

AGENDA ITEM:

**CITY OF TULARE, CA
AGENDA ITEM TRANSMITTAL SHEET**

Submitting Department: Finance/City Attorney

For Council Meeting of: February 12, 2019

Documents Attached: Ordinance Resolution Staff Report Other None

AGENDA ITEM:

Continued discussion regarding a request from the Tulare Local Healthcare District Board for funding assistance in the form of a line of credit and potential approval of financial documents related thereto.

IS PUBLIC HEARING REQUIRED: *Yes* *No*

BACKGROUND/EXPLANATION:

At the December 11, 2018 council meeting, Mayor Jose Sigala requested staff to bring before the council at the December 18, 2018 meeting a discussion on the possibility of creating a line of credit to the District.

December 18, 2018 council meeting, Interim City Attorney Mario Zamora provided clarification as to changes to the options presented for consideration in the staff report. Hospital Board Chair Kevin Northcraft addressed the Council in support of their request. Following discussion, it was moved by Council Member Sayre, seconded by Mayor Sigala and carried 3 to 0 (Council Member Nunley and Vice Mayor Mederos recused) to continue this item for further discussion and action to the January 15, 2019 meeting. At the January 15, 2019, the Council by a vote of 2 to 1 directed staff to return to the February 5, 2019 council meeting, with the necessary items for consideration of approval, to include a 5-million-dollar loan with a first deed on Evolutions to the City, said asset or other Hospital assets to be sold within a year to repay loan and consideration of a 4-million-dollar line of credit. However, due to the lack of a quorum at the February 5 meeting, the Council could not proceed. In accordance with the City's Charter, Mayor Sigala indicated that he would work with staff to schedule a special meeting related to this item.

The City currently has approximately \$119 million of unrestricted funds in its portfolio but also has around \$270,608,000 in bonds outstanding and other loans of around \$6,210,000, with payments around \$10.1 million per year. The portfolio is used for cash flow and making bonds payments. The portfolio includes all city funds and not just general fund cash.

To secure the loan, the City will have first deeds of trust placed on all available District properties, excluding the hospital itself. Appraisals have placed a value of approximately \$14 million on those properties. The Bankruptcy Court will be required to approve the credit line as the City will be placed ahead of existing creditors as to the properties, and the paperwork seeking approval from the Court has already been filed by the District's Bankruptcy lawyer.

The following documents are attached for review:

- (1) A draft Debtor in Possession Credit Agreement for the revolving loan (the document the City must approve to provide the funds);
- (2) Copies of the schedules from the Adventist line of credit;
- (3) A draft Deed of trust (the security for the City if it provides the loan);
- (4) A copy of the execution version of the Adventist Lease approved by the District;
- (5) A copy of the execution version of the Adventist corporate guarantee of the lease;
- (6) A copy of the appraisal on what the District refers to as the "Cottage Properties" (those around the hospital campus).
- (7) Schedule of use of payments.

In addition to interest, the District will pay a \$50,000 origination fee, and all costs including attorney and staff time incurred up to the close of escrow.

STAFF RECOMMENDATION:

If the Council chooses to provide the loan in the form of a line of credit, Council needs to motion to approve the DEBTOR-IN-POSSESSION CREDIT AGREEMENT attached, and further authorize the City Manager to execute all documents necessary to fund the loan.

CITY ATTORNEY REVIEW/COMMENTS: Yes N/A

IS ADDITIONAL (NON-BUDGETED) FUNDING REQUIRED: Yes No N/A

Submitted by: Darlene Thompson
Mario Zamora

Title: Finance Director
Interim City Attorney

Date: February 11, 2019

Interim City Manager Approval: _____

DEBTOR-IN-POSSESSION CREDIT AGREEMENT

THIS DEBTOR-IN-POSSESSION CREDIT AGREEMENT (this "Agreement") is entered into as of February ___ 2019 (the "Effective Date"), by and between TULARE LOCAL HEALTHCARE DISTRICT, a local healthcare district of the State of California (the "Borrower"), and the CITY OF TULARE, CALIFORNIA, an incorporated City in Tulare County, California (the "Lender").

RECITALS

On September 30, 2017 (the "Petition Date") the Borrower commenced bankruptcy case no. 17-13797 (the "Chapter 9 Proceeding") pending in the United States Bankruptcy Court for the Eastern District of California, Fresno Division ("Bankruptcy Court") as debtor under chapter 9 of title 11 of the United States Code ("Bankruptcy Code").

The Borrower is the owner of an acute care general hospital located in Tulare, California, heretofore known as Tulare Regional Medical Center ("Hospital") and other real properties in Tulare County. As of the Effective Date, the Borrower has leased the Hospital ("Lease") to ADVENTIST HEALTH TULARE, an affiliate of ADVENTIST HEALTH SYSTEM WEST (collectively "Adventist Health"), with lease commencement pending Adventist Health's general acute care hospital license of the Hospital ("AH License") with the California Department of Public Health ("CDPH"). Upon receipt of the AH License, Adventist Health will operate the Hospital. Until that time, Borrower will operate the Hospital with Adventist Health managing the Hospital on Borrower's behalf.

In furtherance of ongoing operational needs required for the District to continue to provide for health-related services to the community, including the ongoing ownership of the Hospital, Borrower has requested that Lender make post-petition loans and provide other financial or credit accommodations to the Borrower, and Lender has agreed, subject to the conditions set forth herein, to extend this revolving credit facility to the Borrower, in an aggregate principal amount not to exceed \$9,000,000 ("Loan Commitment").

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and Lender hereby agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.1. DEFINED TERMS. As used herein, the terms below shall have the following meanings.

"Affiliates" shall have the meaning set forth in Section 5031 of the California Corporations Code, as amended.

"Agreement" has the meaning ascribed to such term in the Preamble.

"Approved Budget" means the most recent budget delivered to Lender by the Borrower, which updated budget shall become the Approved Budget upon the approval by Lender in its

sole discretion; provided that the Borrower shall be permitted to (i) carry over any amounts not expended for a particular line item in any week to succeeding weeks, (ii) pay obligations on the Existing Bonds in accordance with existing documentation and any plan of adjustment or orders in the Chapter 9 Proceeding, including, without limitation obligations deferred during the Chapter 9 Proceeding; and (iii) otherwise expend more than the amounts set forth in a particular line item for a specific week in such week so long as the aggregate expenditures during the period covered by the Approved Budget (other than payments described in subsection (ii)) do not exceed the total shown on the Approved Budget. The initial Approved Budget, which Lender has approved, is attached as Schedule .

“Assets” means all right, title and interest of the Borrower in and to all the business, properties, assets and rights, whether tangible or intangible, real, personal or mixed, owned, leased or held by the Borrower, now owned or hereafter acquired.

“Availability” means, at any time of determination, an amount equal to (a) the aggregate Loan Commitment minus (b) the Outstanding Loan Amount.

“Bankruptcy Code” has the meaning ascribed to such term in the Recitals.

“Bankruptcy Court” has the meaning ascribed to such term in the Recitals.

“Borrower” has the meaning ascribed to such term in the Preamble.

“Borrowing” means a borrowing consisting of Loans made by Lender pursuant to Section 2.1 hereof. A Borrowing is “advanced” on the Funding Date.

“Borrowing Notice” has the meaning ascribed to such term in Section 2.1(c).

“Business Day” means a day other than a Saturday, Sunday or other day on which banks located in Tulare, California are authorized or required by Law to close.

“Chapter 9 Proceeding” has the meaning ascribed to such term in the Recitals.

“Closing Certificate” means a certificate signed by a Responsible Officer of the Borrower, dated on the applicable Funding Date, stating that: (i) each of the representations and warranties herein and in each of the other Loan Documents are true and correct in all material respects on and as of the applicable Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties was true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth herein shall be disregarded), (ii) no event has occurred and is continuing which with notice and the passage of time constitutes or would constitute an Event of Default and (iii) the proceeds of the proposed Borrowing shall be used in a manner not prohibited by this Agreement, including by Section 6.1 hereof, or by any other Loan Document, unless otherwise agreed to by Lender in its sole discretion.

“Collateral” has the meaning ascribed to such term in Section 2.3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment Termination Date” means the date sixty (60) months from the Effective Date.

“Debt” or “Indebtedness” means, for any Person (without duplication), (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iv) all obligations secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (v) all capitalized lease obligations of such Person, (vi) all obligations, contingent or otherwise, of such Person on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, and (vii) all guarantees.

“DIP Orders” has the meaning ascribed to such term in Section 3.15.

“Effective Date” has the meaning ascribed to such term in the Recitals.

“Encumbrances” means all liabilities, levies, claims, charges, assessments, mortgages, security interests, liens, pledges, conditional sales agreements, title retention contracts, leases, subleases, rights of first refusal, options to purchase, restrictions and other encumbrances, and agreements or commitments to create or suffer any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043(c) of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30 day notice period is waived); (b) the failure of any Plan to satisfy the “minimum funding standard” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan under Section 4041, Section 4042 or Section 4041A of ERISA or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any ERISA Affiliate of any liability with respect to the complete withdrawal or partial withdrawal (within the meaning of Sections 4203 or 4205 of ERISA, respectively) of the Borrower or any ERISA Affiliate from any Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice concerning (i) the imposition upon the Borrower or any ERISA Affiliate of Withdrawal Liability

or (ii) a determination that a Multiemployer Plan is, or is reasonably expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Evolutions Property” means that real property owned by Borrower located at 1425 R. Prosperity Avenue, Tulare, California

“Existing Bonds” means collectively, the General Obligation Bonds and the Revenue Bonds.

“Final DIP Order” has the meaning ascribed to such term in Section 3.15.

“Final Order” shall mean an order or judgment of the Bankruptcy Court or any other court of competent jurisdiction as entered on the docket in the Chapter 9 Proceeding or the docket of any such court, the operation or effect of which has not been stayed, reversed, or amended and as to which order or judgment (or any revision, modification, or amendment thereof) the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to Borrower and Lender, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order of the Bankruptcy Court or other court of competent jurisdiction shall have been determined by the highest court to which such order was appealed, or certiorari, reargument, or rehearing shall have been denied or resulted in no modification of such order and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired.

“Financial Statements” has the meaning ascribed to such term in Section 5.5.

“Funding Date” means the date on which a Borrowing occurs.

“GASB” shall mean Governmental Accounting Standards Board accounting principles consistently applied, as in effect from time to time.

“General Obligation Bonds” shall mean collectively, (i) the \$15,000,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series A (2007); (ii) the \$8,595,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009)(Tax-Exempt); and (iii) the \$61,405,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable-Direct Payment Build America Bonds).

“Government Authorizations” means all Permits, no objection letters, variances, clearances and other authorizations, consents and approvals of any Government Entity that are required to own or operate the Hospital, including applicable change of ownership application(s) with CDPH.

“Government Entity” means any local, state or federal government, including each of their respective branches, departments, agencies, commissions, boards, bureaus, courts,

instrumentalities or other subdivisions, including the CDPH, the Medicare and Medi-Cal programs, TRICARE and Medicare Administrative Contractors.

“Government Healthcare Programs” means Medicare, Medi-Cal and TRICARE, and any other federal health care program as defined in 42 U.S.C. § 1320a-7b(f) or any other state or local health care programs.

“Hazardous Materials” means any chemical, substance, object, material, waste, or controlled substance, in the air, ground or water which is or may be hazardous to human health or safety or to the environment, due to its radioactivity, ignitability, corrosiveness, explosivity, flammability, reactivity, toxicity, infectiousness, or other harmful or potentially harmful properties or effects, including, without limitation, petroleum or petroleum products, asbestos, polychlorinated biphenyls, and all other chemicals, substances, materials, or wastes that are now listed, defined, or regulated in any manner by any Government Entity, or under any Law.

“Healthcare Laws” shall mean the Laws applicable to the operations of the Hospital, including Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395lll (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended, 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396w-5 (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, as amended, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; the Clinical Laboratory Improvement Amendments of 1988 (42 U.S.C. § 263a et seq.); HIPAA; any similar state and local Laws that address the subject matter of the foregoing; any state Law or precedent relating to the corporate practice of the learned or licensed healthcare professions; any state Law concerning the splitting of healthcare professional fees or kickbacks; any state Law concerning healthcare professional self-referrals; kickbacks or false claims; any state healthcare professional licensure Laws, qualifications or requirements for the practice of medicine or other learned healthcare profession; any applicable state requirements for business corporations or professional corporations or associations that provide medical services or practice medicine or related learned healthcare profession; workers compensation; any applicable state and federal controlled substance and drug diversion Laws, including, the Federal Controlled Substances Act (21 U.S.C. § 801, et seq.) and the regulations promulgated thereunder; and all applicable implementing regulations, rules, ordinances and Orders related to any of the foregoing.

“HIPAA” means the Administrative Simplification provisions of title II, subtitle F, of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) and all regulations promulgated thereunder, including the Privacy Standards (45 C.F.R. Parts 160 and 164, Subparts A and E), the Electronic Transactions Standards (45 C.F.R. Parts 160 and 162), and the Security Standards (45 C.F.R. Parts 160 and 164, Subparts A and C), the Enforcement Rule (45 C.F.R. Part 160, Subparts C-E), and the Breach Notification Rule (45 C.F.R. Part 164, Subpart D), as amended by the Health Information Technology for Economic and Clinical Health Act, Title XIII of division A and Title IV of division B of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), as amended, the final HIPAA/HITECH Omnibus

Rules published by the U.S. Department of Health and Human Services on January 25, 2013, and as otherwise may be amended from time to time.

“Hospital Campus Real Property” means the Premises as defined in the Lease.

“Initial Repayment Date” means July 31, 2019.

“Initial Draw” has the meaning ascribed to such term in Section 2.1(a).

“Insurance Policies” has the meaning ascribed to such term in Section 3.12.

“Interim DIP Order” has the meaning ascribed to such term in Section 3.15.

“Laws” means any applicable constitutional provision, statute, law, rule, regulation, code, ordinance, accreditation standard, resolution, Order, ruling, promulgation, policy, manual guidance, treaty directive, interpretation, or guideline adopted or issued by any Government Entity.

“Lease” means that certain real property lease by and among the District and Adventist Health covering the Hospital approved by the electorate of the District on November 6, 2018.

“Lender” has the meaning ascribed to such term in the Preamble.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Commitment” has the meaning ascribed to such term in the Recitals.

“Loan Commitment Availability Period” means the period commencing on the date on which the Final DIP Order is approved and ending on the Commitment Termination Date.

“Loans” has the meaning ascribed to such term in Section 2.1(a).

“Loan Documents” has the meaning ascribed to such term in Section 3.2.

“Material Adverse Effect” means (a) a material impairment of the ability of the Borrower to perform any of its obligations under any of the Loan Documents, (b) a material adverse effect upon the legality, validity, binding effect or enforceability of any provision of this Agreement or any other Loan Document, (c) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise), or prospects of the Borrower, or (d) a material adverse change in, a material adverse effect upon, or a material impairment of the priority of Lender’s security interest in any Collateral securing the Obligations or the rights, remedies and benefits available to or conferred

upon Lender under any Loan Document, in each case, that remains uncured after sixty (60) days' notice to Borrower, as reasonably determined by Lender.

"Maturity Date" means the date sixty (60) months from the Effective Date.

"Mortgage" means collectively, any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of Lender on the Evolutions Property and the other Real Property Collateral of the Borrower, including any amendment, restatement, modification or supplement thereto.

"Multiemployer Plan" shall have the meaning set forth in Section 3(37) of ERISA or Section 4001(a)(3) of ERISA.

"Obligations" means all Loans to, and all debts, liabilities, obligations, covenants, indemnifications, and duties of, whether matured or unmatured, fixed or contingent, liquidated or unliquidated, the Borrower arising under any Loan Document or otherwise with respect to the Loans, in each case whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising.

"Order" means any judgment, order, writ, injunction, decree, determination, or award of any Government Entity.

"Outstanding Loan Amount" means with respect to any Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any Borrowings and prepayments or repayments of Loans, occurring on such date.

"Owned Real Property" means the real property, including all rights, covenants, easements and appurtenances in connection therewith, and including all buildings, improvements, structures, fixtures and appurtenances (but excluding any and all leasehold estates that constitute real property leases), owned by the Borrower, including the Hospital Campus Real Property, the Evolutions Property and the other Real Property Collateral.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permit" means any consent, ratification, registration, waiver, authorization, license, permit, grant, franchise, concession, exemption, order, notice, certificate or clearance issued, granted, given, or otherwise made available by or under the authority of any Government Entity or pursuant to any Law.

"Permitted Additional Debt" has the meaning ascribed to such term in Section 6.2 hereof.

"Permitted Encumbrances" means the Permitted Real Property Encumbrances.

"Permitted Real Property Encumbrances" shall mean (i) all liens for taxes and assessments not yet due and payable and (ii) liens for taxes, assessments and other charges, if any, the validity of which is being contested in good faith by appropriate action, and with respect to the Borrower, for which adequate reserves (as determined in accordance with GASB) have

been established on Borrower's books with respect thereto, (iii) easements, covenants and conditions of record and disclosed on any preliminary title report(s) obtained by Borrower and provided to Lender or obtained Lender prior to the Effective Date ("Title Reports"), (iv) those encumbrances listed on Schedule 3.9 attached hereto; (v) other liens the validity of which is being contested in good faith by appropriate action, and with respect to the Borrower, for which adequate reserves (as determined in accordance with GASB) have been established on Borrower's books with respect thereto; and (vi) any other matter disclosed to Lender and deemed in writing by Lender to be a Permitted Real Property Encumbrance.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Government Entity or other entity.

"Petition Date" has the meaning ascribed to such term in the Recitals.

"Plan" means each pension plan as defined in Section 3(2) of ERISA, other than a Multiemployer Plan, that is, or within the prior six years was, maintained or contributed to by the Borrower or any ERISA Affiliate or with respect to which the Borrower or any ERISA Affiliate had or has any liability.

"Real Property" means Owned Real Property and Leased Real Property.

"Real Property Collateral" means all Owned Real Property, excluding the Hospital Campus Property, upon which a Lien is granted by the Borrower for the benefit of Lender under the Mortgage.

"Repayment Date" means those dates on which the repayment of the Loan is required to be made pursuant to Section 2.1(f)(ii).

"Repayment Period" means the sixty (60) month period beginning with the Effective Date and ending on a date that is no later than the five year anniversary of the Commitment Termination Date in accordance with the terms of Section 2.1(e)(ii).

"Responsible Officer" of a Person means its chief restructuring officer, its chief executive officer, its chief financial officer, its treasurer or its senior vice president (whether or not the Person performing such duties is so designated) or any authorized designee thereof.

"Revenue Bonds" means, collectively, the \$17,850,000 Tulare Local Health Care District (Tulare County, California) Refunding Revenue Bonds, Series 2007.

"Title Report" has the meaning ascribed to such term above.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

ARTICLE II
CREDIT TERMS

SECTION 2.1. REVOLVING LOANS.

(a) Loan Commitment. Subject to the terms and conditions of this Agreement, including without limitation each of the conditions in Section 4.2, Lender hereby agrees to make loans ("Loans") to the Borrower (i) on or about the Effective Date, in an aggregate principal amount of up to \$6,000,000 (the "Initial Draw") and (ii) from time to time on any Business Day during the Loan Commitment Availability Period, in an aggregate principal amount at any time not exceeding the Loan Commitment (after taking into account and giving effect to the Initial Draw); provided, however, that after giving effect to any Borrowing, Availability must not be less than zero. The Outstanding Loan Amount together with interest accrued and unpaid thereon, shall constitute Obligations and shall be due and payable upon the commencement of the Repayment Period. Lender will not grant additional sums to the Borrower once Borrower has ended making interest only payments on the 36th month after the effective date. No additional funds will be granted by Lender once the Borrower has started making interest and principal payments, starting on the 37th month after the effective date

(b) Permitted Uses. The proceeds of the Loans shall be used to finance costs incurred by Borrower in its efforts to provide health-related services to District residents including people living in the City of Tulare. For the avoidance of doubt, proceeds of the Loans may be used for, among other uses, payment of District obligations relating to the Existing Bonds, in accordance with existing documentation, and any plan of adjustment or orders in the Chapter 9 Proceeding.

(c) Borrowing Procedure. Each Borrowing shall be made by a written, electronic or telephonic request by a Responsible Officer (such request, a "Borrowing Notice") and received by Lender no later than 10:00 a.m. California time on the Business Day that is ten (10) Business Days prior to the requested Funding Date, specifying (A) the amount of such Borrowing; (B) the requested Funding Date (which shall be a Business Day); and (C) the anticipated uses of the proceeds of the Borrowing and the amount of the Borrowing allocated to each use (which in all cases shall be uses permitted pursuant to this Agreement or otherwise approved by Lender hereunder); provided, that Lender may, in its sole discretion, elect to accept as timely borrowing requests that are received later than 10:00 a.m. California time on the date that is ten (10) Business Days prior to the applicable Funding Date. The Borrower agrees that Lender may rely on any such telecopy or other telecommunication notice given by any person Lender in good faith believes is a Responsible Officer without the necessity of independent investigation. Not later than 5:00 p.m. on the date that is at least ten (10) Business Days after a properly and timely delivered Borrowing Notice pursuant to this Section 2.1(b), Lender shall make available such Borrowing to the Borrower, by wire transfer of such funds in accordance with instructions provided to (and reasonably acceptable to) the Lender by the Borrower; provided, however, that Lender shall have the right, in its sole discretion, to deny any request for a Borrowing pursuant to a Borrowing Notice if the anticipated uses of the proceeds of any Borrowing are not permitted pursuant to the terms of this Agreement. If Borrower requests Lender make the funds available via a wire transfer to Borrower, Borrower shall pay Lender a \$25.00 fee to cover Lender's cost of the wire transfer.

(d) Optional Prepayment. The Borrower, may, upon notice to Lender, at any time or from time to time voluntarily prepay Loans in whole or in part without premium or penalty. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(e) Payment Obligations.

(i) Promise to Repay. The Borrower hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Lender hereunder and to pay any other Obligations owing to Lender whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided herein and under such Obligations.

(ii) Final Repayment of Loans. In addition to any payment to be made on the Maturity Date pursuant to this Section 2.1(e), the Borrower shall also repay all other amounts due and owing under this Agreement, including, but not limited to any outstanding interest due under Section 2.2 hereof on the Maturity Date.

(f) Required Payments.

(i) Origination Fee. On the Effective Date, Borrower shall pay to Lender the Origination Fee required by Section 2.2(a).

(ii) Interest Only Payments. Beginning with the month immediately after the Effective Date and continuing through the thirty-sixth (36th) month after the Effective date, Borrower shall on each January 31st and July 31st after the Initial Draw pay to Lender an amount equal to the Interest due under Section 2.2(c) for the six (6) months immediately preceding the month.

(iii) Principal and Interest Payments. Beginning with the thirty-seventh (37th) month immediately after the Effective Date and continuing through Maturity Date, Borrower shall on each January 31st and July 31st pay to Lender an amount equal to: (1) that portion of the then outstanding loan commitment amortized on a straight-line basis over the remaining period of the Loan plus (2) Interest due under Section 2.2(c) for the six (6) months immediately preceding the month.

SECTION 2.2. INTEREST/FEES.

(a) Origination Fee. Borrower agrees to pay Lender an origination fee for the loan in the amount of fifty-thousand dollars (\$50,000).

(b) Additional Costs and Fees. Borrower agrees to pay Lender for reasonable costs and fees accrued by City Attorney and staff in their review of credit agreement and other documents. Borrower will pay for those costs that accrued up to the close of escrow.

(c) Interest. Borrower agrees to pay interest on the unpaid principal amount of each Loan for the period commencing on the date of such Loan until such Loan is paid in full at a rate per annum equal to six (6) percent simple interest.

(d) Computation and Payment. Interest shall be computed on the basis of a 365/366-day year, actual days elapsed. Interest shall accrue for each Loan on the applicable Funding Date of each Loan, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, *provided* that any Loan that is repaid on the same day on which it is made shall bear interest for one day. Each determination by Lender of a fee hereunder shall be conclusive and binding for all purposes, absent manifest error. Accrued interest on each Loan shall be payable on each Repayment Date, for interest accrued during since the immediately preceding Repayment Date; provided that the accrued interest payable on the Initial Repayment Date shall be interest accrued since the Effective Date.

SECTION 2.3. COLLATERAL. As security for the Obligations of the Borrower to Lender subject hereto, the Borrower shall grant to Lender Liens in the Real Property Collateral as follows: a first priority lien on all Real Property Collateral, subject to the Permitted Real Property Encumbrances.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Borrower makes the following representations and warranties to Lender, which representations and warranties shall survive the execution of this Agreement and shall continue in full force and effect at all times while Lender remains committed to extend Loans to the Borrower hereunder and until the full and final payment, and satisfaction and discharge, of all Obligations of the Borrower to Lender subject to this Agreement. The representations based on the knowledge of the Borrower (the "Borrower's Knowledge Representations") shall be limited to the actual knowledge of Dan Heckathorne (Interim Chief Financial Officer), Teresa Jacques (Controller), and Kevin Northcraft (President, District Board of Directors); and Xavier Avila (District Director). Lender acknowledges that the Borrower has not undertaken any investigation related to the Borrower's Knowledge Representations out of the ordinary course of business.

SECTION 3.1. LEGAL STATUS. The Borrower is a political subdivision of the State of California, organized, existing and acting under and pursuant to the Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code. The Borrower possesses all requisite power and authority necessary to own and operate the Assets and carry on its business as the same is now being conducted.

SECTION 3.2. AUTHORIZATION, VALIDITY AND BINDING EFFECT. Subject to any restrictions arising on account of the Borrower's status a "debtor" under the Bankruptcy Code, any required approvals of the Bankruptcy Court and receipt of other consents which the parties hereto contemplate will be obtained prior to the Effective Date this Agreement and each contract, instrument and other document required hereby or at any time hereafter delivered to Lender in connection herewith (collectively, including this Agreement and the Mortgage, the "Loan Documents") and the performance of the transactions contemplated hereby,

including the grant by the Borrower of the security interests in the Collateral as contemplated hereby are within the Borrower's powers and have been duly authorized by the board of directors of the Borrower. Subject to any restrictions arising on account of the Borrower's status as a "debtor" under the Bankruptcy Code, any required approvals of the Bankruptcy Court and receipt of other consents which the parties hereto contemplate will be obtained prior to the Effective Date, (i) the Borrower has all requisite power and authority to enter into, consummate and perform this Agreement and carry out all of the terms and provisions of this Agreement and (ii) upon their execution and delivery in accordance with the provisions hereof, the Loan Documents will constitute legal, valid and binding agreements and Obligations of the Borrower or the party which executes the same, enforceable in accordance with their respective terms.

SECTION 3.3. NO VIOLATION. Subject to any restrictions arising on account of the Borrower's status as a "debtor" under the Bankruptcy Code, any required approvals of the Bankruptcy Court and receipt of other consents which the parties hereto contemplate will be obtained prior to the Effective Date, the execution, delivery and performance by the Borrower of the Loan Documents, including the grant by the Borrower of the security interests in the Collateral contemplated hereby and in the other Loan Documents:

(a) do not violate or conflict with:

(i) any provision of the governing documents of the Borrower; or

(ii) any order of any governmental or regulatory authority, any judgment, decree, order or award of any court, arbitrator, administrative agency or governmental authority or, to the knowledge of the Borrower, any material Government Authorization, or any material Law; or

(b) do not result in any conflict, breach of or default under any contract, obligation, indenture or other instrument to which the Borrower is a party or by which the Borrower may be bound (other than with respect to the Borrower, conflicts, breaches or defaults the enforcement of which have been stayed by virtue of the filing of the Chapter 9 Proceeding).

SECTION 3.4. CONSENTS. Except for the consents as set forth on Schedule 3.4(a) which have been or which the parties hereto contemplate will be obtained prior to the Effective Date, no consent, approval, authorization of or filing or registration with any Government Entity or any other Person is required to be obtained or made by the Borrower in order for the Borrower to consummate the transactions contemplated by the Loan Documents.

SECTION 3.5. LITIGATION, CLAIMS AND PROCEEDINGS. The Borrower has not been served with any summons, complaint or written notice to arbitrate, and no suit, litigation, claim (equitable or legal), administrative arbitration, investigation or other proceeding is pending or to the Borrower's knowledge, threatened, against the Borrower or affecting the Assets, or the business of the Borrower by or before any court, governmental department, commission, board, bureau, agency, mediator, arbitrator or other person or instrumentality, except: (a) the malpractice or negligence actions, claims, suits or proceedings set forth in Schedule 3.5(a); (b) the contract or general liability actions, claims, suits, or proceedings set forth in Schedule 3.5(b); and (c) the Borrower's pending Chapter 9 Proceeding and the claims,

objections and proceedings therein. None of the actions, claims, suits, proceedings and matters set forth in Schedules 3.5(a) and 3.5(b) materially affects the value of the Assets or materially impairs the ability of the Borrower to perform the Borrower's Obligations.

SECTION 3.6. MATERIAL ADVERSE EFFECT. Except for the Chapter 9 Proceeding and the facts disclosed in the filings made in connection therewith, since the Petition Date, no event or condition has resulted in, or could be reasonably expected to cause, either individually or in the aggregate, a Material Adverse Effect.

SECTION 3.7. NO SUBORDINATION. Except for the Existing Bonds and agreements governing the Permitted Encumbrances, there is no agreement, indenture, contract or instrument to which the Borrower is a party or by which the Borrower may be bound that requires the subordination in right of payment of the Borrower's Obligations subject to this Agreement to any other obligation of such Borrower.

SECTION 3.8. TITLE TO ASSETS. Except as specifically set forth in this Agreement, and except for Permitted Encumbrances, to the Borrower's knowledge, the Borrower has, and will have on the Effective Date, title to all of the Owned Real Property, free and clear of all liens, judgments, pledges, title defects, Encumbrances, leases, security interests, actions, claims, charges, conditions or restrictions of any nature whatsoever. Except for the Permitted Encumbrances and merchandise and other property sold or used in the ordinary course of business, to the Borrower's knowledge, the Borrower has not entered into any contract, commitment or arrangement that would cause any of the Owned Real Property to be subject to any security interest, claim, equity, pledge, mortgage, lien (including, without limitation, mechanics' and materialmen's liens) or Encumbrances whatsoever which will exist or come into existence after the Effective Date.

SECTION 3.9. REAL PROPERTY.

(a) Owned Real Property. As of the Effective Date: (i) the Owned Real Property is subject only to the Permitted Real Property Encumbrances, including but not limited to those listed on Schedule 3.9(a); and (ii) except for the Permitted Real Property Encumbrances and other than the Real Estate Leases, to the Borrower's knowledge, there are no purchase contracts, options, rights of first refusal, rights of first offer or first negotiation, restrictive covenants or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in the Owned Real Property. No officers, directors or employees of the Borrower, or relative of any of such officer, director or employee, has any direct or indirect interest in any of the Owned Real Property.

(b) Real Estate Leases. All leases, subleases, licenses, concessions, options, and other agreements relating to the occupancy of the Owned Real Property, including the right to all security deposits and other amounts and instruments deposited thereunder, are listed on Schedule 3.9(c) (collectively, the "Real Estate Leases"), and Seller has provided the Lender with a copy of such Real Estate Leases. Except as set forth in Schedule 3.9(c), (i) the Real Estate Leases have not been modified, amended, or assigned, are legally valid, binding and enforceable in accordance with their respective terms, and are in full force and effect; and (ii) to the Borrower's

knowledge, there are no material defaults (or matters that upon written notice or lapse of time would constitute material defaults) by the Borrower or by any other party to the Real Estate Leases.

(c) Zoning. To Borrower's knowledge, the Real Property is zoned to permit the uses for which such Real Property is presently used and/or intended to be used, without variances or conditional use permits.

(d) Easements and Encroachments. To the Borrower's knowledge, the Borrower has all easements and rights of way, including without limitation, easements for all utilities, services, roadways and other means of ingress and egress, necessary for access to the Owned Real Property. Except as disclosed in the Title Report, none of such improvements encroach onto adjacent property, violate set-back, building, or sideline requirements, or encroach onto any easements located on the Owned Real Property.

SECTION 3.10. ENVIRONMENTAL MATTERS.

(a) Use of Real Property and Condition. The Hospital Campus Real Property has been operated by the Borrower as an acute care hospital from the date of first licensure as such to the present—subject to the period under which licensure by the CDPH has been in suspense, which use included the handling of certain substances normally used in such hospitals some of which may be Hazardous Materials; the Borrower has no knowledge of any uses or operations of the Hospital Campus Real Property prior to such first acute care hospital licensure. The Borrower has no knowledge of any release or threatened release of any Hazardous Materials, at, under or about the Hospital Campus Real Property, which may give rise to any cost, penalty, expense, claim, demand, order, or liability, including, but not limited to, remediation or response action costs being imposed against the Borrower by any third party. The Borrower hereby represents and warrants to Lender that the Borrower is not aware of, nor has the Borrower received notification of any information which reasonably should have alerted the Borrower to become aware of, any environmental claim with respect to the Real Property, actual material violations of any statutes, regulations or laws relating to maintenance, disposition, release or handling of any Hazardous Materials at the Hospital, or with respect to the Real Property.

(b) Permits. Except with respect to the Borrower's general acute care hospital license with the CDPH that the parties anticipate will be active no later than the Effective Date, the Borrower has all environmental, health and safety Permits for any and all operations, activities, alterations, or improvements on the Real Property. The Borrower is in full compliance with the terms and conditions of such permits and all such Permits are presently in full force and effect.

(c) Violations. Except as set forth on Schedule 3.10(c), the Borrower has not: (a) entered into or been subject to any consent decree, compliance order, or administrative order with respect to the Real Property or operations thereon; (b) received notice under the citizen provision of any environmental Law in connection with the Real Property or operations thereon; (c) received any request for information, notice, demand letter, administrative inquiry, or complaint or claim with respect to any environmental condition relating to the Real Property or operations thereon; or (d) been subject to or threatened with any governmental or citizen

enforcement action with respect to the Real Property or operations thereon; and the Borrower has no reason to believe that any of the above will be forthcoming.

SECTION 3.11. ERISA. Except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, (i) no ERISA Event has occurred or is reasonably expected to occur and (ii) the present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan. As of the date hereof (a) the Borrower is not an “employee benefit plan,” as defined in Section 3(3) of ERISA, subject to Title I of ERISA, (b) the Borrower is not a “governmental plan” within the meaning of Section 3(32) of ERISA, and (c) to the Borrower’s knowledge, transactions by or with the Borrower are not subject to any state statute, regulation or ruling regulating investments of, or fiduciary obligations with respect to, governmental plans, and (d) none of the Assets of the Borrower constitutes “plan assets” of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA. As of the date hereof, neither the Borrower nor any ERISA Affiliate maintains, sponsors or contributes to a Plan or a Multiemployer Plan.

SECTION 3.12. INSURANCE. Schedule 3.12 describes all insurance arrangements, including self-insurance, in place for the benefit of the Assets (collectively, the “Insurance Policies”). All Insurance Policies are in full force and effect and are issued by insurers of recognized responsibility. The insurance coverage provided by the Insurance Policies (a) is on such terms, (b) covers such categories of risk, (c) contains such deductibles and retentions, and (d) is in such amounts as, with respect to each of the criteria set forth in the foregoing clauses (a) through (d), as is adequate and suitable for the Assets. With respect to each Insurance Policy, (i) there are no claims pending as to which coverage has been questioned, denied or disputed by the underwriter(s) of such Insurance Policy, (ii) all premiums due have been paid, (iii) no notice of cancellation or termination has been given and (iv) the Borrower has complied in all material respects with the terms and provisions of such Insurance Policy.

SECTION 3.13. GOVERNMENT HEALTHCARE PROGRAMS. The Hospital is qualified for participation in Government Healthcare Programs. To the Borrower’s knowledge, no member of the medical staff of the Hospital has been excluded from participation in any Government Healthcare Program.

SECTION 3.14. COMPLIANCE WITH LAWS. To the knowledge of the Borrower, except as provided in Schedule 3.14, the Borrower is not in violation of any Laws, including Healthcare Laws, applicable to the Borrower, the operation of the Hospital which would result in a Material Adverse Effect.

SECTION 3.15. REORGANIZATIONAL MATTERS.

(a) The Chapter 9 Proceeding was commenced on the Petition Date in accordance in all material respects with applicable Law and proper notice thereof was provided by the Borrower and proper notice of (x) the motion seeking approval of the Loan Documents and entry of (i) an interim Order authorizing the Borrower’s entry into the Loan Documents and the Initial

Draw (the "Interim DIP Order") and a Final Order authorizing the Borrower's entry into the Loan Documents and additional Borrowings thereunder ("the Final DIP Order", and together with the Interim DIP Order, collectively, the "DIP Orders") and (y) any hearing thereon will be given; provided, that the Borrower shall give, on a timely basis as specified in the DIP Orders, all notices required to be given to all parties specified in the DIP Orders.

(b) After the entry of each of the DIP Orders (and subject to the terms therein), and pursuant to and to the extent provided in each such DIP Order, the Obligations will be secured by a valid and perfected Lien on all of the Collateral.

(c) Once entered, the DIP Orders shall remain in full force and effect and shall not be reversed, stayed, modified or amended in an adverse manner without Lender's consent.

(d) The Approved Budget and all projected balance sheets, income statements and cash flow statements of the Borrower delivered to Lender were prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed in good faith by the Borrower to be fair in light of the conditions existing at the time of delivery of such report or projection.

(e) The Borrower's plan of adjustment in the Chapter 9 Proceeding shall not contradict or supersede any provision of this Agreement or any of the Loan Documents.

SECTION 3.16. OTHER OBLIGATIONS. Except as set forth on Schedule 3.16, the Borrower is not in default on any obligation for borrowed money, any purchase money obligation or any other material lease, commitment, contract, instrument or obligation.

SECTION 3.17. EVENT OF DEFAULT. No Event of Default has occurred and is continuing, or would result after effect to the borrowing of any Loan.

SECTION 3.18. DEBT. The Borrower has not incurred any Debt, other than Debt permitted under Section 6.2 of this Agreement.

SECTION 3.19. ORDERS, DECREES AND RULINGS. Except for the Chapter 9 Proceeding and any court orders, decrees or rulings thereunder, the Borrower is not a party to any order, decree or ruling of any court or administrative agency, federal, state or local, nor has the Borrower any contracts, formal or informal, with any such agency that could materially and adversely affect the ability of the Borrower to perform its obligations hereunder or conduct its business.

SECTION 3.20. ACCURACY OF REPRESENTATIONS AND WARRANTIES. To the knowledge of the Borrower, no representation or warranty of the Borrower contained in this Agreement, or any statement, document or certificate furnished or to be furnished to Lender, or in connection with the transactions contemplated hereby, is incomplete, inaccurate, or contains any untrue statement of any material fact known to the Borrower, or intentionally omits to state any material fact known to the Borrower necessary to make the statements contained therein not misleading.

ARTICLE IV
CONDITIONS

SECTION 4.1. CONDITIONS OF INITIAL EXTENSION OF LOANS. The obligation of Lender to extend any Loans contemplated by this Agreement is subject to the fulfillment to Borrower's satisfaction of all of the following conditions:

(a) Approval of Lender Counsel. All legal matters incidental to the extension of the Loans by the Lender shall be satisfactory to Lender's counsel.

(b) Documentation. Lender shall have received, in form and substance satisfactory to Lender, each of the following, duly executed:

- (i) This Agreement.
- (ii) Certificate of Incumbency of the Borrower.
- (iii) Resolutions of the Board of the Directors of the Borrower approving and authorizing the Borrower's execution, delivery and performance of the Loan Documents.
- (iv) Charter (or similar formation document) of the Borrower.
- (v) Bylaws (or similar governing document) of the Borrower.
- (vi) Certificate of good standing of the Borrower, if any.
- (vii) Borrowing Notice.
- (viii) A certified copy of the Interim DIP Order.
- (ix) Lease
- (x) Closing Certificate.
- (xi) Such other documents as Lender may require under any other section of this Agreement.

(c) Representations and Warranties. Each of the representations and warranties herein and in each of the other Loan Documents shall be true and correct in all material respects on and as of the initial Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth above in this clause (c) shall be disregarded).

(d) No Event of Default. No event shall have occurred and be continuing which with notice and the passage of time constitutes or would constitute an Event of Default.

(e) Approved Budget. Lender shall have received the Approved Budget. The Borrower shall have complied with such Approved Budget, and the aggregate amount of Loans, after giving effect to such disbursement, shall not exceed the amount set forth in the Approved Budget without giving effect to any variance permitted by the proviso of the definition of "Approved Budget."

(f) Financial Condition. Since the Petition Date, no event or condition shall have occurred or resulted in, or could be reasonably expected to cause, either individually or in the aggregate, a Material Adverse Effect.

(g) Insurance. The Borrower shall have delivered to Lender evidence of insurance coverage on the Collateral, in form, substance, amounts, covering risks and issued by companies reasonably satisfactory to Lender, and where required by Lender, with loss payable endorsements in favor of Lender.

(h) Interim DIP Order. The Bankruptcy Court shall have entered the Interim DIP Order approving this Agreement and the other Loan Documents, in form and substance satisfactory to Lender. The Interim DIP Order shall be in full force and effect and shall not have been reversed, modified, amended or stayed (other than with prior written consent of Lender, which consent may be withheld in Lender's sole discretion).

SECTION 4.2. CONDITIONS OF EACH SUBSEQUENT EXTENSION OF LOANS. The obligation of Lender to make each extension of Loans requested by the Borrower hereunder shall be subject to the fulfillment to Lender's satisfaction of each of the following conditions:

(a) Compliance. Each of the representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Agreement and on each Funding Date (except to the extent that such representations and warranties relate solely to an earlier date in which case such representations and warranties shall have been true, correct and complete in all material respects on and as of such earlier date; provided, that, if a representation and warranty is qualified as to materiality, with respect to such representation and warranty the materiality qualifier set forth above in this clause (a) shall be disregarded), and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist.

(b) Availability. After giving effect to any Borrowing, Availability shall be not be less than zero.

(c) Funding Date. The applicable Funding Date shall not occur outside of the Loan Commitment Availability Period.

(d) Documentation. Lender shall have received a certified copy of the Final DIP Order, Borrowing Notice, Closing Certificate, and all additional documents which it may require in connection with such extension of Loans.

(e) DIP Orders. The Bankruptcy Court shall have entered the DIP Orders approving this Agreement and the other Loan Documents, in form and substance satisfactory to Lender. The DIP Orders shall be in full force and effect and shall not have been reversed, modified, amended or stayed (other than with prior written consent of Lender, which consent may be withheld in Lender's sole discretion).

ARTICLE V AFFIRMATIVE COVENANTS

The Borrower covenants that so long as Lender remains committed to extend Loans to the Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of the Borrower to Lender under any of the Loan Documents remain outstanding, and until payment in full of all Obligations of the Borrower subject hereto, the Borrower shall, unless Lender otherwise consents in writing:

SECTION 5.1. MAINTENANCE OF EXISTENCE AND PROPERTIES. The Borrower shall preserve and maintain its existence. The Borrower shall preserve and keep in force and effect all licenses, Permits, franchises, approvals, patents, trademarks, trade names, trade styles, copyrights, and other proprietary rights necessary to the proper conduct of its operations where the failure to do so could reasonably be expected to have a Material Adverse Effect. The Borrower shall maintain, preserve, and keep its property, plant, and equipment in good repair, working order and condition (ordinary wear and tear excepted), and shall from time to time make all needful and proper repairs, renewals, replacements, additions, and betterments thereto so that at all times the efficiency thereof shall be fully preserved and maintained, except (a) to the extent that, in the reasonable business judgment of such Person, any such property is no longer necessary for the proper conduct of the business of such Person, or (b) to the extent that any failure to maintain, preserve and keep its property, plant, and equipment in good repair, working order and condition or any failure to make needful and proper repairs, renewals, replacements, additions, and betterments thereto could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.2. PUNCTUAL PAYMENTS. Except as restricted or prevented by the Bankruptcy Code, the filing of the Chapter 9 Proceeding, an order of the Bankruptcy Court, punctually pay all principal, interest, fees or other liabilities due under any of the Loan Documents at the times and place and in the manner specified therein, and immediately upon demand by Lender, the amount by which the Outstanding Loan Amount subject hereto at any time exceeds the Loan Commitment.

SECTION 5.3. ACCOUNTING RECORDS. Maintain adequate books and records in accordance with generally accepted accounting principles consistently applied, and permit any representative of Lender, at any reasonable time, to inspect, audit and examine such books and records, to make copies of the same, and to inspect the properties of the Borrower.

SECTION 5.4. INSPECTION. The Borrower shall permit the Lender and its duly authorized representatives and agents to visit and inspect any of its property, books, and financial records, to examine and make copies of its books of accounts and other financial records, and to discuss its affairs, finances, and accounts with, and to be advised as to the same by, its officers

and independent public accountants (and by this provision the Borrower hereby authorizes such accountants to discuss with Lender and such representatives the finances and affairs of the Borrower) at such reasonable times during business hours and intervals as Lender may designate and, so long as no Event of Default exists, with reasonable prior notice to the Borrower; provided that this right is subject to all applicable federal and state laws and regulations; and provided, further that the Borrower reserves the right to restrict access to its property or any portion thereof in accordance with reasonably adopted procedures relating to safety, privacy and security.

SECTION 5.5. FINANCIAL STATEMENTS. Provide to Lender with all of the following, in form and detail satisfactory to Lender (the documents referred to in clauses (a) and (b) below are referred to collectively as the "Financial Statements"):

(a) not later than 180 days after and as of the end of each fiscal year of the Borrower, audited consolidated financial statements of the Borrower, prepared by a certified public accountant reasonably acceptable to Lender, to include balance sheets, income statements and statements of cash flows;

(b) not later than 30 days after and as of the end of each calendar month, consolidated financial statements of the Borrower, prepared by the Borrower, to include balance sheets, income statements and statements of cash flows;

(c) not later than 60th day of each fiscal year and covering such fiscal year, financial projections for the Borrower prepared by Borrower, as approved by the board of directors of the Borrower, together with any certification of approval as Lender may require;

(d) not later than 60 days after and as of the end of each fiscal quarter, an update to the annual financial projections most recently provided pursuant to clause (c) above;

(e) contemporaneously with each annual and monthly financial statement of the Borrower required hereby, a certificate of the president or chief financial officer (or comparable officer) of the Borrower that said financial statements are, in all material respects, complete and correct and present fairly the consolidated financial condition of the Borrower and that there exists no Event of Default or any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(f) from time to time such other information as Lender may reasonably request.

SECTION 5.6. COMPLIANCE. Preserve and maintain all licenses, Permits, governmental approvals, rights, privileges and franchises necessary for the conduct of the Borrower's operations; and comply with the provisions of all documents pursuant to which the Borrower is organized and/or which govern the Borrower's continued existence and with the requirements of all laws, rules, regulations and orders of any governmental authority applicable to the Borrower and/or its operations.

SECTION 5.7. INSURANCE. Maintain and keep in force, insurance of the types and in amounts customarily carried in similar types of operations, including but not limited to fire, extended coverage, public liability, flood, property damage and workers' compensation, with all such insurance carried with companies and in amounts satisfactory to Lender, and

deliver to Lender from time to time at Lender's request schedules setting forth all insurance then in effect.

SECTION 5.8. FACILITIES. Keep all properties useful or necessary to the Borrower's operations in good repair and condition, and from time to time make necessary repairs, renewals and replacements thereto so that such properties shall be fully and efficiently preserved and maintained.

