shall be the Northern Inyo County Local Hospital District (hereinafter "the District"), organized January 11, 1946, under the terms of the Local Health Care District Law (Health and Safety Code, Section 32000, et seq), to promote the public health and the general welfare. This organization shall be fully empowered to receive and administer funds for the attainment of these objectives, all in accordance with the purposes and powers set forth in the Local Health Care District Law.

ARTICLE I

OFFICES

Section 1. Offices

The principal office for the transaction of the business of the District is hereby fixed at Northern Inyo Hospital (hereinafter referred to as "The Hospital") at 150 Pioneer Lane, Bishop, Inyo County, California. Branch offices may be established by the Board of Directors at such place or places within the geographical boundaries of the District as it deems necessary or advisable to the conduct of the business of the District.

Section 2. Title to Property

The title to all property of the District shall be vested in the Board of Directors, and the signatures of the President and Secretary authorized by appropriate resolution at any meeting of the Directors, shall constitute the proper authority for the purchase or sale of property, or for the investment or other disposal of trust funds which are subject to the control of the District.

ARTICLE II

PURPOSES AND SCOPE

Section 1. Scope of Bylaws

These Bylaws shall be known as the "District Bylaws," and shall govern the District, its Board of Directors (hereinafter "the Board"), and all of its affiliated and subordinate organizations and groups.

The Board may delegate certain powers to the Medical Staff and to other affiliated and subordinate organizations and groups. Such powers and functions not expressly delegated to such affiliated or subordinate organizations or groups are to be considered residual powers vested in the Board of the District provided, however, that no assignment, referral, or delegation

of authority by the Board shall preclude the Board from exercising the authority required to meet its responsibility for the conduct of the hospital and the quality of patient care.

The Bylaws of the Medical Staff and other affiliated and subordinate organizations and groups, and any amendments to such Bylaws, shall not be effective until the same are approved by the Board of the District. Said Bylaws may be reviewed by the Board annually, or at more frequent intervals if circumstances require, with the assistance of the Administrator and the attorney for the District.

In the event of any conflict between the Bylaws of the Medical Staff or any other affiliated or subordinate organization or group, and the provisions of these District Bylaws, these District Bylaws shall prevail. In the event the District Bylaws are in conflict with any statute of the State of California governing health care districts or other applicable law, such statute or other applicable law shall prevail.

Section 2. Purposes

The purposes of the District shall include, but not necessarily be limited to, the following:

- a. Within the limits of community resources, to provide the best facilities reasonably possible for the acute and continued care of the injured or ill.
- b. To conduct educational and research activities essential to the attainment of its purposes.
- c. To coordinate the services of the District with community agencies and other hospitals and health care institutions providing specialized care.
- d. To do any and all other acts and things necessary to carry out the provisions of the Local Health Care District Law.

Section 3. Profit or Gain

There shall be no contemplation of profit or pecuniary gain, and no distribution of profits to any individual, under any guise whatsoever, nor shall there be any distribution of assets or surpluses to any individual on the dissolution of the District.

Section 4. Disposition of Surplus

Should the operation of the District result in a surplus of revenue over expenses during any particular period, such surplus may be used and dealt with by the Board for improvements in the hospital's facilities for the care of the sick, injured, or disabled, or for other purposes not inconsistent with the Local Health Care District Law or these Bylaws.

Section 5. Fiscal Year

The fiscal year of the District shall commence on the first day of July of each year and shall end on the last day of June of each year.

Section 6. Annual Audit

The affairs and financial condition of the District shall be audited annually at the end of each fiscal year by a Certified Public Accountant selected by the Board, and a written report of such audit and appropriate financial statements shall be submitted to the Board. Additional audits may be authorized as considered necessary or desirable by the Board.

The annual audit report shall be reviewed and discussed by the Administrator and the Board.

Section 7. Non-Discrimination

Unlawful discrimination is against the policy of the District in all activities including, but not limited to, admission, treatment, and employment. No person shall be excluded from participation in, or be denied the benefits of, any District program or activity on account of race, religious creed, color, national origin, physical disability, mental disability, medical condition, marital status, sex, age, sexual orientation, ancestry or pregnancy.

ARTICLE III

DIRECTORS

Section 1. Number and Qualifications

The Board shall consist of five (5) members elected from and representing five (5) zones into which the District is divided. Each Board member shall be a registered voter residing in the zone of the District from which he or she is elected.

Section 2. Election and Term of Office

Members of the Board shall be elected to overlapping four-year terms by the electors of the five (5) zones of the District. Elections shall be conducted pursuant to and as provided in the California Elections Code, amendments thereto, and other applicable California law.

Section 3. Powers and Duties

The Board shall have and exercise all the powers of a Health Care District permitted by applicable law, including but not limited to the powers set forth in the Local Health Care District Law. Specifically, but without limitation, the Board shall be empowered as follows:

- a. To control and be responsible for the management of all operations and affairs of the District.
- b. To make and enforce all rules and regulations necessary for the administration, government, protection, and maintenance of hospitals and other facilities under District jurisdiction.