SECTION 5.9. TAXES AND OTHER LIABILITIES. Pay and discharge when due any and all indebtedness, obligations, assessments and taxes of the Borrower, both real or personal, including without limitation federal and state income taxes and state and local property taxes and assessments, except (a) such as the Borrower may in good faith contest or as to which a bona fide dispute may arise, and (b) for which the Borrower has made provision, to Lender's reasonable satisfaction, for eventual payment thereof in the event the Borrower is obligated to make such payment.

SECTION 5.10. LITIGATION. Promptly give notice in writing to Lender of any litigation pending or threatened against the Borrower.

SECTION 5.11. NOTICE TO LENDER. Promptly (but in no event more than five (5) days after the occurrence of each such event or matter) give written notice to Lender in reasonable detail of: (a) the occurrence for which it has knowledge of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of the Borrower; (c) any funding deficiency with respect to any Plan; or (d) any termination or cancellation of any insurance policy which the Borrower is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the Borrower's property with a value exceeding \$250,000.

SECTION 5.12. COMPLIANCE WITH ENVIRONMENTAL LAWS.

(a) Comply with all Environmental Laws, except such non-compliance as could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Obtain, maintain in full force and effect and comply with all Permits necessary to the ownership and operation of its properties and Assets or to the conduct of its business, except to the extent that a failure to do so could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Comply in a timely manner with all Environmental Laws including those relating to the release of Hazardous Materials, together with any other applicable legal requirements for conducting, on a timely basis, periodic tests, monitoring and remediation of contamination of the Environment, and diligently comply with the regulations of the United States Environmental Protection Agency and any other applicable Government Entity, except where the failure to do so could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 5.13. ERISA. Deliver to Lender such certifications or other evidence from time to time throughout the term of the Loan, as may be reasonably requested by Lender in

its sole discretion, that (a) the Borrower is not an “employee benefit plan” as defined in Section 3(3) of ERISA, which is subject to Title I of ERISA, or a “governmental plan” within the meaning of Section 3(32) of ERISA; (b) to the Borrower’s knowledge, the Borrower is not subject to any state statute, regulation or ruling regulating investments of, or fiduciary obligations with respect to, governmental plans; and (c) one or more of the following circumstances is true:

(i) Equity interests in the Borrower are publicly offered securities, within the meaning of 29 C.F.R. §2510.3-101(b)(2);

(ii) Less than twenty-five percent (25%) of each outstanding class of equity interests in the Borrower is held by “benefit plan investors” within the meaning of 29 C.F.R. §2510.3-101(f)(2), as modified by ERISA Section 3(42), disregarding the value of any equity interests in the Borrower held by (I) a person (other than a benefit plan investor) who has discretionary authority or control with respect to the Assets of the Borrower, (II) any person who provides investment advice for a fee (direct or indirect) with respect to the Assets of the Borrower, or (III) any affiliate of a person described in the immediately preceding clause (I) or (II); or

(iii) The Borrower qualifies as an “operating company” or a “real estate operating company” within the meaning of 29 C.F.R. §2510.3-101(c) or (e).

ARTICLE VI NEGATIVE COVENANTS

The Borrower further covenants that so long as Lender remains committed to extend credit to the Borrower pursuant hereto, or any liabilities (whether direct or contingent, liquidated or unliquidated) of the Borrower to Lender under any of the Loan Documents remain outstanding, and until payment in full of all Obligations of the Borrower subject hereto, the Borrower will not, without Lender’s prior written consent:

SECTION 6.1. USE OF PROCEEDS. Use any of the proceeds of any Loan extended hereunder except for purposes expressly authorized by this Agreement, or otherwise approved by Lender in its sole discretion.

SECTION 6.2. OTHER INDEBTEDNESS. Create, incur, assume or permit to exist any indebtedness or liabilities resulting from borrowings, loans or advances, whether secured or unsecured, matured or unmatured, liquidated or unliquidated, joint or several, except (a) the liabilities of the Borrower to Lender, (b) obligations relating to the Existing Bonds; (c) any other liabilities of such Borrower existing as of, and disclosed to Lender in writing prior to, the Effective Date [, and (d) equipment purchase money debt owed to a lender other than Lender and secured by the purchased equipment, provided the amount of such debt incurred in any fiscal year does not exceed the value of such purchased equipment (as measured separately for each equipment purchase and not in the aggregate) (such Indebtedness, the “Permitted Additional Debt”).

SECTION 6.3. MERGER, CONSOLIDATION, TRANSFER OF ASSETS. Merge into or consolidate with any other entity; make any substantial change in the nature of the

Borrower's operations as conducted as of the Effective Date; acquire all or substantially all of the Assets of any other entity; nor sell, lease, transfer or otherwise dispose of all or a substantial or material portion of the Borrower's Assets except (i) in the ordinary course of its business; (ii) in connection with the Transactions; (iii) dispositions of Assets with nominal value; (iv) dispositions of Assets (other than Real Property Collateral) for fair market value under conditions that will not cause a Material Adverse Effect; or (v) with respect to Real Property Collateral, dispositions for fair market value where net proceeds are applied to the Loans, and, if the then current balance on the Loans is satisfied, are applied to Borrower obligations secured by liens on the affected property, in their order of priority.

SECTION 6.4. GUARANTIES. Guarantee or become liable in any way as surety, endorser (other than as endorser of negotiable instruments for deposit or collection in the ordinary course of business), accommodation endorser or otherwise for, nor pledge or hypothecate any Assets of the Borrower as security for, any liabilities or obligations of any other Person, except any of the foregoing in favor of Lender.

SECTION 6.5. LOANS, ADVANCES, INVESTMENTS. Make any loans or advances to or investments in any Person, except any of the foregoing existing as of, and disclosed to Lender prior to, the Effective Date, and additional loans or advances made in the ordinary course of the Borrower's operations.

SECTION 6.6. ENCUMBRANCES. Mortgage, pledge, grant or permit to exist a security interest in, or Lien upon, all or any portion of the Borrower's Assets now owned or hereafter acquired, except (i) any of the foregoing in favor of Lender or which is existing as of, and disclosed to Lender in writing prior to, the Effective Date, (ii) Permitted Encumbrances, or (iii) as otherwise expressly permitted pursuant to this Agreement and other Loan Documents.

SECTION 6.7. CERTAIN AGREEMENTS. Except in connection with a Permitted Encumbrance, agree with any Person other than Lender that the Borrower will mortgage, pledge, grant or permit to exist a security interest in, or lien upon, all or any portion of the Borrower's Assets now owned or hereafter acquired.

SECTION 6.8. COMMUNICATIONS WITH THE BANKRUPTCY COURT. Fail to provide to Lender prior notice and copies of any material motions or other material documents to be filed with the Bankruptcy Court in the Chapter 9 Proceeding.

SECTION 6.9. ERISA. (a) Engage in any transaction which would cause any obligation, or action taken or to be taken, hereunder (or the exercise by Lender of any of its rights under this Agreement or the Loan Documents) to be a non-exempt (under a statutory or administrative exemption) prohibited transaction under Section 406 ERISA or Section 4975 of the Code or constitute a violation of any state statute, regulation or ruling impacting a governmental plan, or (b) permit the Assets of the Borrower to become "plan assets", within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.

ARTICLE VII
EVENTS OF DEFAULT

SECTION 7.1. The occurrence of any of the following shall constitute an “Event of Default” under this Agreement:

(a) The Borrower shall fail to pay when due any principal, interest, fees or other amounts payable under any of the Loan Documents.

(b) Any financial statement or certificate furnished to Lender in connection with, or any representation or warranty made by the Borrower or any other party under this Agreement or any other Loan Document shall prove to be incorrect, false or misleading in any material respect when furnished or made.

(c) Any material default by the Borrower in the performance of or compliance with any obligation, agreement or other provision contained herein or in any other Loan Document (other than those specifically described as an “Event of Default” in this Section 7.1), and with respect to any such default that by its nature can be cured, such default shall continue for a period of sixty (60) days after notice to Borrower from Lender.

(d) Any event of default by the Borrower shall have occurred under the Loan Documents.

(e) Except as set forth on Schedule 7.1(e), or to the extent resulting from the filing of the Chapter 9 Proceeding and where the applicable creditors are not actively pursuing any remedies against the Borrower or are prohibited by applicable Law from doing so, any material default in the payment or performance of any obligation, or any defined event of default, that continues beyond any applicable cure period, under the terms of any contract, instrument or document (other than any of the Loan Documents) pursuant to which the Borrower has incurred any debt or other liability to any Person in an amount exceeding \$500,000.

(f) The Borrower shall, after giving effect to the Borrower’s anticipated plan of adjustment in the Chapter 9 proceedings, become insolvent, or shall suffer or consent to or apply for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or, except as to debts the Borrower is excused or barred from paying on a current basis as a result of the Chapter 9 Proceeding, shall generally fail to pay its debts as they become due, or shall make a general assignment for the benefit of creditors; or, other than the Chapter 9 Proceeding, the Borrower shall file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the Bankruptcy Code, or under any state or federal law granting relief to debtors, whether now or hereafter in effect; or the Borrower shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition; or, other than in connection with the Chapter 9 Proceeding, the Borrower shall be adjudicated a bankrupt, or an order for relief shall be entered against the Borrower by any court of competent jurisdiction under the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors; or any involuntary petition or proceeding pursuant to the Bankruptcy Code or any other applicable state or federal law relating to bankruptcy, reorganization or other relief for debtors is

filed or commenced against the Borrower and such involuntary petition or proceeding remains undismissed for a period of sixty (60) days after it is filed or commenced.

(g) The filing of a notice of judgment lien against the Borrower; or the recording of any abstract of judgment against the Borrower in any county in which the Borrower has an interest in real property; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the Assets of the Borrower; or the entry of a judgment against the Borrower

(h) , in each case that has a Material Adverse Effect. The occurrence of an ERISA Event which has resulted or could reasonably be expected to result in liability of the Borrower in an aggregate amount exceeding \$250,000.

(i) Other Bankruptcy Related Events of Default.

(i) The Chapter 9 Proceeding is dismissed or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person seeking the dismissal of the Chapter 9 Proceeding under the Bankruptcy Code or otherwise; a trustee or an examiner with enlarged powers relating to the operation of the business shall be appointed in the Chapter 9 Proceeding or the Borrower shall file a motion or other pleading or shall consent to a motion or other pleading filed by any other Person seeking any of the foregoing; or

(ii) an order of the Bankruptcy Court shall be entered granting any super priority claim or any Lien which is pari passu with or senior to the claims of the Lender against the Borrower hereunder, or there shall arise or be granted any such pari passu or senior super priority claim or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting any of the foregoing; or

(iii) the Bankruptcy Court shall enter an order or orders granting relief from the automatic stay applicable under section 362 of the Bankruptcy Code (i) to the holder or holders of any security interest or state or local environmental or regulatory agency or authority to proceed against, including foreclosure (or the granting of a deed in lieu of foreclosure or the like) on, any Real Estate Collateral of the Borrower that have a value in excess of \$250,000 in the aggregate, or (ii) any other Assets of the Borrower that have a value in excess of \$500,000; or

(iv) an order of the Bankruptcy Court (or any other court of competent jurisdiction) shall be entered, whether on appeal or otherwise, (A) without the written consent of Lender, reversing, staying or vacating either of the DIP Orders, (B) without the written consent of Lender, amending, supplementing or modifying either of the DIP Orders or (C) denying or terminating the use of cash collateral by the Borrower; or the Borrower shall file a motion or other pleading or shall support a motion or other pleading filed by any other Person seeking any of the foregoing; or

(v) default shall be made by the Borrower in the due observance or performance of any term, condition or obligation contained in either of the DIP Orders beyond any grace period for such specific default set forth therein or herein; or

(vi) subject to entry of the DIP Orders, the Bankruptcy Court shall enter an order imposing, surcharging or assessing against Lender's interest in the Collateral, any costs of expenses, or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting the foregoing; or

(vii) the Borrower, or any Person claiming by or through the Borrower, shall obtain court authorization to commence, or shall commence, join in, assist or otherwise participate as an adverse party in any suit or other proceeding against Lender in any manner relating to the Loan Documents;

(viii) the Borrower contests the validity or enforceability of any provision of any Loan Document or the validity, extent, perfection or priority of a Lien in favor of Lender on the Collateral or shall support or consent to any other Person contesting the foregoing; or

(ix) the filing by the Borrower of any plan of adjustment that contradicts either of the DIP Orders, including the payment terms provided by the DIP Orders, or any of the other Loan Documents, other than as agreed to by Lender, or the Borrower shall file a motion or other pleading or support a motion or other pleading filed by any other Person requesting approval of any such plan.

SECTION 7.2. REMEDIES. Upon the occurrence of any Event of Default: (a) all indebtedness of the Borrower under each of the Loan Documents, any term thereof to the contrary notwithstanding, shall at Lender's option and without notice become immediately due and payable without presentment, demand, protest or notice of dishonor, all of which are hereby expressly waived by the Borrower; (b) the obligation, if any, of Lender to extend any further credit under any of the Loan Documents shall immediately cease and terminate; and (c) Lender shall have all rights, powers and remedies available under each of the Loan Documents, or accorded by law, including without limitation the right to resort to any or all security for any credit subject hereto and to exercise any or all of the rights of a beneficiary or secured party pursuant to applicable law. Lender shall have the right to apply proceeds of any Real Property Collateral to the payment of Obligations in such order as Lender elects. All rights, powers and remedies of Lender may be exercised at any time by Lender and from time to time after the occurrence of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

ARTICLE VIII MISCELLANEOUS

SECTION 8.1. NO WAIVER. No delay, failure or discontinuance of Lender in exercising any right, power or remedy under any of the Loan Documents shall affect or operate

as a waiver of such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power or remedy. Any waiver, permit, consent or approval of any kind by Lender of any breach of or default under any of the Loan Documents must be in writing and shall be effective only to the extent set forth in such writing.

SECTION 8.2. NOTICES. All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the following address

BORROWER: Tulare Local Healthcare District
1255 N. Cherry #536
Tulare, California 93274
Attention: Kevin Northcraft, President,
Michael Jamaica, Vice President

With a copy to: McCormick Barstow, LLP
7647 North Fresno Street
Fresno, California 93720
Attention: Todd Wynkoop, Esq.

LENDER: City of Tulare
411 East Kern Avenue
Tulare, California 93274
Attention: Darlene Thompson, Finance Director

With a copy to: Griswold LaSalle Cobb Dowd & Gin, LLP
111 East Seventh Street
Hanford, California 93230
Attention: Mario U. Zamora, Esq.

or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (a) if sent by hand delivery, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

SECTION 8.3. COSTS, EXPENSES AND ATTORNEYS' FEES. The Borrower shall pay to Lender immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees), expended or incurred by Lender in connection with (a) Lender's continued administration of this Agreement (from and after the Effective Date) and the other Loan Documents, and the preparation of any amendments and waivers hereto and thereto, (b) the enforcement of Lender's rights and/or the collection of any amounts which become due to Lender under any of the Loan Documents, and (c) the prosecution or defense of any action in any way related to any of the Loan Documents, including without limitation, any action for declaratory relief, whether

incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Lender or any other Person) relating to the Borrower or any other Person. All such amounts due and owing pursuant to this Section shall be Obligations under this Agreement and secured by the Collateral.

SECTION 8.4. SUCCESSORS, ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties; provided however, that the Borrower may not assign or transfer its interests or rights hereunder without Lender's prior written consent. Lender reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in, Lender's rights and benefits under each of the Loan Documents. In connection therewith, Lender may disclose all documents and information which Lender now has or may hereafter acquire relating to any Loans subject hereto, the Borrower or the operations of the Borrower, or any collateral required hereunder.

SECTION 8.5. ENTIRE AGREEMENT; AMENDMENT. This Agreement, and other Loan Documents constitute the entire agreement between the Borrower and Lender with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the subject matter hereof. This Agreement may be amended or modified only in writing signed by each party hereto.

SECTION 8.6. NO THIRD PARTY BENEFICIARIES. This Agreement is made and entered into for the sole protection and benefit of the parties hereto and their respective permitted successors and assigns. No other Person shall be a third party beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any other of the Loan Documents to which it is not a party.

SECTION 8.7. TIME. Time is of the essence of each and every provision of this Agreement and each other of the Loan Documents.

SECTION 8.8. SEVERABILITY OF PROVISIONS. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

SECTION 8.9. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same Agreement.

SECTION 8.10. DISCLOSURE. Except insofar as data and information may be required by Law to be disclosed or is available to the public, each of the Borrower and Lender agrees at all times to hold in strict confidence and not use to the detriment of the other party all data and information obtained in connection with this transaction and Agreement which relates to the business or operations of the other party. Neither the Borrower nor Lender, nor any of their Affiliates, shall issue or cause the publication of any press release or other announcement regarding the transactions contemplated by this Agreement without the consent of the other

Parties, which consent shall not be unreasonably withheld, or withheld for any reason where such press release or announcement is required by applicable Law.

SECTION 8.11. GOVERNING LAW. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the internal Laws (not the choice of law) of the State of California and the Bankruptcy Code, as applicable. Each of Borrower and Lender agrees to submit to the jurisdiction of the Bankruptcy Court and the courts of the State of California. Unless prohibited by law or as the result of a court order (excluding any order entered at the request of either party to this Agreement), any action or proceeding to enforce or interpret any provision of this Agreement shall be brought, commenced or prosecuted in the County of Tulare, California.

[Signature page follows]

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

BORROWER:

TULARE LOCAL HEALTHCARE DISTRICT,
a local health care district of the State of California

By: _____
Name:
Title:

LENDER:

CITY OF TULARE, CALIFORNIA
a California incorporated City

By: _____
Name:
Title:

**TULARE LOCAL HEALTHCARE DISTRICT,
A Local Health Care District of the State of California
("Borrower")**

AND

**CITY OF TULARE,
A California Municipality
("Creditor")**

SCHEDULES TO

DEBTOR-IN-POSSESSION CREDIT AGREEMENT

Reference is made to the DEBTOR-IN-POSSESSION CREDIT AGREEMENT (the “**Agreement**”), dated as of February 1, 2019, by and among TULARE LOCAL HEALTHCARE DISTRICT, a local health care district of the State of California (“**Borrower**”), on the one hand, and the CITY OF TULARE, CALIFORNIA, an incorporated City in Tulare County, California (“**Lender**”), on the other hand. At times hereafter, Borrower and Lender are referred to individually as a “**Party**” or collectively as the “**Parties**”.

These Schedules (each a “**Schedule**” and together, the “**Schedules**”) are part of the Agreement. The Schedules contain proprietary and confidential information of the parties to the Agreement and are being provided subject to the obligations and the limitations set forth in the Agreement.

1. Capitalized terms used in these Schedules but not defined herein shall have the meaning ascribed to such terms in the Agreement.
2. Headings and captions in these Schedules are for convenience of reference only and shall in no way affect or be considered in construing or interpreting any information provided herein.
3. Any matter disclosed in any section of these Schedules shall be deemed disclosed in each other section of these Schedules where the relevance of such disclosure to each such other Schedule is reasonably apparent on its face.
4. These Schedules are qualified in their entirety by reference to specific provisions of the Agreement and are intended to qualify the representations and warranties of the applicable Party or agreements by the applicable Party except as and to the extent provided in the Agreement. Inclusion of information herein shall not be construed as an admission that such information is material to the business, financial condition or results of operations of any Party, that any Party has violated any Laws or that any Party breached any of its agreements or obligations.

SCHEDULE 3.4

CONSENTS

1. Borrower's Board of Directors approved the Credit Agreement and related documents in a special meeting of the Board of Directors on February 6, 2019.

 2. The Bankruptcy Court approved the Credit Agreement and related documents, including permitting the extension of six million dollars (\$6,000,000) as contemplated in the Credit Agreement, on February 6, 2019.
-

SCHEDULE 3.5(a)

MALPRACTICE OR NEGLIGENCE ACTIONS

1. CALDERON V. TRMC; U.S.D.C. Case No. 1:17-cv-00040

Full Caption: *Jiame Calderon and the Three Children of Jiame Calderon and Ana Calderon (deceased) v. Tulare Regional Medical Center, Adanna Ikedilo (TERMINATED 4/13/17); and United States of America*

Status of Automatic Stay: Stay relief granted pursuant to Stipulation – Order entered on 2/15/18
Stay relief granted pursuant to stipulation by which Plaintiffs waived right to collect first \$100,000 of any judgment or settlement

Status of Litigation: Currently in discovery phase; No trial date has been set

Attorneys: Law Offices of Raymond D. Chandler (Calderon); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC); US Attorney’s Office, Civil Division, Jeffrey Lodge (United States of America)

2. DOMINGUEZ V. TRMC; Tulare County Superior Court Case No. VCU272496

Full Caption: *Joe O. Dominguez, Mary Rose Dominguez, Cerene R. Olivera, Steven J. Zuiderweg, a minor, by and through his Guardian ad Litem, Amanda Zuiderweg*

Status of Automatic Stay: Stay is in effect; This lawsuit was filed post-petition on 1/22/18 without first obtaining relief from stay

Status of Litigation: Trial set for August 12, 2019

Attorneys: Baradat & Paboojian, Inc., Daniel R. Baradat, Kevin Kalajian (Dominguez/Olivera/Zuiderweg); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC)

3. IBARRA V. TRMC; Tulare County Superior Court Case No. VCU262492

Full Caption: *Angelina Ibarra v. Tulare Regional Medical Center, David Smith, Douglas Middleton, Family Healthcare Network, and David Larios*

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 5, 2017)

Status of Litigation: Stayed

Deadline to Remove: 4/26/18

Attorneys: Martin Malkasian (no firm name) (Ibarra); Weiss Salinas Law Group, Richard Salinas, Carol O'Neill (TRMC and Middleton); Le Beau-Thelan, LLP, Dennis Thelan (Smith); (Family Healthcare Network and David Larios are listed as unrepresented)

SCHEDULE 3.5(B)

CONTRACT OR GENERAL LIABILITY CLAIMS

1. KUMAR v. BETRE

Nature of Suit: Anti-Slapp Lawsuit (misuse of public funds)

Status of Automatic Stay: Stayed (pending appeal)

Status of Litigation: Settled with refund of bond to the District

Court and Case No: Tulare County Superior Court; Case No. VCU265230

Full Caption: *Parmod Kumar, Rebecca Zulim, Benny Benzeevi v. Abraham Betre*

Attorneys: Levinson Arshonsky & Kurtz, LLP, David N.S. Krol (Kumar/Zulim); Baker & Hostetler, LLP, Robert C. Welsh (Benzeevi); McCormick Barstow, LLP, Michael F. Ball (Betre); Law Offices of Michael J. Lampe (the tax payers of Tulare Local Healthcare District – Real Party in Interest)(Note, McCormick Barstow has a conflict on this matter)

2. PHELPS v. GREENE

Nature of Suit: Request for Declaratory Relief (violation of Government Code Recovery of Expended Funds §6 of the California Constitution)

Status of Automatic Stay: Stayed

Status of Litigation: Settled pending settlement payment.

Court and Case No: Tulare County Superior Court; Case No. VCU270681

Full Caption: *David Phelps v. Tulare Regional Medical Center, Bruce Greene, Baker Hostetler, LLP, Yorai Benzeevi, Rebecca Zulim*

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe, Michael P. Smith (Phelps); Orrick Herrington et al., Cynthia J. Larsen (Benzeevi); TRMC, Zulim, Greene and Hostetler are listed as unrepresented on the Tulare County Superior Court website

3. ZULIM v. TRMC

Nature of Claim: Interference with prospective economic relations, CHSC violations, violations of ADA, deprivation of rights, interference with contract, and indemnity/contribution relating to the Phelps lawsuit

Status of Automatic Stay: On 4/30/18 an order was entered conditionally granting stay relief to commence litigation provided there is insurance coverage and waiver by plaintiff of deductible amount

Status Since ROS: Complaint has not yet been filed (that W2LG is aware) (according to the Tulare County Superior Court website, nothing has been filed by Zulim against TRMC as of the date of this memo)

Deadline to Remove: 30 days following service of newly filed complaint

Court and Case No: N/A

Full Caption: *Caption will likely be: Rebecca Zulim, M.D. v. Tulare Regional Medical Center, dba Tulare Local Healthcare District, Parmod Kumar, Yorai Benzeevi, and Ronald Ostrom*

Attorneys: Farley Law Firm, Donald L. Mabry (Zulim)

4. DRILLING, et al. v. SHERRIE BELL

Nature of Suit: Request for Declaratory and Injunctive Relief; Taxpayer action to enjoin illegal expenditure or waste of public funds

Status of Automatic Stay: Stayed

Status of Litigation: Settled pending settlement payment

Court and Case No: Tulare County Superior Court; Case No. VCU267051

Full Caption: *Thomas Drilling, William Postlewaite, John Beck, Ned Kehrli, Edward Henry, Xavier Avila, Douglas Jacobs, JD McNearney, Jennifer Burcham, David Phelps, Patricia Drilling Phelps, v. Tulare Local Healthcare District, Sherrie Bell, Parmod Kumar, Linda Wilbourn, Richard Torrez, Laura Gadke, Healthcare Conglomerate Associates, Rebecca Zulim, Benny Benzeevi*

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe and Michael P. Smith (Drilling / Postlewaite / Beck / Kehrli / Henry / Avila / Jacobs / McNearney / Burcham / Phelps / Drilling-Phelps); NOSSAMAN, LLP, David Balfour, Carl Coppo (TRMC); remaining defendants are listed as unrepresented on Tulare County Superior Court website

5. MARTIN-SOARES v. TRMC

Nature of Suit: Request for Declaratory Relief and Injunctive Relief; Request for Production of Records Under the Public Records Act

Status Automatic Stay: Stay is in effect (Notice of Stay filed on October 5, 2017)

Status of Litigation: Settled pending settlement payment

Court and Case No: Tulare County Superior Court; VCU266902

Full Caption: *Deanne Martin-Soares, Emily Yenigues v. Tulare Regional Medical Center, Healthcare Conglomerate Associates*

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe and Michael P. Smith (Martin-Soares/Yenigues); NOSSAMAN, LLP, David Balfour, Carl Coppo (TRMC); HCCA is listed as unrepresented on the Tulare County Superior Court website

6. **FIRSTSOURCE SOLUTIONS, LLC v. TRMC**

Nature of Suit: Breach of Contract (with counterclaims for breach of contract)

Status of Automatic Stay: The parties have stipulated to relief from stay to allow the claim to be liquidated; on May 31, 2018 the court granted TRMC's motion to approve the stipulation (waiting for order to be entered). Thus the next step is to monitor receipt of a decision by the U.S. District Court.

Status of Litigation: Awaiting Court order on attorneys' fees and costs.

Court and Case No: U.S. District Eastern District of California ; 1:15-cv-01136

Full Caption: *FirstSource Solutions, LLC v. Tulare Regional Medical Center*
Attorneys: Quarles & Brady, LLP, Alissa Brice Castaneda (FirstSource) (PHV: Daniel M. Janssen; Emily M. Feinstein; Patrick J. Proctor-Brown), Baker & Hostetler, LLP, Teresa C. Chow (TRMC)

7. **HCCA v. TULARE REGIONAL MEDICAL CENTER**

Nature of Suit: Breach of Contract (with counterclaims for breach of contract)

Status of Automatic Stay: N/A; Removed to Bankruptcy Court on December 28, 2017

Status of Litigation: Settled pending settlement payment.

Court and Case No: Los Angeles County Superior Court; Case No. 676133
U.S. Bankruptcy Court, Adversary Proceeding Case No. 17-01095

Full Caption: *Healthcare Conglomerate Associates, LLC v. Tulare Regional Medical Center*

Attorneys: Orrick Herrington, et al., Marshall Grossman (HCCA); McCormick Barstow and W2LG (TRMC)

8.

VENKATARIO ISOLA v. TRMC

Nature of Suit:

Failure to Pay Wages Due

Status of Automatic Stay:

Stay is in effect (Notice of Automatic Stay emailed to Labor Commissioner on 3/21/18).

Status of Litigation:

Stayed

Deadline to Remove:

30 days from receipt of initial pleading

Court and Case No:

State of California Dept. of Industrial Relations, Labor Commissioner's Office; WC-CM-389145

Full Caption:

Venkatarao Isola v. Tulare Regional Medical Center

Attorneys:

McCormick Barstow, Laura Wolfe

SCHEDULE 3.9(a)

PERMITTED REAL PROPERTY ENCUMBRANCES

1. A Deed of Trust recorded July 26, 1990, in which Borrower was the Trustor and the Beneficiary was George D. Lavers, in his separate property. This Deed of Trust was reconveyed to the George D. Lavers and Elizabeth J. Lavers Revocable Living Trust Agreement dated May 10, 1995 and recorded as Instrument No. 95-030974 in the Tulare County Recorder's Office. Borrower believes this Deed of Trust to have been fully satisfied.
2. A Deed of Trust recorded October 4, 1996, in which Borrower was the Trustor and the Beneficiary was Don A. Bravin and Elvira M. Bravin, as community property. This Deed of Trust was recorded as Instrument No. 96-071432 in the Tulare County Recorder's Office. Borrower believes this Deed of Trust to have been fully satisfied.
3. A Deed of Trust recorded October 19, 1989, in which Borrower was the Trustor and the Beneficiaries were Cyril Johnson and Kenneth A. Kuney (as Trustee of the Testamentary Trust created by the Will of Lucy Jane Johnson), recorded as Instrument No. 60289 in the Tulare County Recorder's Office. Borrower believes this Deed of Trust to have been fully satisfied.
4. Liens for unsecured property taxes by Tulare County for tax year 2016-2017, liens 20164040, 20164057 & 20164068, totalling \$10,746.56. Borrower believes these taxes have been cancelled, and the liens have been released.
5. The covenants, conditions, restrictions, and easements in a document recorded January 29, 1958 in Book 2034, Page 736 in the Tulare County Recorder's Office.
6. Memorandum of Lease related to Lease Agreement, by and between Borrower, as Lessor, and Adventist Health Tulare, as lessee, for the premises located at 869 N. Cherry Street, Tulare, CA 93724.

SCHEDULE 3.9(b)

LEASED REAL PROPERTY

Address

Lease Modification or Default

880 E. Merritt Ave., Suite 105& 106
Tulare, CA 93274

Borrower is currently negotiating an extension of the lease for the Mineral King Lab.

880 E. Merritt Ave., Suite 107
Tulare, CA 93274

The portion of the lease for Family X-Ray terminates on February 28, 2019, and is not being renewed.

398 South St.
Earlimart, CA 93218

The lease has expired, but Borrower remains in possession.

(ground lease only, building is owned by Borrower)

SCHEDULE 3.9(c)

REAL ESTATE LEASES

1. Commercial Lease, dated March 1, 2011, and Third Extension effective March 1, 2017 by and between Borrower, as lessee, and Heiskell Ranches, LP as lessor, for the premises located at 880 E. Merritt Avenue, Suites 107, Tulare, CA 93274. Doing business as Mineral King Laboratory.
2. Lease Agreement, by and between Borrower, as lessee, and Earlimart School District, as lessor, for the premises located at 398 South Street, Earlimart, CA 93218.
3. Lease Agreement, by and between Borrower, as lessor, and Tulare Hospital Foundation, as lessee, for the premises located at 906 Cherry Street, Tulare, CA 93724.
4. Lease Agreement, by and between Borrower, as lessor, and Department of Veterans Affairs, as lessee, for the premises located at 1050 Cherry Street, Tulare, CA 93724.
5. Lease Agreement, by and between Borrower, as lessor, and Top O' the Morn Farms, as lessee, for the premises located at 1421 E. Prosperity Street, Tulare, CA 93724.
6. Lease Agreement, by and between Borrower, as lessor, and Fugazzis Restaurance, as lessee, for the premises located at 1441 E. Prosperity Street, Tulare, CA 93724.
7. Lease Agreement, by and between Borrower, as lessor, and POSH "A World Class Boutique", as lessee, for the premises located at 1445 E. Prosperity Street, Tulare, CA 93724.
8. Lease Agreement, by and between Borrower, as lessor, and Revive Spa, as lessee, for the premises located at 1449 E. Prosperity Street, Tulare, CA 93724.
9. Lease Agreement, by and between Borrower, as Lessor, and Adventist Health Tulare, as lessee, for the premises located at 869 N. Cherry Street, Tulare, CA 93724.

SCHEDULE 3.10(c)

VIOLATIONS

None.

SCHEDULE 3.12

INSURANCE

Policy Description	Carrier/Policy Number	Effective Dates	Policy Limits	Premium
Hospital Professional & General Liability	BETA Risk Management Authority/HCL18361	07/01/18-07/01/19	\$ 10,000,000 Per Occurrence \$ 20,000,000 Aggregate DEDUCTIBLE \$ 100,000 Indemnity Only General Liability – Occurrence Professional Liability – Claims Made Premium Includes: Tail 7/1/1985 – 7/1/18	\$810,555
Auto Liability	BETA Risk Management Authority/AL18361	07/01/18-07/01/19	\$ 5,000,000 Per Accident-Combined Single Limit \$ 1,000,000 Sub-limit Uninsured/Underinsured \$ 5,000 Medical Payments DEDUCTIBLES: \$ 250 Comprehensive Deductible \$ 500 Collision Deductible	\$8,703

Directors & Officers Liability/ Employment Practices Liability	BETA Risk Management Authority/DO18361	07/01/18-07/01/19	<p>\$ 5,000,000 Each Claim & Aggregate -D&O/EPL</p> <p>DEDUCTIBLES:</p> <p>\$ 10,000 D&O Each Claim Including Defense Expenses (Coverage: B & C)</p> <p>\$ 100,000 EPL Each Claim Including Defense Expenses (Coverage: D)</p> <p>\$ 0 Each Claim (Coverage: A)</p> <p>\$ 0 Each Claim (Coverage: E)</p> <p>Retroactive Date: 7/1/1985</p>	\$145,672
Property	Affiliated FM Insurance Company/SX786	07/01/18-07/01/19	<p>\$218,609,238 Per Occurrence Limit</p> <p>PROPERTY-SUBLIMITS</p> <p>\$ Included Earthquake Sprinkler Leakage-Annual Aggregate</p> <p>\$ 85,000,000 Flood-Annual Aggregate</p> <p>\$ 2,500,000 Business Interruption Extra Expense</p> <p>DEDUCTIBLES:</p> <p>\$ 100,000 Flood (per occurrence for each location)</p> <p>\$ 10,000 Property Damage</p> <p>\$ 10,000 Business Interruption – Limit Element</p> <p>\$ 10,000 All Other Losses</p>	\$152,539
Fiduciary	Euclid Speciality/Hudson SFC31211224	10/12/18 – 10/12/19	<p>\$ 1,000,000 Each Fiduciary Claim</p> <p>\$ 1,000,000 Each Policy Period</p> <p>\$ 100,000 Voluntary Compliance Program Expenditures</p> <p>RETENTIONS:</p> <p>\$ 10,000 Fiduciary Liability Coverage</p> <p>Pending or Prior Proceeding Date: 10/12/2018</p>	\$5,000

Cyber Liability	NAS/Lloyds 1112107	10/12/18 – 10/12/19	\$ 3,000,000 Each Claim \$ 3,000,000 Each Policy Period \$ 1,000,000 Cyber Crime RETENTION: \$ 25,000 Unknown Prior Acts Coverage	\$22,047
Pollution	Navigators Specialty NY18ESP0BK6M5NC	10/12/18 – 10/12/19	\$ 2,000,000 Each Policy Period \$ 1,000,000 Each Incident	\$31,008 (3 Year Premium)
Workers' Compensation	BETA Risk Management Authority BETA WC52422018	07/01/18- 07/01/19	California: Statutory Employers Liability Insurance \$ 2,000,000 Bodily Injury by Accident – Each Accident \$ 2,000,000 Bodily Injury by Disease – Policy Limit \$ 2,000,000 Bodily Injury by Disease – Each Employee	\$439,328

SCHEDULE 3.14

COMPLIANCE WITH LAWS

Borrower has no knowledge that it is in violation of any Laws, including Healthcare Laws, based on its current operational status, as of the Effective Date.

The Hospital may have to conduct additional repairs and maintenance regarding the Hospital facility in order to comply with its obligations for its licenses and certifications, or otherwise applicable laws. The Hospital may have to obtain permits prior to undertaking some of the referenced repairs and maintenance in order to comply with applicable laws.

Borrower has no knowledge of any actual or alleged violation of the Safe Drinking Water and Toxic Enforcement Act (also known as "Proposition 65") by Borrower. However, while Borrower has posted some updated warning signs that are substantially consistent with the current Proposition 65 regulations, Borrower has not comprehensively updated its warning signs for exposure to specific carcinogens or reproductive toxins pursuant to the current Proposition 65 regulations.

SCHEDULE 3.16

OTHER OBLIGATIONS

The following are parties who have asserted various contractual or open book account obligations against Borrower. Obligations listed in the "Prior to Petition" category are, in whole or in part, subject to the Chapter 9 bankruptcy.¹

DEBT LISTING AS OF JANUARY 30, 2019			
Vendor/Claimant	Prior to 9/30/17	After 9/30/17	Grand Total
3M COMPANY	\$2,154.20		\$2,154.20
3M HEALTH INFORMATION SYSTEMS	\$83,036.19		\$83,036.19
A&M COMPRESSORS	\$2,479.27		\$2,479.27
ABBOTT NUTRITION, INC.	\$454.07	\$247.94	\$702.01
ABBOTT VASCULAR	\$5,040.00		\$5,040.00
ABBVIE US LLC	\$928.32		\$928.32
ABYRZ, INC.	\$1,800.00		\$1,800.00
ACCENT	\$2,080.24		\$2,080.24
ACCOUNTEMPS		\$4,302.65	\$4,302.65
ACCURATE BACKGROUND, LLC	\$3,447.63		\$3,447.63

¹ Some of the listed obligations are subject to dispute by Borrower or otherwise, including but not limited to the litigated disputes set forth in Schedule 3.5(b). Borrower's inclusion of an obligation to a creditor and amount on this schedule are not an admission that the asserted amounts of the alleged creditors, or the obligation as a whole, are valid or correct.

ACIST MEDICAL SYSTEMS, INC.	\$261.42		\$261.42
ADP		\$135.00	\$135.00
ADT SECURITY SERVICES	\$5.04		\$5.04
ADVANCED TRAVEL NURSING	\$37,103.90		\$37,103.90
ADVANTAGE RN, LLC & VEROSTAFF	\$70,851.46	\$14,251.48	\$85,102.94
AESCULAP A BBRAUN CO.	\$10,121.60		\$10,121.60
AETNA	\$801.84		\$801.84
AGILENT TECHNOLOGIES, INC.	\$2,445.99		\$2,445.99
AGUIRRE PRINTING & EMBROIDERY	\$47.53		\$47.53
AIR CONTROL BALANCING, INC.	\$15,120.00		\$15,120.00
AIR LIQUIDE HEALTHCARE	\$769.08		\$769.08
AIRGAS USA, LLC	\$3,781.76		\$3,781.76
ALCON LABORATORIES INC.	\$120,916.05		\$120,916.05
ALERE MEDICAL	\$287.03		\$287.03
ALIMED INC.	\$5,035.12	\$215.96	\$5,251.08
ALLIED RELIABILITY INC.	\$2,950.00		\$2,950.00
ALLIED STORAGE CONTAINERS INC.	\$227.32		\$227.32

ALLIED UNIVERSAL	\$244,493.43	\$4,609.92	\$249,103.35
ALTURA CENTERS FOR HEALTH	\$39,592.00		\$39,592.00
AMERICAN ACADEMY OF PEDIATRICS	\$413.58		\$413.58
AMERICAN AMBULANCE	\$4,316.39	\$312.17	\$4,628.56
AMERICAN CATHETER CORPORATION	\$2,486.67		\$2,486.67
AMERICAN INCORPORATED	\$50,054.13		\$50,054.13
AMERICAN INTERNATIONAL HEALTHCARE	\$21,000.00		\$21,000.00
AMERICAN MESSAGING	\$233.54	\$1,558.12	\$1,791.66
AMN HEALTHCARE, INC.	\$451,542.22	\$49,010.48	\$500,552.70
AMO SALES AND SERVICE INC.	\$8,096.00		\$8,096.00
AMPARAN FLOORING, INC.	\$18,125.25		\$18,125.25
AMS SALES CORPORATION	\$29,390.86		\$29,390.86
ANSELL SANDEL MEDICAL SOLUTIONS, LLC	\$561.04		\$561.04
ANTHEM BLUE CROSS	\$1,127.91		\$1,127.91
API HEALTHCARE CORPORATION	\$73,022.40	\$36,352.96	\$109,375.36
APOLINARIO, PATRICIA MD	\$14,107.50		\$14,107.50
APP PHARMACEUTICALS, LLC	\$141.44		\$141.44

APPLIED MEDICAL RESOURCES CORP	\$2,610.62		\$2,610.62
APPLIED STATISTICS & MANAGEMENT	\$23,720.00	\$12,400.00	\$36,120.00
ARCHITECTURAL WOOD DESIGN, INC.	\$30,173.00		\$30,173.00
ARJO, INC.	\$29,045.81	\$522.02	\$29,567.83
ARMSTRONG MEDICAL INDUSTRIES	\$2,927.35		\$2,927.35
ARNULFO, JAIME	\$120.00		\$120.00
ARROW INTERNATIONAL	\$1,470.04		\$1,470.04
ARTHREX INC.	\$34,066.48		\$34,066.48
ARTHROSURFACE, INC.	\$4,519.86		\$4,519.86
ASSURANT HEALTH	\$446.40		\$446.40
AT&T	\$11.93		\$11.93
AT&T ACCT #831-000-0573 705	\$1,184.60		\$1,184.60
AT&T #559 688-1564 867 2	\$760.84		\$760.84
AT&T CALNET 3	\$1,429.24	\$1,955.46	\$3,384.70
AT&T MOBILITY	\$505.71		\$505.71
ATALLA PEDIATRICS	\$11,415.56		\$11,415.56
AV NOW, INC.	\$658.94		\$658.94

AXCES INDUSTRIAL SUPPLY	\$150.85		\$150.85
AYA HEALTHCARE, INC.	\$30,539.44	\$5,890.88	\$36,430.32
B BRAUN MEDICAL INC.	\$2,483.73		\$2,483.73
BAKER & HOSTETLER, LLC	\$412,699.32	\$15,031.07	\$427,730.39
BAKER DISTRIBUTING COMPANY	\$1,513.36		\$1,513.36
BARD PERIPHERAL TECHNOLOGIES	\$887.40		\$887.40
BARSOUM, Y. WILLAM M.D., INC.	\$4,650.00	\$750.00	\$5,400.00
BAUSCH & LOMB SURGICAL	\$15,860.13		\$15,860.13
BAXTER HEALTHCARE CORP	\$3,639.81		\$3,639.81
BEAVER-VISITEC INTERNATIONAL	\$7,433.18		\$7,433.18
BECKMAN COULTER	\$15,049.44		\$15,049.44
BECTON DICKINSON	\$4,513.46		\$4,513.46
BELFOR USA FRESNO	\$149,144.46		\$149,144.46
BELTRAN, EDWARD	\$31.69		\$31.69
BETA (remaining policy for FY2019)	\$337,730.00		\$337,730.00
BETA HEALTHCARE GROUP		\$67,546.26	\$67,546.26
BETTY MILLS COMPANY, INC.	\$145.62		\$145.62

BHAJAL, SUKHVINDER	\$21,000.00		\$21,000.00
BIOMERIEUX INC.	\$9,515.86	\$1,404.64	\$10,920.50
BIOMET TRAUMA, LLC	\$4,081.05		\$4,081.05
BIO-RAD LABORATORIES	\$5,980.26		\$5,980.26
BIOTRONIK INC.	\$55,338.95		\$55,338.95
BKD, LLP	\$86,607.95	\$9,492.78	\$96,100.73
BLUE CROSS	\$33,390.61		\$33,390.61
BLUE CROSS OF CA	\$410.50		\$410.50
BLUE SHIELD	\$16,020.23		\$16,020.23
BLUE SHIELD OF CA	\$1,814.71		\$1,814.71
BLUE SHIELD OF CALIFORNIA	\$1,714.80		\$1,714.80
BLX GROUP LLC	\$7,000.00		\$7,000.00
BOARD OF EQUALIZATION		\$44,038.44	\$44,038.44
BOSTON SCIENTIFIC	\$82,250.41		\$82,250.41
BRACCO DIAGNOSTICS INC.	\$2,396.97	\$1,004.20	\$3,401.17
BULTMAN, LAURA	\$14,591.65		\$14,591.65
C&E WIRELESS REPAIR, LLC	\$120.10		\$120.10

C.R.BARD DAVOL/ACCESS	\$8,984.26		\$8,984.26
CABRERA, JUANITA	\$30,000.00		\$30,000.00
California Assoc of Hospitals	\$42,479.00		\$42,479.00
CALIFORNIA BOILER	\$13,339.28		\$13,339.28
CALIFORNIA ENDOSCOPY	\$21,808.00	\$4,695.00	\$26,503.00
CALIFORNIA IMAGING PARTNERS	\$27,318.50	\$8,482.00	\$35,800.50
CALIFORNIA MEDICAL RECORDS	\$4,780.73		\$4,780.73
CALLAHAN/HILVERS LANDSCAPE	\$7,518.83	\$1,165.00	\$8,683.83
CANTRELL DRUG COMPANY	\$6,397.36	\$1,633.50	\$8,030.86
CANZIO QUALITY ABSTRACTING SVC		\$640.00	\$640.00
CAPITOL DOOR SERVICE	\$5,351.48		\$5,351.48
CARDINAL HEALTH 200 LLC	\$68,873.38	\$3,292.39	\$72,165.77
CARDINAL HEALTH NUCL RX SVCS	\$43,446.35	\$340.90	\$43,787.25
CARDINAL HEALTH PHARMACY	\$9,121.63	\$14,242.25	\$23,363.88
CARDINAL HEALTH, ALARIS	\$3,412.01		\$3,412.01
CARDINAL HEALTH-PHARMACY SOLUTIONS	\$20,000.00		\$20,000.00
CAREFUSION	\$1,600.00		\$1,600.00

CAREFUSION 203 INC.	\$3,520.67		\$3,520.67
CAREFUSION 2200,V.MUELLER	\$61,900.49		\$61,900.49
CAREFUSION SOLUTIONS INC.	\$148,691.01	\$5,154.85	\$153,845.86
CBS OUTDOOR INVESTMENTS, INC.	\$2,662.75		\$2,662.75
CDW DIRECT LLC	\$10,202.45		\$10,202.45
CELTIC COMMERCIAL FINANCE	\$260,753.22	\$180,047.08	\$440,800.30
CENTRAL CALIFORNIA CARDIOVASCULAR	\$26,250.00	\$10,500.00	\$36,750.00
CENTRAL VALLEY BUSINESS FORMS	\$21,419.98		\$21,419.98
CENTRAL VALLEY IMAGING SUPPLIES	\$4,583.20		\$4,583.20
CENTURION MEDICAL PRODUCTS	\$502.28	\$797.80	\$1,300.08
CENTURY HEALTH STAFFING SERVICES, INC.	\$168,583.20	\$5,702.24	\$174,285.44
CERNER CORPORATION	\$2,182,479.33	\$1,133,472.70	\$3,315,952.03
CERNER HEALTH SERVICES, INC.	\$490,595.25		\$490,595.25
CERTIFIED MEDICAL TESTING	\$6,340.00		\$6,340.00
CHANNELFORD ASSOCIATES	\$2,617.45		\$2,617.45
CHANNELFORD ASSOCIATES	\$150,039.48		\$150,039.48
CHEMSCI TECHNOLOGIES, INC.	\$5,643.00		\$5,643.00