- c. To appoint an Administrator, to approve appointment of all officers of the Medical Staff and all chiefs of the various medical services, and to define the powers and duties of such appointees.
- d. To delegate certain powers to the Medical Staff and other affiliated or subordinate organizations in accordance with their respective bylaws.
- e. To approve or disapprove all constitutions, Bylaws, Rules and Regulations, including amendments thereof, of all affiliated or subordinate organizations.
- f. To appoint, promote, demote, and remove all members of the Medical Staff.
- g. To provide for the election of its officers and for the appointment of committees as necessary to effect the discharge of its responsibilities. In addition, the Board shall adopt a schedule of meetings, attendance requirements, and methods of recording minutes of governing body proceedings not including closed sessions.
- h. To, if deemed appropriate, appoint an executive committee of the Board. Lacking the appointment of an executive committee by resolution of a majority of the Board, the Board shall fulfill its duties and responsibilities acting as a committee-of-the-whole.
- i. To adopt resolutions and ordinances establishing policies or rules for the operation of the District and any of its facilities. Such resolutions and ordinances shall be kept in a separate book or file, and shall be available for inspection at all times. Such resolutions and ordinances shall be considered to be a part of these Bylaws.
- j. To designate by resolution persons who shall have authority to sign checks drawn on the funds of the District.
- k. To assume the responsibility for and perform the functions inherent in maintenance of accreditation of the hospital by the Joint Commission on Accreditation of Healthcare Organizations. The Board shall be actively involved in the accreditation process which shall include participation in the hospital survey process.
- l. To delegate to the Administrator and to the Medical Staff such authority as is appropriate to carry out the general purposes referred to in these Bylaws provided, however, that no assignment, referral, or delegation of authority by the Board shall preclude the Board from exercising the authority required to meet its responsibilities for the conduct of the hospital and the quality of patient care.
- m. To insure the preparation and maintenance of adequate and accurate records for all patients.
- n. To conduct, on an annual basis, a self-evaluation and review of the performance of the Board.
- o. To conduct, on an annual basis, an evaluation and review of the performance of the Administrator.
- p. To do any and all other acts and things necessary to carry out the provisions of these Bylaws or the provisions of the Local Health Care District Law.

Section 4. Compensation

The members of the Board shall receive \$100 each meeting not to exceed five (5) meetings a month in payment in lieu of expenses. Each member shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the District as approved by the Board including, but not limited to, compensation for travel at the rate allowed by the Internal Revenue Service, at the time of actual travel, to calculate the deductible costs of operating an automobile for business purposes.

Section 5. Vacancies

Any vacancy upon the Board shall be filled by appointment by the remaining members of the Board, or, if the Board is unable to appoint, pursuant to applicable California law. Any person appointed to fill such vacancy shall hold office for the period prescribed by Section 1780 of the Government Code as it may be amended from time to time, or any successor statutes thereto.

Section 6. Orientation and Education

Orientation and continuing education programs relating to the operation of the hospital shall be provided to all members of the Board.

ARTICLE IV

MEETING OF DIRECTORS

Section 1. Regular Meetings

Regular meetings of the Board of the District shall be held at Northern Inyo Hospital on the third Wednesday of each month, excluding August and November, at 5:30 p.m. if the respective days are not legal holidays and, if any one such day is a legal holiday, then on another day selected by the Directors. The Board may change the time and/or place of such regular meetings by resolution adopted at the regular meeting held in the month immediately preceding, or at a special meeting called for such purpose. All members must attend a minimum of fifty percent (50%) of the meetings unless excused for good cause as approved by the remaining members of the Board.

Section 2. Special Meetings

Special meetings may be called at any time by the President, or by a majority of members of the Board. Written notice of such meeting shall be posted in a location freely accessible to the public, and shall be delivered to each Board member at least 24 hours before the meeting.

Section 3. Quorum

A majority of the members of the Board shall constitute a quorum for the transaction of business, but a member not entitled to vote because of a conflict of interest shall not be counted for the purpose of establishing a quorum on a particular question.

Section 4. Voting

The Board shall act by majority vote of the quorum. In the event that one less than the necessary number of "aye" votes has been cast, then an "abstain" vote shall constitute concurrence and the Secretary shall set forth in his or her minutes that the matter was passed pursuant to this rule.

Section 5. Adjournment

A quorum of the Board may adjourn any Board meeting to meet again at a stated day and hour provided, however, that in the absence of a quorum, a majority of the Board members present at any Board meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 6. Public Meetings

All meetings of the Board, whether regular, special, or adjourned, shall be open to the public, provided, however, that the foregoing shall not be construed to prevent the Board from holding closed sessions for any purpose for which California law allows closed sessions.

ARTICLE V

OFFICERS

Section 1. Officers

The officers of the Board shall be a President, a Vice President, a Secretary, and a Treasurer, all elected by the Directors from among themselves. The remaining Director shall be designated the "Member at Large."

Section 2. Election of Officers

The Board shall elect its officers annually at its regular January meeting. Each officer shall hold office for the calendar year beginning on the first day of January following the election, or until he or she dies, vacates his or her office, or is otherwise disqualified to serve.

Section 3. President

The Board shall elect one of its number to act as President. If at any time, the President shall be unable to act, the Vice President shall take his or her place and perform his or her duties. If the Vice President shall also be unable to act, the Member at Large shall take his or her place and perform his or her duties. Any person acting in place of the President in accordance with this Section 3 shall be vested temporarily with all the functions and duties of the office of President for such period as he or she may be required to act.

The President shall:

- a. Preside over all meetings of the Board.

- b. Sign, as President and, with the attestation of the Secretary, execute in the name of the District, all contracts and conveyances, and all other instruments in writing which have been authorized by the Board.
- c. Have, subject to the advice and control of the Board, general responsibility for management of the affairs of the District during his or her term of office.

Section 4. Vice President

The Vice President shall, in the event of death, absence, or other inability to act of the President, exercise all the powers and perform all the duties herein given to the President.

Section 5. Secretary

The Secretary shall keep, or cause to be kept, accurate and complete minutes of all meetings, except only those parts which are held in closed session; call meetings on order of the President; attend to all correspondence of the Board; attest the signature of the President on contracts and conveyances and all other instruments as outlined in Section 3 of this Article; and perform such other duties as ordinarily pertain to his or her office.

Section 6. Treasurer

The Board shall elect a Treasurer from its membership, whose duty shall be to ascertain that all receipts are deposited, and disbursements made, in accordance with these Bylaws, the directions of the Board, and good business practice. The Board may appoint an Assistant Treasurer to maintain the financial records of the District, and to prepare such financial reports as are required by the Board or the Administrator.

Section 7. Other Officers

The Board may create such other offices as the business of the District may require, and the holder of each such office shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws, or as the Board may from time to time determine. Such additional offices may be filled either by members or non-members of the Board.

ARTICLE VI

ADMINISTRATOR

Section 1. Appointment

The Board shall appoint an Administrator, and such Administrator shall serve at the pleasure of the Board. The Administrator shall be the chief administrative officer of the District. It shall be his or her responsibility to carry out the policies of the Board, and he or she shall be responsible for the day-to-day operations of the District with power to hire and discharge District employees at will. The Administrator shall also have such other duties and powers as may be determined by the Board from time to time.

The Board shall select and employ a competent and experienced Administrator who shall be its direct representative in the management of the hospital. It is desirable that the Administrator have at least a baccalaureate degree and a minimum of three years' experience in a reasonable administrative position in a hospital, or in the healthcare field, or have completed formal education in a graduate program in hospital administration. The Administrator shall be given the necessary authority and be held responsible for the administration of the hospital in all departments, and all other facilities of the District, subject only to the policies enacted by the Board or by any of its committees to which it has delegated power to act. More specifically, the authority and duties of the Administrator shall be:

- a. Carrying out all policies established by the Board;
- b. Development and submission to the Board, for approval, of a plan of organization of personnel and others connected with the operation of the hospital;
- c. Preparation of an annual budget showing the expected receipts and expenditures;
- d. Selection, employment, control and discharge of employees, and development and maintenance of personnel policies and practices for the hospital, including a personnel performance evaluation process, with authority to approve the following contracts for services and/or maintenance:
 - 1) Those less than 60 days in duration;
 - 2) Those less than \$10,000 in cost when not contained in a budget adopted by the Board;
 - 3) Those less than \$25,000 in cost when contained in a budget adopted by the Board;
- e. Maintenance of physical properties in a good state of repair and operating condition;
- f. Control of inventories including purchasing procedures, product selection, supply distribution, and promotional materials;
- g. Supervision of all business affairs to insure the wisest possible expenditure of funds in purchases of equipment, supplies, and payment of salaries, as well as the most efficient possible collection of monies owing to the District, with authority to approve the following:
 - 1) Determinations that funds owing to the Hospital for patient care be deemed uncollectible charitable write-offs;
 - 2) Adjustment of accounts owing to the Hospital for patient care when the amount adjusted is either (A) less than 25% of the balance due or (B) the patient has paid more than \$5,000 on the relevant account and the Administrator determines, in his sole discretion, that such adjustment is in the best interests of the District;
 - 3) Modifications of existing contracts for the Construction of Northern Inyo Hospital (Phase II) within the now-existing \$400,000 limits of said contracts;
 - 4) Grant applications.

- h. Cooperation with the Medical Staff to the end that high quality care may be rendered to all patients;
- i. Presentation to the Board of periodic reports reflecting the financial activities of the hospital, and periodic reports of the performance evaluation process for all personnel who are not subject to the Medical Staff privilege delineation process, regarding competency of such personnel to provide services in their respective areas of responsibility;
- j. To attend all meetings of the Board and its committees;
- k. To designate in writing, on each occasion of the Administrator's absence, an individual to act for himself or herself in order to provide the hospital with administrative direction at all times;
- l. To approve and execute the following contracts with physicians:
 - 1) Agreements to continue existing contracts, which are about to expire, for no more than thirty (30) days;
 - 2) Agreements for continuing call coverage;
 - 3) Agreements for locum tenens coverage for no more than thirty (30) day periods, and
 - 4) Contractual agreements with a physician conditioned upon he/she obtaining medical staff privileges where the contract is of no more than 30 days' duration.
- m. To approve and/or execute the following contracts and/or billings:
 - 1) Discounts on payor contracts where the discount is more than 10% provided that no single discount may be more than 50% without Board approval;
 - 2) Consulting contracts for less than \$10,000 if not contained in a budget adopted by the Board;
 - 3) Consulting contracts for less than \$25,000 if contained in a budget adopted by the Board;
 - 4) Attorney's fees;
 - 5) Interagency agreements of less than \$25,000;
 - 6) Prices, fees and rates charged by the Hospital whose effective rate, without Board approval, may be no more than one year;
 - 7) Meeting, training, and travel expenses;
 - 8) Marketing commitments of less than \$10,000;
- n. To approve the following capital expenditures:
 - 1) Where included in a budget adopted by the Board; Up to \$25,000;
 - 2) Where not included in a budget adopted by the Board: Up to \$10,000

- 3) Where neither of the above, but emergent, immediately subject to and conditioned upon Board approval at the next-following regular or special meeting in which the expenditure may be included on the Board agenda.
- o. To perform any other duty that may be necessary in the best interests of the District.

ARTICLE VII
MEDICAL STAFF

Section 1. Medical Staff

The Medical Staff shall be organized in accordance with the Medical Staff Bylaws and shall be known as the Northern Inyo Hospital Medical Staff. The Medical Staff shall govern its own affairs, elect its own officers and conduct meetings in accordance with the Medical Staff Bylaws, provided, however, that such Medical Staff Bylaws shall include those matters as are required by Section 32128 of the Health and Safety Code of the State of California as the same may be amended from time to time.

The Medical Staff Bylaws and Rules and Regulations shall be adopted by the Medical Staff and approved by the Board before becoming effective. Neither body may unilaterally amend the Medical Staff Bylaws or Rules and Regulations.