CHEN, WEI-TZUOH M.D., F.A.C.P.	\$1,050.00	\$450.00	\$1,500.00
CHW, LLP	\$12,500.00		\$12,500.00
CIGNA	\$1,382.17		\$1,382.17
CINE-MED, INC.	\$2,196.00		\$2,196.00
CIT	\$1,792.83	\$2,836.47	\$4,629.30
CITY OF TULARE	\$30,270.41		\$30,270.41
CITY OF TULARE - FINANCE DEPT.	\$900.00		\$900.00
CIVCO MEDICAL SOLUTIONS	\$1,028.38		\$1,028.38
CLARK, STEVE & ASSOCIATES, INC.	\$27,800.00	\$21,800.00	\$49,600.00
CLEAN AIR ESSENTIALS 797	\$1,000.90		\$1,000.90
COCA-COLA REFRESHMENTS USA, INC.	\$1,077.02		\$1,077.02
COHEN, STEVEN MD	\$18,270.00	\$26,456.71	\$44,726.71
COLLEGE OF AMERICAN PATHOLOGISTS	\$193.92	\$5,044.16	\$5,238.08
COLLINS, JERRIE	\$165.45		\$165.45
COLONIAL PENN	\$141.97		\$141.97
COLOPLAST	\$520.56	\$1,126.20	\$1,646.76
COMBINATORICS CONSULTING CO.	\$159,959.43	\$2,600.00	\$162,559.43

COMCAST INC.	\$4,389.31	\$3,486.99	\$7,876.30
COMED MEDICAL SPECIALTIES, LLC	\$4,155.14	\$739.84	\$4,894.98
COMPHEALTH	\$23,608.66		\$23,608.66
COMPLIANCeline, LLC	\$2,730.00		\$2,730.00
COMPRESSION THERAPY CONCEPTS	\$7,605.87		\$7,605.87
COMPUTER SYSTEMS ANALYSIS, INC.	\$1,500.00		\$1,500.00
CONIFER HEALTH SOLUTIONS	\$6,266.83		\$6,266.83
CONMED CORP	\$104,583.47		\$104,583.47
COOK MEDICAL INC.	\$11,060.58	\$3,438.48	\$14,499.06
COOPER SURGICAL	\$7,117.54		\$7,117.54
CORAZON INC.	\$41,576.76		\$41,576.76
COUNTY OF TULARE	\$149,338.26	\$169,680.17	\$319,018.43
COVIDIEN / MEDTRONIC	\$12,610.41		\$12,610.41
COZZINI BROS., INC.	\$110.00		\$110.00
CREAGER CONSULTING SERVICES, LLC	\$15,075.00		\$15,075.00
CRITTENDEN CREATIVE, INC.	\$3,300.00		\$3,300.00
CROTHALL LAUNDRY SERVICES, INC.	\$32,877.18		\$32,877.18

CROTHALL SERVICES GROUP INC.	\$693,758.27		\$693,758.27
CULLIGAN WATER CONDITIONING	\$13,042.55	\$5,351.44	\$18,393.99
CUMMINS WEST INC.	\$763.69		\$763.69
CURASCRIP SD	\$5,274.08	\$370.32	\$5,644.40
CYTO THERM L.P.	\$153.24	\$256.48	\$409.72
D.K. GOULDING FINANCIAL SERVICES		\$350.00	\$350.00
DAN FREITAS ELECTRIC, INC.	\$3,527.92	\$60.99	\$3,588.91
DANIEL BOKEN, MD	\$5,135.00	\$910.00	\$6,045.00
DATA SYSTEMS GROUP	\$43,695.00		\$43,695.00
DAVITA HC RENAL CARE INC.	\$244,625.51		\$244,625.51
DAVOL COMPANY	\$29,389.50		\$29,389.50
DCI DONOR SERVICES, INC.	\$3,320.00		\$3,320.00
DEAN L. JOHNSON, INC.	\$24,869.78		\$24,869.78
DEPARTMENT OF HEALTHCARE SERVICES	\$1,516.25		\$1,516.25
DEPARTMENT OF HOUSING & COMM.	\$37.00		\$37.00
DEPT. OF HEALTH CARE SERVICES		\$3,200.00	\$3,200.00
DEPT. PUBLIC HEALTH-RADIOLOGIC	\$638.00		\$638.00

DEPUY SYNTHES JOINT RESTORATION	\$52,367.28		\$52,367.28
DERREL'S MINI STORAGE INC.		\$1,361.00	\$1,361.00
DET NORSKE VERITAS HEALTHCARE	\$24,319.66		\$24,319.66
DIAGNOSTICA STAGO, INC.	\$21,082.46	\$7,903.33	\$28,985.79
DIETARY DIRECTIONS, INC.	\$1,842.50	\$67.00	\$1,909.50
DIRECT SUPPLY, INC.	\$165.61		\$165.61
DIRECTV	\$220.72		\$220.72
DISTRICT HOSPITAL LEADERSHIP	\$62,876.50	\$7,293.00	\$70,169.50
DMV (DEPT OF MOTOR VEHICLES)	\$4.00	\$631.00	\$635.00
DORNOCH MEDICAL SYSTEMS, INC.	\$7,941.16		\$7,941.16
DRAGER MEDICAL INC.	\$180,764.11	\$6,896.90	\$187,661.01
DUANE AMENT RADIOLOGY REPAIR		\$437.50	\$437.50
EARLIMART PUBLIC UTILITIES	\$313.81		\$313.81
HER (EXEC. HEALTH RESOURCES-OPTUM)	\$37,500.00	\$3,636.02	\$41,136.02
EHS MEDICAL GROUP	\$365.16		\$365.16
EIDE BAILLY LLP	\$75,189.00		\$75,189.00
EL SOHLY LABORATORIES, INC.	\$200.00	\$50.00	\$250.00

ELECTRO-CAP INTERNATIONAL, INC.	\$419.23		\$419.23
ELLEX INC. FORMERLY ISCIENCE	\$2,000.00		\$2,000.00
ELY AUTO PARTS, INC.	\$327.83		\$327.83
EMERALD HEALTH SERVICES	\$104,049.92	\$13,217.18	\$117,267.10
EMERGENCY GROUPS' OFFICE	\$39,580.00		\$39,580.00
EMPLOYMENT BACKGROUND INVESTIGATIONS	\$802.60		\$802.60
EMPLOYMENT DEVELOPMENT DEPT.	\$5,233.14		\$5,233.14
ENTABI, FATEH	\$43,850.00	\$12,900.00	\$56,750.00
ENTERPRISE RENT-A-CAR	\$10,258.15		\$10,258.15
ENV SERVICES INC.	\$4,716.22		\$4,716.22
EXPERIAN HEALTH, INC.	\$155,914.20		\$155,914.20
FAIRFIELD INN & SUITES	\$1,712.20		\$1,712.20
FARMERS INSURANCE	\$1,170.00		\$1,170.00
FCI OPHTHALMICS	\$995.00		\$995.00
FDA-MQSA PROGRAM	\$2,271.76	\$648.48	\$2,920.24
FEDERAL EXPRESS CORP	\$170.71		\$170.71
FENCE FACTORY	\$80.30	\$80.30	\$160.60

FENTON LAW GROUP, LLP	\$88,943.59		\$88,943.59
FIRE DOOR SOLUTIONS, LLC	\$11,815.02		\$11,815.02
FIRSTSOURCE SOLUTIONS USA	\$2,131,783.80		\$2,131,783.80
FISHER & PAYKEL HEALTHCARE, INC.	\$1,932.58		\$1,932.58
FISHER SCIENTIFIC COMPANY INC.	\$111,292.12	\$18,621.06	\$129,913.18
FITCH INC.	\$5,000.00		\$5,000.00
FIVESTONE PHYSICAL THERAPY INC.	\$2,605.00		\$2,605.00
FLEXCARE MEDICAL STAFFING	\$44,850.00		\$44,850.00
FOOD FOR ATHLETES, INC.	\$852.00		\$852.00
FOX INTERPRETING	\$3,712.50		\$3,712.50
FREEDOM MEDICAL, INC.	\$3,458.00	\$645.44	\$4,103.44
FUJIFILM MEDICAL SYSTEMS USA	\$92,424.57		\$92,424.57
FUSION MEDICAL STAFFING, LLC	\$117,824.61		\$117,824.61
GALLAGHER BASSETT	\$43,219.73		\$43,219.73
GAME READY	\$666.02		\$666.02
GARDA CL WEST, INC.	\$3,301.31	\$2,043.87	\$5,345.18
GE HEALTHCARE	\$15,054.22	\$3,235.00	\$18,289.22

GE HEALTHCARE- 131688	\$376,580.49		\$376,580.49
GE- HEALTHCARE EQUIPMENT FINANCE	\$74,855.00		\$74,855.00
GE HFS LLC	\$700,000.00		\$700,000.00
GE MEDICAL SYSTEMS INFORMATION	\$15,985.33		\$15,985.33
GELVEZ PEDIATRICS, PC	\$19,450.00	\$62,448.00	\$81,898.00
GENERAL HOSPITAL SUPPLY CORP	\$247.00		\$247.00
GENERAL WATER TECHNOLOGIES	\$889.73	\$444.86	\$1,334.59
GENETIC DISEASE BRANCH DHS	\$20,163.00	\$7,872.25	\$28,035.25
GETINGE/CASTLE	\$9,528.00		\$9,528.00
GETIXHEALTH, LLC	\$19,958.14		\$19,958.14
GHEYSAR, OMID	\$1,644.00		\$1,644.00
GIOTTO'S ALARM TECH, INC.	\$45.50		\$45.50
GLAUKOS CORPORATION	\$53,292.00		\$53,292.00
GLOBAL INDUSTRIAL	\$1,466.36	\$1,052.76	\$2,519.12
GONZALEZ ARCHITECTS	\$21,550.00		\$21,550.00
GRAHAM PREWETT, INC.	\$45,453.60		\$45,453.60
GRAINGER	\$16,667.93		\$16,667.93

GREELEY COMPANY, INC.	\$16,933.35		\$16,933.35
GREGORY CONSTRUCTION, INC.	\$16,315.75		\$16,315.75
GUPTA, VINOD MD	\$21,600.00	\$7,800.00	\$29,400.00
GUPTA-KUMAR MEDICAL PRACTICE	\$39,430.00	\$5,394.00	\$44,824.00
H+H SYSTEM, INC.	\$525.03		\$525.03
HALL AMBULANCE SERVICE, INC.	\$3,725.73		\$3,725.73
HAMMOND, JONATHAN	\$19.19		\$19.19
HAMPTON INN & SUITES - TULARE	\$13,983.60		\$13,983.60
HARDENBERGH GROUP, INC.	\$2,644.96	\$110.00	\$2,754.96
HARDY DIAGNOSTICS	\$1,378.56	\$1,174.06	\$2,552.62
HARRIS CONSTRUCTION CO., INC.	\$5,000.00	\$342,500.00	\$347,500.00
HAVEL'S INC.	\$602.00		\$602.00
HAZSOFT	\$2,120.75		\$2,120.75
HCCA/HEALTHCARE CONGLOMERATE ²	\$1,800,000.00		\$1,800,000.00
HD SUPPLY FACILITIES MAINTENANCE LTD	\$1,976.64	\$1,434.16	\$3,410.80
HEALTH ADVOCATES	\$1,305.78		\$1,305.78

² HCCA's claim has been separately settled, but the settlement has not yet been completed.

HEALTH CARE LOGISTICS	\$3,505.48		\$3,505.48
HEALTH NET	\$57,556.46		\$57,556.46
HEALTH NET MEDICAL	\$27.21		\$27.21
HEALTHMARK INDUSTRIES CO., INC.	\$516.36		\$516.36
HEALTHNET	\$54,437.68		\$54,437.68
HEALTHSCOPE, INC.	\$850.00		\$850.00
HEI CONSULTING, LLC	\$5,218.75	\$531.25	\$5,750.00
HEISKELL RANCHES		\$4,873.31	\$4,873.31
HELATH NET	\$575.44		\$575.44
HELMER SCIENTIFIC	\$79.83		\$79.83
HENRY SCHEIN, INC.	\$730.25	\$3,684.92	\$4,415.17
HFS CONSULTANTS	\$39,808.52		\$39,808.52
HOLLIDAY & ASSOCIATES		\$15,400.00	\$15,400.00
HOLOGIC	\$28,445.95		\$28,445.95
HORTICULTURE SOLUTIONS INC.	\$260.00		\$260.00
HOSPIRA WORLDWIDE INC.	\$79.88		\$79.88
HOYA SURGICAL OPTICS, INC.	\$10,080.00		\$10,080.00

HUMANA	\$7,431.45		\$7,431.45
HUMANA HEALTH	\$82,487.12		\$82,487.12
HUMANA HEALTH CARE	\$18,085.61		\$18,085.61
HUMANA HEALTH CARE PLANS	\$11,052.71		\$11,052.71
I2I SYSTEMS, INC.	\$82,022.54		\$82,022.54
IBM	\$94,000.00		\$94,000.00
IBM CORPORATION	\$383,350.80	\$244,198.08	\$627,548.88
IDENTICARD SYSTEMS	\$270.63		\$270.63
IDEXX LABORATORIES, INC.	\$2,056.07	\$498.83	\$2,554.90
IMAGETAG, INC.	\$680.22		\$680.22
IMMUCOR INC.	\$2,762.07	\$921.23	\$3,683.30
IMMUNALYSIS CORPORATION	\$22,878.64		\$22,878.64
IMPACT MODULAR LEASING, INC.	\$10,368.00		\$10,368.00
IMPRIMIS PHARMACEUTICALS	\$7,191.00	\$132.00	\$7,323.00
INDEPENDENCE MEDICAL GROUP	\$1,306.60		\$1,306.60
INFORAD INC.	\$210.00		\$210.00
INNERSPACE CORPORATION	\$16,868.82		\$16,868.82

INNOVATIVE MEDICAL PRODUCTS	\$1,887.91		\$1,887.91
INNOVATIVE OPHTHALMIC PRODUCTS	\$6,305.00		\$6,305.00
INSTANT STORAGE	\$54.87		\$54.87
INTEGRITY HEALTHCARE LOCUMS	\$182,108.35		\$182,108.35
INTUBRITE, LLC	\$1,145.54		\$1,145.54
IRON MOUNTAIN	\$577.69		\$577.69
ISOLA, VENKATARAO	\$122,579.00	\$12,092.00	\$134,671.00
J & J HEALTHCARE SYSTEMS INC.	\$156,184.90	\$1,388.90	\$157,573.80
JACK & JEFF TRANSFER CO	\$13,199.15		\$13,199.15
JACKSON & COKER		\$6,858.00	\$6,858.00
JATINDER CHOPRA, MD	\$39,729.00		\$39,729.00
JAVED, TARIQ MD	\$900.00	\$1,900.00	\$2,800.00
JOBTARGET	\$1,500.00		\$1,500.00
JOHNSON & ROUNDTREE	\$391.00		\$391.00
J'S COMMUNICATIONS, INC.	\$914.10		\$914.10
JWT & ASSOCIATES, LLP		\$11,800.00	\$11,800.00
K.A RECRUITING, INC.	\$8,472.00		\$8,472.00

KAISER CLAIMS RECOVERY, NCAL	\$1,013.23		\$1,013.23
KAISER PERMANENTE	\$3,960.25		\$3,960.25
KANG, YADWINDER	\$96,769.00		\$96,769.00
KARL STORZ ENDOSCOPY AMERICA	\$56,933.39	\$8,277.87	\$65,211.26
KATENA PRODUCTS INC.	\$5,553.74		\$5,553.74
KAWEAH DELTA HEALTH CARE DISTRICT	\$24,660.09		\$24,660.09
KCI USA INC.	\$3,281.55	\$3,011.08	\$6,292.63
KEDRION BIOPHARMA, INC.	\$2,163.74		\$2,163.74
KERMA MEDICAL PRODUCTS, INC.	\$2,938.27		\$2,938.27
KEY MEDICAL	\$331.19		\$331.19
KEY MEDICAL GROUP	\$12,579.77		\$12,579.77
KIM, EUNICE	\$642.68		\$642.68
KINGS/ TULARE HOMELESS ALLIANCE	\$400.00		\$400.00
KINGSBURG MEDICAL CENTER	\$19,177.15		\$19,177.15
KLUGER ARCHITECTS	\$20,332.00		\$20,332.00
KNIGHT MEDICAL & CONSULTING, LLC	\$5,195.00	\$1,830.00	\$7,025.00
KNIGHT'S SERVICES, INC.	\$204.48		\$204.48

KOLLEN, ROBERT MD	\$28,800.00	\$35,600.00	\$64,400.00
KUO, SAMUEL MD	\$6,630.00	\$1,430.00	\$8,060.00
LABORATORY CORP. OF AMERICA HOLDINGS	\$33,711.12	\$4,340.30	\$38,051.42
LAERDAL MEDICAL CORPORATION	\$1,246.19		\$1,246.19
LAMONT HANLEY ASSOCIATES INC.	\$2,127.20		\$2,127.20
LANDAUER INC.	\$642.09		\$642.09
LANGE PLUMBING SUPPLY INC.	\$197.44		\$197.44
LANGUAGE LINE SERVICES	\$3,878.07		\$3,878.07
LASALLE	\$1,697.14		\$1,697.14
LEAF	\$256.05	\$181.86	\$437.91
LERAMO, YVONNE MD	\$5,200.00		\$5,200.00
LETICIA YORK, SLP	\$1,260.00		\$1,260.00
LEVINSON ARSHONSKY KURTZ LLP	\$21,738.59		\$21,738.59
LEWIS, CRISTI	\$66,187.50	\$4,875.00	\$71,062.50
LIFECCELL CORPORATION	\$14,533.00		\$14,533.00
LIFENET HEALTH	\$2,435.00		\$2,435.00
LIFESTAR AMBULANCE	\$2,468.31		\$2,468.31

LINDER EQUIPMENT COMPANY	\$590.66		\$590.66
LOCUM TENENS.COM	\$367,131.56		\$367,131.56
LOGIX HEALTH	\$131,693.26		\$131,693.26
LOIS TICKLE CONSULTING	\$77,937.50	\$9,607.50	\$87,545.00
LOWE'S		\$1,163.72	\$1,163.72
LS MEDICAL STAFF SERVICES CONSULTING	\$9,900.00		\$9,900.00
MAINE STANDARDS COMPANY, LLC	\$1,102.96		\$1,102.96
MARKETLAB INC.	\$675.00	\$361.25	\$1,036.25
MARKS AUTO DETAIL & UPHOLSTERY	\$3,210.00		\$3,210.00
MARLIN LEASING CORPORATION	\$6,185.96	\$3,822.38	\$10,008.34
MARTIN, PERLA		\$131.02	\$131.02
MARTINEZ, MARC MD	\$19,200.00	\$19,090.00	\$38,290.00
MAXIM HEALTHCARE SERVICES, INC.	\$184,265.16		\$184,265.16
MB FINANCIAL (CELTIC LOAN)	\$500,000.00		\$500,000.00
MCKESSON HEALTH SOLUTIONS	\$26,587.21		\$26,587.21
MCKESSON TECHNOLOGIES	\$4,683.52		\$4,683.52
MED ONE CAPITAL FUNDING	\$61,764.00	\$207,248.00	\$269,012.00

MEDASSETS, INC.	\$139,970.27		\$139,970.27
MEDCOMP INC.	\$6,133.00		\$6,133.00
MEDFLOW, PC	\$420,000.00	\$20,000.00	\$440,000.00
MEDIBADGE, KIDS LOVE STICKERS	\$21.93		\$21.93
MEDICAL SOLUTIONS, LLC	\$142,509.83	\$36,316.45	\$178,826.28
MEDICUS SURGERY SERVICES, LLC		\$26,677.25	\$26,677.25
MEDI-DOSE, INC.	\$357.27		\$357.27
MEDI-NUCLEAR LLC	\$500.63		\$500.63
MEDIVATORS CORPORATION	\$1,495.29		\$1,495.29
MEDLEARN MEDIA	\$190.15		\$190.15
MEDLINE INDUSTRIES INC.	\$331,211.05	\$46,844.69	\$378,055.74
MEDRAD A BAYER COMPANY	\$3,890.52		\$3,890.52
MEDSPHERE SYSTEMS CORPORATION	\$1,416.50	\$416,558.31	\$417,974.81
MEDSUPPLY	\$2,396.48		\$2,396.48
MEDTOX LABORATORIES, INC.	\$2,754.75	\$4,664.19	\$7,418.94
MEDTRONIC USA INC.	\$7,926.28		\$7,926.28
MEMORIES UNLIMITED	\$1,000.83		\$1,000.83

MERIDIAN BIOSCIENCE CORP	\$2,176.91		\$2,176.91
MERRY X-RAY	\$6,117.36		\$6,117.36
METRO INDUSTRIES CORP	\$5,990.74		\$5,990.74
MICHAEL LAMPE, ATTORNEY AT LAW	\$87,500.00		\$87,500.00
MICROCORRE DIAGNOSTIC LAB	\$29,088.64	\$1,986.65	\$31,075.29
MICROSOFT CORPORATION	\$976.50		\$976.50
MIMEDX GROUP INC.	\$627.00		\$627.00
MINTZ LEVIN COHN FERRIS GLOVSKY & POPEO, PC	\$6,030.30		\$6,030.30
MISSION LINEN SUPPLY	\$12,638.95	\$8,968.35	\$21,607.30
MISSION OAK HIGH SCHOOL	\$180.00		\$180.00
MISSION UNIFORM SERVICE	\$924.35		\$924.35
MOBILE MINI, LLC		\$118.20	\$118.20
MOBILE MODULAR MANAGEMENT CORP	\$643.02		\$643.02
MONET MEDICAL, INC.	\$5,700.00		\$5,700.00
MONSTER WORLDWIDE, INC.	\$810.84		\$810.84
MORIA, INC.	\$620.38		\$620.38
MORRIS LEVIN & SON	\$982.01		\$982.01

MORRISON MANAGEMENT SPECIALIST	\$509,896.66		\$509,896.66
MRO CORPORATION	\$2,850.40		\$2,850.40
MSC 410834	\$787.38		\$787.38
MULTIMEDICAL SYSTEMS	\$2,500.00		\$2,500.00
MURPHY AUSTIN ADAMS SHOENFILD	\$267,793.06		\$267,793.06
MUSCULOSKELETAL TRANSPLANT FND	\$5,138.16		\$5,138.16
MVAP MEDICAL SUPPLIES	\$692.71		\$692.71
NASHVILLE SURGICAL INSTRUMENTS	\$1,360.00		\$1,360.00
NATIONAL RESEARCH CORPORATION	\$45,137.85		\$45,137.85
NAVIGANT	\$2,063,135.62		\$2,063,135.62
NEW WORLD MEDICAL	\$2,415.00		\$2,415.00
NFP RETIREMENT, INC.	\$9,317.40		\$9,317.40
NIGHTINGALE NURSES, LLC	\$18,837.00		\$18,837.00
NIHON KOHDEN AMERICA INC.	\$976.50		\$976.50
NITEL, INC.	\$837,374.27	\$55,400.46	\$892,774.73
NMS LABS	\$1,608.00		\$1,608.00
NOVA BIOMEDICAL CORPORATION		\$4,250.07	\$4,250.07

NSPIRE HEALTH, INC.	\$3,545.32	\$174.62	\$3,719.94
NTHRIVE, INC.	\$7,189.00		\$7,189.00
OCULAR THERAPEUTIX INC.	\$9,993.00		\$9,993.00
OFFICE DEPOT, INC.	\$17,617.69	\$714.60	\$18,332.29
OFFICE MAX CONTRACT INC.	\$5,548.61	\$983.03	\$6,531.64
OFFICE OF STATEWIDE HEALTH PLANNING & DEVELOPMENT	\$19,790.00	\$250.00	\$20,040.00
OLYMPUS AMERICA INC.	\$33,373.44		\$33,373.44
ON THE WALL, INC.	\$10,500.00		\$10,500.00
OPTIMEDICAL SYSTEMS, INC.		\$1,076.78	\$1,076.78
ORCHARD SOFTWARE CORPORATION		\$2,899.49	\$2,899.49
ORTHO-CLINICAL DIAGNOSTICS	\$9,958.76	\$20.75	\$9,979.51
OSTROM, RON DO		\$16,680.00	\$16,680.00
OWENS & MINOR DISTRIBUTING INC.	\$15,471.03	\$107.15	\$15,578.18
PACIFIC MEDICAL,INC...	\$90.32		\$90.32
PACIFICARE	\$5,179.59		\$5,179.59
PARAGARD DIRECT	\$5,616.40		\$5,616.40
PARTS SOURCE	\$3,418.00	\$1,464.42	\$4,882.42

PAYMENT RESOLUTION SERVICES	\$1,472.81		\$1,472.81
PEACE MEDICAL, INC.	\$2,051.55		\$2,051.55
PEDIATRIX MEDICAL GROUP OF CA	\$10,350.00	\$1,350.00	\$11,700.00
PENINSULA MESSENGER SVC OF CEN	\$12,578.89		\$12,578.89
PEOPLEREADY FLORIDA, INC.	\$4,300.47		\$4,300.47
PEPSI COLA	\$1,959.38	\$426.50	\$2,385.88
PERFORMANCE HEALTH/PATTERSON	\$13,063.94	\$1,253.95	\$14,317.89
PERKIN ELMER INSTRUMENTS LLC	\$13,148.00		\$13,148.00
PFIZER, INC.	\$1,942.70		\$1,942.70
PHARMEDIUM SERVICES LLC	\$7,933.64	\$5,252.73	\$13,186.37
PHILLIPS HEALTHCARE (RESPIRONIC)	\$29,517.10	\$281.58	\$29,798.68
PHILLIPS, RODNEY A.	\$5,200.00		\$5,200.00
PHOENIX HEALTH SYSTEMS, INC.	\$410,718.39	\$32,120.20	\$442,838.59
PMCS	\$524.37		\$524.37
PORTTRANSPORT-1, LLC	\$2,309.15		\$2,309.15
POSITIVE PROMOTIONS, INC.	\$1,732.37		\$1,732.37
POWER SYSTEMS	\$1,157.38		\$1,157.38

PRAXAIR DISTRIBUTION, INC.	\$798.93		\$798.93
PRECISION DYNAMICS CORP	\$6,954.86	\$400.73	\$7,355.59
PRESORT CENTER OF FRESNO, LLC	\$16,049.97		\$16,049.97
PRESS GANEY ASSOCIATES, INC.	\$14,544.08		\$14,544.08
PRONK TECHNOLOGIES, INC.	\$5,318.03		\$5,318.03
PUREWICK CORP.	\$1,665.25		\$1,665.25
QCM TECHNOLOGIES, INC.,	\$162,535.36		\$162,535.36
QUALITY ASSURANCE SERVICES, INC.	\$4,150.00		\$4,150.00
QUALITY POOL-ROMAN GOMEZ	\$2,142.21		\$2,142.21
QUALITY SYSTEMS INC.(NEXTGEN)	\$17,278.82		\$17,278.82
QUEST DIAGNOSTICS	\$63,719.06		\$63,719.06
QUINN RENTAL SERVICES	\$500.59		\$500.59
R & R TEXTILES	\$225.95		\$225.95
RAWLINGS COMPANY	\$778.67		\$778.67
RC MEDICAL INC.	\$819.62		\$819.62
READYTECH-GO, INC.	\$38,574.24		\$38,574.24
REED & DAVIDSON, LLP	\$476.00		\$476.00

RES COM PEST CONTROL	\$4,423.00		\$4,423.00
RESPONSE 1 MEDICAL STAFFING	\$33,737.55		\$33,737.55
REVENUE MASTERS, LLC	\$14,616.13		\$14,616.13
RINC.ON, RICARDO	\$15.00		\$15.00
RIOS, ENEIDA	\$17.11		\$17.11
RN NETWORK/ COMP HEALTH	\$17,099.89		\$17,099.89
ROCHE DIAGNOSTICS CORPORATION	\$179,253.28	\$3,444.72	\$182,698.00
ROCHE OIL INC.	\$841.76		\$841.76
ROTO ROOTER PLUMBERS	\$1,825.00		\$1,825.00
RUCKER, MYLENE	\$13,530.00	\$8,200.00	\$21,730.00
RUTHERFORD CO., INC.	\$35,988.60		\$35,988.60
SAFELITE FULFILLMENT, INC.	\$212.74		\$212.74
SALJOUGHY, TOGROL MD	\$9,800.00	\$1,300.00	\$11,100.00
SAN JOAQUIN CHEMICALS, INC.	\$6,525.00	\$1,450.00	\$7,975.00
SANDHU, HARPREET MD	\$25,600.00	\$12,700.00	\$38,300.00
SCENTAIR TECHNOLOGIES	\$1,030.56		\$1,030.56
SENSOSCIENTIFIC, INC.		\$599.62	\$599.62

SEQUOIA LEAGUE YOUTH FOOTBALL	\$140.00		\$140.00
SERVPRO OF VISALIA	\$7,825.67		\$7,825.67
SHAMROCK SCIENTIFIC SPECIALTY	\$96.45	\$96.45	\$192.90
SHARMA, SHASHI M.D. INC.	\$18,600.00		\$18,600.00
SHERIF, SALAH MD	\$18,240.00	\$4,560.00	\$22,800.00
SHRED-IT FRESNO	\$27,148.57	\$4,559.75	\$31,708.32
SIEMENS HEALTHCARE DIAGNOSTICS	\$11,305.59	\$1,639.67	\$12,945.26
SIEMENS MEDICAL SOLUTIONS	\$61,191.70	\$102,124.74	\$163,316.44
SIGHT SCIENCES, INC.	\$3,265.34		\$3,265.34
SIGMA-ALDRICH / SUPELCO	\$3,013.68		\$3,013.68
SIMPLEXGRINNELL	\$5,370.04		\$5,370.04
SINGH, TROY, MD	\$21,068.00	\$12,525.00	\$33,593.00
SMARTSIGN	\$447.57		\$447.57
SMITH & NEPHEW, INC.	\$10,030.83		\$10,030.83
SMITH, RON MD	\$21,600.00		\$21,600.00
SMITHS MEDICAL ASD INC.	\$4,011.50	\$718.37	\$4,729.87
SOULTS PUMP & EQUIPMENT CO.	\$90.00		\$90.00

SOUTHERN CALIFORNIA EDISON	\$425,590.73	\$694.58	\$426,285.31
SOUTHERN CALIFORNIA GAS CO	\$6,059.83	\$8,379.58	\$14,439.41
SPECIAL RESPIRATORY CARE, INC.	\$3,559.92		\$3,559.92
SPORTSMITH	\$1,612.85		\$1,612.85
STANTON WIZIX	\$5,500.28		\$5,500.28
STAPLES ADVANTAGE DEPT, SNA	\$51,968.23	\$6,559.85	\$58,528.08
STAR INSURANCE	\$536.00		\$536.00
STERICYCLE INC.	\$17,702.28	\$870.01	\$18,572.29
STERILIZER TECHNICAL SPECIALISTS	\$6,427.48		\$6,427.48
STERIS CORPORATION	\$4,029.94		\$4,029.94
STOP ALARM, INC.	\$420.00		\$420.00
STRYKER ENDOSCOPY	\$5,469.34		\$5,469.34
STRYKER INSTRUMENTS	\$3,289.60		\$3,289.60
STRYKER MEDICAL	\$11,427.42	\$20,950.27	\$32,377.69
STRYKER ORTHOPAEDICS	\$9,596.95		\$9,596.95
SUNALP LASER VISION	\$745.00		\$745.00
SUN-GAZETTE	\$729.00		\$729.00

SUNSET COMMUNICATIONS INC.	\$300.00	\$450.00	\$750.00
SUNSHINE RAISIN CORP DBA NAT'L RAISIN	\$76.69		\$76.69
SUPPLEMENTAL HEALTH CARE	\$32,260.98	\$16,642.80	\$48,903.78
SURDYKA, MD, INC., DAVID G.	\$55,000.00		\$55,000.00
SURGERY CONSULTANTS, INC.	\$15,473.43		\$15,473.43
SUTHERLIN, GARY L.		\$3,800.00	\$3,800.00
SUTTER WEST BAY HOSPITAL	\$81,098.00		\$81,098.00
SUTURE EXPRESS INC.	\$1,236.50		\$1,236.50
SYNTHES LTD	\$176,320.00		\$176,320.00
SYMEX AMERICA INC.	\$62,785.26	\$7,549.62	\$70,334.88
TALYST INC.	\$7,800.00		\$7,800.00
TAYLOR HOUSEMAN, INC.	\$175.50		\$175.50
TECAN US, INC.	\$1,241.45		\$1,241.45
TECHSCRIPT INC.	\$92,931.85	\$8,371.23	\$101,303.08
TELEPACIFIC COMMUNICATIONS	\$1,582.73	\$1,905.60	\$3,488.33
TELNET-RX	\$31,981.81	\$25,528.00	\$57,509.81
TENACORE HOLDINGS INC.	\$4,525.48		\$4,525.48

THAYAPRAN,NALLATHAMBY, M.D.INC.	\$21,600.00		\$21,600.00
THE CARY COMPANY	\$687.81		\$687.81
THE NEPHROLOGY GROUP, INC.	\$4,950.00	\$300.00	\$5,250.00
THE PHIA GROUP	\$2,975.94		\$2,975.94
THOMAS, MOHSEN MD	\$4,050.00	\$900.00	\$4,950.00
THYSSENKRUPP ELEVATOR	\$7,003.78		\$7,003.78
TIENKEN REALTY	\$1,875.00		\$1,875.00
TISSUE REGENIX WOUND CARE, INC.	\$4,445.00		\$4,445.00
TODD MACKEY	\$1,320.00		\$1,320.00
TOSHIBA AMERICA MEDICAL SYS	\$129,386.18		\$129,386.18
TOYOTA FINANCIAL SERVICES		\$2,530.88	\$2,530.88
TRACKSTAR PRINTING, INC.	\$1,718.79		\$1,718.79
TRACTMANAGER INC.	\$24,620.00		\$24,620.00
TRIAGE HEALTHCARE STAFFING		\$11,623.75	\$11,623.75
TRI-ANIM HEALTH SERVICES INC.	\$2,759.88	\$2,077.02	\$4,836.90
TRIWEST HEALTHCARE	\$10,229.75		\$10,229.75
TRUSTAFF TRAVEL NURSES, LLC	\$8,683.65	\$26,544.33	\$35,227.98

TRUVEN HEALTH ANALYTICS INC.	\$2,000.00		\$2,000.00
TSIG CONSULTING INC.	\$7,500.00		\$7,500.00
TULARE CHAMBER OF COMMERCE	\$800.00		\$800.00
TULARE CO. REGISTRARS OF VOTERS	\$132,622.08		\$132,622.08
TULARE COUNTY HEALTH AND	\$10,373.00	\$1,867.00	\$12,240.00
TULARE GLASS CO., INC.	\$1,138.86		\$1,138.86
TULARE HOSPITALIST GROUP	\$80,400.00	\$16,800.00	\$97,200.00
TULARE INDUSTRIAL CENTER, INC.	\$16,650.00		\$16,650.00
TULARE MEDICAL CENTER	\$4,929.81	\$1,697.90	\$6,627.71
TULARE NEWS, LLC (TULARE VOICE)	\$2,000.00		\$2,000.00
TULARE POOL SUPPLY	\$393.27		\$393.27
TULARE UNION HIGH SCHOOL	\$346.00		\$346.00
TULARE WESTERN HIGH SCHOOL	\$140.00		\$140.00
TULE TRASH COMPANY	\$869.40		\$869.40
UC BERKELEY DIGITAL HEALTH	\$3,298.00	\$680.00	\$3,978.00
UKATU, CHIDI, MD INC.	\$2,850.00	\$13,300.00	\$16,150.00
ULINE	\$134.59		\$134.59

ULTRALINQ HEALTHCARE SOLUTIONS	\$431.90	\$323.90	\$755.80
UNITED AD LABEL (MOORE WALLACE	\$542.39		\$542.39
UNITED HEALTHCARE	\$3,607.12		\$3,607.12
UNITED HEALTHCARE INSURANCE	\$801.00		\$801.00
UNITED HEALTHCARE INSURANCE CO	\$921.38		\$921.38
UNITED HEALTHCARE OF CALIFORNIA	\$345.00		\$345.00
UNITED HEALTHCARE SERVICES, INC.	\$112.52		\$112.52
UNITED HEALTHCARE SERVICES, INC.	\$631.20		\$631.20
UNITED PARCEL SERVICE	\$369.36		\$369.36
UNITED REFRIGERATION INC.	\$2,172.83	\$738.96	\$2,911.79
UNITED RENTALS	\$7,292.81	\$31,229.23	\$38,522.04
UNITED HEALTHCARE SERVICES, INC.	\$2,404.96		\$2,404.96
UNIVERSAL HOSPITAL SERVICES	\$26,215.93	\$1,847.02	\$28,062.95
US ENDOSCOPY A STERIS CO.	\$4,963.05	\$296.88	\$5,259.93
USOC MEDICAL	\$13,509.95		\$13,509.95
UTAK LABORATORIES, INC.	\$1,561.43		\$1,561.43
VALLEY CHILDRENS HEALTHCARE	\$4,100.00		\$4,100.00

VALLEY VOICE	\$1,111.00		\$1,111.00
VERATHON INC.	\$13,354.18		\$13,354.18
VERGE SOLUTIONS, LLC	\$22,514.00		\$22,514.00
VILLAGE LOCKSMITH	\$374.69		\$374.69
VISALIA CERAMIC TILE	\$6,650.00		\$6,650.00
VISALIA TIMES-DELTA #1089	\$4,699.00		\$4,699.00
VITA VIBE	\$459.85		\$459.85
WARNER, GREGORY MD	\$16,100.00	\$6,000.00	\$22,100.00
WAXIE SANITARY SUPPLY	\$9,958.99	\$6,147.71	\$16,106.70
WELCH ALLYN, INC.	\$978.72		\$978.72
WELL SKY-FORMERLY KINNSER SOFTWARE		\$6,340.00	\$6,340.00
WELLS FARGO FINANCIAL LEASING	\$1,176.65		\$1,176.65
WELLS FARGO VENDOR FIN SERV	\$59,961.11	\$20,382.62	\$80,343.73
WEST, MICHAEL	\$531.87		\$531.87
WEST-COM	\$910.83		\$910.83
WESTERN GROWERS	\$60.50		\$60.50
WILL TIESIERA FORD	\$4,450.04		\$4,450.04

WILLIAMS MEDICAL CO	\$2,049.50	\$1,207.20	\$3,256.70
WILMINGTON TRUST	13,650,000.00		\$13,650,000.00
WILMINGTON TRUST NATIONAL ASSO		\$934,363.07	\$934,363.07
WILSON OPHTHALMIC CORPORATION	\$588.00		\$588.00
WILSON, LISA	\$80.00		\$80.00
WIPFLI, LLP		\$2,226,305.13	\$2,226,305.13
WOLTERS KLUWER HEALTH	\$5,949.30	\$6,306.26	\$12,255.56
WOO, BRIAN MD	\$30,240.00		\$30,240.00
WRIGHT MEDICAL TECHNOLOGY	\$7,280.64	\$3,564.54	\$10,845.18
YANG, TOM MD, INC.	\$16,310.00	\$1,050.00	\$17,360.00
YOGA DIRECT	\$400.98		\$400.98
YOR PROTECTION	\$469.54		\$469.54
YOUR WATER BIRTH	\$105.00		\$105.00
ZIMMER US,INC.	\$48,783.01		\$48,783.01
ZOLL MEDICAL CORPORATION	\$8,486.94		\$8,486.94
ZOOM IMAGING SOLUTIONS, INC.	\$3,568.07	\$145.27	\$3,713.34

SCHEDULE 7.1(e)

EVENTS OF DEFAULT

Borrower is not aware of any defaults not included within the Chapter 9 Proceeding. Borrower incorporates Schedule 3.16 to the extent the alleged creditors listed therein are not listed in Schedule 3.5(a) or Schedule 3.5(b).

Any and all claims of each of Borrower's creditors, secured or unsecured, arising in whole or in part prior to the filing of the Chapter 9 Proceeding.

Any and all defaults in the payment or performance of any obligation under the terms of the following contracts:

1. Lease Between Tulare Local Healthcare District, As Landlord And Adventist Health Tulare, As Tenant
2. Debtor-In-Possession Credit Agreement by and Between Tulare Local Healthcare District and Adventist Health Tulare

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

NAME GRISWOLD LASALLE
ATTN: MARIO U. ZAMORA.
ADDRESS 111 EAST SEVENTH STREET
CITY HANFORD
STATE & ZIP CALIFORNIA 93230

SHORT FORM DEED OF TRUST AND ASSIGNMENT OF RENTS

This Deed of Trust, made this 8th day of February, 2019, between

TULARE LOCAL HEALTHCARE DISTRICT, a local health care district of the State of California, herein called Trustor, whose address is 1255 N. Cherry #536, Tulare, California 93274,

STEWART TITLE OF CALIFORNIA, INC., a California Corporation, herein called Trustee, and

CITY OF TULARE, CALIFORNIA, a California incorporated city whose address is 411 East Kern Avenue, Tulare, California 93724.

Witnesseth: That Trustor **IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE**, that property in Tulare County, California, described as:

SEE EXHIBIT A ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE (the "Property")

TOGETHER WITH the rents, issues and profits thereof, SUBJECT, HOWEVER, to the right, power and authority given to and conferred upon Beneficiary by paragraph (10) of the provisions incorporated herein by reference to collect and apply such rents, issues and profits.

For the Purpose of Securing: 1. Performance of each agreement of Trustor incorporated by reference or contained herein. 2. Payment of the indebtedness evidenced by that certain Debtor-in-Possession Credit Agreement of even date herewith made by and between Trustor and Beneficiary (as it may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), in the maximum principal sum of \$9,000,000. 3. Prompt and complete payment and performance of the Obligations (as defined in the Credit Agreement) when due (whether at stated maturity, by acceleration or otherwise) 4. Payment of such further sums as the then record owner of said Property may borrow from Beneficiary, when evidenced by another note (or notes) or other instrument reciting it is so secured.

To Protect the Security of This Deed of Trust, Trustor Agrees: By the execution and delivery of this Deed of Trust and the note secured hereby, that provisions (1) to (14), inclusive, of the fictitious deed of trust recorded in Santa Barbara County and Sonoma County October 18, 1961 and in all other counties October 23, 1961, in the book and at the page of Official Records in the office of the county recorder of the county where said Property is located, noted below opposite the name of such county, viz.:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	435	684	Imperial	1091	501	Modoc	184	851	San Francisco	A332	905
Alpine	1	250	Inyo	147	598	Mono	52	429	San Joaquin	2470311	
Amador	104	348	Kern	3427	60	Monterey	2194	538	San Luis Obispo	115112	Sutter
Butte	1145	1	Kings	792	833	Napa	639	86	San Mateo	4078420	Tehama
Calaveras	145	152	Lake	362	39	Nevada	305	320	Santa Barbara	1878860	Trinity
Colusa	296	617	Lassen	171	471	Orange	5889	611	Santa Clara	5336341	Tulare
Contra Costa	3978	47	Los Angeles	T2055	899	Placer	895	301	Santa Cruz	1431494	Tuolumne
Del Norte	78	414	Madera	810	170	Plumas	151	5	Shasta	684	528
El Dorado	568	456	Marin	1508	339	Riverside	3005	523	San Diego	Series 2 Book 1961, Page 183887	
Fresno	4626	572	Mariposa	77	292	Sacramento	4331	62	Sierra	29	335
Glenn	422	184	Mendocino	579	530	San Benito	271	383	Siskiyou	468	181
Humboldt	657	527	Merced	1547	538	San Bernardino	5567	61	Solano	1105182	Yuba
										653	245
										334	486

(which provisions, identical in all counties, are printed on the reverse hereof) hereby are adopted and incorporated herein and made a part hereof as fully as though set forth herein at length (the "Incorporated Provisions"); that Trustor will observe and perform said provisions; and that the references to property, obligations, and parties in said provisions shall be construed to refer to the property, obligations, and parties set forth in this Deed of Trust.

The Addendum attached hereto (and incorporated by this reference herein) contains other terms and conditions of this Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to Trustor at Trustor's address hereinbefore set forth.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Trustor has caused this Deed of Trust to be executed as of the day and year first written above.

TRUSTOR:

TULARE LOCAL HEALTHCARE DISTRICT,
a local health care district of the State of California

By: _____
Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

CALIFORNIA ACKNOWLEDGEMENT

STATE OF CALIFORNIA } ss:
COUNTY OF _____

On _____, before me, _____, a
Notary Public, personally appeared _____,
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 _____

(Seal)

**Addendum to Short Form Deed of Trust and Assignment of Rents
from
Tulare Local Healthcare District
for the benefit of
City of Tulare, California**

(15) Notwithstanding anything in Incorporated Provision paragraph (10) or otherwise in this Deed of Trust to the contrary, Beneficiary shall not have the rights described in such paragraph with respect to the collection of rents, issues and profits following the occurrence of a default by Trustor unless and until Beneficiary shall have sold, or caused to be sold, the Property in accordance with Incorporated Provision paragraph (11).

Exhibit A
to Short Form Deed of Trust and Assignment of Rents
from
Tulare Local Healthcare District
for the benefit of
City of Tulare, California

Legal Description of the Property

Evolutions Property

PARCEL 1 OF PARCEL MAP NO. 4531, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED AUGUST 23, 2002 IN BOOK 46, PAGE 36 OF PARCEL MAPS, TULARE COUNTY RECORDS.

EXCEPTING THEREFROM AN UNDIVIDED ONE-HALF OF ALL THE MINERALS, GAS, OILS, PETROLEUM, NAPHTHA AND OTHER HYDROCARBON SUBSTANCES IN, ON OR UNDER SAID LAND, TOGETHER WITH ALL RIGHTS INCIDENTAL TO THE DEVELOPMENT OF SAME, AS EXCEPTED IN THE DEED FROM SECURITY-FIRST NATIONAL BANK OF LOS ANGELES, A NATIONAL BANKING ASSOCIATION, TO C. E. SWEARINGEN AND CLARA B. SWEARINGEN, HUSBAND AND WIFE, DATED SEPTEMBER 29, 1936, RECORDED NOVEMBER 30, 1936 IN BOOK 704, PAGE 316 OF OFFICIAL RECORDS AND THE REMAINDER OF PARCEL MAP 4531 IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED AUGUST 23, 2002 IN BOOK 46, PAGE 36 OF PARCEL MAPS, TULARE COUNTY RECORDS (APN 171-300-016).

APN: 171-300-015

Cottages Property

PARCEL 1:

THAT PORTION OF THE EAST HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2; THENCE NORTH 0° 05' 45" WEST ALONG THE EAST LINE OF THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2, A DISTANCE OF 449.94 FEET, MORE OR LESS, TO A POINT ON THE EASTERLY EXTENSION OF THE NORTH LINE OF THE MOUNTAIN VIEW TRACT, AS PER MAP RECORDED IN VOLUME 21, PAGE 64 OF MAPS, TULARE COUNTY RECORDS; THENCE SOUTH 88° 54' 45" WEST ALONG THE EASTERLY EXTENSION OF SAID NORTH LINE, 125 FEET TO THE TRUE POINT OF BEGINNING; SAID POINT ALSO BEING THE SOUTHWEST CORNER OF THE LAND CONVEYED TO CYRIL H. JOHNSON AND LUCY JANE JOHNSON, HIS WIFE, BY DEED DATED JULY 22, 1954, RECORDED IN BOOK 1773, PAGE 332 OFFICIAL RECORDS; THENCE NORTH 0° 05' 45" WEST ALONG THE WEST LINE OF THE LAND SO CONVEYED, 180 FEET TO THE NORTHWEST CORNER THEREOF; THENCE WESTERLY ALONG THE WESTERLY EXTENSION OF THE NORTH LINE OF THE LAND SO CONVEYED, 68 FEET; THENCE SOUTH 0° 05' 45" EAST, 180 FEET, MORE OR LESS, TO THE NORTH LINE OF SAID MOUNTAIN VIEW TRACT; THENCE EAST ALONG SAID NORTH LINE, 68 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THAT PORTION OF PARCEL B OF RESOLUTION NO. 09-22 VACATING A PORTION OF TERRACE AVENUE LYING ADJACENT TO SAID PARCEL ON THE SOUTH, RECORDED APRIL 14, 2009, AS INSTRUMENT NO. 2009-0021887, OF OFFICIAL RECORDS.