Only a member of the Medical Staff with admitting privileges shall admit patients to the hospital, and only an appropriately licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment within the area of his or her privileges. Each patient's general medical condition shall be the responsibility of a physician member of the Medical Staff, and each patient admitted to the hospital shall receive a baseline history and physical examination by a physician who is either a member of or approved by the Medical Staff.

Medical Staff appointments and reappointments are made by the Board. Recommendations are made by the Medical Staff Executive Committee and are to be submitted prior to action of the Board. Appointments and reappointments are not to exceed a term of two years. Final decisions regarding Medical Staff appointments, reappointments, and approval of clinical privileges shall be rendered by the Board, and the applicants shall be notified of these decisions in writing by the Hospital Administrator.

The authority for the evaluation of the professional competence of Medical Staff members and applicants for Medical Staff privileges is hereby delegated to the Medical Staff of the hospital. The Medical Staff Executive Committee shall be responsible for making recommendations to this Board concerning initial Medical Staff appointments, reappointments and assignment or curtailment of privileges. The Medical Staff of the hospital shall be so organized that it shall have bylaws which will include procedures for processing applications for membership and for clinical privileges as a basis for making of recommendations to the Board and for the establishment of qualifications for Medical Staff membership and for the criteria it delineates for clinical privileges within the hospital, to ensure the achievement and maintenance of high standards of professional ethical practices.

Whenever the Board does not concur with a Medical Staff Executive Committee recommendation relative to Medical Staff appointment, reappointment, or termination of appointment, and the granting or curtailment of clinical privileges, a committee consisting of the President of the Board (who shall be the chairperson of this committee), the Vice President of the Board, the Chief of Staff, the Vice Chief of Staff, and the Administrator shall review the matter and submit a recommendation relative to the matter to the Board not later than the next scheduled regular meeting of the Board, provided, however, that the procedure set forth in this section shall not apply to the review, by the Board, of appeals from decisions of a hearing committee pursuant to Article 8 of the Bylaws of the Northern Inyo Hospital Medical Staff. Should any of the members of said committee be the same person, or the person whose appointment, reappointment, termination of appointment, and/or granting or curtailment of clinical privileges is the subject of the committee's meeting, such person shall not sit but be replaced by another Board member, or member of the Medical Staff, selected for such purpose by said body.

The Board shall adopt reasonable rules and regulations, or bylaws, providing for appellate review of any action, decision, or recommendation of the Medical Staff. This appellate review shall be conducted consistent with the requirements of Section 809.4 of the Business and Professions Code. Nothing in this section shall abrogate the obligation of the hospital and Medical Staff to comply with the requirements of Sections 809 to 809.9, inclusive, of the Business and Professions Code, and Sections 32150 to 32155, inclusive, of the Health and Safety Code.

The Administrator, and the Chief of Staff are hereby expressly given authorization, at their joint discretion, in the case of emergency, to grant Medical Staff privileges to any physician licensed to practice in the State of California.

The Medical Staff shall maintain a self-government with delegated authority to act on all medical matters considered to be in the best interest of the hospital and the welfare of the patient in conformity with the actions and directives of the Board.

The Bylaws of the Medical Staff will contain provisions whereby any doctor or other practitioner aggrieved may obtain a formal hearing by the Medical Staff incident to any adverse recommendations from the Medical Staff, regarding Medical Staff status or clinical privileges. Such Bylaws shall likewise provide a method and procedure for appeal to the Board by an aggrieved doctor or other practitioner.

Any doctor or other practitioner who feels aggrieved by any adverse recommendation or deprivation of Medical Staff status or clinical privileges shall be required, as a condition to exercising his or her right of appeal to the Board, to pursue his or her appeal through orderly channels of appeal and at the proper time and in the manner prescribed by the Bylaws and procedures of the Medical Staff of this hospital. When the Medical Staff has made its final ruling and decision concerning the appeal of any aggrieved doctor or practitioner in accordance with the Bylaws of the Medical Staff, and such doctor or practitioner then desires to appeal to the Board, he or she shall give notice in writing to the Hospital Administrator within ten (10) days next following the date of the entry of the final order of the Medical Staff. Said notices must state in substance the grievance made and complained of, and must be given in the time and manner herein specified, or the Board shall not take cognizance thereof except at its discretion.

If said notice is so given within said time, then it shall be the duty of the Board to then consider such grievance in its entirety and render the decision of the Board in writing, and deliver a copy of its decision and findings to the aggrieved doctor or practitioner. Such decision shall be final.

The Medical Staff shall have the right to be heard, through its Chief of Staff or through any other representative it may designate, at meetings of the Board.

Section 2. Medico-Administrative Positions

Members of the Medical Staff may at times be assigned administrative duties and responsibilities by the Board. If in the opinion of the Board the practitioner does not discharge the administrative duties and responsibilities assigned to him or her in accordance with standards set by the Board, then the Board may dismiss the practitioner from said duties and responsibilities, but such action by itself will not affect the Medical Staff privileges held by the practitioner.

Section 3. Performance Improvement and Risk Management

The Board shall be responsible for providing for resources and support systems for the quality assurance/improvement functions and risk management functions related to patient care and safety.

The Board shall, in the exercise of its overall responsibility for consistent optimal quality of care provided to all patients, assign to the members of the Medical Staff directly responsible for patient care, reasonable authority for assuring the appropriate professional care to all patients. The Medical Staff shall conduct an ongoing review and appraisal of the quality of professional care rendered in the hospital and through monthly performance improvement reports shall report such activities and end results to the Board. Where the quality of care is shown to be less than optimal, improvement in quality shall be demonstrated.

The Board shall adopt a performance improvement plan that includes effective mechanisms for reviewing and evaluating patient care, and that focuses on the resolution of known or suspected problems. The Board and the Medical Staff Executive Committee will reappraise the plan at least annually to assure that the collective effort is comprehensive, shows minimal duplication of effort, is cost effective, and results in improved patient care. The reappraisal will identify components of the performance improvement program that need to be instituted, altered, or deleted.

ARTICLE VIII

PATIENTS' RIGHTS, PATIENTS' RESPONSIBILITIES AND PROCESS FOR RESOLUTION OF PATIENT GRIEVANCES OR COMPLAINTS

The Board and Medical Staff shall review and adopt a written policy on Patients' Rights, Patients' Responsibilities, and Process for Resolution of Patient Grievances or Complaints.

ARTICLE IX
AUXILIARIES

The hospital may have such auxiliary or auxiliaries to serve the community and patients, as the Board shall from time to time establish, authorize or approve. The organization, membership, officers, meetings, and proceedings shall be determined by the auxiliary or auxiliaries, subject to approval by the Board. The auxiliary or auxiliaries may adopt bylaws and rules and regulations to govern their organization and procedures, which shall be subject to the approval of the Board. The Board shall cause to be inspected or audited from time to time the financial books and records of the auxiliary. The auditors or examiners shall be selected by the Board.

ARTICLE X
REVIEW AND AMENDMENT

Section 1. Review

These Bylaws shall be reviewed by the Board annually or at more frequent intervals if circumstances require, with the assistance of the Administrator and the attorney for the District.

Section 2. Amendment

These Bylaws may be altered, amended, repealed, added to or deleted by resolution of the Board adopted at any regular meeting of the Board by the vote of a majority of the members of the Board.

Adopted as revised at the regular meeting of the Board of Directors of the Northern Inyo County Local Hospital District held the 21st day of April, 2010.

Peter J. Watercott, President

M.C. Hubbard, Secretary

**THIS SHEET
INTENTIONALLY
LEFT BLANK**



Risk Placement Services, Inc.

Knowledge. Relationships.
Trust and Confidence.

Risk Placement Services
701 S. Parker Street
Suite 6200
Orange, CA 92868-4720
Ph: 714-558-6141
Fax:714-558-6143

INSURANCE QUOTE - REVISED

DATE ISSUED: September 7, 2012

AGENT: Diane Corsaros Insurance Agency
371 N. Main St., Suite A
Bishop, CA 93514

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

INSURER: Princeton Excess and Surplus Lines Insurance Co.
Non-Admitted AM Best Rating: A+ XV;
Underwriters at Lloyds, Non-Admitted A XV and
International Insurance Co of Hannover Ltd, Non-Admitted A XV

COVERAGE: DIC including Earthquake and Flood

POLICY PERIOD: 10/7/12 TO 10/7/13

Minimum Earned Premium: 25%

PREMIUM: \$16,500.00

FEES: Carrier Inspection Fee \$110.00
Carrier Policy Fee \$250.00

TAXES: \$547.95

TOTAL: \$17,407.95

THE PREMIUM ABOVE DOES NOT INCLUDE TERRORISM COVERAGE. IF THE INSURED ELECTS TO PURCHASE TERRORISM COVERAGE THE ADDITIONAL PREMIUM WILL BE \$8,250.00 PLUS TAX OF \$268.13.

TERMS / CONDITIONS / SUBJECTIVITIES: see attached company quote

Please be advised that there may be a short rate cancellation penalty of up to 25% applied to your policy premium if you request cancellation of your policy prior to the expiration date. Please refer to your policy for specific terms and conditions.

REQUIRED PRIOR TO BINDING: 1) SIGNED TRIA NOTICE 2) SIGNED D1 FORM

PAYMENT TERMS:

PREMIUM PAYMENT IS DUE WITHIN TWENTY (20) DAYS FROM EFFECTIVE DATE UNLESS OTHERWISE STIPULATED.

The coverage outlined above may not conform to the terms and conditions you requested. Please check carefully. If this policy is issued on a Non-Admitted basis, all applicable taxes & fees must be added to the bound premium. Your office is responsible for collecting Surplus Lines taxes & fees (if applicable) from the insured in addition to completing any required Surplus Lines forms. RPS will remit the applicable taxes and forms to the State. This Policy is subject to the Surplus Lines Laws in your State, therefore you should make every effort to comply with any special provisions and regulations of your State.

James Kennedy, Area Vice President
AUTHORIZED REPRESENTATIVE

INSURED: Northern Inyo Hospital
DATE ISSUED: September 7, 2012

reference #:0808715C

To: Risk Placement Services, Inc.
Attn: Kelly Kimura

Date: 9/7/2012

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

We are pleased to offer the below Difference In Conditions proposal.

Named Insured: Northern Inyo Hospital

Insuring Company: Princeton Excess & Surplus Lines Insurance Company (45.98%); Underwriters at Lloyds of London: Syndicates HIS 33 (36.78%) and KLN 510 (11.49%); and International Insurance Company of Hannover Limited (5.75%); All Non Admitted

Coverage: Difference In Conditions

Type of Submission: New

Effective Date: 10/7/2012

Expiration Date: 10/7/2013

Location(s) Covered: As per the schedule provided by the producer on file with the Company.

Total Insurable Values: \$7,000,000

Limits: This policy's liability shall not exceed \$7,000,000 each and every loss occurrence.