APN: 170-092-003

(Appurtenant Easement)

EASEMENTS OVER THAT PORTION OF THE EAST HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST MOUNT DIABLO BASE AND

MERIDIAN, IN THE COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHERE A STAKE IS DRIVEN 5 CHAINS EAST OF THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2; THENCE RUNNING EASTERLY 5 CHAINS; THENCE NORTHERLY 450 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTHERLY 210 FEET TO A POINT; THENCE WESTERLY 125 FEET; THENCE SOUTHERLY PARALLEL TO THE FIRST COURSE OF THE LAND BEING DESCRIBED 210 FEET; THENCE EAST 125 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTH 30 FEET THEREOF, AS FOLLOWS:

- A) A NON-EXCLUSIVE EASEMENT FOR ROAD PURPOSES 18 FEET WIDE, THE CENTER LINE OF WHICH BEGINS AT A POINT ON THE LAST LINE OF THE LAST DESCRIBED REAL PROPERTY, 31 FEET NORTH OF THE SOUTHEAST CORNER THEREOF; THENCE RUNNING WESTERLY AND PARALLEL TO THE SOUTH LINE OF SAID LAST DESCRIBED REAL PROPERTY TO THE WESTERLY LINE THEREOF.
- B) A NON-EXCLUSIVE EASEMENT FOR A WALKWAY 4 FEET WIDE, THE CENTER LINE OF WHICH BEGINS AT A POINT ON THE EAST LINE OF THE LAST DESCRIBED REAL PROPERTY, 46 FEET SOUTH OF THE NORTHEAST CORNER THEREOF; THENCE RUNNING WESTERLY TO THE WESTERLY LINE OF THE LAST DESCRIBED REAL PROPERTY.
- C) A NON-EXCLUSIVE EASEMENT OVER THE NORTH 3 FEET OF THE LAST DESCRIBED REAL PROPERTY FOR A SEWER LINE AND FOR A WATER LINE.

PARCEL 2:

THAT PORTION OF THE EAST HALF OF THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT WHERE A STAKE IS DRIVEN 5 CHAINS EAST OF THE SOUTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2; THENCE RUNNING EASTERLY 5 CHAINS; THENCE NORTHERLY, 450 FEET TO THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTHERLY, 210 FEET TO A POINT; THENCE WESTERLY, 125 FEET; THENCE SOUTHERLY, PARALLEL TO THE FIRST COURSE OF THE LAND BEING DESCRIBED, 210 FEET; THENCE EAST, 125 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTH 30 FEET THEREOF.

TOGETHER WITH THAT PORTION OF PARCEL B OF RESOLUTION NO. 09-22 VACATING A PORTION OF TERRACE AVENUE LYING ADJACENT TO SAID PARCEL ON THE SOUTH, RECORDED APRIL 14, 2009, AS INSTRUMENT NO. 2009-0021887, OF OFFICIAL RECORDS.

APN: 170-092-004

PARCEL 3:

THE SOUTH 72 FEET OF LOT 2 OF TERRACE GARDEN SUBDIVISION, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 21, PAGE 95 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-072-020 (PORTION)

PARCEL 4:

LOTS 3 AND 4 OF TERRACE GARDEN SUBDIVISION, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 21, PAGE 95 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-072-020 (PORTION)

PARCEL 5:

LOT 2 OF TERRACE GARDEN SUBDIVISION, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 21, PAGE 95 OF MAPS, TULARE COUNTY RECORDS.

EXCEPTING THEREFROM THE NORTHERLY 10 FEET THEREOF.

ALSO EXCEPTING THE SOUTH 72 FEET THEREOF.

APN: 170-072-020 (PORTION)

PARCEL 6:

LOT 7 OF CHERRY PARK ESTATES, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 23, PAGE 94 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-322-034 (PORTION)

PARCEL 7:

LOT 5 OF CHERRY PARK ESTATES, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 23, PAGE 94 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-322-034 (PORTION)

PARCEL 8:

LOT 1 AND THE NORTHERLY 10 FEET OF LOT 2 OF TERRACE GARDEN SUBDIVISION, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 21, PAGE 95 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-072-002

PARCEL 9:

LOTS 2 AND 3 AND A PORTION OF LOT 4 OF TULARE MEDICAL CENTER UNIT NO. 2, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 35, PAGE 28 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-340-038

PARCEL 10:

LOT 8 OF CHERRY PARK ESTATES, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 23, PAGE 94 OF MAPS, TULARE COUNTY RECORDS.

APN: 170-322-020

LEASE

BETWEEN

TULARE LOCAL HEALTHCARE DISTRICT, as Landlord

AND

ADVENTIST HEALTH TULARE, as Tenant

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LEASE

This **LEASE** (the "Lease") is made and entered into as of _____, 201[8/9], between **TULARE LOCAL HEALTHCARE DISTRICT**, a California health care district (the "District" and, in its capacity as landlord under this Lease, "Landlord"), and **ADVENTIST HEALTH TULARE**, a California nonprofit religious corporation ("Tenant"), a wholly owned subsidiary of Adventist Health System/West, a California nonprofit religious corporation doing business as Adventist Health ("AH").

WITNESSETH:

WHEREAS, Landlord owns the following real property (collectively, the "Premises"): (a) the land described in **Exhibit A** (the "Land"); (b) all buildings, structures, and other improvements and appurtenances located on the Land or otherwise constituting part of the Premises (the "Improvements"), which Improvements include the Building and, when completed with all Approvals secured, the Tower; (c) all right, title, and interest of Landlord, if any, in and to the land lying in the bed of any street or highway in front of or adjoining the Land to the center line of such street or highway; (d) the appurtenances and all the estate and rights of Landlord in and to the Land; (e) any strips or gores adjoining the Land; and (f) all Building Equipment attached or appurtenant to any of the foregoing;

WHEREAS, Landlord desires to lease the Premises to Tenant, and Tenant desires to lease the Premises from Landlord; and

WHEREAS, the parties desire to enter into this Lease to set forth their rights and obligations to each other relating to the Premises;

NOW, THEREFORE, for good and valuable consideration, Landlord leases and demises the Premises to Tenant, and Tenant takes and hires the Premises from Landlord for the Term, upon the terms and conditions of this Lease.

1. Definitions

. Capitalized terms used but not defined in this Lease shall have the meaning ascribed in the Asset Purchase Agreement (as hereinafter defined).

The following definitions apply in this Lease:

"Additional Rent" means all sums that this Lease requires Tenant to pay Landlord, whether or not expressly called Additional Rent, except Fixed Rent.

"Affiliate" of any specified Person means any other Person Controlling or Controlled by or under common Control with such specified Person. "Affiliated" shall have the correlative meaning.

"AH" has the meaning set forth in the opening paragraph of this Lease.

“Application” means any agreement, application, certificate, document, or submission (or amendment of any of the foregoing): (a) necessary or appropriate for any Construction this Lease allows, including any application for any building permit, certificate of occupancy, utility service or hookup, easement, covenant, condition, restriction, subdivision plat, or such other instrument as Tenant may from time to time reasonably request for such Construction; (b) to allow Tenant to obtain any abatement, deferral, or other benefit otherwise available for Real Estate Taxes; (c) if and to the extent (if any) this Lease permits, to allow Tenant to change the use or zoning of the Premises; (d) to enable Tenant from time to time to seek any Approval or to use and operate the Premises in accordance with this Lease; or (e) otherwise reasonably necessary and appropriate to permit Tenant to realize the benefits of the Premises under this Lease.

“Approvals” means any and all licenses, permits (including building, demolition, alteration, use, and special permits), approvals, consents, certificates (including certificate(s) of occupancy), rulings, variances, authorizations, or amendments to any of the foregoing as shall be necessary or appropriate under any Law for the commencement, performance, or completion of any Construction, or the zoning, rezoning (to the extent this Lease allows), use, occupancy, maintenance, or operation of the Premises.

“Asset Purchase Agreement” has the meaning set forth in Section 3.4.

“Automatic Extension” and “Automatic Extensions” have the meaning set forth in Section 2.2 of this Lease.

“Bankruptcy Law” means Title 11, United States Code, and any other or successor state or federal statute relating to assignment for the benefit of creditors, appointment of a receiver or trustee, bankruptcy, composition, insolvency, moratorium, reorganization, or similar matters.

“Bankruptcy Proceeding” means any proceeding, whether voluntary or involuntary, under any Bankruptcy Law.

“Bankruptcy Sale” means a sale of any property, or any interest in any property, under 11 U.S.C. §363 or otherwise in any Bankruptcy Proceeding affecting the owner of such property.

“Building” means all occupiable Improvements located or to be located on the Premises from time to time.

“Building Equipment” means all fixtures incorporated in the Premises and used, useful, or necessary to operate the Building as such (including boilers; compactors; compressors; conduits; ducts; elevators; escalators; heating, ventilating and air conditioning systems; and pipes) as opposed to operating any particular business in the Building.

“Business Day” means any weekday on which State-chartered banks are open to conduct regular banking business with bank personnel.

“Casualty” means any damage or destruction of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, affecting any or all Improvements, whether or not insured or insurable.

“Casualty Termination” means a termination of this Lease because of a Substantial Casualty, when and as this Lease expressly allows such a termination.

“Chapter 9 Proceeding” means bankruptcy case no. 17-13797 commenced by Landlord on September 30, 2017 as debtor under chapter 9 of the Bankruptcy Law and currently pending in the United States Bankruptcy Court for the Eastern District of California, Fresno Division (the “Bankruptcy Court”).

“Commencement Date” means the date Tenant commences operation of the Hospital under its own general acute care hospital license as issued by the California Department of Public Health (“CDPH”) pursuant to CDPH’s approval of Tenant’s general acute care hospital license change of ownership application.

“Condemnation” means: (a) any temporary or permanent taking of (or of the right to use or occupy) any Premises by condemnation, eminent domain, or any similar proceeding; or (b) any action by any Government not resulting in an actual transfer of an interest in (or of the right to use or occupy) any Premises but creating a right to compensation, such as a change in grade of any street upon which the Premises abut.

“Condemnation Award” means any award(s) paid or payable (whether or not in a separate award) to either party after the Commencement Date because of or as compensation for any Condemnation, including: (1) any award made for any Improvements that are the subject of the Condemnation; (2) the full amount paid or payable by the condemning authority for the estate that is the subject of the Condemnation, as determined in Condemnation; (3) any interest on such award; and (4) any other sums payable on account of such Condemnation, including for any prepayment premium under any Mortgage.

“Condemnation Effective Date” means, for any Condemnation, the first date when the condemning authority has acquired title to or possession of any Premises subject to the Condemnation.

“Construction” means any alteration, construction, demolition, development, expansion, reconstruction, redevelopment, repair, Restoration, or other work affecting any Improvements, including new construction.

“Construction Threshold” means, during the initial Lease Year, Two Hundred Fifty Thousand Dollars (\$250,000) and, for each subsequent Lease Year, shall mean the product of (x) the Construction Threshold for the immediately preceding Lease Year multiplied by (y) the quotient of (i) the CPI for the month preceding by two months the first month of the then-current Lease Year divided by (ii) the CPI for the month preceding by two months the first month of the immediately preceding Lease Year.

“Contest” shall have the meaning set forth in Section 12.1.

“Contest Conditions” shall have the meaning set forth in Section 12.1.

“Contest Security” shall have the meaning set forth in Section 12.1.1.

“Control” means the possession, directly or indirectly, of either: (a) at least 51% direct or indirect ownership of the Equity Interests of a Person; or (b) the power to direct or cause the direction of the management and policies of such Person, whether by ownership of Equity Interests, by contract, or otherwise.

“County” means the county where the Premises are located.

“CPI” means the United States Department of Labor, Bureau of Labor Statistics “Consumer Price Index” for All Urban Consumers published for San Francisco-Oakland-San Jose, California, with a base of 1982-1984 = 100. If the CPI ceases to be published, with no successor index, then the parties shall reasonably agree upon a reasonable substitute index.

“CPI Adjustment Factor” means, for any Lease Year, the lesser of (a) 1.03 and (b) quotient of (i) the CPI for the month preceding by two months the first month of such Lease Year divided by (ii) the CPI for the month preceding by two months the first month of the immediately preceding Lease Year (solely by way of example and for the avoidance of doubt, if the first month of the second Lease Year were June 2020 then the CPI Adjustment Factor for the second Lease Year would be the lesser of (a) 1.03 and (b) the quotient of the CPI for April 2020 divided by the CPI for April 2019).

“Default” means Tenant’s uncured default or breach under this Lease. A Default may consist of a Monetary Default or a Nonmonetary Default.

“Default Interest” means interest at an annual rate equal to the lesser of: (a) the Prime Rate plus two percent (2%) per annum; or (b) the Usury Limit.

“District” has the meaning set forth in the opening paragraph of this Lease.

“Environmental Law” means any Law about the following at, in, under, above, or upon the Premises: (a) air, environmental, ground water, or soil conditions; or (b) clean-up, control, disposal, generation, storage, release, transportation, or use of, or liability or standards of conduct concerning, Hazardous Substances.

“Equipment Lien” means any security interest, financing lease, personal property lien, conditional sales agreement, chattel mortgage, security agreement, title retention arrangement or any similar arrangement (including any related financing statement) for Tenant’s acquisition or leasing of any Financed FF&E used in the Premises that is leased, purchased under conditional sale or installment sale arrangements, encumbered by a security interest, or used under a license, provided that each Equipment Lien encumbers or otherwise relates only to the Financed FF&E for which such secured party provides bona fide purchase-money financing or a bona fide equipment lease, after the Commencement Date. A Leasehold Mortgage is not an Equipment Lien.

“Equity Interest” means all or any part of any direct or indirect equity or ownership interest(s) (whether stock, partnership interest, beneficial interest in a trust, membership interest,

or other interest of an ownership or equity nature) in any entity at any tier of ownership that directly or indirectly owns or holds any ownership or equity interest in a Person.

“Estoppel Certificate” means a statement setting forth, as of the date of such statement, (a) the documents comprising this Lease, (b) whether or not any Defaults exist under this Lease, (c) the Fixed Rent and (d) whether any Fixed Rent has been prepaid for more than one (1) month in advance.

“Event of Default” has the meaning set forth in Section 21.1.

“Expiration Date” means the date when this Lease terminates or expires in accordance with its terms or otherwise, whether on the Scheduled Expiration Date, by Landlord’s exercise of remedies for an Event of Default, by Tenant’s exercise of its termination right or otherwise.

“Fee Estate” means Landlord’s fee estate in the Premises, including Landlord’s reversionary interest in the Premises after the Expiration Date.

“Fee Mortgage” means any Mortgage that encumbers all or part of the Fee Estate.

“FF&E” means all movable furniture, furnishings, equipment, and personal property (excluding Building Equipment) that may be removed without material damage to the Premises and without adversely affecting: (a) the structural integrity of the Premises; (b) any electrical, plumbing, mechanical, or other system in the Premises; (c) the present or future operation of any such system; or (d) the present or future provision of any utility service to the Premises. FF&E includes items such as hospital equipment, furniture, movable equipment, telephone, telecommunications and facsimile transmission equipment, point of sale equipment, televisions, radios, network racks, and computer systems and peripherals.

“Financed FF&E” means any FF&E subject to an Equipment Lien in favor of a lessor or lender that: (a) is not an Affiliate of Tenant, and (b) actually provides bona fide financing or a bona fide equipment lease after the Commencement Date for Tenant’s acquisition or use of such FF&E.

“Fixed Rent” has the meaning set forth in Section 3.1.

“Government” means each and every governmental agency, authority, bureau, department, quasi-governmental body, or other entity or instrumentality having or claiming jurisdiction over the Premises (or any activity this Lease allows), including the United States federal government, the State and County governments and their subdivisions and municipalities, and all other applicable governmental agencies, authorities, and subdivisions thereof. “Government” shall also include any planning commission, board of standards and appeals, department of buildings, city council, zoning board of appeals, or planning board or commission having or claiming jurisdiction over the Premises or any activities on or at the Premises.

“Guaranty” means that certain Guaranty of Lease, dated as of the date hereof, made by AH as guarantor for the benefit of Landlord, guarantying Tenant’s obligations under this Lease.

“Hazardous Substances” includes flammable substances, explosives, radioactive materials, asbestos, asbestos-containing materials, polychlorinated biphenyls, chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes, medical wastes, toxic substances or related materials, explosives, petroleum and petroleum products, and any “hazardous” or “toxic” material, substance or waste that is defined by those or similar terms or is regulated as such under any Law, including any material, substance or waste that is: (i) defined as a “hazardous substance” under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317), as amended; (ii) defined as a “hazardous waste” under Section 1004 of The Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901, et seq., as amended; (iii) defined as a “hazardous substance” or “hazardous waste” under Section 101 of The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. § 9601 et seq. or any so-called “superfund” or “superlien” law, including the judicial interpretations thereof; (iv) defined as a “pollutant” or “contaminant” under 42 U.S.C.A. § 9601(33); (v) defined as “hazardous waste” under 40 C.F.R. Part 260; (vi) defined as a “hazardous chemical” under 29 C.F.R. Part 1910; or (vii) subject to any other Law regulating, relating to or imposing obligations, liability or standards of conduct concerning protection of human health, plant life, animal life, natural resources, property or the enjoyment of life or property free from the presence in the environment of any solid, liquid, gas, odor or any form of energy from whatever source.

“Hazardous Substances Discharge” means any deposit, discharge, generation, emission, release, or spill of Hazardous Substances that occurs at or from the Premises, or into the Land, or that arises at any time from the use, occupancy, or operation of the Premises or any activities conducted therein or any adjacent or nearby real property, or resulting from seepage, leakage, or other transmission of Hazardous Substances from other real property to the Land, whether or not caused by a party to this Lease and whether occurring before or after the Commencement Date.

“Hospital” means the general acute care hospital known as Tulare Regional Medical Center, which is located on the Premises and, until the Commencement Date, is and will be (i) owned and operated by Landlord and (ii) managed by Tenant pursuant to a management services agreement between Landlord and Tenant (“MSA”).

“Improvements” has the meaning set forth in the recitals of this Lease.

“Indemnify” means, where this Lease states that any Indemnitor shall “Indemnify” any Indemnitee from, against, or for a particular matter (the “Indemnified Risk”), that the Indemnitor shall indemnify the Indemnitee and defend and hold the Indemnitee harmless from and against any and all loss, cost, claims, liability, penalties, judgments, damages, and other injury, detriment, or expense (including Legal Costs, interest and penalties) that the Indemnitee suffers or incurs: (a) from, as a result of, or on account of the Indemnified Risk; or (b) in enforcing the Indemnitor’s indemnity. Indemnitor’s counsel shall be subject to Indemnitee’s approval, not to be unreasonably withheld. Any counsel satisfactory to Indemnitor’s insurance carrier shall be automatically deemed satisfactory.

“Indemnitee” means any party entitled to be Indemnified under this Lease and its agents, directors, employees, Equity Interest holders, Mortgagees, and officers.

“Indemnitor” means a party that agrees to Indemnify any other Person.

“Initial Term” shall have the meaning set forth in Section 2.1.

“Insubstantial Condemnation” means any Condemnation except a Substantial Condemnation or a Temporary Condemnation.

“Land” has the meaning set forth in the recitals of this Lease.

“Landlord” means the Landlord named in the opening paragraph of this Lease and its permitted successors and assigns (in all cases in compliance with this Lease, including requirements regarding any Trust Funds).

“Laws” means all laws, ordinances, requirements, orders, proclamations, directives, rules, and regulations of any Government affecting the Premises, this Lease, or any Construction in any way, including any use, maintenance, taxation, operation, or occupancy of, or environmental conditions affecting, the Premises, or relating to any Real Estate Taxes, or otherwise relating to this Lease or any party’s rights and remedies under this Lease, or any Transfer of any of the foregoing, whether in force at the Commencement Date or passed, enacted, or imposed at some later time, subject in all cases, however, to any applicable waiver, variance, or exemption.

“Lease Year” means: (a) the twelve consecutive calendar month period starting on the Rent Commencement Date; and (b) every subsequent period of twelve consecutive calendar months during the Term.

“Leasehold Estate” means Tenant’s leasehold estate, and all of Tenant’s rights, privileges, and Preemptive Rights, under this Lease, upon and subject to all the terms and conditions of this Lease, and any direct or indirect interest in such leasehold estate.

“Leasehold Mortgage” means a Mortgage encumbering the Leasehold Estate, or any portion thereof.

“Legal Costs” of any Person means all reasonable costs and expenses such Person incurs in any legal proceeding (or other matter for which such Person is entitled to be reimbursed for its Legal Costs), including reasonable attorneys’ fees, court costs, and expenses, and in or as a result of any Bankruptcy Proceeding.

“Liability Insurance” means commercial general liability insurance against claims for personal injury, death, or property damage occurring upon, in, or about the Premises or adjoining streets and passageways.

“Loss” means any Casualty or Condemnation.

“Loss Proceeds” means Condemnation Award(s) and/or Property Insurance Proceeds.

“Market Value” of the Fee Estate or the Leasehold Estate means, as of any date of determination, the present fair market value of such estate (including the fair market value of the rights of the holder of such estate in and to any Improvements) as of such date, considered: (a) as if no Loss had occurred; (b) without adjusting for any expectation of any Loss; (c) as if the Leasehold Estate had not been terminated; (d) taking into account the benefits and burdens of this Lease, the remaining Term, all Permitted Encumbrances, and all other matters affecting such estate and its valuation; and (e) discounting to present value all the obligations and benefits associated with such estate (including, in the case of the Fee Estate, the Rent and Landlord’s reversion). The Market Value shall be determined as if the Term: (1) were to continue until the Scheduled Expiration Date and (2) included, prospectively, all Renewal Terms except any Renewal Term for which Tenant Notifies Landlord that Tenant would not have exercised the Renewal Option in due course. Market Value shall be determined independently of, and without regard to, any valuation established in a Condemnation.

“Memorandum of Lease” means a memorandum of this Lease, in recordable form, setting forth the following provisions of this Lease: (a) all information any Law requires; (b) the Purchase Option; and (c) such other provisions, except the amount or means of determining Rent, as either party reasonably desires.

“Modification” means any abandonment, amendment, cancellation, discharge, extension, modification, rejection, renewal, replacement, restatement, substitution, supplement, surrender, termination, or waiver of a specified agreement or document, or of any of its terms or provisions, or the acceptance of any cancellation, rejection, surrender, or termination of such agreement, document, or terms.

“Modify” means agree to, cause, make, or permit any Modification.

“Monetary Default” means Tenant’s failure to pay any Rent or other money (including Real Estate Taxes and insurance premiums) when and as this Lease requires.

“Mortgage” means any mortgage, deed of trust, security deed, contract for deed, deed to secure debt, or other voluntary real property (including leasehold) security instrument(s) or agreement(s) intended to grant real property (including leasehold) security for any obligation (including a purchase-money or other promissory note) encumbering the Leasehold Estate or the Fee Estate, as entered into, renewed, modified, consolidated, increased, decreased, amended, extended, restated, assigned (wholly or partially), collaterally assigned, or supplemented from time to time, unless and until paid, satisfied, and discharged of record, together with such associated financing statements, fixture filings, security agreements and related documentation as is typically utilized in the State for the purpose of creating and perfecting a contractual security interest in real property. If two or more such mortgages are consolidated or restated as a single lien or held by the same Mortgagee (as applicable), then all such mortgages so consolidated, restated, or shall constitute a single Mortgage. A participation interest in (or partial assignment of the secured loan) a Mortgage does not itself constitute a Mortgage.

“Mortgagee” means a holder of any Mortgage and its successors and assigns.

“Nonmonetary Default” means Tenant’s material: (a) failure to comply with any affirmative or negative covenant or obligation in this Lease, except a Monetary Default; or (b) breach of any representation or warranty (as of the date made or deemed made).

“Nonrecourse Clause” has the meaning set forth in Section 25.

“Notice” means any consent, demand, designation, election, notice, or request relating to this Lease, including any Notice of Default. Notices shall be delivered, and shall become effective, only in accordance with the “Notices” Article of this Lease.

“Notice of Default” means any Notice claiming or giving Notice of a Default or alleged Default.

“Notify” means give a Notice.

“Person” means any association, corporation, Government, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind. (This does not limit any Transfer restriction.)

“Preemptive Right” means any expansion, extension, purchase, or renewal option; right of first refusal or first offer; or other preemptive right this Lease gives Tenant.

“Premises” has the meaning set forth in the recitals of this Lease.

“Prime Rate” means the prime rate or equivalent “base” or “reference” rate for corporate loans that is from time to time: (a) published in the Wall Street Journal; or (b) if such rate is no longer so published or announced, then a reasonably equivalent rate published by an authoritative third party that Landlord and Tenant jointly designate. Notwithstanding anything to the contrary in this paragraph, the Prime Rate shall never exceed the Usury Limit.

“Prohibited Lien” means any mechanic’s, vendor’s, laborer’s, or material supplier’s statutory lien or other similar lien arising from work, labor, services, equipment, or materials supplied, or claimed to have been supplied, to Tenant or any Subtenant (or anyone claiming through either), which lien attaches (or may attach upon termination of this Lease) to the Fee Estate. An Equipment Lien is not a Prohibited Lien.

“Property Insurance” means insurance providing coverage for the Premises, the Building, and Building Equipment, against loss, damage, or destruction by fire and other hazards (except earthquake or war risk) from time to time during the Term.

“Property Insurance Proceeds” means net proceeds (after reasonable costs of adjustment and collection, including Legal Costs) of Property Insurance, when and as received by Landlord or Tenant, excluding proceeds of Tenant’s business interruption insurance in excess of Rent.

“Purchase Option” shall have the meaning set forth in Section 16.4.

“Real Estate Taxes” means all general and special real estate taxes (including taxes on FF&E, sales taxes, use taxes, and the like), assessments, municipal water and sewer rents, rates and charges, excises, levies, license and permit fees, fines, penalties and other governmental charges and any interest or costs with respect thereto, and charges for public utilities not otherwise payable directly by Tenant (including gas, electricity, light, heat, air conditioning, power and telephone and other communication services), general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever that at any time before or during the Term and applicable to the Term or any part of it may be assessed, levied, imposed upon, or become due and payable out of or in respect of, or charged with respect to or become a lien on, the Premises, or any FF&E, Building Equipment or other facility used in the operation thereof, or the rent or income received therefrom, or any use or occupancy thereof. “Real Estate Taxes” shall not, however, include any of the following, all of which Landlord shall pay before delinquent or payable only with a penalty: (a) any franchise, income, excess profits, estate, inheritance, succession, transfer, gift, corporation, business, capital levy, or profits tax, or license fee, of Landlord; (b) any item listed in this paragraph that is levied, assessed, or imposed against the Premises during the Term based on the recapture or reversal of any previous tax abatement or tax subsidy, or compensating for any previous tax deferral or reduced assessment or valuation, or correcting a miscalculation or misdetermination, relating to any period(s) before the Commencement Date; and (c) interest, penalties, and other charges for items “a” and “b.” If at any time during the Term the method of taxation prevailing at the Commencement Date shall be altered so that any new tax, assessment, levy (including any municipal, state or federal levy), imposition, or charge, or any part thereof, shall be measured by or be based in whole or in part upon the Premises and imposed upon Landlord, then all such new taxes, assessments, levies, Real Estate Taxes, or charges, or the part thereof to the extent that they are so measured or based, shall be deemed to be included within the term “Real Estate Taxes,” to the extent that such Real Estate Taxes would be payable if the Premises were the only property of Landlord subject to such Real Estate Taxes.

“Renewal Option” shall mean each of the options to allow the Term of this Lease to be extended for a Renewal Term, as more particularly described in Section 2.2 of this Lease.

“Renewal Term” and “Renewal Terms” have the meaning set forth in Section 2.2 of this Lease, respectively.

“Rent” means Fixed Rent and Additional Rent.

“Rent Commencement Date” means the first (1st) day of the seventh (7th) full calendar month following the Commencement Date (except that if the Rent Commencement Date is the first day of a calendar month, then the Rent Commencement Date shall be the first (1st) day of the sixth (6th) full calendar month following the Commencement Date).

“Restoration” means, after a Loss, the alteration, clearing, rebuilding, reconstruction, repair, replacement, restoration, and safeguarding of the damaged or remaining Improvements, substantially consistent with their condition before the Loss, subject to such Construction as Tenant shall perform in conformity with this Lease, subject to any changes in Law that would limit the foregoing.

“Restoration Funds” means any Loss Proceeds (and deposits by Tenant) to be applied to Restoration.

“Restore” means accomplish a Restoration.

“Scheduled Expiration Date” means 11:59 p.m. on either (x) if the Commencement Date is not the first day of a calendar month, the last day of the sixty-sixth (66th) full calendar month following the Commencement Date or (y) if the Commencement Date is the first day of a calendar month, the date preceding the sixty-sixth (66th) month “anniversary” of the Commencement Date (in either case, the “Original Scheduled Expiration Date”). To the extent that any Automatic Extension occurs, the Scheduled Expiration Date means 11:59 p.m. on the last day of the applicable Renewal Term.

“Senior,” when referring to multiple Mortgage(s), means the Mortgage that is most senior. Where “Senior” is used as a comparative term as against any specified Mortgage, such term refers to any Mortgage that is senior in lien to such specified Mortgage. If only one Mortgage exists, then it shall be deemed the “Senior” Mortgage of such type.

“State” means the state of California.

“Structure” of the Premises means only the concrete floors, footings, foundation, load-bearing walls, roof, roof support system, and structural steel or other structural support system of the Premises.

“Sublease” means, for the Premises, any: (a) sublease; (b) agreement or arrangement (including a concession, license, management, or occupancy agreement) allowing any Person to occupy, use or possess; (c) sub-sublease or any further level of subletting; or (d) Modification or assignment of “a” through “c.” (Any reference to Subleases does not diminish, impair, limit, or waive any limit on Subleases.)

“Substantial Casualty” means a Casualty that: (a) renders 10% or more of the Premises used for a general acute care hospital facility not capable of being used or occupied; (b) requires Restoration whose cost Tenant reasonably estimates in writing would exceed Two Million Dollars (\$2,000,000); or (c) pursuant to Law, prevents the Premises from being Restored to the same bulk, and for the same use(s), as before the Casualty.

“Substantial Condemnation” means any Condemnation that (a) takes the entire Premises; (b) in Tenant’s reasonable determination renders the remaining Premises Uneconomic; or (c) occurs less than two (2) years before the end of the Term.

“Subtenant” means any Person entitled to occupy, use, or possess any Premises under a Sublease.

“Temporary Condemnation” means a Condemnation of the temporary right to use or occupy all or part of the Premises.

“Tenant” has the meaning set forth in the opening paragraph of this Lease.

“Term” means the Initial Term and, if applicable, the Renewal Term(s).

“Tower” shall have the meaning set forth in Section 16.4.

“Transfer” of any property means any of the following, whether by operation of law or otherwise, whether voluntary or involuntary, and whether direct or indirect: (a) any assignment, conveyance, grant, hypothecation, mortgage, pledge, sale, or other transfer, whether direct or indirect, of all or any part of such property, or of any legal, beneficial, or equitable interest or estate in such property or any part of it (including the grant of any easement, lien, or other encumbrance); (b) any conversion, exchange, issuance, modification, reallocation, sale, or other transfer of any direct or indirect Equity Interest(s) in the owner of such property by the holder of such Equity Interest(s); (c) any transaction described in “b” affecting any Equity Interest(s) or any other interest in such property or in any such owner (or in any other direct or indirect owner at any higher tier of ownership) through any manner or means whatsoever; or (d) any transaction that is in substance equivalent to any of the foregoing. A transaction affecting Equity Interests, as referred to in clauses “b” through “d,” shall be deemed a Transfer by Tenant even though Tenant is not technically the transferor. A “Transfer” shall not, however, include any of the foregoing (provided that the other party to this Lease has received Notice thereof) transactions affecting Equity Interests: (a) that constitutes a mere change in form of ownership with no material change in beneficial ownership and is a tax-free transaction under federal income tax law and the State real estate transfer tax; (b) to member(s) of the immediate family(ies) of the transferor(s) or trusts for their benefit; or (c) to any Person that, as of the Commencement Date, holds an Equity Interest in the entity whose Equity Interest is being transferred.

“Trust Funds” means any funds that this Lease requires or allows Landlord (or anyone acting for Landlord) to hold, and in which Tenant has an interest.

“Unavoidable Delay” means delay in performing any obligation under this Lease (except payment of money) arising from or on account of any cause whatsoever beyond the obligor’s reasonable control, despite such obligor’s reasonable diligent efforts, including industry-wide strikes, labor troubles or other union activities (but only to the extent such actions affect similar premises at that time and do not result from an act or omission of the obligor), the obligor’s inability to obtain required labor or materials after commercially reasonable efforts to do so, litigation (unless caused by the obligor), Loss, accidents, Laws, governmental preemption, war, or riots. Unavoidable Delay shall exclude delay caused by the obligor’s financial condition, illiquidity, or insolvency. Any obligor claiming Unavoidable Delay shall Notify the obligee: (a) within 30 days after such obligor knows of any such Unavoidable Delay; and (b) within 10 days after such Unavoidable Delay ceases to exist. To be effective, any such Notice must describe the Unavoidable Delay in reasonable detail. Where this Lease states that performance of any obligation is subject to Unavoidable Delay(s) or words of similar import, such Unavoidable Delay(s) shall extend the time for such performance only by the number of days by which such Unavoidable Delay(s) actually delayed such performance.

“Uneconomic” means that the Premises or any substantial part of the Premises: (1) is materially diminished in value or utility; (2) cannot be used for its previously intended purpose; (3) is subject to material impairment of access to, parking facilities benefiting, or any material service(s) necessary or appropriate for economic operation; (4) requires Restoration whose cost

Tenant reasonably estimates in writing would exceed the then-current aggregate Market Value of the Premises; (5) does not comply with any operating requirements under any hospital license held by Tenant; (6) cannot reasonably be operated as a general acute care hospital, whether in a manner substantially consistent with past practice or on a scale that is smaller but nevertheless profitable (after taking into account the payment of all expenses, including Rent as adjusted after any Condemnation) and reasonably feasible; or (7) cannot be developed or operated in a commercially reasonable manner.

“Usury Limit” means the highest rate of interest, if any, that Law allows under the circumstances.

“Valuation Consultant” means Deloitte Financial Advisory Services LLP or another third-party valuation consultant mutually agreed upon between Landlord and Tenant.

“Waiver of Subrogation” means a provision in, or endorsement to, any Property Insurance policy, by which the carrier agrees to waive rights of recovery by way of subrogation against either party to this Lease for any loss such policy covers.

2. Term

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2.1 Initial Term

. The initial term of this Lease (the “Initial Term”) shall: (a) commence on the Commencement Date; and (b) continue until the Original Scheduled Expiration Date, unless terminated sooner.

2.2 Renewal Options

. Unless Tenant shall have given Landlord written Notice, not less than two hundred seventy (270) days prior to the Original Scheduled Expiration Date, of Tenant’s election not to have the term of this Lease extend, at the expiration of the Initial Term the term of this Lease shall automatically extend (the “First Automatic Extension”) for an additional five (5) year period (the “First Renewal Term”) upon all the same terms and conditions (except as this Lease otherwise expressly states). Unless Tenant shall have given Landlord written Notice, not less than two hundred seventy (270) days prior to then Scheduled Expiration Date, of Tenant’s election not to have the term of this Lease extend, (a) at the expiration of the First Renewal Term the term of this Lease shall automatically extend (the “Second Automatic Extension”) for an additional five (5) year period (the “Second Renewal Term”), (b) at the expiration of the Second Renewal Term the term of this Lease shall automatically extend (the “Third Automatic Extension”) for an additional five (5) year period (the “Third Renewal Term”), (c) at the expiration of the Third Renewal Term the term of this Lease shall automatically extend (the “Fourth Automatic Extension”) for an additional five (5) year period (the “Fourth Renewal Term”), and (d) at the expiration of the Fourth Renewal Term the term of this Lease shall automatically extend (the “Fifth Automatic Extension”) and, together with the First Automatic Extension, the Second Automatic Extension, the Third Automatic Extension and the Fourth Automatic Extension, collectively, the “Automatic Extensions” and each, an “Automatic Extension”) for an additional approximately four (4) year

and six (6) month period ending on the day immediately preceding the thirtieth (30th) anniversary of the Commencement Date (the “Fifth Renewal Term”, and, together with the First Renewal Term, the Second Renewal Term, the Third Renewal Term and the Fourth Renewal Term, collectively, the “Renewal Terms” and each, a “Renewal Term”), in each case upon all the same terms and conditions (except as this Lease otherwise expressly states). After the Fifth Renewal Term, Tenant shall have no further right to renew or extend the Term. Tenant shall use commercially reasonable efforts to contemporaneously deliver to the indenture trustee and/or paying agent under the Bonds (“Bond Trustee”) a copy of any written Notices given to Landlord pursuant to this Section 2.2.

3. Rent

3.1 *Fixed Rent*

. Tenant shall pay Landlord during the first Lease Year of the Initial Term, without notice or demand, in lawful money of the United States of America, a net annual rental equal to Two Million Three Hundred Thirty-Five Thousand Dollars (\$2,335,000.00) (the “Fixed Rent”). For each successive Lease Year during the Initial Term and, if applicable, the Renewal Term, the Fixed Rent shall be equal to the product of (a) the Fixed Rent for the immediately preceding Lease Year multiplied by (b) the CPI Adjustment Factor, provided that in no event will the Fixed Rent ever be an amount less than the initial annual Fixed Rent of Two Million Three Hundred Thirty-Five Thousand Dollars (\$2,335,000.00). The foregoing notwithstanding, at any time mutually agreed upon by Landlord and Tenant, so long as such time occurs prior to the expiration of the ninth (9th) Lease Year of the Term and so long as the Tower construction appears likely to be completed by Landlord on or before the tenth (10th) anniversary of the Commencement Date, Landlord and Tenant may engage the Valuation Consultant to determine the fair market rent for the Premises, inclusive of the Tower, assuming, for purposes of such determination, that the Tower were then completed with all Approvals issued for its opening and operation (the “Adjusted Fixed Rent”). Provided that this Lease has not earlier terminated, on the later of (i) the first day of the Second Renewal Term and (ii) the date on which the construction of the Tower is fully completed and all Approvals have been issued for its opening and operation by Tenant together with the rest of the Premises pursuant to this Lease, the Fixed Rent shall be adjusted to be equal to the Adjusted Fixed Rent[, with subsequent annual adjustments as described in the second sentence of this Section 3.1.

3.2 *Payment; Proration; Etc.*

Tenant shall pay Fixed Rent in equal monthly installments in advance on the first day of each month, beginning on the Rent Commencement Date. Tenant shall pay all Rent payable to Landlord by good and sufficient check payable to Landlord or by wire transfer, at such address as Landlord shall designate from time to time.

3.3 *Additional Rent*

. In addition to Fixed Rent, Tenant shall pay Landlord, as additional rent under this Lease, all Additional Rent.

3.4 *Offsets*

. Except as expressly provided in this Lease, Tenant shall pay all Rent without offset, defense, claim, counterclaim, reduction, or deduction of any kind whatsoever; provided, however, that Landlord hereby expressly authorizes Tenant, at Tenant's sole discretion, to the fullest extent allowed by applicable law, at any time and from time to time, to set off against and/or withhold from the Rent payable pursuant to this Lease, any sum or sums necessary to satisfy all or any portion of any outstanding and due or delinquent obligation of Landlord owed to Tenant or an Affiliate of Tenant pursuant to (a) that certain asset purchase agreement to be entered into by Landlord and Tenant (the "Asset Purchase Agreement"), including, without limitation, any indemnification obligations described in the Asset Purchase Agreement; the initial amount(s) to be offset pursuant to this clause (a), as of the date hereof, is attached hereto as Schedule 3.4; (b) that certain Debtor-in-Possession Credit Agreement dated as of August 8, 2018, by and between AH, as lender, and Landlord, as borrower (the "Credit Agreement"), including, without limitation, the loans provided pursuant thereto; the initial amount(s) to be offset pursuant to this clause (b), as of the date hereof, is attached hereto as Schedule 3.4; and (c) any other document, instrument or agreement entered into by Landlord in connection with the Asset Purchase Agreement or the Credit Agreement; the initial amount to be offset pursuant to this clause (c), as of the date hereof, is attached hereto as Schedule 3.4; provided that, (w) concurrently with the execution of the Asset Purchase Agreement, Landlord and Tenant shall enter into an amendment of this Lease to update Schedule 3.4 to include the offset amounts that exist as of the Commencement Date; (x) beginning with the first month of the second Lease Year of the Term, the amount set off in any calendar month by Tenant against Rent pursuant to this Section 3.4 shall not exceed fifty percent (50%) of the Rent payable under this Lease for such month; (y) Tenant shall utilize its right of set-off pursuant to this Section 3.4 first with respect to any amounts permitted to be set off pursuant to this Section 3.4 other than amounts due and payable under the Credit Agreement before setting off the amounts then due and payable under the Credit Agreement; and (z) to the extent that Tenant intends to set off against Rent, pursuant to this Section 3.4, any amounts not shown on Schedule 3.4 and not arising pursuant to clause (x) of Section 7.1 of this Lease, Tenant shall first give Landlord not less than thirty (30) days' Notice of the amount of such offset and the reason therefor prior to applying such offset pursuant to this Section 3.4.

3.5 *Late Charges*

. In the event the Fixed Rent or other sums due under this Lease are received more than five (5) days after the due date, Tenant agrees to pay to Landlord as Additional Rent a late charge equal to 5% of the amount due, not to exceed Five Hundred Dollars (\$500.00) but in no event less than Fifty Dollars (\$50.00). This does not create a grace period. Tenant further agrees to pay Landlord any costs incurred by Landlord in effecting the collection of such past due Rent and late charge including but not limited to fees of an attorney, court costs or collection agency fees. Nothing herein contained shall limit any other remedy of Landlord.

4. Real Estate Taxes; Other Payments

4.1 *Real Estate Taxes*

. Tenant shall pay and discharge all Real Estate Taxes payable or accruing for all period(s) within the Term, before failure to pay creates a material risk to Landlord of forfeiture or penalty, subject however to Tenant's right of Contest as this Lease expressly provides. Tenant shall also pay all interest and penalties any Government assesses for late payment of any Real Estate Taxes, except late payment because Landlord failed to remit any payment for Real Estate Taxes (paid to Landlord by Tenant) in accordance with Tenant's reasonable instructions or failed to promptly forward Tenant a copy of any applicable bill that Landlord receives. In the latter case Landlord shall pay such interest and penalties. Tenant shall within a reasonable time after Notice from Landlord give Landlord reasonable proof that Tenant has paid any Real Estate Taxes that this Lease requires Tenant to pay. Tenant shall have the sole right and authority to Contest Real Estate Taxes, in compliance with the Contest Conditions. Notwithstanding the foregoing, (a) Landlord acknowledges and agrees that, as of the Commencement Date, certain Real Estate Taxes are not payable with respect to the Premises due to the tax-exempt status of both Landlord and Tenant; (b) Landlord covenants and agrees that it shall not take any action, or fail to take any action (including, without limitation, the failure to cooperate with Tenant to file for Tenant's organizational clearance certificate with the California Board of Equalization), which shall result in the Premises becoming subject to such Real Estate Taxes; (c) Landlord covenants and agrees that it shall not take any action, or fail to take any action, which shall result in the Premises becoming subject to additional Real Estate Taxes; and (d) in the event that Landlord breaches the covenants in clauses (b) and (c) and Real Estate Taxes are imposed on the Premises as a result thereof, Landlord shall be solely responsible for the payment of such Real Estate Taxes and Tenant shall have no liability or obligation hereunder with respect thereto.

4.2 *Assessments in Installments*

. To the extent Law allows, Tenant may apply to have any assessment payable in installments. Tenant shall then pay and discharge only such installments as become due and payable during the Term.

4.3 *Utilities*

. Tenant shall arrange and pay for all fuel, gas, light, power, water, sewage, garbage disposal, telephone, and other utility charges, and the expenses of maintenance, use, and service in connection with the foregoing, for the Premises during the Term. Landlord shall have absolutely no liability or responsibility for the foregoing, provided that Landlord performs its obligations regarding any related Application.

4.4 *Triple Net Lease.* The parties intend that this Lease shall be a true triple net lease and that except for such costs or expenses which are expressly set forth herein as the obligation of Landlord, all cost, fees and expenses associated with the Premises and the use or maintenance of the Premises shall be the responsibility of and shall be paid by Tenant.

5. Use

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5.1 *Permitted Use*

. Tenant shall use the Premises for the operation of a general acute care hospital (the “Mandated Use”), including outpatient services and rural health clinics, and any other lawful purpose (collectively, the “Medical Business”).

5.2 *Exclusive Control*

. Tenant shall have exclusive control, possession, occupancy, use, and management of the Premises. Tenant shall have full and complete charge, authority and control of the administration, management and operation of the Medical Business at the Premises. Tenant shall have the right and authority to determine all business, technical and professional policies relating to the operation of the Medical Business, with no restrictions, qualifications or supervision by Landlord. Tenant shall determine the financial policy of the Medical Business and shall have complete power to fix, control and regulate the charges and collections made for services therein. In fixing such charges, Tenant shall apply its best judgment and be controlled by applicable State and federal regulatory statutes and rules.

5.3 *Character of Service*

. Tenant is a nonprofit charitable corporation which furthers the mission of the Seventh-day Adventist Church. As such, it operates under certain defined principles and objectives in the operation and management of its health care facilities. Tenant desires to maintain an atmosphere consistent with its beliefs. Landlord understands and agrees that the Medical Business shall be operated in accordance with the characteristics of Seventh-day Adventist medical facilities, subject to Tenant’s covenants set forth in Section 6.1 of this Lease.

5.4 *Bonds*

. Tenant acknowledges that the Premises were improved or constructed in part with funds from Landlord’s (i) \$15,000,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series A (2007); (ii) \$8,595,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009)(Tax-Exempt); (iii) the \$61,405,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable-Direct Payment Build America Bonds) (such series noted in clause (iii) hereof, the “Build America Bonds”); and (iv) \$17,850,000 Tulare Local Healthcare District (Tulare County, California) Refunding Revenue Bonds, Series 2007 (collectively, the “Bonds”), and that until the Bonds have been repaid in accordance with their terms, the Premises are subject to certain restrictions and covenants set forth in the Bond documents that are intended to ensure preservation of the tax-exempt status of the Bonds, as applicable, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), and to otherwise satisfy all requirements of the Code related to the Build America Bonds pursuant to the Code (the “Bond Covenants”). Tenant agrees that it will not use the Premises or Transfer, assign or sublease the Premises, or take or omit to take any other action, in each case in any manner that breaches the Bond Covenants. Landlord agrees that it will comply with all Bond Covenants, including, without limitation, the covenants contained in Section 5.05 of each of the Landlord resolutions authorizing the Bonds (or any similar section in the Landlord resolutions containing covenants to maintain the tax-exempt status of the Bonds), the covenants contained in Section 6.13 of each of the indentures governing the Bonds (or other section

of any bond indenture or other agreement containing covenants to maintain the tax-exempt status of any of the Bonds) and in any Tax Exemption Certificate and Agreement, Certificate as to Arbitrage or similarly titled tax agreement or certificate executed and delivered in conjunction with the issuance of the Bonds.

5.5 *Mandated Use*

. Tenant's failure to operate the Premises for the Mandated Use, other than as the result of Loss or other Unavoidable Delay, shall constitute a Default.

6. Compliance

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6.1 *Generally*

. Tenant shall during the Term, at Tenant's expense, in all material respects, subject to Tenant's right of Contest: (a) comply with all Laws and (b) procure and comply with all Approvals required by Law.

6.2 *Copies of Notices*

. Landlord shall promptly give Tenant a copy of any notice of any kind regarding the Premises or any Real Estate Taxes (including any bill or statement), and any notice of nonrenewal or threatened nonrenewal of any Approval that Landlord receives from any Government, utility company, insurance carrier, or insurance rating bureau.

7. Maintenance and Construction

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7.1 *Obligation to Maintain*

. Except to the extent that (a) this Lease otherwise expressly provides or allows or (b) Tenant is performing Construction in compliance with this Lease, Tenant shall during the Term keep and maintain the Premises in good order, condition, and repair, subject to Loss (governed by other provisions of this Lease), reasonable wear and tear, and any other condition that this Lease does not require Tenant to repair. Tenant's obligation to maintain the Premises includes an obligation to make all repairs that the Premises may require by Law from time to time during the Term, whether foreseen or unforeseen, capital or operating; provided, however, that (x) if the Premises require any capital improvements or capital expenditures to maintain the Premises in good order, condition and repair, as agreed to by both parties, or in compliance with applicable Law (other than as provided in the last sentence of this Section 7.1), Tenant shall effect such capital improvements and/or expenditures and, to the extent that Tenant or AH shall pay the cost of same, offset the cost of such capital improvements and/or expenditures against the Rent payable pursuant to this Lease, and (y) Landlord, and not Tenant, shall pay any and all construction costs for the matters described on Schedule 7.1. Notwithstanding anything to the contrary contained herein,

Landlord, and not Tenant, shall be solely responsible for the compliance of the Premises with any Laws relating to seismic performance standards.

7.2 *Construction*

. At Tenant's sole cost and expense, Tenant may perform any Construction not otherwise required under this Lease as Tenant shall consider necessary or appropriate, (x) with Notice to Landlord but without Landlord's consent if the cost of such Construction is equal to or less than the Construction Threshold, and (y) otherwise with Landlord's prior written consent, which consent Landlord shall not unreasonably withhold. To the extent that Tenant commences any Construction, Tenant shall complete it with reasonable diligence and within a reasonable period. Tenant shall pay for all Construction when and as required by the parties that perform such Construction. Tenant shall timely obtain and promptly deliver to Landlord, for Landlord's information, all Approvals necessary or appropriate for any Construction. All Improvements that Tenant constructs on the Land shall become part of the Premises.

7.3 *Plans and Specifications*

. To the extent that Tenant obtains plans and specifications or surveys (including working plans and specifications and "as-built" plans and specifications and surveys) for any Construction, Tenant shall promptly upon Landlord's request give Landlord a copy, subject to the terms of any agreement between Tenant and the applicable architect, engineer, or surveyor.

7.4 *Applications and Approvals*

. Tenant shall apply to each applicable Government for such Approvals as any Construction undertaken by Tenant shall require. Upon Tenant's request, Landlord shall, without cost to Landlord, promptly join in and execute any Application as Tenant reasonably requests, and otherwise reasonably cooperate with Tenant in obtaining Approvals, provided that such Application is in customary form and imposes no material obligations (beyond obligations ministerial in nature or merely requiring compliance with Law) upon Landlord. Landlord grants to Tenant a power of attorney, coupled with an interest, and therefore irrevocable, to sign on Landlord's behalf any Application that this Lease requires Landlord to sign. Promptly upon Tenant's request and without charge, Landlord shall furnish all information in its possession that Tenant reasonably requests for any Application. Landlord assumes no liability by cooperating with any Construction undertaken by Landlord.

7.5 *Landlord Nonopposition*

. Landlord shall not appear in opposition to any Application brought, sought, or defended by Tenant before any Government arising out of any Application consistent with this Lease.

8. *Mortgages*

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8.1 *Execution of Leasehold Mortgages*

. Tenant shall have the right, from time to time, subject to Landlord's prior written consent (which consent shall not be unreasonably withheld) and subject to Section 5.4 hereof, to execute one or more Leasehold Mortgages. Any Leasehold Mortgage shall be subordinate to Landlord's Fee Estate.

8.2 *Covenants of Landlord*

. If Tenant shall execute a Leasehold Mortgage, Landlord agrees that so long as any Leasehold Mortgage shall remain unsatisfied of record or until written Notice of satisfaction is given by the holders of any such Leasehold Mortgage to Landlord, the following provisions shall apply:

8.2.1 There shall be no cancellation (except as a result of Tenant's Default, after compliance with the provisions of this Article 8), surrender or Modification of this Lease by joint action of Landlord and Tenant without the prior written consent in writing of each Mortgagee.

8.2.2 Landlord shall, upon serving Tenant with any Notice of Default, simultaneously serve a copy of the Notice upon each Mortgagee of which Landlord has received written Notice.

8.2.3 Each Mortgagee shall have the right, but not the obligation, at any time prior to termination of this Lease, to pay all of the Rent due hereunder, with all due interest and late charges, to effect any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required of Tenant hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof to prevent termination of this Lease. As against Landlord, any Mortgagee and its agents and contractors shall have full access to the Premises for purposes of accomplishing any of the foregoing, provided that the Mortgagee shall give Landlord not less than ten (10) days prior written Notice of any work to be performed on the Premises by the Mortgagee or its agents and contractors, to allow Landlord to post a notice of nonresponsibility or any similar notice on the Premises. Any of the foregoing done by any Mortgagee shall be as effective to prevent a termination of this Lease as the same would have been if done by Tenant.

8.2.4 Anything contained in this Lease notwithstanding, if any Event of Default shall occur which, pursuant to any provision of this Lease, purportedly entitles Landlord to terminate this Lease, Landlord shall not be entitled to terminate this Lease, and the Notice shall be rendered void, if the Mortgagee shall cure the Default within (i) sixty (60) days after Notice as to any failure of Tenant to perform a monetary obligation when due under this Lease (the parties agreeing, that for purposes of this Lease, a "monetary obligation" shall mean the payment of Rent payable under this Lease, or any other monetary obligation required of Tenant under this Lease whether payable to Landlord or to any third party), or (ii) ninety (90) days after Notice as to any failure of Tenant to perform a non-monetary obligation when due under this Lease (except that if such non-monetary obligation is not reasonably susceptible of performance within ninety (90) days, then such longer time following receipt of Notice as is reasonably necessary to perform such non-monetary obligation, including, without limitation, the time

required for the Mortgagee to perfect its right to cure any Non-Monetary Default by obtaining possession of the Premises (including possession by a receiver) or by instituting Foreclosure proceedings, so long as the cure is promptly commenced and the Mortgagee acts with reasonable and continuous diligence through to completion of such cure). The foregoing cure periods shall run from the giving of Notice of Tenant's failure by Landlord to the Mortgagee and may run concurrently (either in whole or in part) with the time provided for Tenant's cure of such failure. As used in this Lease, "Foreclosure" shall mean judicial foreclosure of a Leasehold Mortgage, sale under a power of sale given in a Leasehold Mortgage, and all other remedies provided by law or equity or specified in the Leasehold Mortgage and enforceable in the State at the time of the foreclosure for divesting the obligor of title in the event of the obligor's default under the Leasehold Mortgage or the obligation it secures.

8.2.5 All rights of Landlord to terminate this Lease as the result of the occurrence of any Event of Default under this Lease, shall be subject to, and conditioned upon, Landlord having first given to each Mortgagee written Notice of the Event of Default as required under Section 8.2.4, and such Mortgagees having failed to remedy such Event of Default or acquire Tenant's Leasehold Estate hereunder or commence Foreclosure or other appropriate proceedings in the nature thereof as set forth in Section 8.2.4.

8.2.6 If any Mortgagee is prohibited from commencing or prosecuting Foreclosure or other appropriate proceedings in the nature thereof by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Tenant, the times specified in Section 8.2.4 for commencing or prosecuting Foreclosure or other proceedings shall be extended for the period of the prohibition, provided that the Mortgagee shall have fully cured any Event of Default in the payment of any monetary obligations of Tenant under this Lease and shall continue to pay currently those monetary obligations as and when the same fall due.

8.2.7 Landlord agrees that the names of each Mortgagee may be added by Tenant to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Tenant under this Lease on condition that the insurance proceeds are to be applied in the manner specified in this Lease.

8.3 *New Lease*

. Landlord agrees that in the event of termination of this Lease by reason of the rejection hereof by Tenant or a trustee for Tenant in a voluntary or an involuntary case under the Bankruptcy Laws, or in the event of a Foreclosure by a Mortgagee, subject to Section 5.4 hereof, Landlord will enter into a new lease of the Premises with the most Senior Mortgagee requesting a new lease for the remainder of the Lease Term, effective as of the date of such termination, at the rent, and upon the terms, provisions, covenants and agreements as herein contained provided:

8.3.1 The Senior Mortgagee shall make written request upon Landlord for the new lease within sixty (60) days after the date of termination, and the Senior Mortgagee and Landlord will execute such new lease within sixty (60) days thereafter;

8.3.2 The Senior Mortgagee shall pay to Landlord at the time of the execution and delivery of the new lease any and all sums which would, at the time of the execution and delivery thereof, be due and unpaid pursuant to this Lease but for its termination, and in addition thereto any expenses, including, without limitation, reasonable attorneys' fees, to which Landlord shall have been subjected by reason of the Event of Default;

8.3.3 The Senior Mortgagee shall perform and observe all covenants herein contained on Tenant's part to be performed, and shall further remedy any other conditions which Tenant under the terminated Lease was obligated to perform under its terms, to the extent the same are curable or may be performed by the Senior Mortgagee;

8.3.4 The tenant under the new lease shall have the same right, title and interest in and to all Improvements and tenant's improvements located on the Premises as Tenant had under the terminated Lease immediately prior to its termination;

8.3.5 As a condition precedent to Landlord's obligation to execute any new lease pursuant to this Section, the Mortgagee shall reimburse to Landlord all costs reasonably incurred by Landlord in connection with the preparation, review and/or execution of any such new lease, including, without limitation, reasonable attorneys' fees and expenses; and

8.3.6 Nothing herein contained shall require any Mortgagee to enter into a new lease pursuant to this Section, or to cure any Default of Tenant referred to above.

8.4 *Foreclosure Not a Default*

. Foreclosure of any Leasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Leasehold Mortgage, or any conveyance of the Leasehold Estate hereunder from Tenant to any Mortgagee or its designee through, or in lieu of, Foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Landlord or constitute a breach of any provision of or a Default under this Lease provided that it does not result in (x) a breach of Sections 5.4 or 6.1 hereof or (y) a Transfer of the tenant's interest under this Lease to an entity which is, or is an affiliate of, a nonprofit, 501(c)(3) entity that sponsors or operates fewer than three (3) hospitals in the State of California unless consented to by Landlord (which consent shall not be unreasonably withheld), and upon such Foreclosure, sale or conveyance Landlord shall recognize the purchaser or other transferee in connection therewith as the Tenant hereunder.

8.5 *Personal Liability*

. In the event any Mortgagee or its designee becomes the Tenant under this Lease or under any new lease obtained pursuant to Section 8.3, the Mortgagee or its designee shall be personally liable for the obligations of Tenant under this Lease or a new lease only for the period of time that the Mortgagee or its designee remains the actual beneficial holder of the Leasehold Estate hereunder, and only to the extent provided in this Lease or such new lease.

8.6 *Insurance and Condemnation Proceeds*

. Subject to the provisions of this Lease directing the application of such funds, the Senior Mortgagee may reserve the right to apply to its Leasehold Mortgage debt all, or any part, of Tenant's share of the proceeds from any insurance policies or any Condemnation Award arising from a Condemnation pursuant to the provisions of such Leasehold Mortgage.

8.7 *Notice of Proceeding*

. The parties hereto shall give all Mortgagees Notice of any arbitration, litigation, or Condemnation proceedings, or of any pending adjustment of insurance claims as each may relate to the Premises, and any Mortgagee shall have the right to intervene therein and to be made a party to such proceedings. The parties hereto do hereby consent to such intervention. In the event that any such Mortgagee shall not elect to intervene or become a party to the proceedings, such Mortgagee shall receive Notice and a copy of any award or decision made in connection therewith, but any such intervention shall not diminish Landlord's rights under this Lease.

8.8 *Fee Mortgage*

. Landlord shall not have any right to execute, deliver or record a Fee Mortgage during the Term of this Lease. Landlord represents and warrants that no Fee Mortgage exists as of the date hereof and Landlord covenants not to enter into any Fee Mortgage prior to the commencement date.

9. *Prohibited Liens*

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9.1 *Tenant's Covenant*

. If a Prohibited Lien is filed then Tenant shall, within 30 days after receiving Notice from Landlord of such filing (but in any case within 15 days after receipt of Notice from Landlord of commencement of foreclosure proceedings), commence appropriate action to cause such Prohibited Lien to be paid, discharged, bonded, or cleared from title. Tenant shall thereafter prosecute such action with reasonable diligence and continuity. If Landlord receives notice of any such filing, then Landlord shall promptly Notify Tenant. Nothing in this Lease shall be construed to: (a) limit Tenant's right of Contest; or (b) obligate Tenant regarding any lien that results from any act or omission by Landlord. If any Subtenant causes a Prohibited Lien, then Tenant's obligations under this paragraph shall be suspended so long as both: (a) Tenant is with reasonable diligence endeavoring to cause the Subtenant to remove the Prohibited Lien; and (b) the holder of the Prohibited Lien has not commenced foreclosure proceedings.

9.2 *Protection of Landlord*

. NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT UPON CREDIT, AND THAT NO MECHANIC'S OR OTHER LIEN FOR ANY SUCH LABOR OR MATERIALS SHALL ATTACH TO OR AFFECT THE FEE ESTATE. NOTHING IN THIS LEASE SHALL BE DEEMED OR CONSTRUED IN ANY WAY TO CONSTITUTE LANDLORD'S CONSENT OR REQUEST, EXPRESS OR IMPLIED, BY INFERENCE OR

OTHERWISE, TO ANY CONTRACTOR, SUBCONTRACTOR, LABORER, EQUIPMENT OR MATERIAL SUPPLIER FOR THE PERFORMANCE OF ANY LABOR OR THE FURNISHING OF ANY MATERIALS OR EQUIPMENT FOR ANY CONSTRUCTION, NOR AS GIVING TENANT ANY RIGHT, POWER OR AUTHORITY TO CONTRACT FOR, OR PERMIT THE RENDERING OF, ANY SERVICES, OR THE FURNISHING OF ANY MATERIALS THAT WOULD GIVE RISE TO THE FILING OF ANY LIENS AGAINST THE FEE ESTATE. TENANT SHALL INDEMNIFY LANDLORD AGAINST ANY CONSTRUCTION UNDERTAKEN BY TENANT OR ANYONE CLAIMING THROUGH TENANT, AND AGAINST ALL PROHIBITED LIENS.

10. Hazardous Substances

10.1 *Restrictions*

. Tenant shall not cause on, under or at the Premises during the Term: (a) any material violation of any Environmental Law; or (b) the use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance, or transportation to or from the Premises of any Hazardous Substance, unless in compliance with all applicable Environmental Laws.

10.2 *Compliance; Clean-Up*

. Tenant shall, at Tenant's expense: (a) comply with Environmental Law in connection with its operations and, to the extent Environmental Law requires, clean up any Hazardous Substance Discharge on, at, or under the Premises caused or exacerbated by Tenant or any of Tenant's People; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws in connection with its operations; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Tenant or any of Tenant's People, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Landlord against any Hazardous Substances Discharge caused or exacerbated by Tenant or any of Tenant's People or violation of Environmental Law caused by Tenant or any of Tenant's People. Landlord shall, at Landlord's expense: (a) comply with Environmental Law and, to the extent Environmental Law requires, clean up any Hazardous Substance Discharge on, at, or under the Premises caused or exacerbated by Landlord or any of Landlord's People or predating the Commencement Date; (b) make all submissions to, deliver all information required by, and otherwise fully comply with all requirements of any Government under Environmental Laws; (c) if any Government requires any clean-up plan or clean-up because of a Hazardous Substances Discharge caused or exacerbated by Landlord or any of Landlord's People or predating the Commencement Date, prepare and submit the required plans and all related bonds and other financial assurances; (d) promptly and diligently carry out all such clean-up plans; and (e) Indemnify Tenant against any Hazardous Substances Discharge caused or exacerbated by Landlord or any of Landlord's People or predating the Commencement Date or violation of Environmental Law caused by Landlord or any of Landlord's People or predating the Commencement Date, in either case, whether known or

unknown. Any party's obligations under this paragraph shall not limit such party's rights against third parties. With respect to either party hereto, its "People" means its agents, employees, contractors, officers, directors, consultants and representatives.

11. Indemnification; Liability of Landlord.

11.1 *Obligations*

. Landlord and Tenant shall each Indemnify the other against any: (a) wrongful act, wrongful omission, or negligence of the Indemnitor (and anyone claiming by or through the Indemnitor) or its or their partners, members, directors, officers, or employees; (b) breach or default by the Indemnitor under this Lease; or (c) breach of any representation or warranty made by Indemnitor in this Lease. In addition, Tenant shall Indemnify Landlord against the following during the Term: (w) any Contest Tenant initiates; (x) any Application made at Tenant's request; (y) any Construction undertaken by Tenant and any agreements that Tenant (or anyone claiming through Tenant) makes for any such Construction; and (z) any accident, injury or damage whatsoever caused to any person in or on the Premises or upon or under the sidewalks adjoining the Premises. Notwithstanding anything to the contrary in this Lease, no Indemnitor shall be required to Indemnify any Indemnitee regarding the Indemnitee's intentional acts or omissions or negligence. This paragraph does not apply to Environmental Law and Hazardous Substances Discharges, which are covered elsewhere.

11.2 *Liability of Landlord*

. During the Term: (a) Tenant is and shall be in exclusive control and possession of the Premises; and (b) Landlord shall not be liable for any injury or damage to any property (of Tenant or any other Person) or to any person occurring on or about the Premises, unless caused by Landlord's intentional act, omission, or Landlord's negligence. Nothing in this Lease shall be construed to exculpate, relieve, or Indemnify Landlord from or against any liability of Landlord: (y) to third parties existing at or before the Commencement Date; or (z) arising from Landlord's intentional acts or omissions or Landlord's negligence.

11.3 *Indemnification Procedures*

. Wherever this Lease requires any Indemnitor to Indemnify any Indemnitee:

11.3.1 *Prompt Notice.* Indemnitee shall promptly Notify Indemnitor of any claim. If Indemnitee fails to give prompt Notice, then to the extent, and only to the extent, such failure materially prejudices Indemnitor, Indemnitor shall be relieved of its indemnity obligations for such claim.

11.3.2 *Selection of Counsel.* Indemnitor shall select counsel reasonably acceptable to Indemnitee. Counsel to Indemnitor's insurance carrier shall be deemed satisfactory. Even though Indemnitor shall defend the action, Indemnitee may, at its option and its own expense, engage separate counsel to advise it regarding the claim and its defense. Such counsel may attend all proceedings and meetings. Indemnitor's counsel shall actively consult with Indemnitee's counsel. Indemnitor and its counsel shall, however, fully control the defense.

11.3.3 *Cooperation.* Indemnitee shall reasonably cooperate with Indemnitor's defense, provided Indemnitor reimburses Indemnitee's actual reasonable out of pocket expenses (including Legal Costs) in providing such cooperation.

11.3.4 *Settlement.* Indemnitor may, with Indemnitee's consent, not to be unreasonably withheld, settle the claim. Indemnitee's consent shall not be required for any settlement by which: (w) Indemnitor procures (by payment, settlement, or otherwise) a release of Indemnitee by which Indemnitee need not make any payment to the claimant; (x) neither Indemnitee nor Indemnitor on behalf of Indemnitee admits liability; (y) the continued effectiveness of this Lease is not jeopardized in any way; and (z) Indemnitee's interest in the Premises is not jeopardized in any way.

11.3.5 *Insurance Proceeds.* Indemnitor's obligations shall be reduced by net insurance proceeds Indemnitee actually receives for the matter giving rise to indemnification.

12. Right of Contest

12.1 *Tenant's Right; Contest Conditions*

. Notwithstanding anything to the contrary in this Lease, Tenant shall have the exclusive right to contest, at its sole cost, by appropriate legal proceedings diligently conducted in good faith, the amount or validity of any Real Estate Taxes or Prohibited Lien; the valuation, assessment, or reassessment (whether proposed, phased, or final) of the Premises for Real Estate Taxes; the amount of any Real Estate Tax; the validity of any Law or its application to the Premises; the terms or conditions of, or requirements for, any Approval; or the validity or merit of any claim against which this Lease requires Tenant to Indemnify Landlord (any of the foregoing, a "Contest"). Tenant may defer payment or performance of the contested obligation pending outcome of the Contest, provided that Tenant causes the following conditions (collectively, the "Contest Conditions") to remain satisfied:

12.1.1 *No Criminal Act.* Such deferral or noncompliance shall not constitute a criminal act by Landlord or subject Landlord to a material risk of any fine or penalty, or, if such material risks exists, Tenant has given Landlord a bond, letter of credit, or other security reasonably satisfactory to Landlord (the "Contest Security") in an amount equal to the reasonably estimated amount of such civil penalties.

12.1.2 *No Liability.* Such deferral or noncompliance creates no material risk of a lien, charge, or other liability of any kind against the Fee Estate, or, if such material risk exists, Tenant has given Landlord Contest Security equal to the reasonably estimated amount of such lien, charge, or other liability.

12.1.3 *No Forfeiture.* Such deferral or noncompliance will not place the Fee Estate in material danger of being forfeited or lost.

12.1.4 *No Cost to Landlord.* Such Contest shall be without cost, liability, or expense to Landlord.

12.1.5 *Diligence*. Tenant shall prosecute such Contest with reasonable diligence and in good faith.

12.1.6 *Payment*. If required for such Contest, Tenant shall have paid the Contested Real Estate Taxes or other matter.

12.1.7 *Collection of Real Estate Taxes*. If such Contest relates to any Real Estate Tax, then such Contest shall suspend its collection from Landlord and the Fee Estate.

12.1.8 *No Tax Deed*. If, at any time, payment of any Real Estate Taxes is necessary to prevent the imminent (i.e., within 30 days) delivery of a tax deed of the Fee Estate for nonpayment, then Tenant shall pay or cause to be paid the sums in sufficient time to prevent delivery of such deed.

12.1.9 *Named Parties*. If Landlord has been named as a party in any action, then Tenant shall cause Landlord to be removed as such party and Tenant substituted in Landlord's place, if permissible under the circumstances.

12.2 *Landlord Obligations and Protections*

. Landlord need not join in any Contest unless (a) Tenant has complied with the Contest Conditions; and (b) such Contest must be initiated or prosecuted in Landlord's name. In such case, Landlord shall cooperate, as Tenant reasonably requests, to permit the Contest to be prosecuted in Landlord's name. Landlord shall give Tenant any documents, deliveries, and information in Landlord's control and reasonably necessary for Tenant to prosecute its Contest. Landlord shall otherwise assist Tenant in such Contest as Tenant reasonably requires. Tenant shall pay all reasonable costs and expenses, including Legal Costs, of any Contest.

12.3 *Miscellaneous*

. Tenant shall be entitled to any refund of any Real Estate Taxes (and penalties and interest paid by Tenant), to the extent attributable to periods within the Term, whether such refund is made during or after the Term. When Tenant concludes Tenant's Contest of any Real Estate Taxes, Tenant shall pay the amount of such Real Estate Taxes (if any) as has been finally determined in such Contest to be due, to the extent attributable to periods within the Term, and any costs, interest, penalties, or other liabilities in connection with such Real Estate Taxes. Upon final determination of Tenant's Contest of a Law, Tenant shall comply with such final determination. So long as the Contest Conditions remain satisfied, Landlord shall enter no objection to any Contest.

12.4 *Contest Security*

. Landlord shall promptly release any Contest Security to Tenant after the Contest has been resolved and Tenant has performed its obligations, if any, as determined by such resolution. Landlord shall hold any Contest Security in an interest-bearing account separate from any other account held by Landlord.

13. *Insurance*

13.1 *Insurance Program*

13.1.1 *Professional Liability Insurance; General Liability Insurance; Property Insurance.* Tenant shall, at its sole expense, during the Term, maintain hospital professional and general liability protection for the Premises during the Term through either (a) the AHS/West HPL/GL self-funded Trust Program which provides liability protection for all AHS/West participant health care facilities, or (b) alternative commercial insurance coverage with liability limits of not less than One Million Dollars (\$1,000,000) per occurrence and Five Million Dollars (\$5,000,000) aggregate. To the extent that the hospital medical staff bylaws require physicians exercising clinical privileges to maintain their own liability insurance policies, Tenant will enforce said requirement. In addition, Tenant or, at Tenant's election with not less than thirty (30) days' prior written Notice to Landlord and at Tenant's sole cost and expense, Landlord shall maintain Property Insurance on the Premises and buildings and Improvements within the Premises. The limits for such Property Insurance shall be for the full replacement value of the property so insured. Such insurance shall provide protection on a comprehensive special form "all risk" basis.

13.2 *Nature of Insurance Program*

All insurance policies this Lease requires, if issued by a commercial insurer (as opposed to protection through the AHS/West self-funded HPL/GL Trust Program), shall be issued by carriers that: (a) have a policyholders' rating of "A-/VIII" or better, based on the latest rating publication of Property and Casualty Insurers by A.M. Best Company (or its equivalent if such publication ceases to be published); and (b) are lawfully doing business in the State.

13.3 *Policy Requirements and Endorsements*

All insurance policies this Lease requires (except any insurance policies required under Section 13.6 to which the following provisions may be inapplicable) shall contain (by endorsement or otherwise) the following provisions:

13.3.1 *Insureds.* Liability coverage shall name Landlord, Bond Trustee, and all Mortgagees this Lease allows and of which Tenant has received written Notice from Landlord as an "additional insured" or as an "additional participant" as respects Tenant's acts, errors and omissions. Notwithstanding anything to the contrary in this paragraph, all Property Insurance Proceeds shall be paid and applied as this Lease provides.

13.3.2 *Primary Coverage.* All policies or programs of self-insurance shall be written as primary coverage as respects Tenant's acts, errors and omissions, not contributing to or in excess of any coverage that Landlord may carry.

13.3.3 *Notice to Landlord.* The insurance carrier or the AHS/West self-funded HPL/GL Trust Program shall provide Landlord 30 days' prior Notice of cancellation or nonrenewal.

13.4 *Tenant's Inability to Obtain Insurance*

. So long as (a) any insurance (except Property Insurance) this Lease requires is, after diligent effort by Tenant, unobtainable at commercially reasonable rates through no act or omission by Tenant; and (b) Tenant obtains the insurance coverage reasonably obtainable and Notifies Landlord of the extent of Tenant's inability to obtain the full insurance this Lease requires, Tenant's obligation to procure and maintain such insurance as is unobtainable shall be excused, but only so long as conditions "a" and "b" are satisfied. Notwithstanding the foregoing, if Landlord at any time can procure for Tenant such insurance at commercially reasonable rates at any time after Tenant's Notice of inability to do so (and before Tenant has withdrawn such Notice), then Tenant shall obtain and maintain such insurance at Tenant's expense.

13.5 *Waiver of Certain Claims*

. To the extent that Landlord or Tenant purchases any policy of Property Insurance, the party purchasing such insurance (the "Insurance Purchaser") shall cause the insurance carrier to agree to a Waiver of Subrogation, if not already in the policy. If any insurance policy cannot be obtained with a Waiver of Subrogation, or a Waiver of Subrogation is obtainable only by paying an additional premium, then the Insurance Purchaser shall so Notify the other party. The other party shall then have 10 Business Days after receipt of such Notice either to (a) direct the Insurance Purchaser to place such insurance with a company reasonably satisfactory to the other party and willing to issue the insurance with a Waiver of Subrogation at no greater or additional cost, or (b) agree to pay the additional premium if such a policy can be obtained only at additional cost. To the extent that the parties actually obtain insurance with a Waiver of Subrogation, the parties release each other, and their respective authorized representatives, from any claims for damage to any person or the Premises that are caused by or result from risks insured against under such insurance policies.

13.6 *Landlord Insurance*

. Landlord shall, at its sole expense, maintain comprehensive general liability coverage for its own protection, and other insurance policies or programs of self-insurance it deems appropriate to cover the liability of Landlord. In addition, if Landlord's medical/hospital professional liability insurance is written on a claims made basis, Landlord agrees to purchase an unlimited extended reporting period endorsement or "tail" coverage. Landlord agrees to provide Tenant with evidence of such coverage.

13.7 *No Representation*

. Neither party makes any representation that the limits, scope, or forms of insurance coverage this Lease requires are adequate or sufficient.

13.8 *Updates to Insurance Coverage*

. Tenant and Landlord hereby covenant and agree that each will reevaluate, no later than the commencement of each Renewal Term, the insurance coverage requirements set forth in this Article 13 of this Lease, and will update or otherwise amend the requirements of this Article 13 to ensure that at all times each Party will carry and maintain such insurance in amounts which

are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other entities in connection with the ownership and operation of property and facilities of similar character and size in California.

14. *Losses and Loss Proceeds.*

14.1 *Prompt Notice*

. If either party becomes aware of any Casualty or actual, contemplated, or threatened Condemnation, then such party shall promptly so Notify the other party.

14.2 *Casualty*

. If any Casualty occurs that is not a Substantial Casualty, then Tenant shall, except as otherwise provided in this paragraph, Restore with reasonable promptness. If the Casualty is a Substantial Casualty, then Tenant may, by Notice to Landlord given within six (6) months after the Casualty elect a Casualty Termination effective thirty (30) days after such Notice. Upon any Casualty Termination, Tenant shall assign and transfer to Landlord all of Tenant's rights to Property Insurance Proceeds Tenant received, or is entitled to receive, because of the Casualty. If, however, pursuant to Law, the Premises cannot be Restored to the same bulk, and for the same use(s), as before the Casualty, then upon any resulting Casualty Termination, Tenant shall be entitled to receive and retain (as a first priority claim to the Property Insurance Proceeds) a portion of the Property Insurance Proceeds equal to the Market Value of the Leasehold Estate. Unless Tenant has validly elected a Casualty Termination: (a) this Lease shall not terminate; and (b) Tenant shall be solely responsible for negotiating and adjusting any Property Insurance Proceeds (or, if Landlord is the insuring party, then Landlord shall allow Tenant to participate in the negotiation and adjustment of any Property Insurance Proceeds).

14.3 *Substantial Condemnation*

. If a Substantial Condemnation occurs during the Term, then as of the Condemnation Effective Date the Expiration Date shall occur and the parties shall apportion Rent. Landlord shall not settle or compromise any Condemnation Award without consent by Tenant. Landlord and Tenant shall allocate the Condemnation Award as follows and in the following order of priority, without duplication, until exhausted:

14.3.1 *Costs and Expenses.* To reimburse Landlord and Tenant for their respective actual costs and expenses, including Legal Costs, incurred in the Substantial Condemnation and determining and collecting the Condemnation Award.

14.3.2 *Landlord's Claim.* Landlord shall receive such portion of the Condemnation Award as shall equal the Market Value of the Fee Estate at the Condemnation Effective Date.

14.3.3 *Tenant's Claim.* Tenant shall receive such portion of the Condemnation Award as shall equal the Market Value of the Leasehold Estate, if any, at the Condemnation Effective Date.

14.3.4 *Residual Claim.* Landlord shall receive the entire remaining Condemnation Award.

14.4 *Insubstantial Condemnation*

. If an Insubstantial Condemnation occurs during the Term then any Condemnation Award(s) shall be paid to Tenant and applied first toward Restoration, in the same manner as Restoration after Casualty, provided that if the Condemnation Award is inadequate to complete the Restoration, Tenant shall contribute the deficiency and Tenant shall Restore in compliance with this Lease. After Tenant has completed and fully paid for Restoration, any remaining Condemnation Award shall be distributed to Landlord and Tenant as if it arose from a Substantial Condemnation that affected only the part of the Premises taken, with an equitable allocation of all elements taken into account in determining such distribution. After the Condemnation Effective Date, all Fixed Rent shall decrease by a fraction whose numerator is the amount of the Condemnation Award paid to Landlord and whose denominator is the Market Value of the Fee Estate immediately before the Condemnation Effective Date.

14.5 *Near End of Term*

. If an Insubstantial Condemnation occurs during the last three (3) years of the Term, then Tenant, upon thirty (30) days' prior Notice to Landlord, given at any time within ninety (90) days after such Insubstantial Condemnation, may cancel or terminate this Lease. Upon such termination, the Rent shall be apportioned as of the date of termination, and Tenant need not Restore. In that event, the balance of the Condemnation Award, less any reasonable amounts expended by Tenant to the date of termination to safeguard, clear, or make emergency repairs to the Premises (the costs of which shall be reimbursed to Tenant from the Condemnation Award), shall belong to Landlord free of any claim by Tenant.

14.6 *Temporary Condemnation*

. If a Temporary Condemnation occurs during the Term and relates to a period longer than 90 days, then Tenant may terminate this Lease effective as of the Condemnation Effective Date. In that event, and to the extent that the period of such Temporary Condemnation otherwise includes any period outside the Term, the Condemnation Award from such Temporary Condemnation shall belong to Landlord. If the Temporary Condemnation relates to a period of 90 days or less, or if Tenant does not terminate this Lease because of the Temporary Condemnation, then Tenant shall receive the Condemnation Award (to the extent attributable to periods within the Term) and this Lease shall not be affected in any way. Landlord shall have no right to participate in any Temporary Condemnation proceedings unless either (a) Tenant elects to terminate this Lease because of the Temporary Condemnation; or (b) Tenant may not legally participate in such proceedings. In the latter case, Landlord shall participate in such proceedings in accordance with Tenant's instructions, all at Tenant's reasonable expense and using counsel selected, instructed, and paid by Tenant.

14.7 *Use of Loss Proceeds*

. Landlord assigns to Tenant the right to receive all Loss Proceeds if the event giving rise to such Loss Proceeds has not resulted in the termination of this Lease. If Landlord

receives any Loss Proceeds under such circumstances, Landlord shall promptly remit them to Tenant. Until Tenant has completed and paid for Restoration, Tenant shall hold all Loss Proceeds to be used first to Restore and for no other purpose. When Tenant has completed and paid for Restoration, Tenant may retain any remaining Loss Proceeds. Notwithstanding anything in this Lease to the contrary, if Restoration Funds are insufficient to Restore, then Tenant may terminate this Lease on thirty (30) days' Notice to Landlord and shall deliver all of the Loss Proceeds received by Tenant (or the right to receive same if not yet received by Tenant) to Landlord.

14.8 *Continuation of Lease*

. Except as this Lease expressly provides, this Lease shall not terminate, be forfeited, or be affected in any other manner, and Tenant waives any right to quit or surrender the Premises or any part of the Premises, because of any Loss or any resulting untenability. Unless and until this Lease has been validly terminated, Tenant's obligations under this Lease, including the obligation to pay Rent, shall continue unabated, subject to the Nonrecourse Clause.

15. *Representations and Warranties*

.
Landlord represents and warrants to Tenant that the following facts and conditions exist and are true as of the date hereof and covenants that such will continue to exist and be true as of the Commencement Date:

15.1 *Due Authorization and Execution*

. Landlord has full right, title, authority, and capacity to execute and perform this Lease, the Memorandum of Lease and any other agreements and documents to which Landlord is a party and referred to or required by this Lease (collectively, the "Lease-Related Documents"); the execution and delivery of the Lease-Related Documents have been duly authorized by all requisite actions of Landlord; the Lease-Related Documents constitute valid, binding, and enforceable obligations of Landlord; and neither the execution of the Lease-Related Documents nor the consummation of the transactions they contemplate violates any agreement (including Landlord's governing documents), contract, or other restriction to which Landlord is a party or is bound. Tenant makes to Landlord representations and warranties reciprocal to those in the preceding sentence. Both parties' representations and warranties in this paragraph shall continue to apply in full force and effect throughout the Term as if made continuously during the Term.

15.2 *No Litigation*

. Landlord has not been served with any summons, complaint or written notice to arbitrate, and there is no existing or, to Landlord's knowledge, pending or threatened litigation, suit, action, investigation or proceeding before any court or administrative agency affecting Landlord, any constituent entity or individual of Landlord, or the Premises that would, if adversely determined, materially adversely affect Landlord, the Premises, this Lease, or the Leasehold Estate, except as set forth in Schedule 15.2.

15.3 *No Pending Condemnation*

. There is no existing or, to Landlord's knowledge, pending or threatened Condemnation affecting any portion of the Premises or any pending public improvements in, about, outside or appurtenant to the Premises that will materially adversely affect the use and operation of the Premises for the Medical Business, the value of the Premises, or access to the Premises or that will create additional cost to any owner or Tenant of the Premises by means of special assessments or otherwise.

15.4 *Equipment Liens*

. To Landlord's knowledge, the Premises are free and clear of any rights or claims of a type that, if Tenant entered into or granted them after the Commencement Date, would constitute Equipment Liens.

15.5 *FIRPTA*

. Landlord is not a "foreign person" within the meaning of Section 1445(f)(3) of the United States Internal Revenue Code of 1986.

15.6 *No Pending Construction or Liens*

. With the exception of the Construction contemplated by Schedule 7.1, Landlord is not a party to any contract for any Construction. With the exception of matters arising under the Construction contemplated by Schedule 7.1, to Landlord's knowledge, no Person has the right to claim any mechanic's or supplier's lien arising from any labor or materials furnished to the Premises before the Commencement Date.

15.7 *No Other Tenants*

. Subject to the leases set forth on Schedule 15.7 (but only to the extent that any such lease has not expired or been terminated and that any such lease (including the right to all security deposits and other amounts and instruments deposited thereunder) has been assigned to Tenant by Landlord; such leases the "Converted Subleases") and to Tenant's rights pursuant to Section 18.1, Tenant is the only lessee of the Premises, and no other Person has any right to lease, use, or occupy the Premises at any time. Landlord has provided Tenant with a true and complete copy of each of the Converted Subleases (including all amendments, modifications and supplements thereto and guaranties thereof). Except as set forth on Schedule 15.7, (i) none of the Converted Subleases have been modified, amended, or assigned, (ii) each of the Converted Subleases is legally valid, binding and enforceable in accordance with its terms and is in full force and effect, and (iii) to Landlord's knowledge, there are no material defaults (or matters that upon written notice or lapse of time would constitute material defaults) by Landlord under, or by any other party to, any of the Converted Subleases.

15.8 *Chapter 9 Proceeding*

. Landlord received, and provided to Tenant a copy of, a certified order of the Bankruptcy Court authorizing Landlord to enter into this Lease.

15.9 *Electorate Approval*

. On November 6, 2018, Landlord received the approval of the voters of Landlord's district to the transfer and lease of assets, as contemplated under this Lease, in accordance with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code.

15.10 *Premises Status*

. The Premises are subject only to the Permitted Real Property Encumbrances listed on Schedule 15.10; and except as disclosed on Schedule 15.10 and other than the Converted Subleases, there are no purchase contracts, options, rights of first refusal, rights of first offer or first negotiation, restrictive covenants or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, whereby any person or entity will have acquired or will have any basis to assert any right, title or interest in the Premises. No officers, directors or employees of Seller, or relative of any of such officer, director or employee, has any direct or indirect interest in any of the Premises.

15.11 *Zoning*

. To Landlord's knowledge, the Premises are zoned to permit the uses for which the Premises is presently used and/or intended to be used, without variances or conditional use permits.

15.12 *Easements and Encroachments*

. To Landlord's knowledge, Landlord has all easements and rights of way, including without limitation, easements for all utilities, services, roadways and other means of ingress and egress, necessary for access to the Premises. Except as disclosed in the Express Map and/or the Title Report, none of the Improvements encroach onto adjacent property, violate set-back, building, or sideline requirements, or encroach onto any easements located on the Premises.

16. *Landlord's Transfers*

16.1 *Landlord's Right to Convey*

. Landlord may Transfer the Fee Estate from time to time, but only if (a) such transaction and the resulting ownership of Landlord do not otherwise violate this Lease; and (b) Landlord promptly Notifies Tenant of such Transfer and Tenant grants its written consent thereto prior, and as a condition, to the effectiveness of such Transfer. If any transaction violates the preceding sentence, then: (w) it shall be null, void, and of no force or effect; (x) notwithstanding the foregoing, Tenant shall be entitled to equitable relief to cancel and rescind it; (y) Tenant may terminate this Lease; and (z) Tenant may exercise any other available right or remedy.

16.2 *Release of Landlord*

. Upon any Transfer of the entire Fee Estate in compliance with this Lease, the grantor shall be automatically freed and relieved from all liability (excluding liability previously

accrued) for performance of any covenants or obligations to be performed by Landlord after the Transfer, provided that: (i) Landlord delivers and turns over to the grantee all Trust Funds; and (ii) such successor Landlord acknowledges to Tenant receipt of such Trust Funds and assumes Landlord's future obligations under this Lease, subject to the Nonrecourse Clause. This Lease shall bind Landlord only while Landlord owns the Fee Estate, except as to any liabilities and obligations accrued before the date of Transfer of the Fee Estate or arising from failure to turn over any Trust Funds.

16.3 *Tenant's Right of First Refusal*

. If Landlord desires to Transfer the Fee Estate at any time prior to (x) the Scheduled Expiration Date or sooner termination of this Lease or (y) to the extent permissible under applicable Laws to grant a ROFR for this period, the date that is the first (1st) anniversary of the Scheduled Expiration Date or sooner termination of this Lease, and provided that no Event of Default then exists and Tenant is not then in material breach beyond any applicable cure period of the APA, then Landlord shall first offer (the "Landlord's Offer") to Transfer the Fee Estate to Tenant (or a purchaser Tenant procures) ("Tenant's ROFR") before offering it to any other Person, all as follows:

16.3.1 *Landlord's Offer*. Landlord's Offer shall be in writing and shall set forth the terms on which Landlord proposes to Transfer the Fee Estate. Such terms shall: (a) require either payment in cash at closing or deferred payments secured, if at all, only by a standard printed form Fee Mortgage; (b) not involve any other property; (c) not require either purchaser or seller to perform or bear any material post-closing obligations or deliver any guaranties, except that Landlord shall indemnify Tenant for any and all liabilities, whether known or unknown, connected with any violation of Environmental Law or any Hazardous Substance Discharge caused by the Landlord or beginning or occurring prior to the Commencement Date; (d) allow the purchaser to assign its contract; and (e) require conveyance of title subject only to (i) nonmonetary encumbrances recorded against the Fee Estate prior to the Commencement Date and (ii) encumbrances created by, or resulting from the acts or omissions of, or with the express written consent of, Tenant ("Permitted Exceptions"). The Transfer shall otherwise be on the terms of a standard printed form contract of sale used in the State for improved real property and selected by Tenant, modified as necessary in Tenant's reasonable judgment to reflect the terms of Landlord's Offer, with a closing 60 to 180 days (as designated by Tenant on 60 days' Notice to Landlord) after the date Tenant has accepted Landlord's Offer. Time shall not be of the essence for the closing date.

16.3.2 *Sale to Third Party*. If Tenant Notifies Landlord that Tenant does not desire to purchase the Fee Estate on the terms of Landlord's Offer, or fails to accept Landlord's Offer within sixty (60) days after receipt, then Landlord may Transfer the Fee Estate to any other Person, except as set forth below, provided that such Transfer closes within one hundred eighty (180) days after the date that Tenant notifies Landlord that it does not desire to purchase the Fee Estate (or the date of expiration of the sixty (60) days if no such notice is given) and complies with the limitations that apply to "Landlord's Offer" in the previous paragraph. If, however, Landlord desires to Transfer the Fee Estate for a price less than ninety-five percent (95%) of the price in Landlord's Offer, or on terms that in any other way are materially more favorable to the purchaser than those in Landlord's Offer, then Landlord shall again deliver to Tenant a Landlord's Offer.

The procedure described above shall again apply, but Tenant's response period shall be thirty (30) days.

16.3.3 *Transferees.* Any purchaser (or direct or indirect subsequent purchaser) of the Fee Estate or any interest in the Fee Estate shall be bound, as to subsequent Transfers, by Tenant's ROFR, whether or not the instrument(s) of Transfer to such purchaser so state.

16.4 *Tenant's Purchase Option*

. Tenant shall have the option (the "Purchase Option"), at any time during the Term following the earlier of (x) Landlord's completion of construction of the Tower (as more particularly described on Schedule 7.1, the "Tower") and (y) Landlord's fulfillment of its obligations under California Law to ensure that the Improvements, including the Tower, are fully compliant with any Laws relating to seismic performance standards ("Seismic Compliance"), to purchase the Fee Estate from Landlord at a purchase price equal to the Market Value for the Fee Estate (the "Purchase Option Price"), provided that the Purchase Option Price exceeds the indebtedness then outstanding under the Bonds, on the following terms and conditions:

16.4.1 *Further Electorate Approval.* At the request of Tenant, Landlord shall have taken such actions as are necessary to submit to the voters of Landlord's district a measure proposing the sale of the Fee Estate to Tenant, as contemplated under this Lease, in accordance with Section 32121(p)(1) of the California Health and Safety Code and applicable provisions of the California Elections Code, and the voters shall have approved such sale.

16.4.2 *Tenant's Notice.* Tenant may exercise its Purchase Option by giving Landlord written Notice of Tenant's intent to purchase the Fee Estate and the desired closing date for the purchase (the "Closing Date"), which shall not be more than sixty (60) days after the date of the Notice (the "Option Exercise Notice"). The Option Exercise Notice shall be accompanied by (a) an MAI appraisal from the Valuation Consultant showing the Market Value for the Fee Estate, and (b) three (3) counterparts of an escrow agreement, in customary form (the "Escrow Agreement"), naming a nationally recognized title company as escrow agent ("Escrow Agent") and Landlord and Tenant as the other parties, all executed by Escrow Agent and Tenant.

16.4.3 *Opening of Escrow.* Landlord shall sign the three (3) counterparts of the Escrow Agreement and return one (1) fully executed counterpart to each of Tenant and the Escrow Agent within five (5) Business Days of Landlord's receipt of the Option Exercise Notice. Escrow Agent's receipt of a fully executed counterpart of the Escrow Agreement shall effect the opening of escrow for Tenant's purchase of the Fee Estate.

16.4.4 *Closing Conditions.*

(a) At closing and as a condition to Tenant's obligation to close, Landlord shall pay and so covenants to pay, on the Closing Date all State and local transfer taxes payable by reason of the sale of the Fee Estate from Landlord to Tenant. Landlord, as seller, and Tenant, as purchaser, shall execute and deliver all questionnaires, returns, reports and other documents required to be executed and filed in connection with such taxes in a timely fashion so that all clearances required to be obtained shall have been obtained by the Closing Date.