Sublimits:

\$7,000,000	Earthquake per occurrence and in the annual aggregate
\$7,000,000	EQSL per occurrence and in the annual aggregate
\$7,000,000	Flood per occurrence and in the annual aggregate
\$300,000	Building Ordinance Coverage B&C (Full Limit for Coverage A)

Covered Property: This proposal covers property as described below, but no coverage attaches under any item unless an "X" is inserted in the box preceding that item:

<input checked="" type="checkbox"/>	Building and/or Structures
<input type="checkbox"/>	Stock, Materials and Supplies
<input checked="" type="checkbox"/>	Furniture, Fixtures, Equipment and Machinery
<input type="checkbox"/>	Tenant's Improvements and Betterments
<input type="checkbox"/>	Business Income, Extra Expense and Rental Income – EPI

Perils:

**POLICYHOLDER DISCLOSURE NOTICE OF
TERRORISM INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, you now have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS THAT MAY BE COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURERS' LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION, IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

SELECTION OR REJECTION OF TERRORISM INSURANCE COVERAGE

_____ I hereby elect to purchase Terrorism coverage as defined in the Terrorism Risk Insurance Act, as amended, for a prospective premium of \$8,250 plus tax/fee
_____ I hereby elect to have the exclusion for terrorism coverage attached to my policy. I understand that an exclusion will be attached to my policy and I will have no coverage for losses resulting from certified acts of terrorism.

Policyholder/Applicant's Signature

Print Name

Date

TERRORISM RISK INSURANCE ACT

The following is a partial summary of the Terrorism Risk Insurance Act, as amended, (hereinafter referred to as the Act). Only the provisions of the Act determine the scope of the insurance protection available for the losses covered under the Act. The Act has been extended through December 31, 2014.

The Act provides coverage for property and casualty insurance for "insured losses" as a result of an "act of terrorism." As stated in the Act:

- A. "Insured loss" means any loss resulting from an "act of terrorism" (including an act of war, in the case of worker's compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if such loss:
1. occurs within the United States; or
 2. occurs to an air carrier (as defined in section 40102 of title 49, United States Code), to a United States flag vessel (or a vessel based principally in the United States, on which US income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs, or at the premises of any United States mission.
- B. "Act of terrorism" means any act that is certified by the Secretary of State, in concurrence with the Secretary of State and the Attorney General of the United States:
1. To be an act of terrorism;
 2. To be a violent act or an act that is dangerous to:
 - a. human life;
 - b. property; or
 - c. infrastructure;
 3. to have resulted in damage within the United States, or outside of the United States in the case of:
 - a. an air carrier or vessel described in paragraph (5)(B) of Section 102 of the Act; or
 - b. the premises of a United States mission; and
 4. to have been committed by an individual or individuals, as part of an effort to coerce the civilian populations of the United States or to influence the policy or affect the conduct of the United States Government by coercion.
- C. Section 102 (1)(B) of the Act states "no act shall be certified by the Secretary as an act of terrorism if:
1. the act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers' compensation; or
 2. property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000."
- D. The Act also contains a "program trigger" in Section 103(e)(1)(B), pursuant to which the federal government does not pay compensation for losses resulting from a certified act occurring after December 31, 2007, unless aggregate industry insured losses from such a certified act exceed a certain amount, or "trigger." For insured losses occurring in 2008 and for all additional program years, the program trigger is \$100,000,000 of aggregate industry insured losses.

- E. The Act does not apply to: crop or livestock insurance; private mortgage insurance or title insurance; financial guaranty insurance issued by monoline financial guaranty insurance corporations; insurance for medical malpractice; health or life insurance; flood insurance provided under the National Flood Insurance Act of 1968; commercial automobile insurance; burglary and theft insurance; surety insurance; professional liability insurance (except Directors and Officers Liability); or farm owners multiple peril insurance.
- F. Under the Act for program years through December 31, 2014, the federal government will reimburse the insurance company for 85% of its insured losses in excess of a deductible, until aggregate "insured losses" in any Program Year exceed \$100 billion. Each insurer's deductible will be 20% of its direct earned premium for property and casualty insurance (as reported on Page 14 of the company's Annual Statement), over the immediately preceding calendar year.

For the purposes of determining such deductibles, direct earned premium means only the premiums earned on the commercial lines property and casualty insurance covered by the Act for U.S. risks or vessels, aircraft and foreign missions outside the U.S. covered by the Act.

Neither the insurance company (having met its statutorily mandated share as described above) nor the federal government will be liable for payment of any portion of "insured losses" under the Act that exceeds \$100 billion in the aggregate during any Program Year.

NOTICE:

- 1. THE INSURANCE POLICY THAT YOU ARE APPLYING TO PURCHASE IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.**
- 2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.**
- 3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.**
- 4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR "SURPLUS LINE" BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC'S INTERNET WEB SITE AT WWW.NAIC.ORG.**
- 5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE'S DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.**
- 6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC'S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF**

APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR "SURPLUS LINE" BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.

7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: WWW.INSURANCE.CA.GOV.

8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.

Date: _____

Insured: _____

MANAGING GENERAL AGENTS
LICENSE #0332012

BLISS & GLENNON
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SURPLUS LINE BROKERS

435 N. PCH, SUITE 200 REDONDO BEACH, CA 90277

www.bgsurplus.com
(800) 829-7330 FAX (310) 372-1903

QUOTATION

[X] FAX TO: 760-873-4796

PER YOUR SUBMISSION FOR INSURANCE, WE ARE PLEASED TO OFFER THE FOLLOWING:

QUOTED WITH: MT HAWLEY INSURANCE COMPANY

QUOTE NUMBER: 0619619- 1

BEST RATING: A+ XI

QUOTE IS EFFECTIVE FROM 09/10/12 FOR 30 DAYS EXPIRES 10/10/12

PROD: ROBERT BEACH INSURANCE

NAME OF NORTHERN INYO COUNTY LOCAL

459 WEST LINE STREET

APPLICANT: HOSPITAL DISTRICT

BISHOP, CA 93514

150 PIONEER LANE

ATTN: ROBERT

BISHOP, CA 93514

PROD#: 003112 (760)873-6375

COVERAGES

>> REVISED QUOTE. INCREASED THE TIV TO \$7M AS REQUESTED. THE QUOTE IS
SUBJECT TO RECEIVING A REVISED SOV SHOWING THE NEW VALUES UPON BINDING. <