(b) At closing and as a condition to Tenant's obligation to close, title to the Fee Estate shall be conveyed, and Landlord covenants so to convey, free and clear of all exceptions to title other than Permitted Encumbrances and any municipal, state or federal rules or regulations which may then affect the Land or the Improvements or such transfer and conveyance.

(c) At closing, and as a condition to Tenant's obligation to purchase the Fee Estate, Landlord will deliver to Tenant an affidavit that it is not a "foreign person" within the meaning of Section 1445 of the Internal Revenue Code of 1986, as amended, or will otherwise comply with the provisions of such Section.

16.4.5 *Closing Procedures.* On the Closing Date, the Fee Estate shall be conveyed in its "as is" condition and there shall be no abatement or diminution of the Purchase Option Price by reason of any fire, casualty, eminent domain or Condemnation affecting the Land or the Improvements. The Purchase Option Price shall be paid by Tenant on the Closing Date by payment to the Escrow Agent of an amount equal to the Purchase Option Price by wire transfer of federal funds to Escrow Agent's account. On or before the Closing Date, Landlord shall deliver to Escrow Agent the deed to the Fee Estate, which deed shall be the usual grant deed in proper form for recording and shall be duly executed and acknowledged so as to convey to Tenant title to the Fee Estate in fee simple in accordance with this Section 16.4 (the "Deed") as well as any other documents or instruments reasonably requested by Escrow Agent to confirm the proper Transfer of the Fee Estate from Landlord to Tenant in accordance with the terms and provisions of this Section 16.4 (the "Ancillary Documents"). Upon Escrow Agent's receipt of the Deed and the Ancillary Documents from Landlord and the Purchase Option Price from Tenant, the closing shall be deemed to have occurred and Escrow Agent shall be authorized to record the Deed in the applicable land records and to release the Purchase Option Price (as adjusted for the payment of any State and local transfer taxes or other closing amounts payable by Landlord) to Landlord. In the event that Landlord fails timely to deliver the Deed and the Ancillary Documents to Escrow Agent, Tenant shall have the right to pursue all rights and remedies afforded at law and in equity, including specific performance. In the event that Tenant fails timely to deliver the Purchase Option Price to Escrow Agent and provided that all conditions to Tenant's performance were previously satisfied, Landlord shall have no further obligation to sell the Fee Estate to Tenant under this Section 16.4 and the Purchase Option shall be of no further force or effect.

16.4.6 *No Other Agreement.* In the event that the Option Exercise Notice shall have been given, the provisions of this Section 16.4 shall constitute the entire agreement of sale with respect to the sale by Landlord to Tenant of the Fee Estate and no further agreement of sale shall be required of Landlord or Tenant with respect to the Fee Estate, other than closing documents reasonably required by Landlord or Tenant or Escrow Agent hereunder and for the normal and usual closing adjustments.

16.4.7 *Merger.* Upon the closing of the purchase of the Fee Estate, the Term shall expire and neither the Landlord nor Tenant shall have any further rights or obligations under this Lease, except for those rights and/or obligations which are expressly provided in this Lease to survive said closing.

17. Tenant's Transfers

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17.1 *Tenant's Right*

. Subject to compliance with Sections 5.4 and 6.1, Tenant may Transfer this Lease or the Leasehold Estate to an Affiliate of Tenant without Landlord's consent (but with prior written Notice) and otherwise with Landlord's prior written consent, not to be unreasonably withheld, delayed or conditioned. Any assignee of Tenant shall assume all obligations and liabilities of Tenant under this Lease. Tenant shall pay all transfer and other taxes payable on account of any Transfer by Tenant. Tenant shall promptly Notify Landlord of any Transfer. After Tenant assigns this Lease and the assignee assumes it, the assignor shall have no obligation or liability under this Lease, except any unperformed obligations that arose before the assignment (unless assumed in writing, in recordable form, by the assignee). If Tenant assigns this Lease, then as between Landlord and Tenant, Tenant shall be deemed to have assigned to the assignee or transferee all claims against Landlord then existing, and the assignee shall be deemed, by assuming this Lease, to have assumed all liabilities and obligations of Tenant then existing or thereafter arising under this Lease (except as this Lease otherwise expressly states).

18. *Subleases*

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18.1 *Tenant's Right*

. Subject to Sections 5.4 and 6.1, Tenant may not enter into or Modify any Sublease, terminate any Sublease or evict any Subtenant, and grant any consent under any Sublease, without Landlord's prior written consent (which consent shall not be unreasonably withheld); provided, however, that Tenant may enter into, terminate or grant any consent under any Sublease with a Subtenant that is an affiliate of Tenant without Landlord's consent. No Sublease shall affect any obligations of Tenant or rights of Landlord under this Lease, all of which shall continue in full force and effect notwithstanding any Sublease. Any Sublease shall expire no later than one hour before the Expiration Date. The fact that any Subtenant causes any Default shall not relieve Tenant of Tenant's obligation to cure it. Tenant shall take all steps reasonable and necessary to prevent any such Default.

19. *Equipment Liens*

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19.1 *Tenant's Rights*

. After the Commencement Date, Tenant intends, from time to time, to acquire or lease FF&E. If at any time or from time to time Tenant desires to enter into or grant any Equipment Lien that otherwise complies with this Lease, then upon Tenant's request Landlord shall enter into such customary documentation regarding the Financed FF&E as Tenant reasonably requests, providing for matters such as: (a) waiver of any right to take possession of such Financed FF&E upon an Event of Default; (b) waiver of any other right, title, or interest in the Financed FF&E; and (c) agreements to enable the holder of such Equipment Lien to repossess such Financed FF&E

if such holder exercises remedies under its Equipment Lien. Tenant shall not enter into any Equipment Lien that causes any Prohibited Lien.

20. Quiet Enjoyment; Title to Certain Premises; Certain Agreements

20.1 *Quiet Enjoyment*

. So long as this Lease has not been terminated, Landlord covenants that Tenant shall and may peaceably and quietly have, hold, and enjoy the Premises for the Term, subject to the terms of this Lease, without molestation, hindrance, or disturbance by or from Landlord or by anyone claiming by or through Landlord or having title to the Premises paramount to Landlord, and free of any encumbrance created or suffered by Landlord, except Permitted Encumbrances.

20.2 *Access and Inspection*

. Notwithstanding anything to the contrary in this Lease, Landlord and its agents, representatives, and designees shall have the right to enter the Premises upon reasonable Notice during regular business hours, solely to: (a) ascertain whether Tenant is complying with this Lease; (b) cure Tenant's Defaults; (c) inspect the Premises and any Construction; (d) perform such tests, borings, and other analyses as Landlord determines may be necessary or appropriate relating to (non)compliance with any Law or possible Hazardous Substances Discharge; (e) show the Premises to a prospective transferee; or (f) to fulfill any legal obligation Landlord may retain, as a healthcare district, with respect to the Premises under the California Health & Safety Code. In entering the Premises, Landlord and its designees shall not unreasonably interfere with operations on the Premises and shall comply with Tenant's reasonable instructions and all applicable Laws. Landlord shall Indemnify Tenant against any claims arising from Landlord's entry upon the Premises.

21. Events of Default; Remedies

21.1 *Definition of "Event of Default."*

. An "Event of Default" means the occurrence of any one or more of the following:

21.1.1 *Monetary Default.* If a Monetary Default occurs and continues for 10 Business Days after Notice from Landlord, specifying in reasonable detail the amount of money not paid and the nature and calculation of each such payment.

21.1.2 *Prohibited Liens.* If Tenant fails to comply with any obligation regarding Prohibited Liens and does not remedy such failure within 15 days after Notice from Landlord.

21.1.3 *Bankruptcy or Insolvency.* If Tenant ceases to do business as a going concern, ceases to pay its debts as they become due or admits in writing that it is unable to pay its

debts as they become due, or becomes subject to any Bankruptcy Proceeding (except an involuntary Bankruptcy Proceeding dismissed within 180 days after commencement), or a custodian or trustee is appointed to take possession of, or an attachment, execution or other judicial seizure is made with respect to, substantially all of Tenant's assets or Tenant's interest in this Lease (unless such appointment, attachment, execution or other seizure was involuntary and is contested with diligence and continuity and is vacated and discharged within 180 days).

21.1.4 *Nonmonetary Default.* If any other Nonmonetary Default occurs and Tenant does not cure it within 45 days after Notice from Landlord describing it in reasonable detail, or, in the case of a Nonmonetary Default that cannot with due diligence be cured within 45 days from such Notice, if Tenant shall not (x) within 45 days from Landlord's Notice advise Landlord of Tenant's intention to take all reasonable steps to cure such Nonmonetary Default; (y) duly commence such cure within such period, and then diligently prosecute such cure to completion; and (z) complete such cure within a reasonable time under the circumstances (not necessarily limited to 45 days).

21.2 Remedies

. If an Event of Default occurs and so long as such Event of Default is continuing without cure or waiver, then Landlord shall, at Landlord's option, have any or all of the following remedies, all cumulative (so exercise of one remedy shall not preclude exercise of another remedy), in addition to such other remedies as may be available at law or in equity or under any other terms of this Lease. Landlord's remedies include:

21.2.1 *No Waiver.* No failure by Landlord to insist upon strict performance of any covenant, agreement, term, or condition of this Lease or to exercise any right or remedy upon a Default, and no acceptance of full or partial Rent during continuance of any such Default, shall waive any such Default or such covenant, agreement, term, or condition. No covenant, agreement, term, or condition of this Lease to be performed or complied with by Tenant, and no Default, shall be Modified except by a written instrument executed by Landlord. No waiver of any Default shall affect or alter this Lease. Each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent Default of such covenant, agreement, term or condition of this Lease.

21.2.2 *Continuation of Lease.* Landlord may continue this Lease in full force and effect and the Lease will continue in effect as long as Landlord does not terminate Tenant's right to possession, and Landlord shall have the right to collect Rent when due. During the period Tenant is in Default, Landlord can enter the Premises and relet them, or any part of them, to third parties for Tenant's account. Tenant shall be liable immediately to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises required by the reletting, and like costs. Reletting can be for a period shorter or longer than the remaining term of this Lease. Tenant shall pay to Landlord the Rent due under this Lease on the dates the Rent is due, less the rent Landlord receives from any reletting. No act by Landlord allowed by this paragraph shall terminate this Lease unless Landlord Notifies Tenant that Landlord elects to terminate this Lease.

If Landlord elects to relet the Premises as provided in this paragraph, rent that Landlord receives from reletting shall be applied to the payment of:

First, any indebtedness from Tenant to Landlord other than Fixed Rent due from Tenant;

Second, all costs, including for maintenance, incurred by Landlord in reletting;

Third, Fixed Rent due and unpaid under this Lease. After deducting the payments referred to in this paragraph, any sum remaining from the rent Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event shall Tenant be entitled to any excess rent received by Landlord. If, on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including for maintenance, Landlord incurred in reletting that remain after applying the rent received from the reletting as provided in this paragraph.

21.2.3 *Termination of Lease.* Landlord can terminate Tenant's right to possession of the Premises. No act by Landlord other than giving Notice to Tenant shall terminate this Lease. Acts of maintenance, efforts to relet the Premises, or the appointment of a receiver on Landlord's initiative to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession. On termination, Landlord has the right to recover from Tenant:

a. The worth, at the time of the award, of the unpaid Rent that had been earned at the time of termination of this Lease;

b. The worth, at the time of the award, of the amount by which the unpaid Rent that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided;

c. The worth, at the time of the award, of the amount by which the unpaid Rent for the balance of the term after the time of award exceeds the amount of the loss of Rent that Tenant proves could have been reasonably avoided; and

d. Any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's Default.

"The worth, at the time of the award," as used in "a" and "b" of this paragraph, is to be computed by allowing interest at the maximum rate an individual is permitted by law to charge on a loan. "The worth, at the time of the award," as referred to in "c" of this paragraph, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%.

21.3 *Landlord's Right to Cure*

. If Tenant at any time fails to make any payment or take any action this Lease requires and such failure has ripened into an Event of Default, then Landlord, after ten (10)

Business Days' Notice to Tenant, or in an emergency with such Notice (if any) as is reasonably practicable under the circumstances, and without waiving or releasing Tenant from any obligation or Default and without waiving Landlord's right to take such action as this Lease may permit as a result of such Default, may (but need not) make such payment or take such action. Tenant shall reimburse Landlord, as Additional Rent, for an amount equal to (a) all reasonable sums paid, and reasonable costs and expenses (including Legal Costs) incurred, by Landlord in exercising its cure rights under this paragraph; and (b) Default Interest on "a."

21.4 *Holding Over*

. If for any reason or no reason Tenant remains in the Premises after the Expiration Date without the consent of Landlord, then Landlord will suffer injury that is substantial, difficult, or impossible to measure accurately. Therefore, if Tenant remains in the Premises after the Expiration Date without the consent of Landlord, for any reason or no reason, then in addition to any other rights or remedies of Landlord, Tenant shall pay to Landlord, as liquidated damages and not as a penalty, for each month (prorated daily for partial months) during which Tenant holds over after the Expiration Date, a sum equal to: 120% (for the first month or partial month of holding over), 133% (for the second month or partial month of holding over), and 150% (for each subsequent month or partial month of holding over) times the monthly Rent, including Additional Rent, payable under this Lease during the year preceding the Expiration Date.

21.5 *Waivers*

. TENANT WAIVES ANY RIGHT OF REDEMPTION PROVIDED FOR BY LAW. TENANT WAIVES ANY RIGHT TO INTERPOSE ANY COUNTERCLAIM IN ANY ACTION BY LANDLORD TO ENFORCE THIS LEASE OR LANDLORD'S RIGHTS AND REMEDIES UNDER THIS LEASE.

21.6 *Accord and Satisfaction; Partial Payments*

. No payment by Tenant or receipt by Landlord of a lesser amount than the amount owed under this Lease shall be deemed to be other than a part payment on account by Tenant. Any endorsement or statement on any check or letter accompanying any check or payment of Rent shall not be deemed an accord or satisfaction. Landlord may accept any such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy.

21.7 *Landlord's Default*

. Landlord shall not be considered to be in default under this Lease unless Tenant has given Notice specifying the default and Landlord has failed for 60 days from receipt of Notice to cure the default, if it is curable within that time period, or to institute and diligently pursue reasonable corrective or ameliorative acts for defaults not so curable within such 60 day period and complete such cure within a reasonable time under the circumstances.

21.8 *Tenant's Termination Right*

. Tenant shall have the right, at Tenant's sole election, to terminate this Lease upon two hundred seventy (270) days' Notice to Landlord if Landlord fails (a) to complete the

construction of the Tower within ten (10) years of the Commencement Date and/or (b) to achieve Seismic Compliance for the Improvements (including the Tower) on or before January 1, 2030.

22. End of Term

Upon any Expiration Date: (a) Tenant shall deliver to Landlord possession of the Premises, in the condition this Lease requires, subject to any Loss that this Lease does not require Tenant to Restore; (b) Tenant shall surrender any right, title, or interest in and to the Premises and deliver such evidence and confirmation thereof as Landlord reasonably requires; (c) Tenant shall deliver the Premises free and clear of all liens except (1) Permitted Encumbrances and (2) liens that Landlord or any of its agents caused; (d) the parties shall adjust for Real Estate Taxes and all other expenses and income of the Premises and any prepaid Rent and shall make such payments as shall be appropriate on account of such adjustment in the same manner as for a sale of the Premises (but any sums otherwise payable to Tenant shall first be applied to cure any Default); (e) the parties shall terminate the Memorandum of Lease; and (f) Tenant shall assign to Landlord, and Landlord shall reimburse Tenant for, all utility and other service provider deposits for the Premises. Additionally, if Landlord Notifies Tenant in writing not less than one hundred eighty (180) days prior to such Expiration Date of Landlord's election to resume operation of the Premises, either directly or through the engagement of a third-party operator, then (x) upon such Expiration Date, Tenant shall assign to Landlord (subject to clause (z) below, as applicable), without recourse, and give Landlord copies or originals of, all assignable licenses, permits, contracts, warranties, and guarantees then in effect for the Premises; (y) the parties shall cooperate to achieve an orderly transition on such Expiration Date of operations from Tenant to Landlord or other operator without interruption, including delivery of such books and records (or copies thereof) as Landlord reasonably requires (including, to the extent permitted by applicable Laws, records pertaining to the operation of the Hospital prior to the Expiration Date); and (z) on such Expiration Date, Tenant shall sell to Landlord, and Landlord shall purchase from Tenant, at the then-current fair market value (as determined by the Valuation Consultant pursuant to a fair market value appraisal process initiated following Landlord's delivery of its Notice of election to resume operation) and pursuant to a mutually agreed asset purchase agreement that includes commercially reasonable terms, all the then-existing business, properties, assets and rights, whether tangible or intangible, real, personal or mixed (*i.e.*, all of the asset categories comprising the "Acquired Assets" as defined in the Asset Purchase Agreement), owned, leased or held by Tenant that constitute, or are used in connection with or are related to the Premises, Hospital and the Licensed Operations, as such assets shall exist on the Expiration Date, including the FF&E and inventory used in the operation of the Premises and any Building Equipment that Tenant acquired after the Commencement Date.

23. Notices

All Notices shall be in writing and shall be addressed to Landlord and/or Tenant (and their designated copy recipients), as applicable, as set forth in **Exhibit B**. Notices (including any required copies as set forth in **Exhibit B**) shall be delivered by Federal Express or other

overnight (one-night) courier service, or by personal delivery, to the addresses set forth in **Exhibit B**, in which case they shall be deemed delivered on the date of delivery (or when delivery has been attempted twice, as evidenced by the written report of the courier service) to such address(es). Either party may change its address by giving Notice in compliance with this Lease. Notice of such a change shall be effective only upon receipt. Any party giving a Notice may request the recipient to acknowledge receipt of such Notice. The recipient shall promptly comply with any such request, but failure to do so shall not limit the effectiveness of any Notice. Any attorney may give any Notice on behalf of its client. No Notice shall be effective unless and until a copy of such Notice has been delivered to the intended recipient's Mortgagee(s) of which the sender shall have received Notice.

24. No Broker

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Each party: (a) represents and warrants that it did not engage or deal with any broker or finder in connection with this Lease and no Person is entitled to any commission or finder's fee on account of any agreements or arrangements made by such party; and (b) shall Indemnify the other party against any breach of such representation.

25. Nonrecourse

. No shareholder, officer, member, manager, director, agent, or employee of Landlord or Tenant (other than AH to the extent expressly undertaken under the Guaranty) shall have any liability under this Lease. (This Lease sometimes refers to this paragraph as the "Nonrecourse Clause.")

26. Additional Deliveries; Third Parties

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26.1 Estoppel Certificates

. Up to twice a year, each party to this Lease (a "Requesting Party") may require the other party (a "Certifying Party") to execute, acknowledge, and deliver to the Requesting Party (or directly to a designated third party) up to four original counterparts of an Estoppel Certificate. The Certifying Party shall sign, acknowledge, and return such Estoppel Certificate within fifteen (15) days after request, even if the Requesting Party is in Default. Any Estoppel Certificate shall bind the Certifying Party.

26.2 Further Assurances

. Each party shall execute and deliver such further documents, and perform such further acts, as may be reasonably necessary to achieve the parties' intent in entering into this Lease. Upon request from Tenant, Landlord shall promptly, under documentation reasonably satisfactory to the requesting party: (a) acknowledge any Subtenant's nondisturbance and recognition rights (provided such Subtenant joins in such agreement); and (b) certify (subject to any then exception reasonably specified) that this Lease is in full force and effect, that no Lease

impairment has occurred, that to Landlord's knowledge no Default exists, the date through which Rent has been paid, and other similar matters as reasonably requested.

26.3 *Chapter 9 Proceeding*

. Landlord and Tenant hereby understand, acknowledge and agree that the plan of adjustment in connection with the Chapter 9 Proceeding shall not amend, modify or contradict any provision of this Lease.

26.4 *Modification*

. Any Modification of this Lease must be in writing signed by the party to be bound.

26.5 *Successors and Assigns*

. This Lease shall bind and benefit Landlord and Tenant and their successors and assigns, but this shall not limit or supersede any Transfer restrictions. Nothing in this Lease confers on any Person (except Landlord and Tenant) any right to insist upon, or to enforce against Landlord or Tenant, the performance or observance by either party of its obligations under this Lease.

26.6 *Memorandum of Lease*

. Concurrently with the execution of this Lease, the parties shall promptly execute, acknowledge, and deliver duplicate originals of a Memorandum of Lease. Either party may record such Memorandum of Lease. Any taxes imposed upon such recording shall be paid by the party that caused such recordation to occur. If the parties amend this Lease, then the parties shall have the same rights and obligations regarding a memorandum of such amendment as they do for the Memorandum of Lease. Tenant may at any time by Notice to Landlord elect to require the Memorandum of Lease to be terminated, in which case: (a) the parties shall terminate the Memorandum of Lease; and (b) the parties acknowledge that Tenant shall rely on notice by possession rather than constructive notice by recordation of the Memorandum of Lease.

27. Miscellaneous

27.1 *Costs and Expenses; Legal Costs*

. In the event of any litigation or dispute between the parties, or claim made by either party against the other, arising from this Lease or the landlord-tenant relationship under this Lease, or Landlord's enforcement of this Lease upon a Default, or to enforce or interpret this Lease or seek declaratory or injunctive relief in connection with this Lease, or to exercise any right or remedy under or arising from this Lease, or to regain or attempt to regain possession of the Premises or terminate this Lease, or in any subsequent Bankruptcy Proceeding affecting the other party to this Lease, the prevailing party shall be entitled to reimbursement of its Legal Costs with Default Interest and all other reasonable costs and expenses incurred in enforcing this Lease or curing the other party's default.

27.2 *No Consequential Damages*

. Whenever either party may seek or claim damages against the other party (whether by reason of a breach of this Lease by such party, in enforcement of any indemnity obligation, for misrepresentation or breach of warranty, or otherwise), neither Landlord nor Tenant shall seek, nor shall there be awarded or granted by any court, arbitrator, or other adjudicator, any speculative, consequential, collateral, special, punitive, or indirect damages, whether such breach shall be willful, knowing, intentional, deliberate, or otherwise. The parties intend that any damages awarded to either party shall be limited to actual, direct damages sustained by the aggrieved party. Neither party shall be liable for any loss of profits suffered or claimed to have been suffered by the other.

27.3 *No Merger*

. If the Leasehold Estate and the Fee Estate are ever commonly held, they shall remain separate and distinct estates (and not merge).

27.4 *No Waiver by Silence*

. Failure of either party to complain of any act or omission on the part of the other party shall not be deemed a waiver by the noncomplaining party of any of its rights under this Lease. No waiver by either party at any time, express or implied, of any breach of this Lease shall waive such breach or any other breach.

27.5 *Performance Under Protest*

. If a dispute arises regarding performance of any obligation under this Lease, the party against which such obligation is asserted shall have the right to perform it under protest, which shall not be regarded as voluntary performance. A party that has performed under protest may institute appropriate proceedings to recover any amount paid or the reasonable cost of otherwise complying with any such obligation, with interest at the Prime Rate.

27.6 *Survival*

. All rights and obligations that by their nature are to be performed after any termination of this Lease shall survive any such termination.

27.7 *Unavoidable Delay*

. Each party's obligation to perform or observe any nonmonetary obligation under this Lease shall be suspended during such time as such performance or observance is prevented or delayed by Unavoidable Delay.

27.8 *Restrictive Covenant*

. Until the earlier of (a) the expiration or earlier termination of this Lease and (b) the date on which the District shall no longer own any of the Premises, absent approval from Tenant, the District shall not own or otherwise participate in the provision of any service of a

hospital or health care provider that competes with services of Tenant in the Service Area, including the provision of hospital services, professional medical/clinic services, home health services or any other professional medical services that are substantially similar to services provided by the Tenant or its Affiliates in the Service Area. “Service Area” shall mean the service area described in the exhibit attached hereto as **Exhibit C**.

28. Interpretation, Execution, and Application of Lease

.

28.1 *Captions*

. The captions of this Lease are for convenience and reference only. They in no way affect this Lease.

28.2 *Counterparts*

. This Lease may be executed in counterparts.

28.3 *Delivery of Drafts*

. Neither party shall be bound by this Lease unless and until such party shall have executed and delivered at least one counterpart of this Lease. The submission of draft(s) or comment(s) on drafts shall bind neither party in any way. Such draft(s) and comment(s) shall not be considered in interpreting this Lease.

28.4 *Entire Agreement*

. This Lease contains all terms, covenants, and conditions about the Premises. The parties have no other understandings or agreements, oral or written, about the Premises or Tenant’s use or occupancy of, or any interest of Tenant in, the Premises.

28.5 *Governing Law*

. This Lease, its interpretation and performance, the relationship between the parties, and any disputes arising from or relating to any of the foregoing, shall be governed, construed, interpreted, and regulated under the Laws of the State, without regard to principles of conflict of laws.

28.6 *Partial Invalidity*

. If any term or provision of this Lease or its application to any party or circumstance shall to any extent be invalid or unenforceable, then the remainder of this Lease, or the application of such term or provision to Persons or circumstances except those as to which it is invalid or unenforceable, shall not be affected by such invalidity. All remaining provisions of this Lease shall be valid and be enforced to the fullest extent Law allows.

28.7 *Principles of Interpretation*

. No inference in favor of or against any party shall be drawn from the fact that such party has drafted any part of this Lease. The parties have both participated substantially in its negotiation, drafting, and revision, with advice from counsel and other advisers. A term defined in the singular may be used in the plural, and vice versa, all in accordance with ordinary principles of English grammar, which also govern all other language in this Lease. The words “include” and “including” shall be construed to be followed by the words: “without limitation.” Each of these terms shall be interpreted as if followed by the words “(or any part of it)” except where the context clearly requires otherwise: Building Equipment; FF&E; Fee Estate; Land; Leasehold Estate; Premises; Structure; and any other similar collective noun. Every reference to any document, including this Lease, refers to such document as Modified from time to time (except, at Landlord’s option, any Modification that violates this Lease), and includes all exhibits, schedules, and riders to such document. The word “or” includes the word “and.”

28.8 *Reasonableness*

. Wherever this Lease states that a party shall not unreasonably withhold approval: (a) such approval shall not be unreasonably delayed or conditioned; (b) no withholding of approval shall be deemed reasonable unless withheld by Notice specifying reasonable grounds, in reasonable detail, for such withholding, and indicating specific reasonable changes in the proposal under consideration that would make it acceptable; (c) if a party grants its consent (or fails to object) to any matter, this shall not waive its rights to require such consent for any further or similar matter; and (d) any dispute on the withholding or delay of consent shall be determined by arbitration. Any consent or approval which is not stated to be able to be withheld or granted in a party’s sole and absolute discretion shall be subject to the reasonableness standard described above.

28.9 *Books and Records*

. To the extent that the services provided under this Agreement are deemed by the Secretary of the U.S. Department of Health and Human Services, the U.S. Comptroller General, or the Secretary’s or Comptroller’s delegate, to be subject to the provisions of Section 952 of Public Law 96-499, the parties, until the expiration of four (4) years subsequent to the furnishing of services under this Agreement, shall make available, upon written request of the Secretary, the Comptroller, or any of their duly authorized representatives this Lease, and the books, documents, and records of the parties that are necessary to certify the nature and extent of the charges to Tenant’s patients.

If any party carries out any of its duties under this Lease through a subcontract, with a value of \$10,000 or more over a twelve (12)-month period, with a related organization (as that term is defined with regard to a provider in 42 C.F.R. 413.17(1)), such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization upon written request shall make available, to the Secretary, the Comptroller, or any of their duly authorized representatives the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

If any party is requested to disclose any books, documents, or records relevant to this Agreement for the purpose of an audit or investigation related directly to the provision of services under this Agreement (e.g. a governmental investigation of billing practices or services provided to hospital patients), such party shall Notify the other party of the nature and scope of such request and shall make available to the other party, upon written request, all such books, documents, or records.

[Signatures on Next Page.]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease on the date first set forth above.

LANDLORD

TULARE LOCAL HEALTHCARE DISTRICT,
a local health care district of the State of California

By: _____
Its _____

TENANT

ADVENTIST HEALTH TULARE,
a California nonprofit religious corporation

By: _____
Its _____

Attachments:

Exhibit A = Land Legal Description

Exhibit B = Notice Addresses (Including Required Copy Recipients)

Exhibit C = Service Area

Schedule 3.4 = Schedule of Offset Amounts

Schedule 7.1 = Construction Contemplated with Remaining Bond Funds

Schedule 15.2 = Material Litigation/Proceedings

Schedule 15.7 = No Other Tenants

EXHIBIT A
LAND LEGAL DESCRIPTION

Real property in the City and County of Tulare, State of California,
described as follows:

PARCEL 1:

THE NORTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN TIRE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPTING THEREFROM THE WESTERLY 64.5 FEET THEREOF.

APN: 170-323-010 (PORTION)

PARCEL 2:

THAT PORTION OF THE NORTHWEST QUARTER OF SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2; THENCE EAST ALONG THE NORTE LINE OF SAID NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION, 660 FEET; THENCE NORTH 38 FEET; THENCE WEST 660 FEET; AND THENCE SOUTH 39.2 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THE WESTERLY 64.5 FEET THEREOF.

APN: 170-323-010 (PORTION)

PARCEL 3:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 2, TOWNSHIP 20 SOUTH, RANGE 24 EAST, MOUNT DIABLO BASE AND MERIDIAN, IN THE CITY OF TULARE, COUNTY OF TULARE, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL PLAT THEREOF.

EXCEPTING THEREFROM THE WESTERLY 64.5 FEET THEREOF.

ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED IN DEED TO THE CITY OF TULARE, RECORDED AUGUST 19, 1963 IN BOOK 2437, PAGE 493 OF OFFICIAL RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2; THENCE SOUTH 88° 55' 15" WEST ALONG THE SOUTH LINE OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2, A DISTANCE OF 25 FEET TO THE TRUE POINT OF

BEGINNING; THENCE CONTINUING SOUTH 88° 55' 15" WEST ALONG THE SOUTH LINE OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2, A DISTANCE OF 570.30 FEET; THENCE NORTH 0° 06' 15" WEST, 30 FEET; THENCE NORTH 88° 55' 15" EAST, PARALLEL WITH THE SOUTH LINE OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 2, A DISTANCE OF 570.30 FEET; THENCE SOUTH 0° 05' 45" EAST, 30 FEET TO THE TRUE POINT OF BEGINNING.

TOGETHER WITH THAT PORTION OF PARCEL C OF RESOLUTION NO. 09-22 VACATING A PORTION OF TERRACE AVENUE LYING ADJACENT TO SAID PARCEL ON THE SOUTH, RECORDED APRIL 14, 2009, AS INSTRUMENT NO. 2009-0021887, OF OFFICIAL RECORDS.

APN: 170-323-010 (PORTION)

EXHIBIT B
NOTICE ADDRESSEES (INCLUDING REQUIRED COPY RECIPIENTS)

Party:	Notice Address:	With a Copy to:
Landlord	Tulare Local Healthcare District 1255 N. Cherry #536 Tulare, California 93274 Attention: Kevin Northcraft, President; Michael Jamaica, Vice President	McCormick Barstow LLP 7647 North Fresno Street P. O. Box 28912 Fresno, California 93729-8912 Attention: Todd Wynkoop, Esq
Tenant	Adventist Health Tulare 2100 Douglas Boulevard Roseville, California 95661 Attention: Office of General Counsel	Adventist Health 2100 Douglas Boulevard Roseville, California 95661 Attention: Office of General Counsel And to: Latham & Watkins LLP 355 South Grand Avenue, Suite 100 Los Angeles, California 90071-1560 Attention: Daniel K. Settelmayer, Esq.
Bond Trustee	Wilmington Trust National Association [to be provided by Mintz, Levin] ¹	Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. One Financial Center Boston, MA 02111 Attention: Ian Hammel, Esq.

¹ Note to Draft: District to provide Bond Trustee address.

EXHIBIT C SERVICE AREA

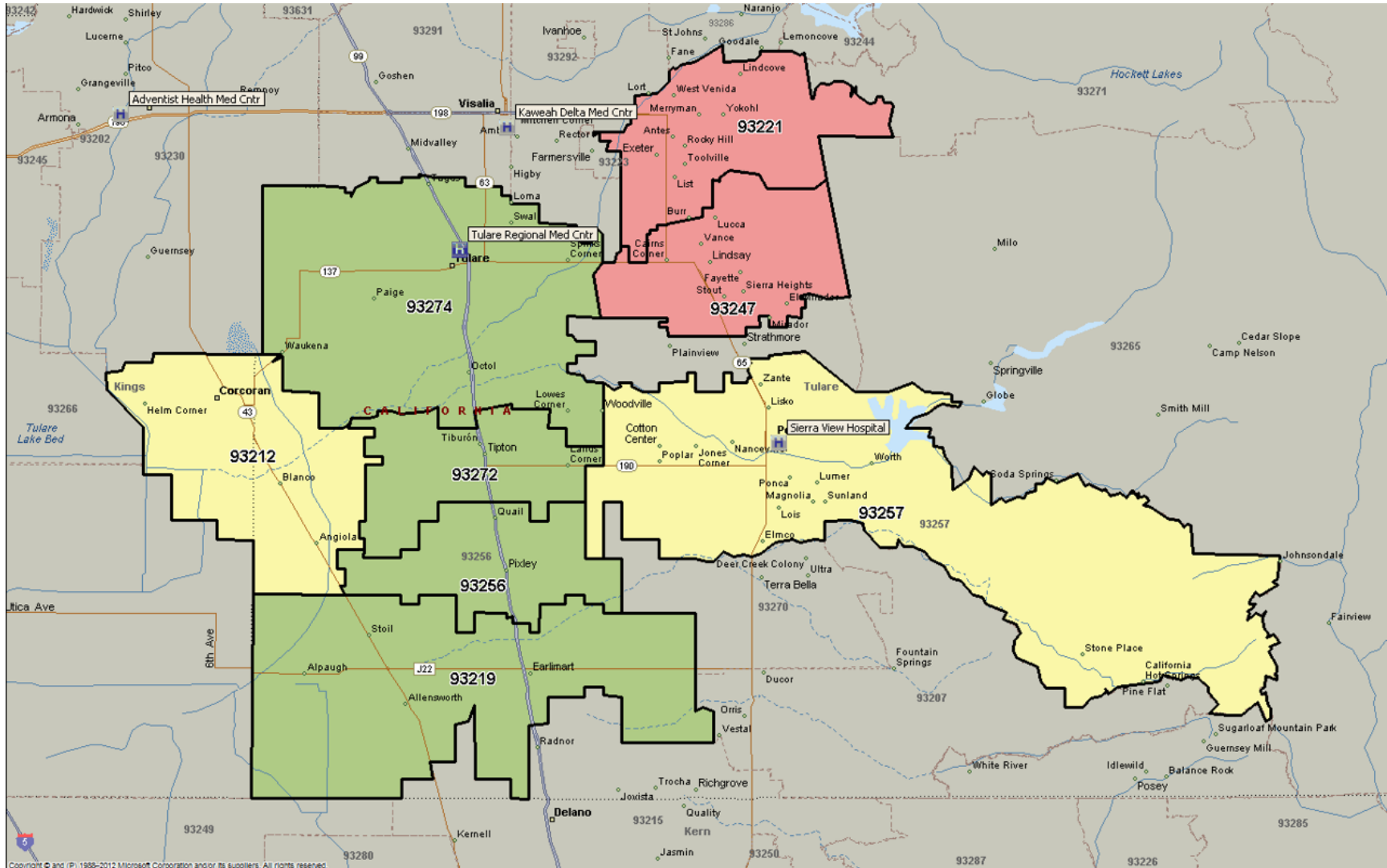


Exhibit C – 1

Schedule 3.4
SCHEDULE OF OFFSET AMOUNTS

(a) Offsets Arising under the Asset Purchase Agreement

N/A as of the date of execution; to be updated as necessary as of the Commencement Date.

(b) Offsets Arising under the Credit Agreement

See attached schedule.²

(c) Offsets Arising under the Other Documents in Connection with Asset Purchase Agreement or Credit Agreement

N/A as of the date of execution; to be updated as necessary as of the Commencement Date.

² Note to Draft: District/AH to provide.

Schedule 7.1

CONSTRUCTION CONTEMPLATED WITH REMAINING BOND FUNDS

1. There are no remaining bond funds. The District performs minor projects on the Tower in order to keep the construction permit current. That project is fire doors.
2. See attached Schedule 7.1S which describes all construction projects needed and/or in process for opening the hospital.

Schedule 7.1S³

Compliance/Repair/Other	Vendor	Date requested	Current Monies Spent	Needs to be completed	Needs to be done Completion w/six weeks of opening	6 mo. after open
Fire alarm system Deficiencies-Duct Detector /Battery replacement	Johnson Controls	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Sprinkler Repairs/testing	Johnson Controls	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Fire Door Repairs-NFPA-Compliance	Fire Door Solutions	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Fire Door inspection-Annual	Fire Door Solutions	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Generator 4 HourLoad bank Testing-NFPA/TITLE 22	Cummins	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Cummins Generator-Service Agreement	Cummins	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Temporary Chiller Replacement-OSHPD/CDPH-compliance	New England	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
MRI A/C repairs	United Valley Refrigeration	Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Elevator soft start replacements		Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Elevator-State Starters		Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Elevator repairs		Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Elevator ADA upgrades		Not Scheduled yet	Internally scheduled to be completed by opening in October.			
Main Campus-Asphalt		Not Scheduled yet	6 mo. after open			
MRI-A/C unit		Not Scheduled yet	6 mo. after open			
CT-floor repair welded (TITLE 24)		Not Scheduled yet	6 mo. after open			
Allied Lab-Fire doors (NFPA 80/Life Safety Code)		Not Scheduled yet	6 mo. after open			
Allied Lab-Flooring (TITLE 24)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			

³ NTD: to be updated by District and AH.

Allied Lab-Exit Signs/Evacuation Routes-(NFPA/Life Safety Code) Counter Tops		Not Scheduled yet	6 mo. after open			
Main Allied-HVAC compressor		Not Scheduled yet	6 mo. after open			
Recovery-Cove base-(TITLE 24)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OB-Finish Med Room		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OR-Surgical room tiles-abatement		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OR-Tile repairs		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
MS2-Paint, floor, nurse's station counter tops-(Infection Control)		Not Scheduled yet	6 mo. after open			
MS1-Paint, nurse's station counter tops-(Infection Control)		Not Scheduled yet	6 mo. after open			
MS1-Shower room-Tile-(Possible Abatement)-(Infection Control)		Not Scheduled yet	6 mo. after open			
Pharmacy-A/C -(OSHDP)		Not Scheduled yet	6 mo. after open			
ED2 Fastrack/ Security Desk-counter tops-(Infection Control)		Not Scheduled yet	6 mo. after open			
ED2 Fastrack/ Security Desk-Flooring (TITLE 24)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
ED1-counters-(Infection Control)		Not Scheduled yet	6 mo. after open			
ED registration-Floor		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
ED security area-Floor		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
MS 2 Med Room-Floor		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
ED restrooms-Flooring		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Section of Lab-Floor		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
X-Ray-Nuclear Med-Counter tops/ doors chipped-(Infection Control)		Not Scheduled yet	6 mo. after open			
Basement-Cath Lab-Hallway tile replacement-(TITLE 24)		Not Scheduled yet	6 mo. after open			

Basement-Central Processing-Humidity/Negative pressure not consistently being met-CDPH-(Infection Control)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
3rd floor-CALL LIGHTS-nonfunctional-Life Safety-OSHPD/CDPH		Not Scheduled yet	6 mo. after open			
ICU/PICU-CALL LIGHTS-nonfunctional-OSHPD/CDPH outstanding item		Not Scheduled yet	6 mo. after open			
MS2 Med Room Abatement		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OB/2nd Floor Hallways-Carpet removal (over 30 years+) /Floor-(TITLE 24) Abatement		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OB-Nurse Call Software Upgrade-(Life Safety)		Not Scheduled yet				
MS2-Nurse Call Software Upgrade-(Life Safety)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
MS1-Nurse Call Software Upgrade-(Life Safety)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
ED1-Flooring (TITLE 24)-Need to Walk to discuss		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
X-Ray-Nuclear Med-Welded Flooring-(TITLE 24)-Need to walk to discuss		Not Scheduled yet				
Main Campus-Penthouse-Boiler-Sole one and aged beyond years/OSHPD		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Main Campus-2 Vacuum pump-(Life Safety)/OSHPD		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Main Campus-1 Medical Air Pump-(Life Safety)/OSHPD		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Seismic Safety Gas Shutoff-Life Safety		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Annual Medical Vacuum Pump inspection (July)		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Annual Fire Extinguisher		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			

Fire alarm smoke Detection-IT server Room-OSHDP/Life Safety		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
OR line Isolation repair		Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Annual Area Alarm testing	Certified Medical	Not Scheduled yet	Needs to be done Completion w/six weeks of opening			
Main Campus		Generator Repair- Requiring Payment for Report	Needs to be done Completion w/six weeks of opening			
Chiller water pumps	New England	Awaiting schedule date	Needs to be done Completion w/six weeks of opening			
Steam line repair	Parker & Parker	Awaiting schedule date				
Complete Patient Tower* – On-Going						
Main Campus-NPC-2-OSHDP-On going.						

*The "Tower" is a four-story, approximately 120,000-square-foot tower under construction, which is expected to include a 24-bed emergency department, five surgical suites, and 27 private patient rooms (medical-surgical orthopedic).

Schedule 15.2⁴
MATERIAL LITIGATION/PROCEEDINGS

(a) Medical Malpractice Claims

1. ANDERSON V. GUPTA; Tulare County Superior Court Case No. VCU267737

Full Caption: *Candice Anderson v. Paul Gupta, Tulare Regional Medical Center, Kin Pang, Parmod Kumar*

Status of Automatic Stay: Stay relief granted pursuant to Stipulation – Order entered 2/9/18
Stipulation included waiver by Plaintiff of right to collect first \$100,000 of any judgment or settlement

Status of Litigation: **Case Management Conference set for 4/6/18; No trial date has been set**

Attorneys: Baradat & Paboojian, Inc., Warren R. Paboojian, Adam Stirrup (Anderson); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC); Le Beau-Thelan, LLP, Dennis Thelan (Paul Gupta and Parmod Kumar); (Pang is listed as unrepresented)

2. BROOKS V. TRMC; Tulare County Superior Court Case No. VCU266862

Full Caption: *Lori Brooks, Steven Brooks v. Tulare Regional Medical Center, Richard Fightlin; A. Wong*

Status of Automatic Stay: Stay relief granted pursuant to Stipulation – Order entered on 2/23/18
Stay relief granted pursuant to stipulation by which Plaintiffs waived right to collect first \$100,000 of any judgment or settlement

Status of Litigation: **Per R. Salinas letter dated May 11, 2018 this matter is in the process of being dismissed**

Attorneys: Baradat & Paboojian, Inc., Daniel Baradat, Kevin Kalajian (Brooks); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC); **McCormick Barstow, LLP**, Jerry D. Casheros (Richard Fightlin); White Canepa, William M. White (Wong)

⁴ Note to Draft: District to update.

3. CABRERA V. TRMC; Tulare County Superior Court Case No. VCU268660

Full Caption: *Juanita Cabrera v. Tulare Regional Medical Center, Healthcare Conglomerate Associates, LLC*

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 12, 2017)

Status of Litigation: Stayed

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU268660

Attorneys: Law Offices of Steven L. Labiak (Cabrera); Weiss Salinas Law Group, Richard Salinas, Carol O'Neil (TRMC and HCCA)

4. CALDERON V. TRMC; U.S.D.C. Case No. 1:17-cv-00040

Full Caption: *Jiame Calderon and the Three Children of Jiame Calderon and Ana Calderon (deceased) v. Tulare Regional Medical Center, Adanna Ikedilo (TERMINATED 4/13/17); and United States of America*

Status of Automatic Stay: Stay relief granted pursuant to Stipulation – Order entered on 2/15/18

Stay relief granted pursuant to stipulation by which Plaintiffs waived right to collect first \$100,000 of any judgment or settlement

Status of Litigation: Currently in discovery phase; No trial date has been set

Attorneys: Law Offices of Raymond D. Chandler (Calderon); Weiss Salinas Law Group, Richard Salinas, Carol O'Neil (TRMC); US Attorney's Office, Civil Division, Jeffrey Lodge (United States of America)

5. DOMINGUEZ V. TRMC; Tulare County Superior Court Case No. VCU272496

Full Caption: *Joe O. Dominguez, Mary Rose Dominguez, Cerene R. Olivera, Steven J. Zuiderweg, a minor, by and through his Guardian ad Litem, Amanda Zuiderweg*

Status of Automatic Stay: Stay is in effect; This lawsuit was filed post-petition on 1/22/18 without first obtaining relief from stay

Status of Litigation: **Dismissed on 3/12/18; Plaintiffs and TRMC have agreed to stipulate to relief from stay now that lawsuit has been dismissed; Hearing on approval of this stipulation will take place on 4/12/18**

Plaintiffs have agreed to waive their right to collect first \$100,000 of any judgment or settlement

Attorneys: Baradat & Paboojian, Inc., Daniel R. Baradat, Kevin Kalajian (Dominguez/Olivera/Zuiderweg); Weiss Salinas Law Group, Richard Salinas, Carol O'Neil (TRMC)

6. GRIESBACH V. TRMC; Tulare County Superior Court Case No. VCU270010

Full Caption: *Thomas Griesbach, Matthew Griesbach, Amy Ferriera v. Tulare Regional Medical Center, Rebecca Zulim, Jatinder Chopra*

Status of Automatic Stay: Stay relief granted – Order entered on 12/6/17

Status of Litigation: **Trial set for October 2018**

Deadline to Remove: 1/5/18 (30 days from order lifting stay)

Attorneys: Miles, Sears & Eanni, Richard Campbell Watters (Griesbach/Ferriera); Weiss Salinas Law Group, Richard Salinas, Carol O'Neil (TRMC); Pollara Law Group, Dominique A. Pollara (Rebecca Zulim); and White Canepa, LLP, Mark B. Canepa (Jatinder Chopra)

7. IBARRA V. TRMC; Tulare County Superior Court Case No. VCU262492

Full Caption: *Angelina Ibarra v. Tulare Regional Medical Center, David Smith, Douglas Middleton, Family Healthcare Network, and David Larios*

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 5, 2017)

Status of Litigation: **Stayed**

Deadline to Remove: 4/26/18

Attorneys: Martin Malkasian (no firm name)(Ibarra); Weiss Salinas Law Group, Richard Salinas, Carol O’Niel (TRMC and Middleton); Le Beau-Thelan, LLP, Dennis Thelan (Smith); (Family Healthcare Network and David Larios are listed as unrepresented)

8. METCALF V. TRMC; Tulare County Superior Court Case No. VCI252446

Full Caption: *Richard Metcalf, Richard Metcalf, Jr., Stephan Metcalf v. Tulare Regional Medical Center, Debra Holdrige, Linda Nelson, Patricia Collins, Tina Magana, Eric Gomez, Paulo Murietta, Anthony Murphy, Bryan Walthers*

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 12, 2017)

Status of Litigation: According to the Tulare County Superior Court docket this case is “open,” however note that all plaintiffs are listed as “dismissed”

Deadline to Remove: 4/26/18

Attorneys: N/A (all parties are listed as unrepresented)

9. OPPER V. TRMC; Tulare County Superior Court Case No. VCU263554

Full Caption: *Jon Opper, Carolyn Opper v. Tulare Regional Medical Center, Elton Tripp, Ronald Ostrom, Ronald Smith*

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 12, 2017)

Status of Litigation: Matter settled just prior to the TRMC’s bankruptcy filing; all that is required in the trial court is to finalize the settlement, which will require relief from the automatic stay

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU263554

Attorneys: Kokozyan Law Firm, APC, Brian K. Andrews, Gibson & Hughes, Robert B. Gibson, Jeffrey S. Hughes (Opper); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC/Tripp/Ostrom/Smith)

10. TORREZ III V. TRMC; Tulare County Superior Court Case No. VCU268786

Full Caption: *John Torrez, III, Bernadette Torrez v. Tulare Regional Medical Center, Parmod Kumar, Jomayoun Sohrabi, Mark Martinez*

Status of Automatic Stay: Stay relief granted pursuant to Stipulation – Order entered on 1/4/18

Status of Litigation: Trial set for September 2018

Deadline to Remove: 2/5/18 (30 days following order lifting stay)

Attorneys: Heimberg Barr, LLP, Marsha E. Barr-Fernandez, James Bulger (Torrez); Weiss Salinas Law Group, Richard Salinas, Carol O’Neil (TRMC); White Canepa, LLP, William M. White (Kumar/Sohrabi/Martinez)

(b) **Other Claims**

1. **KUMAR v. BETRE**

Nature of Suit: Anti-Slapp Lawsuit (misuse of public funds)

Status of Automatic Stay: Stayed (pending appeal)

Status of Litigation: Underlying matter closed; the judgment is being appealed by Parmod Kumar; a decision as to this appeal is needed; time to file briefs has been extended to 5/4/18.

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU265230

Full Caption: *Parmod Kumar, Rebecca Zulim, Benny Benzeevi v. Abraham Betre*

Attorneys: Levinson Arshonsky & Kurtz, LLP, David N.S. Krol (Kumar/Zulim); Baker & Hostetler, LLP, Robert C. Welsh (Benzeevi); **McCormick Barstow, LLP**, Michael F. Ball (Betre); Law Offices of Michael J. Lampe (the tax payers of Tulare Local Healthcare District – Real Party in Interest)

2. **PHELPS v. GREENE**

Nature of Suit: Request for Declaratory Relief (violation of Government Code Recovery of Expended Funds §6 of the California Constitution)

Status of Automatic Stay: Stayed

Status of Litigation: Motion to set aside default judgment as to Benzeevi only was granted on 4/19/18; Status conference set for 8/23/18.

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU270681

Full Caption: *David Phelps v. Tulare Regional Medical Center, Bruce Greene, Baker Hostetler, LLP, Yorai Benzeevi, Rebecca Zulim*

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe, Michael P. Smith (Phelps); Orrick Herrington et al., Cynthia J. Larsen (Benzeevi); TRMC, Zulim, Greene and Hostetler are listed as unrepresented on the Tulare County Superior Court website

3. TORREZ (BERNADETTE) v. TRMC (slip and fall case)

Nature of Suit: Personal Injury (slip and fall while visiting husband in hospital)

Status of Automatic Stay: Stayed (violated by post-petition filing of complaint)

Status of Litigation: Complaint filed on 3/2/18; HCCA served on 5/7/18. TRMC not yet served.

Deadline to Remove: 6/8/18

See FRBP 9027(a)(3) “[i]f a claim or cause of action is asserted in another court after the commencement of a case under the Code, a notice of removal may be filed with the clerk only within the shorter of (A) 30 days after receipt, through service or otherwise, of a copy of the initial pleading setting forth the claim or cause of action sought to be removed, or (B) 30 days after receipt of the summons if the initial pleading has been filed with the court but not served with the summons.)

Court and Case No: Tulare County Superior Court; Case No. VCU 272978

Full Caption: *Bernadette Torrez v. HCCA, unknown business entity, Tulare Local Health Care District, dba Tulare Regional Medical Center, and Reuben Rocha*

Attorneys: Winter Law Group, Joel D. Winter (Torrez); Weiss Salinas, Richard Salinas (TRMC and HCCA)

4. ZULIM v. TRMC

Nature of Claim: Interference with prospective economic relations, CHSC violations, violations of ADA, deprivation of rights, interference with contract, and indemnity/contribution relating to the Phelps lawsuit

Status of Automatic Stay: On 4/30/18 an order was entered conditionally granting stay relief to commence litigation provided there is insurance coverage and **waiver by plaintiff of deductible amount**

Status Since ROS: Complaint has not yet been filed (that W2LG is aware) (according to the Tulare County Superior Court website, nothing has been filed by Zulim against TRMC as of the date of this memo)

Deadline to Remove: 30 days following service of newly filed complaint

Court and Case No: N/A

Full Caption: *Caption will likely be: Rebecca Zulim, M.D. v. Tulare Regional Medical Center, dba Tulare Local Healthcare District, Parmod Kumar, Yorai Benzeevi, and Ronald Ostrom*

Attorneys: Farley Law Firm, Donald L. Mabry (Zulim)

Notes: **According to D. Mabry (attorney for Zulim) the matter cannot be tendered until the complaint is actually filed.**

A. DECLARATORY AND INJUNCTIVE RELIEF LAWSUITS

1. DRILLING, et al. v. SHERRIE BELL

Nature of Suit: Request for Declaratory and Injunctive Relief; Taxpayer action to enjoin illegal expenditure or waste of public funds

Status of Automatic Stay: Stayed

Status of Litigation: Hearing on status of bankruptcy is set for 8/15/18 (McCormick Barstow is handling)

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU267051

Full Caption: *Thomas Drilling, William Postlewaite, John Beck, Ned Kehrli, Edward Henry, Xavier Avila, Douglas Jacobs, JD McNearney,*

Jennifer Burcham, David Phelps, Patricial Drilling Phelps, v. Tulare Local Healthcare District, Sherrie Bell, Parmod Kumar, Linda Wilbourn, Richard Torrez, Laura Gadke, Healthcare Conglomerate Associates, Rebecca Zulim, Benny Benzeevi

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe and Michael P. Smith (Drilling / Postelwaite / Beck / Kehrli / Henry / Avila / Jacobs / McNearney / Burcham / Phelps / Drilling-Phelps); NOSSAMAN, LLP, David Balfour, Carl Coppo (TRMC); remaining defendants are listed as unrepresented on Tulare County Superior Court website

2. MARTIN-SOARES v. TRMC

Nature of Suit: Request for Declaratory Relief and Injunctive Relief; Request for Production of Records Under the Public Records Act

Status Automatic Stay: Stay is in effect (Notice of Stay filed on October 5, 2017)

Status of Litigation: Currently stayed; this matter appears to be ready to set for trial if an when stay is lifted

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; VCU266902

Full Caption: *Deanne Martin-Soares, Emily Yenigues v. Tulare Regional Medical Center, Healthcare Conglomerate Associates*

Attorneys: Law Offices of Michael J. Lampe, Michael J. Lampe and Michael P. Smith (Martin-Soares/Yenigues); NOSSAMAN, LLP, David Balfour, Carl Coppo (TRMC); HCCA is listed as unrepresented on the Tulare County Superior Court website

Notes: **On 3/20/18 TW and RCW discussed and we are not authorized to stipulate to ROS; May want to remove.**

3. MISSION HOSPITAL RMC v. TOBY DOUGLAS, ET AL.

Nature of Suit: Writ Mandate – Petition filed to challenge provision enacted by the legislature imposing freeze on Medi-Cal reimbursement for impatient services

Status of Automatic Stay: N/A; TRMC is a petitioner (notice of stay filed inadvertently and subsequently withdrawn)

Status of Litigation: On 6/5/18 Danielle Bethel confirmed with the court that **this matter was dismissed without prejudice in its entirety in June 2014.**

Deadline to Remove: 4/26/18

Court and Case No: Sacramento County Superior Court; 34-2011-80001004

Full Caption: *62 petitioner hospitals including TRMC v. Department of Healthcare Services for California (Toby Douglas, Director)*

Attorneys: Davis Wright Tremaine, Jordan B. Keville (all petitioners); Office of the Attorney General (respondent)

Notes: **This matter was dismissed prior to the Petition Date.**

4. SENOVIA GUTIERREZ v. TULARE LOCAL HEALTHCARE DISTRICT

Nature of Suit: Writ Mandate; civil suit attempting to force TRMC board to recognize Gutierrez as board member (filed 9/27/17)

Status of Automatic Stay: Stayed (Notice of Stay filed on October 12, 2017)

Status of Litigation: Case management conference set for 8/29/17

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU271265

Full Caption: *Senovia Gutierrez v. Tulare Regional Medical Center, Richard Torrez, Michael Jamaica, and Kevin Northcraft*

Attorneys: Mederos, Soares & Ormonde, Dennis Alan Mederos (Gutierrez); All defendants are listed as unrepresented on the Tulare County Superior Court website

5. THE PEOPLE OF THE STATE OF CALIFORNIA v. RICHARD TORREZ

Nature of Suit: Judicial Review / Writ Mandate; suit filed by the District Attorney attempting to force TRMC board to recognize Gutierrez as board member (filed 9/11/17)

Status of Automatic Stay: N/A

Status of Litigation: Pending (Alternative Writ of Mandate Requested 9/11/17)

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; VCU271086

Full Caption: *People of the State of California v. Richard Torrez, Senovia Gutierrez, Bruce Green, Baker & Hostetler*

Attorneys: Tulare County District Attorney's Office, Trevor Holly (People of the State of California); McCormick Barstow, LLP [Timothy Thompson] (TRMC)(listed as "joinder" party); Baker & Hostetler, LLP, Robert C. Welsh (HCCA)(listed as "other" party); Other parties are listed as unrepresented according to the Tulare County Superior Court website

6. TRMC STAFF v. TRMC (MEC Suit)

Nature of Suit: Judicial Review / Writ Mandate

Status of Automatic Stay: Stay is in effect (Notice of Stay filed on October 12, 2017) (**MEC Lawsuit**),

Status of Litigation: Status conference set for 7/25/18.

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; Case No. VCU264227

Full Caption: *TRMC Medical Staff v. TRMC, Healthcare Conglomerate Associates, LLC, California Medical Association*

Attorneys: John D. Harwell, APC, John D. Harwell (TRMC Medical Staff); Abbie P. Maliniak (sole practitioner)(note that Maliniak e-mailed W2LG stating that she is no longer attorney of record; TCSC website still lists her as such)(TRMC); Fenton Law Group, LLP, Benjamin Fenton (TRMC Professional Staff); Long X. Do (no firm; appears to be general counsel)(California Medical Association); HCCA listed as unrepresented according to the Tulare County Superior Court website

B. BREACH OF CONTRACT AND COLLECTIONS LAWSUITS

1. FIRSTSOURCE SOLUTIONS, LLC v. TRMC

Nature of Suit: Breach of Contract (with counterclaims for breach of contract)

Status of Automatic Stay: The parties have stipulated to relief from stay to allow the claim to be liquidated; on May 31, 2018 the court granted TRMC's motion to approve the stipulation (waiting for order to be entered). Thus the next step is to monitor receipt of a decision by the U.S. District Court.

Status of Litigation: Once the order lifting the stay is entered the parties will proceed to final judgment. Note that Baker remains as the attorney of record for TRMC.

Deadline to Remove: N/A (cannot remove to District Court; see *In re Curtis*, 571 BR 441 (9th Cir. BAP 2017))

Court and Case No: U.S. District Eastern District of California ; 1:15-cv-01136

Full Caption: *FirstSource Solutions, LLC v. Tulare Regional Medical Center*
Attorneys: Quarles & Brady, LLP, Alissa Brice Castaneda (FirstSource) (PHV: Daniel M. Janssen; Emily M. Feinstein; Patrick J. Proctor-Brown), Baker & Hostetler, LLP, Teresa C. Chow (TRMC)

Notes: **Stay relief granted as indicated above.**

2. GRAHAM PREWETT, INC. v. TULARE LOCAL HEALTHCARE DISTRICT

Nature of Suit: Breach of Contract; Open Book Account **DISMISSED.**

Status of Automatic Stay: N/A; Removed to Bankruptcy Court.

Status of Litigation: Removed Adversary Proceeding **DISMISSED** (see *supra*).

Deadline to Remove: N/A

Court and Case No: Tulare County Superior Court; VCU269517

Full Caption: *Graham Prewett, Inc. v. Tulare Local Healthcare District*

Attorneys: Law Offices of Joseph Naegele, Sr. (Graham Prewett, Inc.); Harris Law Firm, Justin D. Harris (Graham Prewett, Inc.); TRMC is listed as unrepresented on the Tulare County Superior Court website

Notes: **This case has been dismissed and no further follow up is needed except to monitor any filed proof of claim and determine if objectionable.**

3. HCCA v. TULARE REGIONAL MEDICAL CENTER

Nature of Suit: Breach of Contract (with counterclaims for breach of contract)

Status of Automatic Stay: N/A; Removed to Bankruptcy Court on December 28, 2017

Status of Litigation: The following HCCA motions will be heard on 6/27/18: (1) Motion to Remand; (2) Motion to Strike Portions of TRMC's Answer; and (3) Motion to Dismiss Counterclaim (*status also tracked below under Adversary Proceedings*).

Deadline to Remove: N/A

Court and Case No: Los Angeles County Superior Court; Case No. 676133
U.S. Bankruptcy Court, Adversary Proceeding Case No. 17-01095

Full Caption: *Healthcare Conglomerate Associates, LLC v. Tulare Regional Medical Center*

Attorneys: Orrick Herrington, et al., Marshall Grossman (HCCA);
McCormick Barstow and W2LG (TRMC)

4. PHILLIPS HEALTHCARE v. TRMC

Nature of Suit: Collections

Status of Automatic Stay: Stayed

Status of Litigation: This lawsuit was filed on 9/22/17 and dismissed on 4/9/18.

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; VCU271244

Full Caption: *Phillips Healthcare v. Tulare Regional Medical Center*

Attorneys: Glassberg Pollak & Associates, Robert L. Pollak (Phillips Healthcare); TRMC is listed as unrepresented on the Tulare County Superior Court website

5. SPECIALTY LABORATORIES v. TRMC

Nature of Suit: Breach of Contract

Status of Automatic Stay: N/A; **Removed to Bankruptcy Court on 4/10/18.**

Status of Litigation: Removed Adversary Proceeding is currently pending in the Bankruptcy Court (see below for status of adversary proceeding).

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; VCU269056
Full Caption: *Specialty Laboratories, Inc. v. Tulare Local Healthcare District, Healthcare Conglomerate Associates, LLC*

Attorneys: Lanak & Hanna, Tristan P. Espinosa (Specialty Laboratories, Inc.); All defendants are listed as unrepresented on the Tulare County Superior Court website

Notes: **Danielle Bethel removed this matter to the U.S. Bankruptcy Court on 4/10/18.**

6. WELLS FARGO VENDOR FINANCIAL SERVICES v. TRMC

Nature of Suit: Breach of Contract

Status of Automatic Stay: N/A; DISMISSED

Status of Litigation: Dismissed (filed in violation of the automatic stay)

Deadline to Remove: N/A

Court and Case No: Tulare County Superior Court; VCU271413

Full Caption: *Wells Fargo Vendor Financial Services v. Tulare Local Healthcare District, dba Tulare Regional Medical Center*

Attorneys: Buchalter Law Firm (WVFS); TRMC was not represented at time of dismissal.

Notes: **This suit has been dismissed and there is no further follow up needed except to monitor proof of claim.**

C. UNLAWFUL DETAINER LAWSUITS

1. COUNTY OF TULARE v. TRMC

Nature of Suit: Unlawful Detainer regarding Hillman Rural Healthcare Clinic Lease.

Status of Automatic Stay: Stayed

Status of Litigation: This lawsuit was filed on 9/26/17; W2LG was not aware of this lawsuit until the County of Tulare filed its proof of claim in the bankruptcy court attaching a copy of the complaint.

Deadline to Remove: 4/26/18

Court and Case No: Tulare County Superior Court; 271247

Full Caption: *County of Tulare v. Tulare Local Healthcare District, dba Tulare Regional Medical Center*

Attorneys: Tulare County Counsel, Amy I. Terrible, Deputy County Counsel (County of Tulare)

D. LABOR COMMISSIONER CLAIMS

1. VENKATARIO ISOLA v. TRMC

Nature of Suit: Failure to Pay Wages Due

Status of Automatic Stay: Stay is in effect (Notice of Automatic Stay emailed to Labor Commissioner on 3/21/18).

Status of Litigation: Stayed

Deadline to Remove: 30 days from receipt of initial pleading

Court and Case No: State of California Dept. of Industrial Relations, Labor Commissioner's Office; WC-CM-389145

Full Caption: *Venkatarao Isola v. Tulare Regional Medical Center*

Attorneys: McCormick Barstow, Laura Wolfe

E. ADVERSARY PROCEEDINGS PENDING IN THE BANKRUPTCY CASE

1. TRMC v. CELTIC LEASING CORP.

Nature of Suit: Complaint to Avoid Preferential and Fraudulent Transfers

Status of Litigation: Pending as Adversary Proceeding; Complaint filed 2/7/18

Deadline to Remove: N/A

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01008

Full Caption: *Tulare Local Healthcare District, dba Tulare Regional Medical Center v. Celtic Leasing Corp., a California Corporation* (terminated as defendant on 5/8/18); *BM Financial Bank, NA, MB Equipment Finance, LLC* (successor by merger to Celtic)

Attorneys: W2LG and McCormick Barstow (TRMC); Allen Matkins, Michael S. Gregor (Celtic, MB Financial, MB Equipment Finance)

2. GRAHAM PREWETT v. TRMC (Removed Lawsuit) (DISMISSED)

Nature of Suit: Removed Lawsuit (see *supra* at D2); Breach of Contract/Open Book Account

Status of Litigation: **Dismissed** (pursuant to stipulation in light of proof of claim filed by plaintiff)

Deadline to Remove: N/A

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01001

Full Caption: *Graham Prewett, Inc. v. Tulare Local Healthcare District*

Attorneys: Law Offices of Joseph Naegele, Sr. (Graham Prewett, Inc.); Harris Law Firm, Justin D. Harris (Graham Prewett, Inc.)

3. HCCA v. TRMC (Removed Lawsuit)

Nature of Suit: Removed lawsuit; Breach of Contract (with counterclaims for breach of contract)

Status of Litigation: Pending as Adversary Proceeding; Removed from LA County Superior Court on 12/28/17; The following HCCA motions will be heard on 6/27/18: (1) Motion to Remand; (2) Motion to Strike Portions of TRMC's Answer; and (3) Motion to Dismiss Counterclaim.

Deadline to Remove: N/A

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 17-01095

Full Caption: *Healthcare Conglomerate Associates, LLC v. Tulare Regional Medical Center*

Attorneys: Orrick Herrington, et al, Marshall Grossman (HCCA); McCormick Barstow and W2LG (TRMC)

4. TRMC v. HCCA (547 Complaint)

Nature of Suit: Complaint to Avoid Preferential and Fraudulent Transfers

Status of Litigation: Pending as Adversary Proceeding; Complaint filed 1/23/18; First Amended Complaint filed 5/8/16; Notice of Acknowledgement of Receipt filed 5/16/18; Answer to First Amended Complaint filed 6/4/18; Status Conference set for 6/27/18.

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01005

Full Caption: *Tulare Regional Medical Center v. Healthcare Conglomerate Associates, LLC*

Attorneys: McCormick Barstow and W2LG (TRMC); Orrick Herrington, et al, Marshall Grossman (HCCA)

5. SPECIALTY LABORATORIES v. TRMC (Removed Lawsuit)

Nature of Suit: Breach of Contract

Status of Litigation: Removed to bankruptcy court on 4/10/18; Answer filed by HCCA on 4/17/18; No answer filed by TRMC; Continued status conference 6/27/18; Status report due by 6/20/18; Judge Lastreto indicated at the 5/9/18 status conference that he would like the pleadings to be “fleshed out” prior to the 6/27 status conference but no deadline to answer or file crossclaims or counterclaims has been set.

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01014

Full Caption: *Specialty Laboratories, Inc. v. Tulare Local Healthcare District, Healthcare Conglomerate Associates, LLC*

Attorneys: Lanak & Hanna, Tristan P. Espinosa (Specialty Laboratories, Inc.); McCormick Barstow and W2LG (TRMC); Orrick Herrington, et al, Marshall Grossman (HCCA)

Notes: **Note that Cynthia Larsen indicated that HCCA will be filing a crossclaim against TRMC for indemnity.**

6. MAXIM HEALTHCARE SERVICES v. HCCA (Removed Lawsuit)

Nature of Suit: Breach of Contract

Status of Litigation: Removed to bankruptcy court on 4/25/18; HCCA crossclaim due to be filed by 6/29/18; Continued status conference 7/19/18; Parties to meet and confer under Rule 26 by 6/28/18; Adversary Proceeding Status Report due on 7/12/18 (to include discovery plan and proposed schedule).

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01018

Full Caption: *Maxim Healthcare Services, Inc. v. Healthcare Conglomerate Associates, LLC, dba Tulare Regional Medical Center*

Attorneys: The Dunning Law Firm, Donald T. Dunning (Maxim); W2LG and McCormick Barstow (TRMC); Orrick Herrington, et al, Cynthia Larsen (HCCA)

Notes: **This matter was removed due to TRMC's contractual obligation to indemnify HCCA; TRMC is not a party to the lawsuit.**

HCCA will defend based on agency principles and assert indemnity on any remaining liability (per C. Larsen on 5/30).

7. TRMC v. JOHNSON

Nature of Suit: Complaint to Determine Nature, Extent, and Validity of Lien

Status of Litigation: Complaint filed 4/30/18; Status Conference scheduled for 6/27/18; Status report due 6/20/18

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01020

Full Caption: *Tulare Local Healthcare District, dba Tulare Regional Medical Center v. Cyril H. Johnson, Kenneth A. Kuney, Trustee, Georgianna Aileen Johnson McDonald*

Attorneys: McCormick Barstow and W2LG (TRMC)

Notes: **This adversary proceeding involves the real property owned by TRMC which is located at 793 Cherry Street.**

8. TRMC v. BRAVIN

Nature of Suit: Complaint to Determine Nature, Extent, and Validity of Lien

Status of Litigation: Complaint filed 4/30/18; Status Conference scheduled for 6/27/18; Status report due 6/20/18

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01021

Full Caption: *Tulare Local Healthcare District, dba Tulare Regional Medical Center v. Don A. Bravin, Elvira M. Bravin*

Attorneys: McCormick Barstow and W2LG (TRMC)

Notes: **This adversary proceeding involves the real property owned by TRMC which is located at 591 E. Merritt Ave.**

9. TRMC v. LAVERS

Nature of Suit: Complaint to Determine Nature, Extent, and Validity of Lien

Status of Litigation: Complaint filed 4/30/18; Status Conference scheduled for 6/27/18; Status report due 6/20/18

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01022

Full Caption: *Tulare Local Healthcare District, dba Tulare Regional Medical Center v. George D. Lavers, George D. Lavers and Elizabeth J. Lavers, Trustees of the George D. Lavers and Elizabeth J. Lavers Revocable Living Trust dated 5/10/95*

Attorneys: McCormick Barstow and W2LG (TRMC)

Notes: **This adversary proceeding involves the real property owned by TRMC which is located at 941 Gem Street.**

10. TRMC v. BERNADETTE TORREZ

Nature of Suit: Complaint for Violation of Automatic Stay; Request for Injunctive and Declaratory Relief

Status of Litigation: Complaint filed 6/5/18; First adversary proceeding status conference set for 8/1/18; Status report due by 7/25/18; Notice of Acknowledgement and Receipt of Summons and Complaint e-mailed to Joel Winter with request that he accept service on 6/6/18.

Court and Case No: USBC, Eastern District; Adv. Proc. Case No. 18-01032

Full Caption: *Tulare Local Healthcare District, dba Tulare Regional Medical Center v. Bernadette Torrez*

Attorneys: McCormick Barstow and W2LG (TRMC); Winter Law Group, Joel D. Winter (Torrez)

Notes: **This adversary proceeding was filed following several attempts to get Joel Winter to dismiss TRMC as a defendant in the civil litigation referenced above, which was filed in violation of the automatic stay.**

11. OUTSTANDING WORKER COMP CASES

1. Fatima Fagundes *Claim No. 96000466*
 2. Evelia Flores-Soto *Claim No. 98000486*
 3. Cathy Dodson *Claim No. 05000244*
 4. Graciela Reveles *Claim No. 07000061*
 5. Kimberly Jones *Claim No. 07000717*
 6. Kimberly Jones *Claim No. 08000133*
 7. Rick Painter *Claim No. 09000159*
 8. Russell Hull *Claim No. 09001044*
 9. Courtney Carter *Claim No. 13001000*
 10. Courtney Carter *Claim No. 14000473*
- Sofia Rios *Claim No. 14000992*

Schedule 15.7
NO OTHER TENANTS

The District has no lease arrangements that would become Converted Subleases.

TULARE REGIONAL MEDICAL CENTER

GUARANTY OF LEASE

As a material inducement to and in consideration of the execution by TULARE LOCAL HEALTHCARE DISTRICT, a California health care district (“**District**”) of that certain Lease (the "**Lease**") of even date herewith between District, as landlord, and ADVENTIST HEALTH TULARE, a California nonprofit religious corporation (“**Tenant**”), as tenant, relating to the Premises (as defined in the Lease) located in the City and County of Tulare, California, ADVENTIST HEALTH SYSTEM/WEST, a California nonprofit religious corporation doing business as ADVENTIST HEALTH (“**Guarantor**”) hereby agrees as follows:

1. Guarantor hereby unconditionally guarantees the performance of, and unconditionally promises to perform, all of the obligations of Tenant under the Lease, and any and all extensions and modifications thereof, including, but not limited to, the obligation to pay the Rent (as defined in the Lease).

2. In such manner, upon such terms and at such times as District shall deem best, and without notice to or the consent of Guarantor, District may alter, compromise, extend or change the time or manner for the performance of any obligation hereby guaranteed, substitute or add any one or more guarantors, accept additional or substituted security for the performance of any such obligation, or release or subordinate any security therefor, any and all of which may be accomplished without any effect on the obligations of Guarantor hereunder. No exercise or non-exercise by District of any right hereby given, no dealing by District with Tenant, any other guarantor or other person, and no change, impairment or suspension of any right or remedy of District shall in any way affect any of the obligations of Guarantor hereunder or give Guarantor any recourse against District.

3. Guarantor hereby waives and agrees not to assert or take advantage of the following:

(a) Any right to require District to proceed against Tenant or any other person or to proceed or exhaust any security held by District at any time or to pursue any other remedy in District’s power before proceeding against Guarantor, including the provisions of Sections 2845 and 2850 of the Civil Code of California;

(b) Any defense based on the statute of limitations in any action hereunder or in any action for the performance of any obligation hereby guaranteed;

(c) Any defense that could have otherwise be asserted by Tenant;

(d) Any defense that may arise by reason of the incapacity, lack of authority, bankruptcy, death or disability of any other person or persons or the failure of District to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons, including the provisions of Section 2810 of the Civil Code of California;

(e) Any defense based on an election of remedies including, but not limited to, any action by District which shall destroy or otherwise impair any subrogation right of Guarantor or the right of Guarantor to proceed against Tenant for reimbursement, or both;

(f) Any duty on the part of District to disclose to Guarantor any facts District may now or hereafter know about Tenant, regardless of whether District has reason to believe that such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that

such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of Tenant and of all circumstances bearing on the risk of nonperformance of any obligation hereby guaranteed;

(g) Any right to receive (i) notice of acceptance hereof; (ii) grace, demand, presentment and protest with respect to the obligations under the Lease, (iii) notice of non-payment or other defaults, of intention to accelerate and of acceleration of the obligations under the Lease, (iv) the notice of existence, creation or incurring of new or additional obligation on the part of Tenant, District or any other person, and (v) any other notices, in each case of clauses (i) through (v), except to the extent expressly required under this Agreement to be given to Tenant, and under the provisions of Section 2819 of the Civil Code of California; and

(h) Any defense based on the fact that Guarantor's obligations hereunder are larger or more burdensome than that of Tenant's under the Lease, including the provisions of Section 2809 of the Civil Code of California.

Without limiting the generality of the foregoing or any other provision hereof, Guarantor hereby expressly waives any and all benefits, rights and defenses which might otherwise be available to Guarantor under California Civil Code Sections 2787 to 2855, inclusive, 2899, 2953 and 3433.

4. Until all obligations hereby guaranteed shall have been fully performed, Guarantor shall have no right of subrogation and waives any right to enforce any remedy which District now has or may hereafter have against Tenant and any benefit of, and any right to participate in, any security now or hereafter held by District, including the provisions of Sections 2847, 2848 and 2849 of the Civil Code of California. Guarantor agrees that nothing contained herein shall prevent District from suing on the Lease or from exercising any rights available to District thereunder and that the exercise of any of the aforesaid rights shall not constitute a legal or equitable discharge of Guarantor. Guarantor expressly waives any and all benefits under the second sentence of California Civil Code Section 2822(a). In addition, Guarantor agrees that District (and not Tenant) shall have the right to designate the portion of Tenant's obligations under the Lease that is satisfied by a partial payment by Tenant.

5. All existing and future obligations of Tenant to Guarantor, or any person owned in whole or in part by Guarantor, and the right of Guarantor to cause or permit itself or such person to withdraw any capital invested in Tenant are hereby subordinated to all obligations hereby guaranteed, and, without the prior written consent of District, such obligations to Guarantor shall not be performed, and such capital shall not be withdrawn, in whole or in part, while Tenant is in default under the Lease.

6. All rights, powers and remedies of District hereunder, the Lease and under any other agreement now or at any time hereafter in force between District and Guarantor shall be cumulative and not alternative, and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to District at law or in equity. This Guaranty is in addition to and exclusive of the guarantee of any other guarantor of any obligation of Tenant to District.

7. The obligations of Guarantor hereunder are independent of the obligations of Tenant under the Lease, and, in the event of any default hereunder or under the Lease, a separate action or actions may be brought and prosecuted against Guarantor, whether or not Tenant is joined therein or a separate action or actions are brought against Tenant. District may maintain successive actions for other defaults. District's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless all obligations hereby guaranteed shall have been fully performed.

8. Guarantor shall pay to District, without demand, reasonable attorneys' fees and all costs and other expenses which District shall expend or incur in collecting or compromising any obligation hereby guaranteed or in enforcing this Guaranty against Guarantor, whether or not suit is filed including, but not limited to, attorneys' fees, costs and other expenses incurred by District in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceeding involving Guarantor which in any way affects the exercise by District of its rights and remedies hereunder.

9. Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

10. This Guaranty shall inure to the benefit of District and its successors and assigns, and shall bind the heirs, executors, administrators, successors and assigns of Guarantor. This Guaranty may be assigned by District concurrently with the transfer of title to, or master lease of, property covered by the Lease, and, when so assigned, Guarantor shall be liable to the assignees without in any manner affecting the liability of Guarantor hereunder.

11. Upon full performance of all obligations hereby guaranteed, this Guaranty shall be of no further force or effect.

12. No provision of this Guaranty or right of District hereunder can be waived or modified, nor can Guarantor be released from Guarantor's obligations hereunder, except by a writing duly executed by District.

13. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever. Capitalized terms used herein without definition shall have the meanings given in the Lease.

14. If two (2) or more entities are signing this Guaranty as Guarantor, then all such entities shall be jointly and severally liable for the obligations of Guarantor hereunder.

15. This Guaranty shall be governed by and construed in accordance with the laws of the State of California. In any action brought under or arising out of this Guaranty, Guarantor hereby consents to the jurisdiction of any competent court within the State of California and hereby consents to service of process by any means authorized by California law. This Guaranty shall constitute the entire agreement of Guarantor with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon District unless expressed herein.

Dated: [~], 2018

GUARANTOR
ADVENTIST HEALTH SYSTEM/WEST

By: _____
Its _____

APPRAISAL REPORT

TULARE LOCAL HELATHCARE DISTRICT PROPERTIES
TULARE, CALIFORNIA

AS OF:

MAY 18, 2018

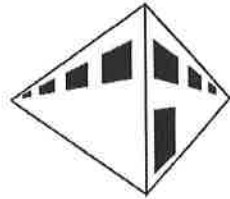
PREPARED FOR:

**TODD WYNKOOP
ATTORNEY AT LAW
McCORMICK BARSTOW, LLP
7647 NORTH FRESNO STREET
FRESNO, CA 93729-8912**



Simon & Hower, Inc.
REAL ESTATE APPRAISAL

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Simon & Hower, Inc.
REAL ESTATE APPRAISAL

June 22, 2018

Todd Wynkoop
Attorney at Law
McCormick Barstow, LLP
7647 North Fresno Street
Fresno, Ca 93729-8912

Re: Tulare Local Healthcare District Properties
Tulare, CA

Dear Mr. Wynkoop:

At your request, we have appraised a real property interest for numerous offices, medical offices and vacant land located in the city of Tulare and the community of Earlimart. The interest appraised varies between fee simple, leasehold and leased fee. All properties are owned by the Tulare Local Healthcare District.

This valuation contains analyses, opinions, and conclusions along with market data and reasoning appropriate for the scope of work detailed later herein. It was prepared solely for the intended use and intended user explicitly identified in the attached report. Unauthorized users do so at their own risk. The appraisal is communicated in the attached Narrative report and conforms to the version of the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on this report's preparation date. All value conclusions assume no liens or encumbrances other than normal covenants and restrictions of record.

This letter is not an appraisal report and only serves as an introduction to the attached appraisal. If this letter is disjoined from the attached appraisal report, then the value opinions set forth in this letter are invalid because the analyses, opinions, and conclusions cannot be properly understood. The value opinion must be placed in the context of the analysis.

The value opinions are affected by all the information, assumptions, hypotheses, general limiting conditions, facts, descriptions, and disclosures stated in the attached appraisal report. After careful consideration of all factors pertaining to and influencing value, the data and analysis thereof firmly supports the following value opinion for the subject properties as of May 18, 2018:

Properties 1, 2 & 3 Vacant Lots

Lot 24	\$148,500
Lot 26	\$207,000
Lot 35	\$139,500
Total Value	\$495,000

Properties 1, 2 and 3 are located within a professional office development and consist of vacant parcels, ready for development. The land is valued based on price per buildable area. The fee simple interest is appraised for these properties.

Property 4: 935-945 Gem Street, Tulare

\$175,000

There is no remaining economic life to the building improvements. The value represents the underlying land, less demolition costs. The fee simple interest is appraised.

Property 5: 591 E. Merritt Ave. & 979 N. Gem Street, Tulare

\$340,000

The value is based on the "as is" condition of two offices. The fee simple interest is appraised.

Property 6: 890, 906 & 922 Cherry Street, Tulare

\$340,000

The property includes three offices. Two are occupied and one needs to be removed from the site. The two habitable offices are valued and added to the value of surplus land area. The demolition costs for building 922 have been deducted from the value. The fee simple interest is appraised.

Property 7: 874 Cherry Street, Tulare

\$90,000

This property includes one vacant office on a small lot. The office has reached the end of its economic life and the value represents the land, less demolition costs. The fee simple interest is appraised.

Property 8: 793, 795 & 799 North Cherry Street, Tulare

\$360,000

The value includes two offices and one manufactured office. The fee simple interest is appraised.

Property 9: 1050 Cherry Street, Tulare

\$2,100,000

This is the Veterans Clinic. The value is subject to an extraordinary assumption outlined in the report. The value could be considerably less if the assumptions are not met. The leased fee interest is appraised.

Property 10: 398 S. Church Street, Earlimart

Scenario 1	\$0
Scenario 2	\$80,000

The value is an allocation to the building improvements. The underlying land is leased. Extraordinary assumptions apply to Scenario 2. The leasehold interest is appraised.

Thank you for the opportunity to be of service.



Jacob I. Hower, MAI
Certified General Real Estate Appraiser
California License 3002762 (Expires 11/14/18)
jake@simonhower.com

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject(s) of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I Jacob Hower have completed the continuing education program for Designated Members of the Appraisal Institute.



Jacob I. Hower, MAI
Certified General Real Estate Appraiser
California License 3002762 (Expires 11/14/18)
jake@simonhower.com

BASIC ASSUMPTIONS & LIMITING CONDITIONS

1. No survey was made of the property, and the dimensions are those taken from the maps in the Office of the County Assessor of the County of Tulare. This appraisal is not an engineering, legal or architectural study. It is not an examination or survey of any kind. Expertise in these areas is not implied and should not be inferred by the reader.
2. No separation of land and building values may be used for any other purpose than that delineated elsewhere in this report.
3. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the author.
4. No right to expert testimony is included with this report, and the fee for this appraisal does not include payment for pre-trial conferences or taking of depositions.
5. No responsibility is assumed for matters legal in nature.
6. No survey or soil tests of the land have been made by the appraiser.
7. This report and all information contained herein was prepared for the sole and exclusive benefit of the client, as specified herein, and is intended for their use only. No one except the client specified herein may rely on this report for any purpose. Any person or entity who obtained or reads this report, or a copy thereof, other than the client specified herein, expressly assumes all risk of damages to himself or third persons arising out of reliance thereon or use thereof and waives the right to bring any action based on the appraisal, directly or indirectly, and the appraiser shall have no liability to any such person or entity.
8. Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any purpose by anyone except the appraiser's employer, without the previous written consent of the appraiser, and in any event, only in its entirety.
9. The information and data reported in this appraisal have been obtained from sources that are deemed to be reliable; they are believed to be correct but cannot be guaranteed by the appraiser. This condition applies generally throughout the appraisal report and specifically to square footage calculations and descriptions of comparable properties.
10. This appraisal report sets forth all limiting conditions (imposed by the terms of the assignment or by the appraiser) affecting the analyses, opinions, and conclusions contained in this report.

11. During this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It is beyond the expertise of the appraiser to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraisers or Simon & Hower, Inc., Inc. for any hazard or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if desired. It is noted that asbestos may be present in some of the subject properties given the improvements age. Mold was also visible in some buildings.

12. The appraiser is not qualified to determine whether the subject building improvements are in compliance with the American with Disabilities Act (ADA) of 1992. Noncompliance with this act could have a negative effect upon the value of the property. An expert in this field should be retained for consultation, if desired.

13. All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised annually to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the date this report was prepared. It also complies with the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), a federal law.

14. The person signing this report is licensed to appraise real property in the State of California. I have the experience, knowledge, and education to value this type property. I have previously appraised similar real estate.

15. No liability is assumed, expressed, or implied by Simon & Hower, Inc., or the appraiser for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are clearly, specifically, and explicitly identified as an intended user on Page 1 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

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SCOPE OF WORK

INTRODUCTION

The Tulare Local Healthcare District owns several buildings in the city of Tulare, near the Tulare Regional Medical Center. The properties are a mixture of office, medical office and vacant land. Two of the offices are tenant occupied; all remaining buildings are vacant or owner-occupied. A vacant rural health clinic located in Earlimart is also appraised. The client will utilize the appraisal for lending purposes and internal planning. The potential lender is Community Medical Centers; they are also an intended user of this appraisal.

ASSIGNMENT ELEMENTS

The Client (<i>the person who engaged the appraisal and an intended user</i>):	Tulare Local Healthcare District: Care of: Todd Wynkoop, Attorney at Law McCormick Barstow, LLP
Other intended users:	Community Medical Centers
Standard / definition of value used:	Market value
Interest appraised:	Varies for each property but consists of either fee simple or leased fee.
Key dates:	
Effective value date (<i>point in time the value applies</i>):	May 18, 2018
Report preparation date (<i>date the report was prepared</i>):	June 22, 2018
Observation date (<i>date the property was inspected</i>):	May 18, 2018
Value opinion(s):	As is
Extent of report preparation:	Narrative
Report preparation complies with requirements set forth in USPAP:	Standard Rule 2-2(a) appraisal report
Data sources:	Local MLS, CoStar, Real Quest, other appraisers, real estate brokers, buyers, and sellers
Data verification:	Direct method
Documents considered:	Legal description, parcel map, lease

Sources of information about the property appraised included:	contracts, expenditures (if provided) Personal observation, interview with Lionel Machado who is the Director of Respiratory Care Services & Facilities and review of lease contracts when applicable
Extent of subject observation:	Exterior and interior observation of most properties. The VA Clinic was partially viewed. The Earlimart Clinic was viewed from the exterior only.

DEFINITION OF APPRAISED ESTATES

The interest appraised varies per property. Most are fee simple, one is leasehold, and one is hypothetically appraised as a leased fee. The definitions for each interest are as follows:

Leased Fee Estate: "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."¹

Fee Simple Estate: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental police powers of taxation, eminent domain, police power, and escheat."²

The leasehold interest: "The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease."³

APPRAISAL DEVELOPMENT

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief". Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all the following tasks:

- observation of the properties appraised
- research for appropriate market data
- data verification

¹ The Dictionary of Real Estate Appraisal, 6th Ed., Pg. 128

² The Dictionary of Real Estate Appraisal, Sixth Edition, 2015. Pg.90

³ The Dictionary of Real Estate Appraisal, 6th Ed., Pg. 128

- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

The report is communicated in a narrative format and written so the reader will understand the appraiser's methodology and value conclusion. This report is written in a multi-property format. Pertinent information and conclusions are summarized. Many of the sale and rent comparables utilized throughout the appraisal are the same for vacant properties. Descriptions of sale and rent comparables can be found in the Addenda.

DEFINITION OF MARKET VALUE

The following definition of *market value* was taken from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. This same definition is also cited in Advisory Opinion 22 of the current version of the Uniform Standards of Professional Appraisal Practice (USPAP).

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1. buyer and seller are both typically motivated;*
- 2. both parties are well informed or well advised and acting in what they consider their own best interests;*
- 3. a reasonable time is allowed for exposure in the open market;*
- 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

MARKET ANALYSIS

CITY OF TULARE



Overview: Tulare County is situated in the southern half of the San Joaquin Valley, an eight county region centralized within the State of California. Tulare is the second largest city in Tulare County and one of the oldest between Stockton and Los Angeles.

The city is about 190 miles north of Los Angeles, and 220 miles south of San Francisco along the corridor of State Route 99. SR 99 stretches from Sacramento to Interstate 5 in Kern County.



Transportation: State Route 99 bisects Tulare in a north-south direction and provides access throughout the central portion of the State of California. SR 198 is 10-miles north and provides access to Hanford, Lemoore and Interstate 5 to the west. SR 198 also provides access to Visalia and the Sierra Mountains to the east. The proximity the SR 99 Makes Tulare a good candidate for warehousing and large manufacturers due to the ease of access throughout the Central portion of California.



Economic Indicators: Recent economic statistics for the city of Tulare are summarized below and provided by the US. Census Bureau:

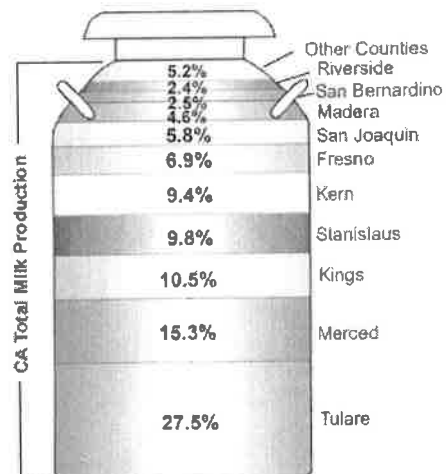
Total Population (2016)	62,779
Percent growth rate (1 Year):	1.088%
Average household size:	3.31
High school graduate or higher:	71.8%
Bachelor's degree or higher:	12.2%
Median household income:	\$47,196
Per-capita income:	\$18,707
Mean travel time to work:	20.3 minutes
Owner-occupied housing units:	57.3%
Unemployment Rate (March 2018):	7.5%

Economy & Industry: Tulare County is a national leader in agricultural production. Agriculture is the mainstay of the county's economic base, accounting for \$6,370,121,600 in total crop value in 2016. This represents an 8.75% decrease from the 2015 amount. The 2015 amount had previously decreased 13.7% from the 2014 total. The decline in the overall crop valuation is primarily due to persistent drought conditions coupled with slumping commodity prices. Over 120 commodities are produced in the Tulare County with 45 of these grossing over \$1 million annually.

**California's Top 10 Milk Producing Counties
Percent Share of California's Total Milk Production
January-June 2017**

County (by rank)	Total Milk Production Jan-June 2017 (in Pounds)	% Change from 2016	% Total California Milk Production Jan-June 2017
#1 Tulare	5,576,035,366	-1.7%	27.5%
#2 Merced	3,094,228,999	-1.9%	15.3%
#3 Kings	2,131,855,329	-3.1%	10.5%
#4 Stanislaus	1,987,835,597	-2.5%	9.8%
#5 Kern	1,911,186,077	-3.4%	9.4%
#6 Fresno	1,397,636,684	-0.8%	6.9%
#7 San Joaquin	1,181,469,489	-3.0%	5.8%
#8 Madera	940,952,164	3.1%	4.6%
#9 San Bernardino	502,258,098	-8.9%	2.5%
#10 Riverside	484,442,470	-1.9%	2.4%

**Percent Share of California's
Total Milk Production
January-June 2017**



Milk Production during January-June 2017:

- ▶ The top ten counties in California accounted for 94.8 percent of the state's total milk production and 17.6 percent of the nation's total milk production.
- ▶ The milk production of Tulare, Merced, Kings, Stanislaus, and Kern counties accounted for 13.5 percent of the nation's total milk production.

Source: CDFA California Dairy Statistics, 2017

Tulare County is the top dairy-producing county in California and the nation; it produces 5% of the U.S. milk supply. In 2005 milk became the first commodity to exceed one billion dollars for any county in California's history. This caused an expansion of existing milk processing plants and the creation of new facilities in the County. Despite difficulties in the dairy industry, milk continues to top Tulare County's most productive commodities at over 1.645 billion dollars in 2015.

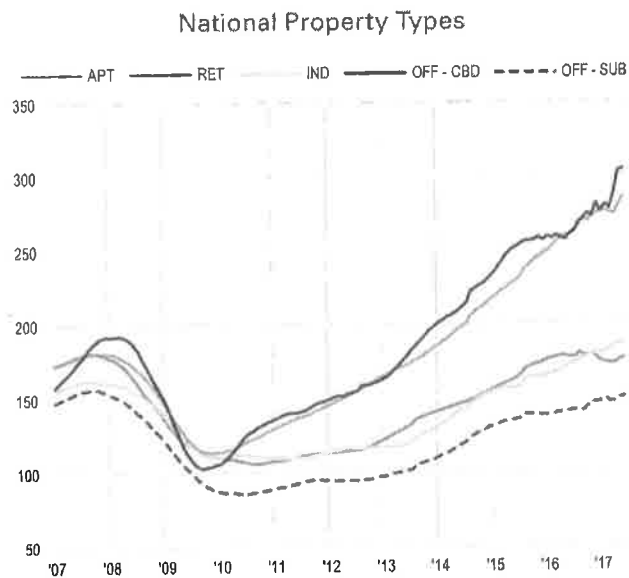
CITY OF TULARE MAJOR EMPLOYERS

Saputo Cheese USA, Inc, 550	Haagen Dazs, 350	Walmart, 225	US Cold Storage, 200
Land O' Lakes, 530	J.D. Heiskell Company, 350	Morris Levin & Sons Hardware, 200	Kraft, 180
		Ruan, Inc, 180	Southern Calif. Edison, 120

International Agri-Center: The city of Tulare is host to the California Farm Show and World Ag Expo in Tulare (www.farmshow.org). The International Agri-Center has over 2,100,000 square feet under roof. The farm show is the largest in the world and is attended by over 100,000 annually from 60 nations, with over 1,500 exhibitors. The International Agri-Center is moving towards becoming a year-round facility. "Argi-Clustering" is the concept that has recently drawn to the center the Heritage Complex, an agricultural museum, and the office of the Tulare County Ag Commissioner and the U.C. Cooperative Extension offices. Officials expect lodging and restaurant facilities to follow at some point in the future.