\$7M TIV

** SEE COMPANY QUOTE (ATTACHED HERETO) FOR TERMS & CONDITIONS **

PREMIUM

\$11,000.00

COVERAGE: DIFFERENCE IN CONDITIONS

TOTAL PREMIUM	\$	11,000.00
POLICY FEE	\$	150.00
PROCESSING FEE	\$	300.00
STATE TAX*	\$	330.00
STAMP FEE*	\$	27.50
TOTAL	\$	11,807.50

COMMISSION: 10.00%

DEPOSIT: \$3,557.50
MIN. EARNED: \$3,289.38

SUBJECT TO ALL ADDITIONAL REQUESTED INFORMATION, COVERAGE MAY BE BOUND UPON OUR RECEIPT OF DEPOSIT & ORDER TO BIND.

IMPORTANT NOTE

PLEASE READ CAREFULLY AS THE QUOTE MAY NOT INCLUDE ALL THE
CONDITIONS, TERMS OR COVERAGES REQUESTED. NO FLAT CANCELLATIONS.
PRODUCER IS RESPONSIBLE FOR EARNED PREMIUMS. ALL FEES FULLY EARNED.
BALANCE DUE WITHIN 20 DAYS OF EFFECTIVE DATE

BY: SHANE BOUMA
BOUMASH@BGSURPLUS.COM

DATE: 06/23/12

* State taxes and fees are subject to change due to the state legislation at time of binding



RLI Insurance Services
 California License # 0C94239
 801 S. Figueroa Street | Suite 200
 Los Angeles, CA 90017-2531
 Phone: 213-683-0838 | Fax: 213-683-0836
 www.rlicorp.com

Shane Bouma
 Bliss & Glennon
 435 N. Pacific Coast Highway
 Suite 200
 Redondo Beach, CA 90277

August 30, 2012

Re: Northern Inyo County Local Hospital District

Confirming our Authorization

We are pleased to provide a property quotation on your submission.
 Please review carefully. Coverages, terms and conditions offered herein may be more restrictive than those requested in your application.

This quote will expire on 9/29/2012

Issuing Company: Mt. Hawley Insurance Company, A+ XI Non-Admitted

Limit(s): \$7,000,000 per occurrence for all coverages combined subject to an annual aggregate of \$7,000,000 for the Perils of Earthquake/EQSL and Flood, applied separately.

00001 - 001 Radiology Building	, 150 Pioneer Lane, Bishop, CA 93514
Contents	\$4,000,000
00001 - 002 Old Hospital Building	, 150 Pioneer Lane, Bishop, CA 93514
Building	\$3,000,000

Coverages:

Building; Ordinance or Law; Contents

Perils:

Earthquake; EQSL; Flood
 - Flood excluded for locations located in Federal Zones A prefix and/or V prefix and/or any 100 year Flood Plain area.

Locations:

00001 - 001 [Radiology Building], 150 Pioneer Lane Bishop, CA - 93514
 00001 - 002 [Old Hospital Building], 150 Pioneer Lane Bishop, CA - 93514
 With a total insurable value of \$7,000,000

Proposed Policy Term: From 9/30/2012 to 9/30/2013

Deductibles:

\$25,000 Per Occurrence for AOP

5.00% of total values at risk Per Unit (including time element if applicable) at the time of loss subject to a minimum of \$50,000 for EQ/EQSL

\$50,000 Per Occurrence for Flood

Total Premium and Fees:

Premium:	\$11,000	CIGA Fee:	\$0
Inspection Fee:	\$0	PCA Fee:	\$150
Minimum Earned Premium:	25.00%	Commission :	10.0%

Valuation:

Physical Damage at Replacement Cost

+ \$300 Processing Fee + 3.25% Taxes/Fees

Coinsurance:

N/A for Physical Damage

Policy Form(s) and Endorsements (Available Upon Request):

Mt. Hawley Insurance Company Earthquake Coverage Policy Forms and endorsements.

Special Conditions:

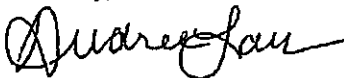
60 day notice of Cancellation, except 10 days for non-payment of premium.
Based on 100% values all coverages.

Comments:

This quote is valid until 9/29/2012 and may not be bound without written confirmation received in our office prior to the effective date of coverage. This is being quoted in a non-admitted carrier and you are responsible for the payment of all taxes and fees and the filing of all required documents in connection with this insurance placement.

Please note that mid term change requests must be confirmed and agreed to by the underwriter.
Any agreed changes are underwritten individually and are not necessarily bound by an 'account rate'.

Sincerely,



Audree Lau

NOTICE:

1. THE INSURANCE POLICY THAT YOU [HAVE PURCHASED] [ARE APPLYING TO PURCHASE] IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED "NONADMITTED" OR "SURPLUS LINE" INSURERS.

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STATES AND SHOULD BE ON THE NAIC'S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR "SURPLUS LINE" BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.

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Date: _____

Insured: _____



EARTHQUAKE COVERAGE APPLICATION
PLEASE READ CAREFULLY AND COMPLETE ALL SECTIONS

SECTION I - APPLICANT

Insured Northern Inyo County Local Hospital District

Mailing Address (if Different from Loc. Address) 150 Pioneer Ln.

City Bishop State CA Zip Code 93514

SECTION II - ADDITIONAL RISK INFORMATION

Location 1 Street 150 Pioneer Ln.

City Bishop State CA Zip Code 93514

CONSTRUCTION (Check One)

- Wood Frame 1-2
- Non-Combustible (Steel Frame)
- Masonry Non-Combustible (Rein. Hollow Conc. Bldg-RCB)
- Fire-Resistive (Steel Frame or Rein. Conc.) 1-1
- Joisted Tilt-Up
- Joisted Reinforced Masonry (Rein. Hollow Conc. Bldg)
- Modified Fire Resistive (Steel Frame or Rein. Conc.)
- Brick Veneer
- Modular

PARKING (Check One)

- None N-A
- Detached
- Attached - No Structure above
- Habitational over Garage
- Tuckunder - 1 side
- Tuckunder - 2 sides
- Full Subterranean

- Partial Subterranean
- First Floor Parking
- Soft First Floor Parking (no solid curbside walls)

YEAR BUILT Various
(Condo or Apts) See SOV

OF UNITS N-A

OF BLDGS 1 Covered
(For multiple buildings, check breakdown of value and cost)

OCCUPANCY (Check One)

- Agribus
- Condo Ass'n
- Manufacturing
- Public Bldg
- Retail
- Service
- Wholesale
- Apartment
- Hotel/Motel
- Office
- Restaurant
- School
- Warehouse

EXPLAIN OCCUPANCY (required)

Hospital

NUMBER OF STORIES 1

SQUARE FOOTAGE 24,000
(1-2)

COVERAGE (Must be 100% of replacement cost)

Building 3,000,000... \$ 2M

BPP 4,000,000... \$ 4M

TIB..... \$ 0

Business Interruption/EE... \$ 0

ADDITIONAL PROPERTY COVERAGE

\$ _____
Types Pools Fences
 Paved Surfaces

- Deductible 5% 7.5% 10% 15% 20%
- Ordinance or Low Coverage None 10% 20%

- On Firm, Natural Soil? Yes No
- If Wood Frame, is Building Bolted to Foundation? Yes No
- Mold Cleanup & Removal Cover \$10,000 (Bldg Only) 25% All Covers 50% All Cover
- Sprinkler System? Yes No
- EQ Sprinkler Leak? Yes No

Inspection Contact Person: Name Scott Hooker

Telephone (760) 873-2625

Enter Requested Effective Date: ASAP

NOTICE TO PRODUCER/INSURED

Any person who knowingly and with intent to defraud an insurance company or other person, files an application for insurance containing false information of concealment, for the purpose of misleading information concerning any fact material thereto, commits a fraudulent insurance act which is a crime.

Robert M. Beed
Producer Signature

Insured Signature



If additional locations are required, please submit an application for each location.

STATEMENT OF VALUES

Insured: Northern Inyo County Local Hospital District

DBA: Northern Inyo Hospital

Address: 150 Pioneer Ln.

Bishop, CA

Location:

Agency

Robert Beach & Associates Ins. Agency

459 West Line St.

Bishop, CA 93514

Eff. Date: [TBD]10/1/12 Exp. Date: 10/1/2013

Add'l. Cov. Rating Info., Endmts., Etc.

#	Description & Location of Property	Valuation	Co-ins.	Dist. Amt	P/C	Form's Concl's	Building Value	Yr. Bilt.	Const. Type	Roof Type	# Stories	Sq. Feet	Year Updates	Contents Value	Time Element	# Mos.	Ins. to Value \$ per SOFT
1-1	Radiology Building	RC	90	5	4	DIC	Nil	2008	Class 6	Geoflex	1	11,520		4,000,000			N-A
1-2	Old Hospital Building	RC	20	5	4	DIC	3,000,000	VRS	Class 1	Geoflex	1	24,000		Nil			125
TOTALS:																	
							3,000,000					35520		4,000,000	0		84

Actual Cash Value: _____ Replacement Cost: _____

Values Shown: _____

Remarks: _____

This location and value information contained herein has been prepared from our records and is true and correct to the best of my knowledge and belief.

[Signature]
SIGNATURE AGENT / PRODUCER

DATE _____

SIGNATURE OF NAMED INSURED _____ DATE _____

Sign Here

Special Notes - Remarks

Construction Types: (1-1) Fire Resistive, (1-2) Frame.
 Year Built: (1-1) 1967, 1968 & 1980.
 Deductible: 5%
 Building Ordinance: (1-2) 20% Sublimit - 600,000

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**THE BOARD OF DIRECTORS OF
NORTHERN INYO COUNTY LOCAL HOSPITAL DISTRICT**

RESOLUTION 12-06

WHEREAS, the Board of Directors of Northern Inyo County Local Hospital District, having determined that it is necessary, for the benefit and in the best interest of the District and its residents, to borrow \$600,000.00 from the Oak Valley Community Bank which shall be accomplished by giving a note of the District in that amount, secured by a first deed of trust on the District's real property known as 2957 Birch Street, Bishop, California, identified by Inyo County Assessor's Parcel Number 11-280-81, and more particularly described as:

Lots 3 to 6 inclusive of Block 1 of Grandview Heights Subdivision,
County of Inyo, State of California, as per amended map recorded
in Book 2, Page 25 of Maps, in the Office of the County Recorder
of said County

NOW, THEREFORE, BE IT RESOLVED that this Board of Directors does hereby approve obtaining the loan described above and does authorize and direct its President, PETER WATERCOTT, to execute the note and deed of trust required to effect the loan and transfer of funds pursuant thereto.

Passed, approved and adoption by a vote of _____ at the regularly scheduled meeting of this Board of Directors on September 19, 2012.

JOHN UNGERSMA, M.D.
Vice-President

ATTEST:

M.C. HUBBARD
Secretary

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END