Real Estate: Overall, commercial and residential real estate values are on the rise and have been for the past 3-5 years. The majority of appreciation in commercial

markets occurred during the past two years. New construction is evident and indicates a level of feasibility unattainable three years ago. The real estate cycle has moved out of the recovery phase and into an expansion phase. The chart on the right is provided by Real Capital Analytics; it identifies the Commercial Property Price Index as of June 2017. The trend is positive for all sectors across the nation. Tulare has not seen as much



appreciation as larger metro areas but values, construction and general activity is on the rise.

Residential Housing: Over the past six years the housing market has been appreciating. Since 2012 home values have risen over 70%, according to the Tulare County MLS. The rising trend is supported by minimal construction and absorption of existing inventory. Historical single-family residential prices are noted by Tulare County MLS as follows:

Year	Total Sales	Average Price	Average DOM
2017	654	\$220,557	47
2016	683	\$211,256	52
2015	632	\$188,177	56
2014	599	\$176,093	59
2013	647	\$152,814	62

Industrial: Tulare has four industrial parks which offer over 1,200 acres zoned for light to heavy industrial uses. Parcel sizes in these areas range from 1 acre to 160 acres. Many of these parcels are improved. The terrain is flat with good drainage, while subsoil is sandy and piling is not required. Most sites are adjacent to the State Route 99 corridor and the Union Pacific rail line.

On a larger scale the national industrial economy is thriving. CBRE, Marcus & Millichap, Newmark Grubb and Colliers International all report similar findings with increasing construction, decreasing vacancy, positive absorption and increasing rental rates.

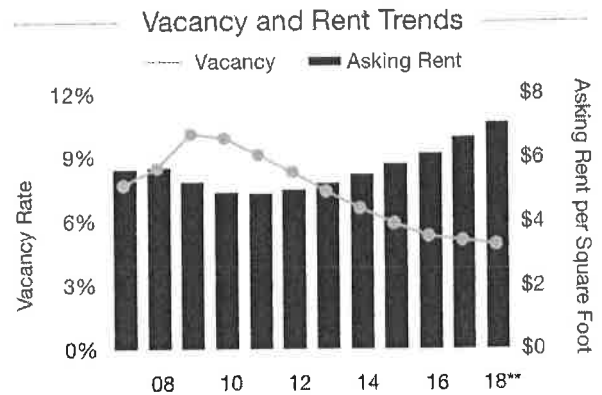
“At the end of Q1 2017, only 5.4% of the nation’s industrial space was vacant – the lowest rate on record despite 55 million square feet of new supply completed in Q1...Consumers remain the key demand driver for industrial real estate...e-commerce sales continue to grow, pushing industrial occupiers to modernize supply chains to better service consumers and lower overall costs.” *Colliers International, U.S. Research Report, Industrial Market Outlook, Q1 2017.*

Another market report prepared by Newmark-Grubb in Fresno California states:

“As a result of the ecommerce projects flowing into the area, it has become apparent that Fresno and Visalia are the most likely destination for large, new buildings. These large requirements demand more than 40 acres per building, making ample, developable land a requirement for securing more than a few of these companies. In Fresno, only three sites are available to large users that need to begin construction in under a year, while in Visalia, there are over 400 acres that are readily developable. Historically, each market has absorbed less than 100 acres each year, exclusive of a large requirement like VF’s warehouse (40-plus acres) in Visalia. Even though meaningful differences exist between Visalia and Fresno, particularly Fresno’s larger labor pool and

proximity to more services and amenities, Visalia may be in a position to capture more of these oversize requirements, because it has more land that can be easily developed.”
Newmark Grubb Parson Commercial, Fresno 3Q16 Industrial Market.

The chart on the right is from the Marcus and Millichap 2018 National Industrial Outlook report. It indicates decreasing vacancy and increasing asking rent.



Tulare, in addition to the city of Visalia, serves as a food processing, distribution and retail trade center for Tulare County. Although the economy of Tulare is strongly oriented to agribusiness, the community has demonstrated its ability to attract significant non-agricultural industries. The trend toward a more diversified economy parallels diversification noted previous throughout the county.

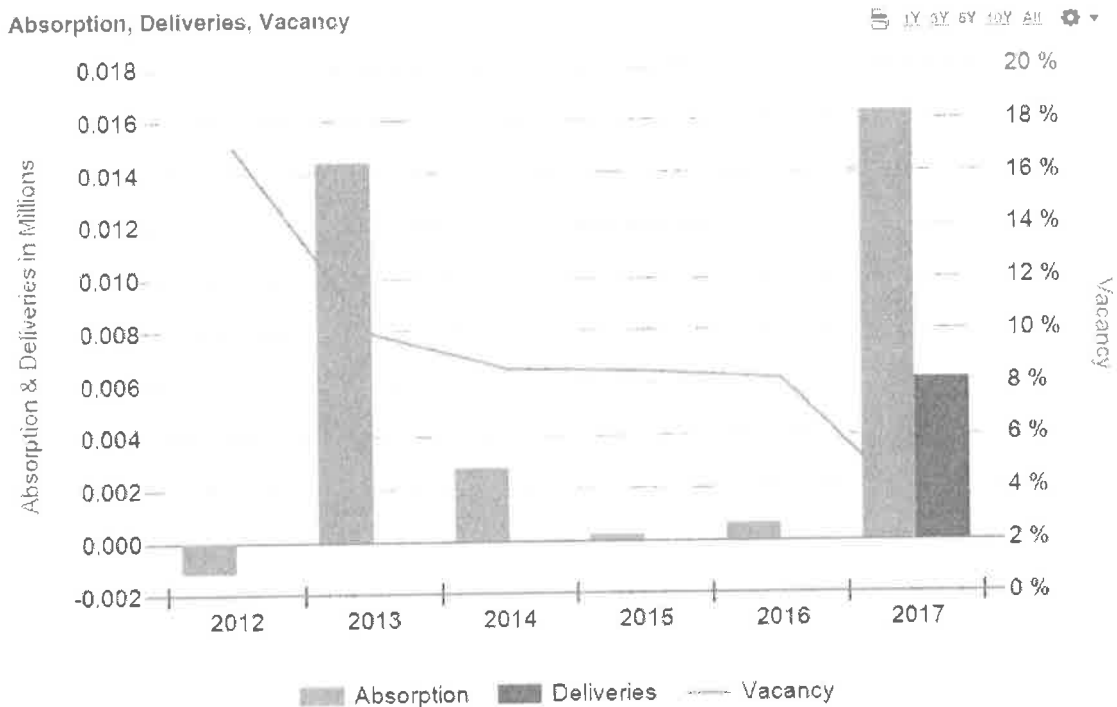
The availability of labor, proximity to raw materials (such as agricultural produce), an expanding market area, favorable climate for food processing, an aggressive growth attitude, and good rail and highway facilities are major attractions for new industries in the Tulare area. Land in particular is plentiful and very cost effective in comparison to other competing markets. Visalia in particular has been successful at positioning itself as a major warehouse distribution hub in Central California due to the above-cited benefits.

Retail Trade: Tulare has a wide range of retail services. Major regional facilities have been built in and around the Prosperity Avenue/Highway 99 interchange. The largest improvement in the neighborhood is the Horizon Outlet Center, which extends from Prosperity Avenue to Leland Avenue, along the east line of Highway 99. The center has been built in phases and includes stores such as Bass Company Store, Van Heusen, Ralph Lauren, Calvin Klein, Nike, Galaxy Theatre, Gap, Liz Claiborne, Banana Republic, and Eddie Bauer.

Wal-Mart is situated at the northeast corner of Prosperity and Blackstone along with Foods-Co, which is a large warehouse grocery store. National retailers such as Target, Lowe’s, Home Depot, Walgreen’s, CVS, and Big 5 Sporting Goods are all located in this sector. Several small retailers and restaurants populate the area as well. There is an ample amount of land in this sector to allow for continued growth.

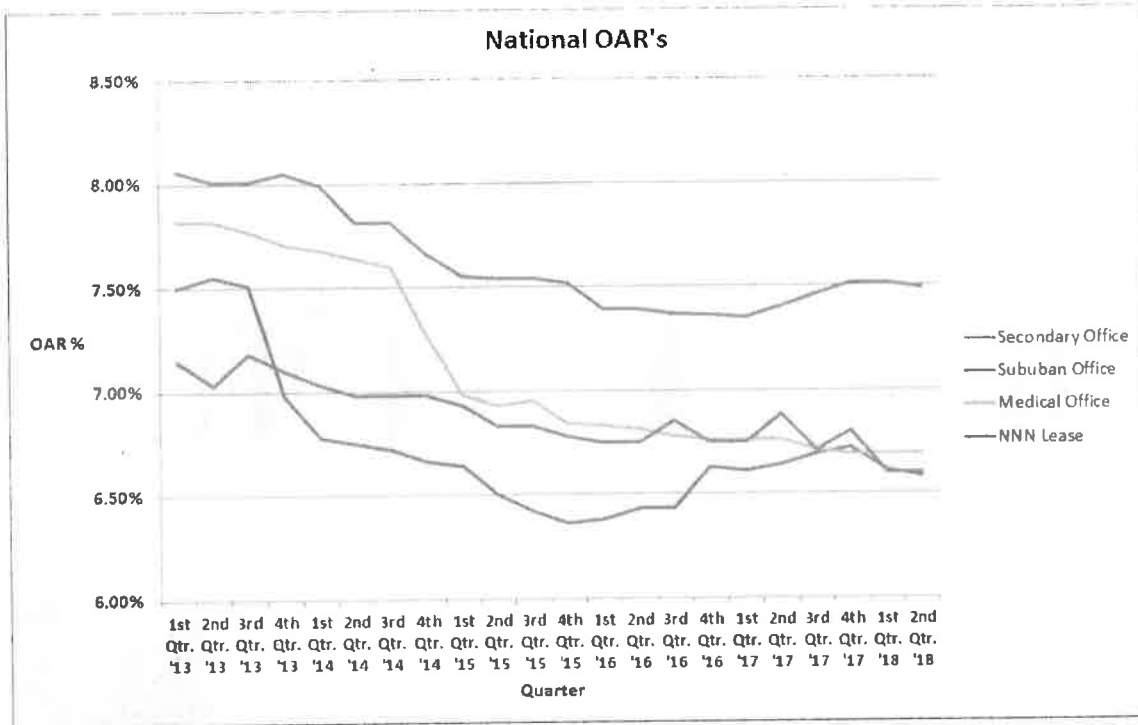
Office: The Tulare office market is gaining momentum. Rental rates are rising, and new construction is evident, particularly in Blackstone Professional Center. Three new offices have been recently completed. Vacancy is declining, and absorption is positive. Moving forward, rental rates are forecast to increase. Brokers report high demand for office

space but almost no speculative development. “Developers require pre-leasing, but the market needs some speculative space for immediate occupancy,” claimed Kyle Rhinebeck of Zeeb Commercial. The following chart provided by Costar Analytics indicates the Tulare Office market trends with positive absorption, declining vacancy and increased construction.



Overall rates (rate of return) for investment quality assets continue to fall, effectively increasing value. The rates have leveled according to the PwC Real Estate Investor Survey 2nd Quarter, 2018. The following chart indicates overall rates for Secondary Office, Suburban Office, NNN Lease, and Medical investment properties. “Over the next six months, most surveyed investors foresee overall cap rates holding steady in 29 of the 34 markets analyzed. Most expect increases for the national net lease and Denver office markets over that time period.”⁴

⁴ PwC Real Estate Investor Survey, 2nd Quarter 2018; “Investors Foresee Moderate Investment Risk” Pg. 3



Summary: The long-term outlook for Tulare is positive. It has a diversified economy based on agriculture, manufacturing, and large public-sector employers. The commercial real estate market is stable to moderately increasing. The residential housing market is appreciating, and new construction is on the rise. This trend is likely to be seen through 2018.

TULARE MEDICAL CENTER SUB-MARKET

Most of the subject properties are located around the former Tulare Hospital situated at Cherry Street and Merritt Avenue. The hospital and surrounding properties owned by the hospital are closed at this time and many have been vacant for several years. This central location is easily accessible from anywhere in the city within a five or ten-minute drive.

The immediate area is predominantly medical around the hospital. Moving outward there is a mixture of single-family, multi-family, nursing facilities and convalescent hospital. Public uses including schools and churches extend southwest. North and east of the subject are professional office and medical developments. Continuing north, along Prosperity Avenue, dense commercial uses line the streets including shopping center, restaurants and hotels.



The hospital issues have negatively impacted surrounding real estate, including the real estate owned by the Tulare Local Healthcare District. If the hospital were to re-open there would be renewed interest in the area. Despite the questionable status of the hospital there have been some purchases and restorations over the past three years. Family Healthcare Network redeveloped the northeast corner of the Merritt and Cherry. The project incorporated two older medical practices under one roof. A local dentist purchased an older building along Cherry Street and redeveloped it to a modern dental practice. Another property on Cherry just south of the hospital recently opened as an Urgent Care. A new pharmacy was constructed along Merritt as a build to suit in 2017.

* [If the hospital re-opens, renovations will increase. Unless the hospital needs the surrounding offices for storage or general administration purposes the vacant office and medical offices surrounding it should be sold to the public or other regional medical operators. It is possible that some larger concerns would be interested in redeveloping one - two acres of the subject properties and eliminating existing building improvements. Re-opening the hospital is critical to rejuvenating the immediate area.

PROPERTIES 1, 2 & 3 – VACANT LAND PARCELS

Property Summary: Properties 1, 2 and 3 are vacant lots within a planned unit development located on the east side of North Cherry Street, north of East Merritt Avenue. The development is known as the Tulare Medical Center and includes 16 parcels. Four vacant lots remain; three vacant lots are owned by Tulare Local Healthcare District (TLHD) and identified in the following chart.

APN:	170-340-023	170-340-040	170-340-035
Tulare Medical Center Lot #	24	26	35
Site Area:	5,742	17,324	9,567
Buildable Area (S.F.):	3,300	4,600	3,100
Shape:	Rectangular	Rectangular	Rectangular
Zoning:	C-3	C-3	C-3
Offsites:	Curb & Gutter	Curb & Gutter	Curb & Gutter
Utilities:	Municipal	Municipal	Municipal
Topography:	Level	Level	Level
Flood Zone:	X	X	X
Orientation:	Interior	Interior	Interior

No subject lots have sold in the past three years; they are not listed for sale or lease. No lots within the center were noted to be for sale. All lots are zoned C-3 (Retail Commercial). The C-3 zone is intended to “provide for a wide variety of commercial and office uses that serve the general commercial needs of the residents of Tulare.”⁵ All parcels are within flood zone X; the subject parcels are not within an identified flood zone.

Summary: The subject sites are within a desirable planned unit development. They are ready for construction and new office development is on the rise. The subject’s location is secondary to the Blackstone Professional Center and Del Lago; however, the area could be rejuvenated with the reopening of the hospital.

Highest & Best Use: The subject’s location, physical attributes, zoning requirements, and surrounding uses indicate the highest and best use, as vacant, is for medical office development, when feasible.

⁵ City of Tulare Zoning Ordinance, Chapter 10.52: Retail Commercial District

Subject Photographs



Lot 24



Lot 26



Lot 35

VALUATION

The sales comparison approach is most applicable to vacant land. The local market was searched for planned unit development office land sales. The sale focused on the city of Tulare but sales from neighboring cities were also considered and analyzed. The most pertinent sales comparables are outlined on the following pages.



SUMMARY OF COMPARABLE LAND SALES				
	<u>Sale 1</u>	<u>Sale 2</u>	<u>Sale 3</u>	<u>Sale 4</u>
Location	Lot 5 In Del Lago Professional Center. NEC of Hillman & Leland, Tulare	Lot 4 in Blackstone Professional Center, Tulare	West Half of Lot 10 in Blackstone Professional Center, Tulare	Lot 7 Blackstone Ranch Professional Center, Tulare
APN	149-130-041	166-210-004	166-210-010 ptn.	166-210-007
Buyer	7ten Properties, LLC	California Land Co.	Contreras	Holmes Prop. LLC
Seller	Malli	Great Valley Builders Inc.	Blackstone Ranch LLC	Hidden Oak Development LLC
Date of Sale	Feb-2018	November 2017	October 2017	Jan-2017
Sale Price	\$360,000	\$368,000	\$218,880	\$369,000
Price/S.F.	\$11.57	\$59.90	\$60.00	\$60.06
Building Size or Pad (S.F.)	7,782	6,144	3,648	6,144
Pad Value/ S.F.	\$46.26	\$59.90	\$60.00	\$60.06
Size (Acres)	0.71	0.14	0.08	0.14
Size (S.F.)	31,128	6,144	3,648	6,144
Zoning	C-2	C-3	C-3	C-3
Off-sites	PUD	PUD	PUD	PUD
	Yes	Yes	Required extension @ \$10K	Yes
Utilities				
Orientation	Corner	Interior	Interior	Interior
Adjustments				
Sale Conditions	0%	0%	0%	0%
Financing	0%	0%	0%	0%
Property Rights	0%	0%	0%	0%
Immediate Expenditures	0%	0%	5%	0%
Market Conditions	0%	0%	0%	0%
Adj. Value Site S.F.	\$46.26	\$59.90	\$62.70	\$60.06
Location	-10%	-20%	-20%	-20%
Size	0%	0%	0%	0%
Zoning	0%	0%	0%	0%
Orientation	-5%	0%	0%	0%
Off-sites	0%	0%	0%	0%
On-Sites	0%	0%	0%	0%
Utilities	0%	0%	0%	0%
Adjustment	-15%	-20%	-20%	-20%
Adj. Price/S.F.	\$39.32	\$47.92	\$50.16	\$48.05

Sale 1 has been adjusted to reflect price per buildable square foot based on site coverage ratio of 25%. Sales 2-4 are located within the Blackstone Professional Center; this is the premier office development within the city of Tulare. At a price of \$60 per square foot, construction is feasible for the development.

The Tulare Medical Center became a secondary location when the hospital closed. For this reason, a value to the subject lots within the lower end of the adjusted range is most reasonable. The land value is calculated as follows:

Lot	Buildable Area (S.F.)	Value per S.F.	Property Value
24	3,300	\$45	\$148,500
26	4,600	\$45	\$207,000
35	3,100	\$45	\$139,500
		Total Value =	\$495,000

An exposure time of one year estimated at the appraised value.

PROPERTY 4 – 935-945 GEM STREET

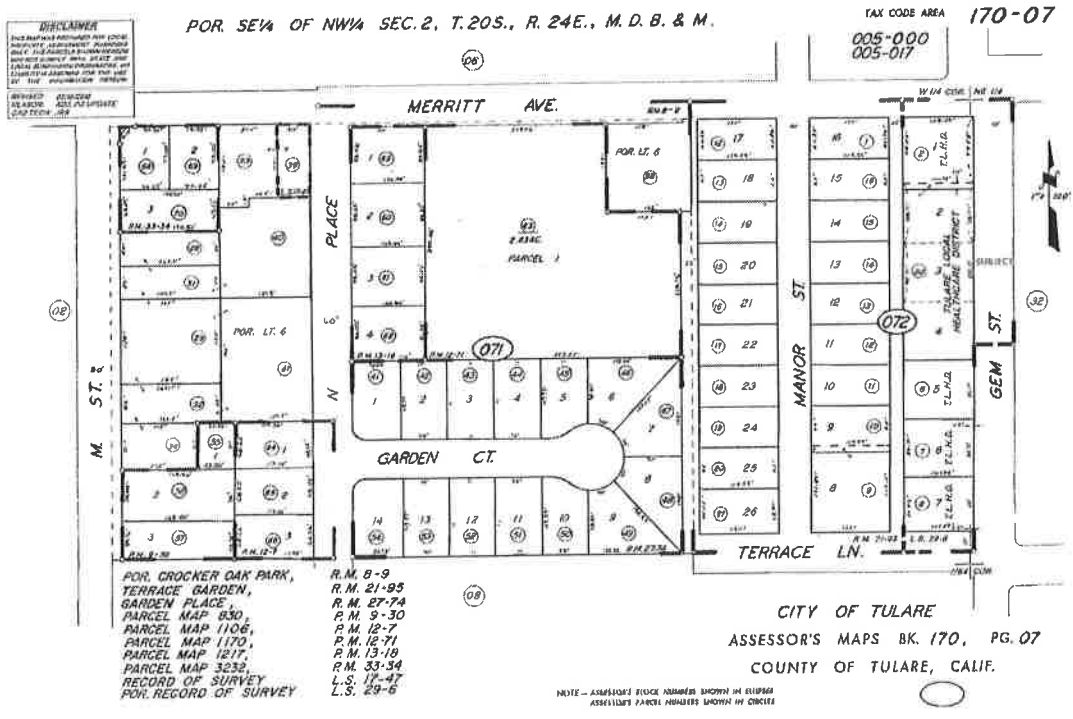


Property Summary: This property is located on the west side of Gem Street, south of east Merritt Avenue. The site is improved with three office buildings consisting of six suites. Only one of the suites is occupied with office tenants. Three suites are utilized for storage and two suites are vacant.

The offices have not sold in the prior three years; they are not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”⁶ The property is within flood zone X; this is not an identified flood zone.

⁶ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN:	170-072-020
Lots:	2, 3, 4
Site Area:	26,777
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior

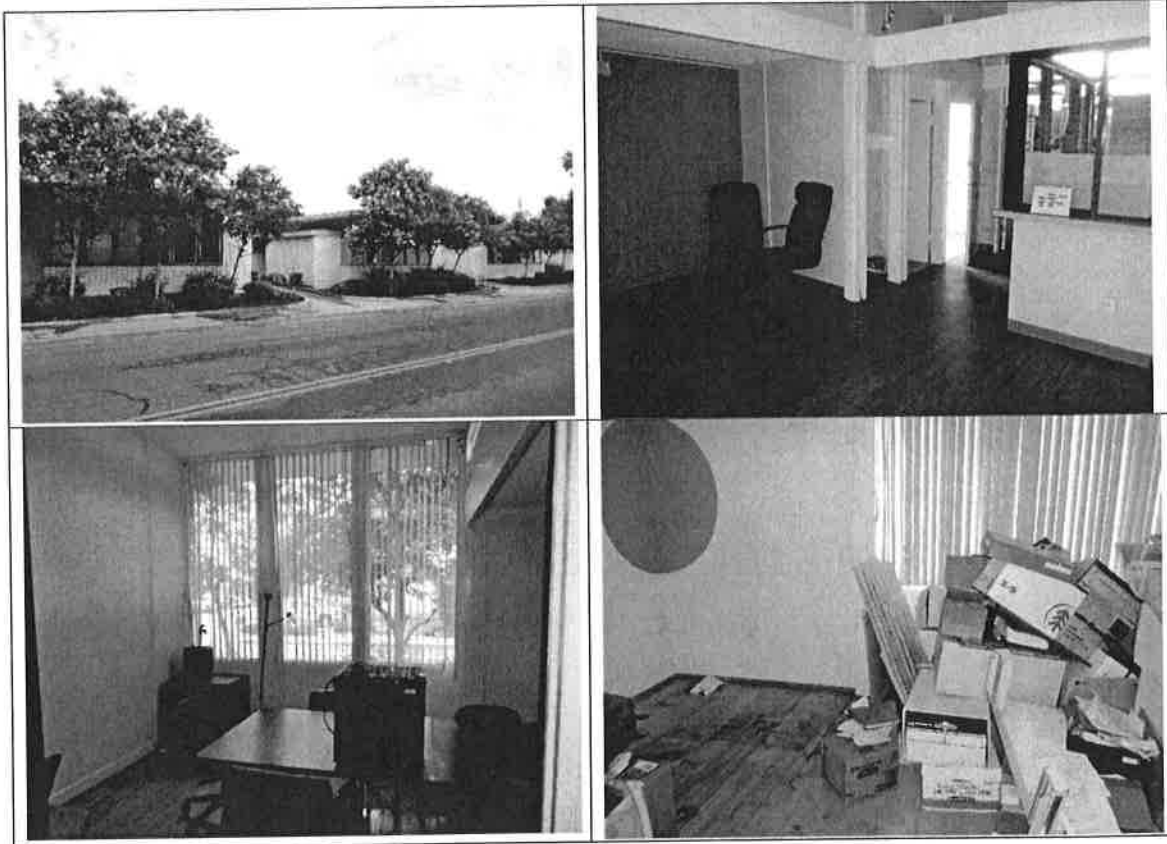


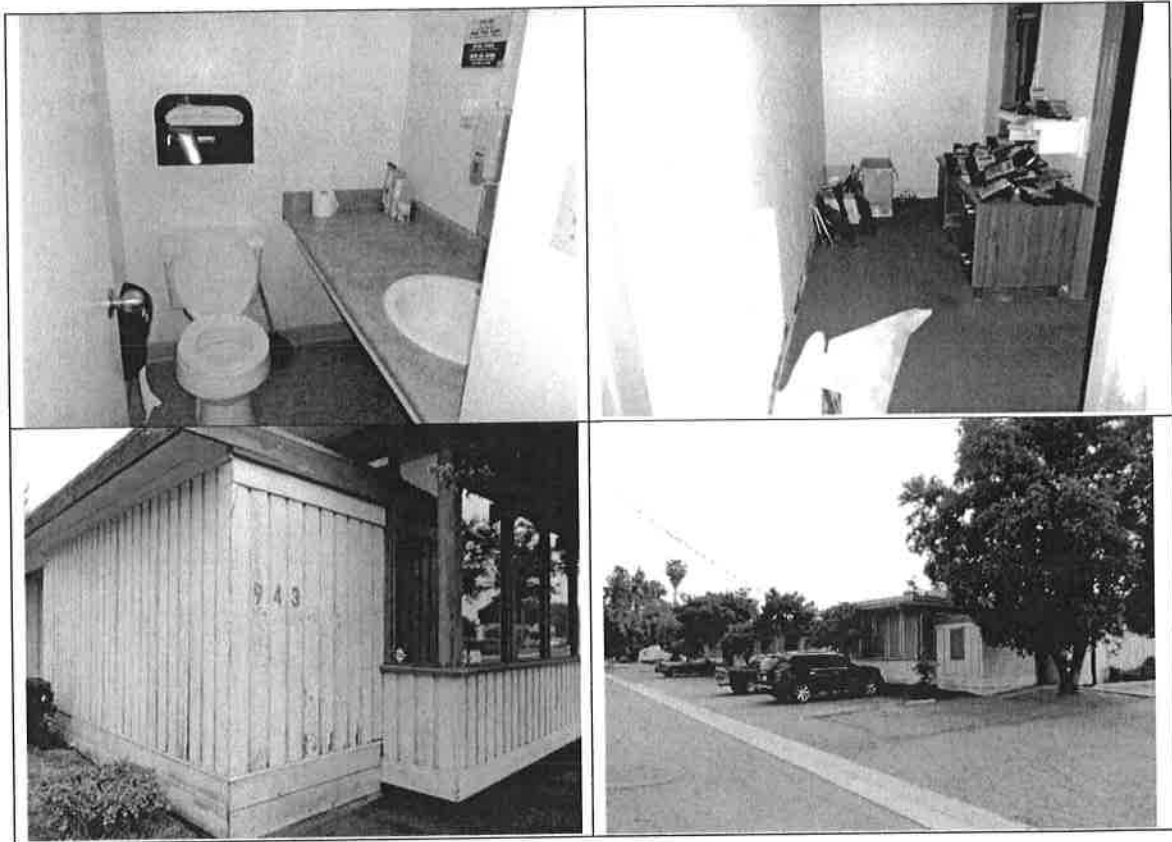
Site Comments: Access is via two concrete paved driveways along Gem Street. Secondary access is via alley along the west property line. The site is suitable in size and shape for office or medical development and all utilities are available.

IMPROVEMENTS	
935-945 Gem Street, Tulare	
Gross Building Area (Square Feet)	6,000
Improvement Type	Office/former medical
Year Built	1978
Renovated	Partial interior w/ flooring.
Effective Age Estimate	50 Years
Remaining Economic Life Estimate	0 Years
Exterior Condition	Below-average
Interior Condition	Average to fair
Quality	Below-average
<u>Exterior Construction</u>	
Foundation	Raised wood
Floor	Wood joist
Walls	Stick-frame
Windows	Aluminum-frame
Doors	Hollow core metal & wood
Roof	Wood
Roof finish	Composition
<u>Interior Construction</u>	
Walls	Wood frame/ drywall/ marlite
Ceiling	Drywall/glue on tile/suspended acoustical tile
Flooring	Carpet/tile/laminate

Doors	Wood
Lighting	Canned/fluorescent
Sprinklers	No
Cabinets/Counters	Wood/laminate
Building Systems	HVAC
<u>Site Improvements</u>	
Parking	49 asphalt paved stalls
Landscape	Shrubs/trees around building

Improvement Comments: The buildings include three, 2,000 square foot offices on one parcel. Interior layouts are consistent with an entry/reception, waiting room, three-four exam rooms, two bathrooms (not ADA) and storage rooms. Portions of the interior have newer flooring and paint. Built in cabinets and counters are mostly wood and laminate. Roughly 4,000 square feet is habitable as general office space and storage; 2,000 square feet is uninhabitable requiring interior renovation and mold remediation.





Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible.

The subject improvements would require significant renovation and capital outlay to bring the property to modern building standards. The cost to address exterior deferred maintenance and interior renovation would exceed the value at completion. The existing buildings are below-average quality; the building shell is not worth the long-term investment. Neither an investor or owner-user is going to invest the amount of capital into the buildings required for modern medical or office development. The highest and best use of the property, as improved, is to demolish the existing improvements, and construct a modern medical facility, when feasible.

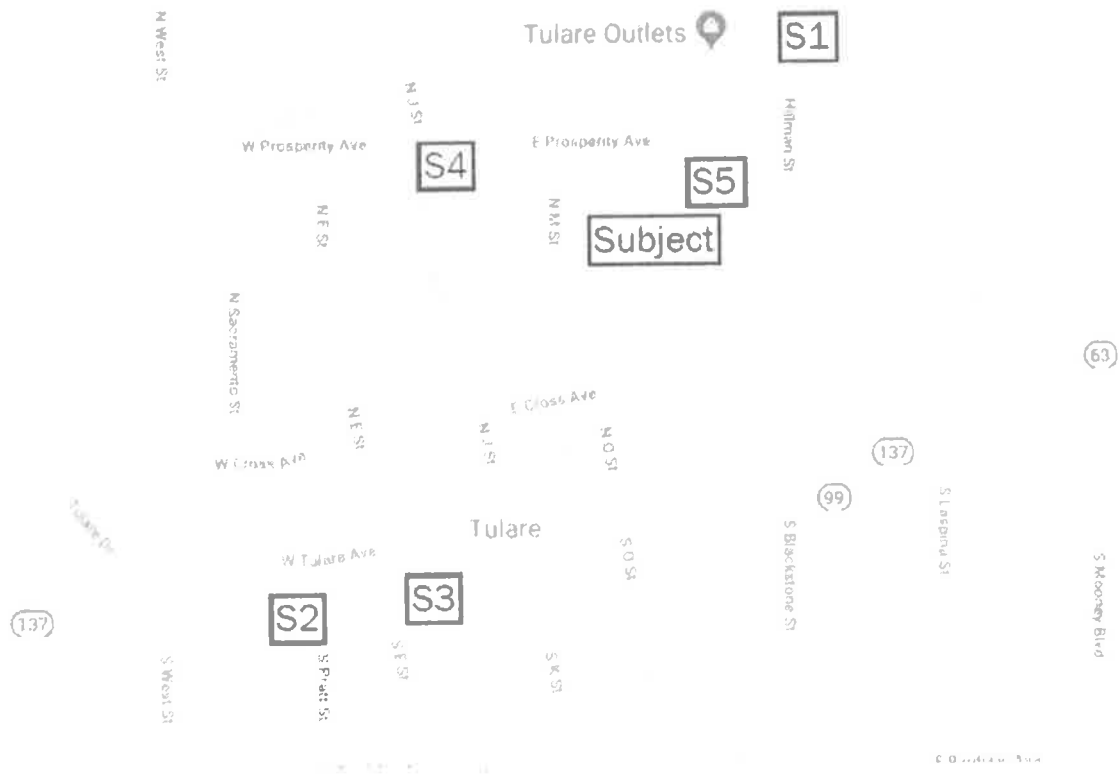
Feasibility Analysis		
935-945 Gem Street		
Gross Building Area (S.F.)	6,000	
Fair Market Rent (as Renovated)	\$0.80	per/S.F./Month
Monthly Rent	\$4,800	
Annual Rent	\$57,600	Monthly Rent X 12
Vacancy & Collection @ 5.0%	-\$2,880	
Effective Gross Income	\$54,720	
Administrative	-\$500	
Management	-\$1,642	
Replacement Reserves	-\$821	
NOI	\$51,758	
CAP Rate	8.00%	Per / S.F.
Renovated Value	\$646,970	\$108
Less Cost to Renovate	\$540,000	\$90
As Is Value	\$106,970	\$17.83
Vacant Land Value @ \$8/S.F.	\$215,000	

VALUATION

The sales comparison approach is the best indicator for vacant land.

Sales Comparison Approach

The local market was searched for commercial land sales. The search focused on the city of Tulare but sales from neighboring cities were also considered and analyzed. The best sales comparables were selected and outlined on the following pages.



SUMMARY OF COMPARABLE LAND SALES					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Location	Lot 5 in Del Lago Professional Center. NEC of Hillman & Leland, Tulare 149-130-041	725 W Inyo Avenue, Tulare	315 W Inyo Avenue, Tulare	East side of "J" Street, south of Prosperity Avenue, Tulare	1075 N. Blackstone Avenue, Tulare
APN	149-130-041	175-261-004	175-187-006	169-090-042	170-380-002
Buyer	7ten Properties, LLC	Gaytan	Payan	Lucio	Jackson Tsai & Ass.
Seller	Malli	Valley Builders Inc.	Ohara	City of Tulare	Mehan
Date of Sale	Feb-2018	March-2018	June-2016	Dec-2016	Aug-2015
Sale Price	\$360,000	\$35,000	\$120,000	\$218,000	\$275,000
Price/S.F.	\$11.57	\$5.00	\$10.67	\$6.54	\$8.45
Size (Acres)	0.71	0.16	0.26	0.77	0.75
Size (S.F.)	31,128	6,995	11,250	33,332	32,552
Zoning	C-2	C-4	C-4	C-4	C-3
Off-sites	PUD/Partial	Yes	Yes	Partial	Yes
Utilities	Yes	Yes	Yes	Yes	Yes
Orientation	Corner	Interior	Corner	Interior	Interior
Adjustments					
Sale Conditions	0%	0%	0%	0%	0%
Financing	0%	0%	0%	0%	0%
Property Rights	0%	0%	0%	0%	0%
Immediate Expenditures	0%	0%	0%	0%	10%
Market Conditions	0%	0%	0%	0%	0%
Adj. Value Site S.F.	\$11.57	\$5.00	\$10.67	\$6.54	\$9.29
Location	-20%	0%	0%	0%	-10%
Size	0%	-15%	-10%	0%	0%
Zoning	0%	0%	0%	0%	0%
Orientation	-10%	0%	-10%	0%	0%
Off-sites	5%	0%	0%	5%	0%
On-Sites	0%	0%	0%	0%	0%
Utilities	0%	0%	0%	0%	0%
Adjustment	-25%	-15%	-20%	5%	-10%
Adj. Price/S.F.	\$8.67	\$4.25	\$8.53	\$6.87	\$8.36

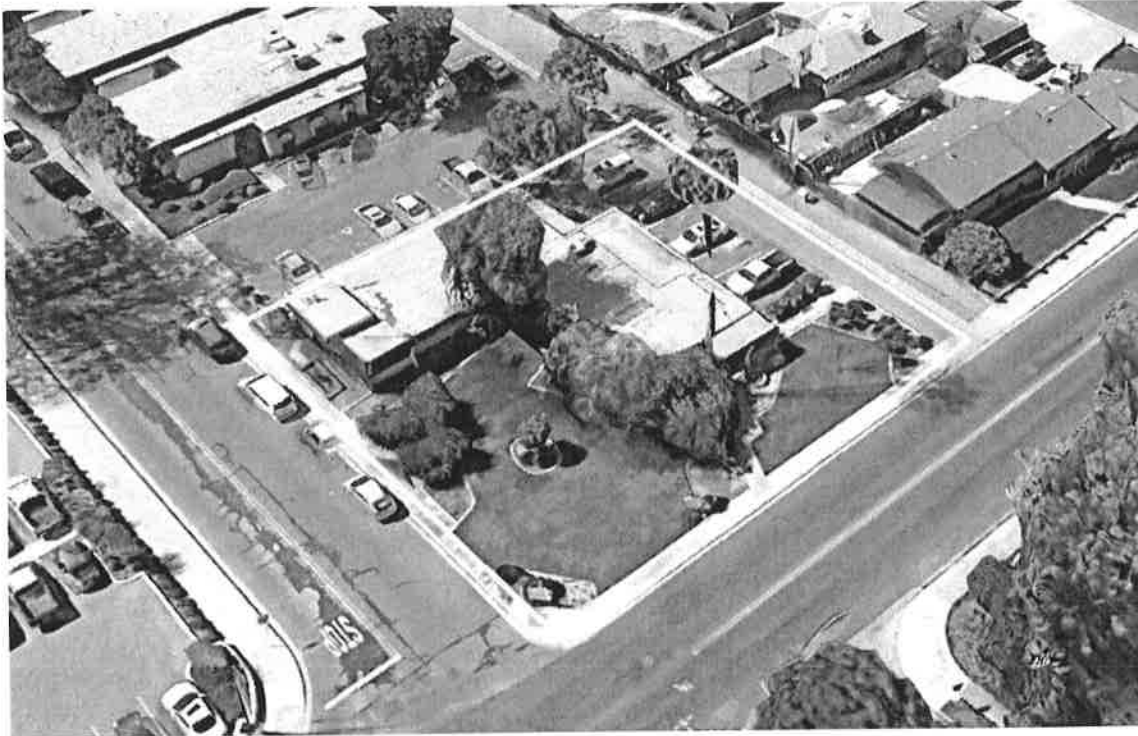
The sales are consistent near \$7-\$8 per square foot excepting Sale 2. Due to the shape of Sale 2 is it less useable and inferior. The value of the underlying land is estimated at \$8.00 per square foot. Demolition costs and profit are estimated at \$40,000.

APN	Square Feet	Value per S.F.	Property Value
170-072-020	26,777	\$8.00	\$214,216
		Less Demolition	-\$40,000
		Value =	\$174,216
		Value Rounded	\$175,000

An exposure time of one year estimated at the appraised value.

Demolition Costs	
6,000 S.F. X \$6.00/S.F. =	\$36,000
Profit @ 15% =	\$5,400
Demolition Costs =	\$41,400
Rounded =	(\$40,000)

PROPERTY 5 – 591 E. MERRITT AVE. & 979 N. GEM STREET, TULARE

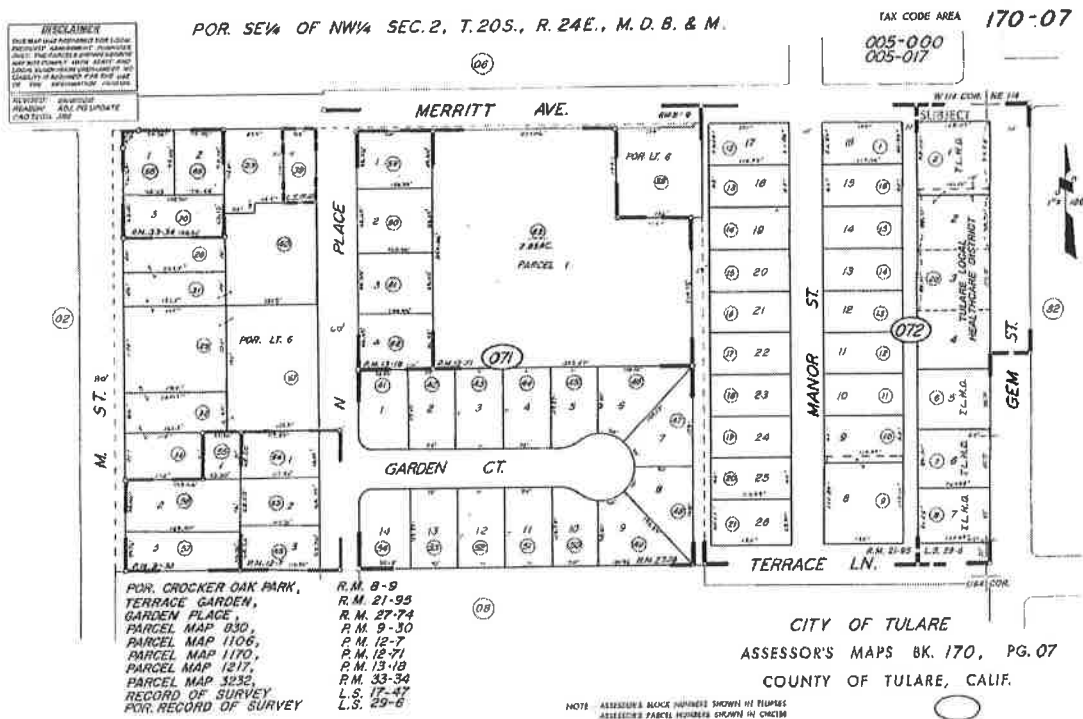


Property Summary: Property 5 is located at the southwest corner of East Merritt Avenue and North Gem Street. The site is improved with two vacant medical office buildings.

The offices have not sold in the prior three years; they are not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”⁷ The property is within flood zone X; this is not an identified flood zone.

⁷ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN:	170-072-002
Lot(s):	1
Site Area:	11,495
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior



Site Comments: Access is via alley along the west property line. Street parking is also available. The site is suitable in size and shape for office or medical development and all utilities are available.

IMPROVEMENTS

IMPROVEMENTS	
591 E. Merritt Avenue, Tulare	1,250 S.F.
979 Gem Street, Tulare	<u>1,687 S.F.</u>
Gross Building Area (Square Feet)	2,937 S.F.
Improvement Type	Medical
Year Built	1958
Renovated	Partial updates and interior renovations over the years.
Effective Age Estimate	50 Years
Remaining Economic Life Estimate	25 Years
Exterior Condition	Average
Interior Condition	Average
Quality	Average
<u>Exterior Construction</u>	
Foundation	Concrete
Floor	Wood joist
Walls	Stick-frame
Windows	Aluminum-frame
Doors	Aluminum-frame with glass
Roof	Wood
Roof finish	Composition
<u>Interior Construction</u>	
Walls	Wood frame/ drywall
Ceiling	Drywall/glue on tile
Flooring	Carpet/tile/laminate
Doors	Wood
Lighting	Canned/fluorescent
Sprinklers	No

Cabinets/Counters	Wood/laminate
Building Systems	HVAC
<u>Site Improvements</u>	
Parking	20 asphalt paved stalls
Landscape	Shrubs/grass/trees around building

Improvement Comments: The buildings were constructed in 1958. Interior layouts are consistent with an entry/reception, waiting room, three-four exam rooms, 2-3 bathrooms (including ADA and non ADA) and storage rooms. Portions of the interior have newer flooring and paint. Built in cabinets and counters are mostly wood and laminate. The buildings need general clean-up and renovations to meet modern standards.

979 Gem Street Photos



979 exterior



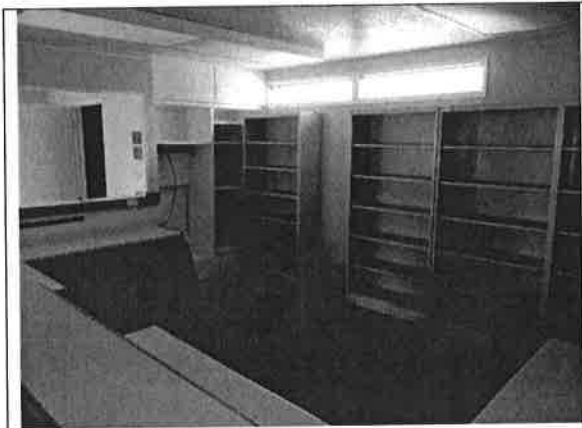
979 exterior



979 bathroom (appears to be ADA)



979 exam room

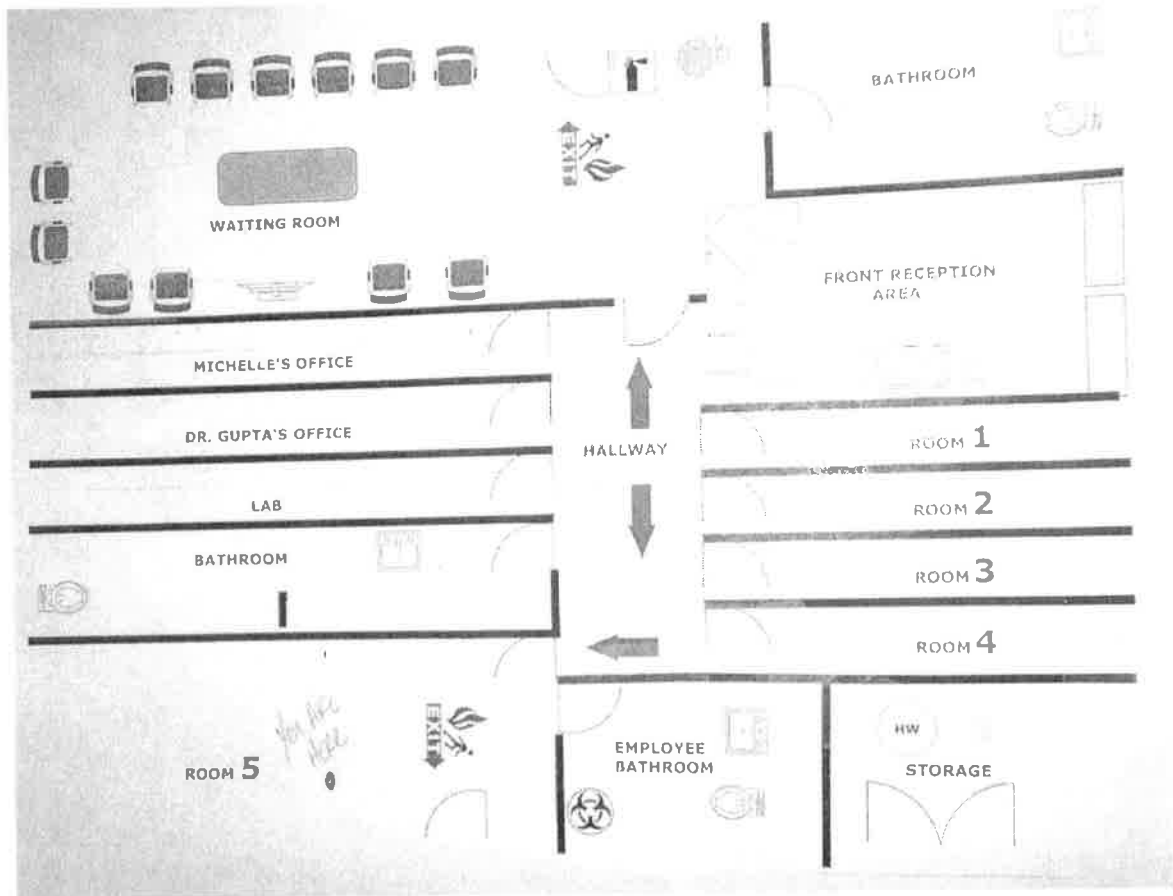


979 reception



979 office

979 Gem Street Floor Plan



531 Merritt Avenue Photos



531 exterior



531 exterior



Waiting room



Exam room

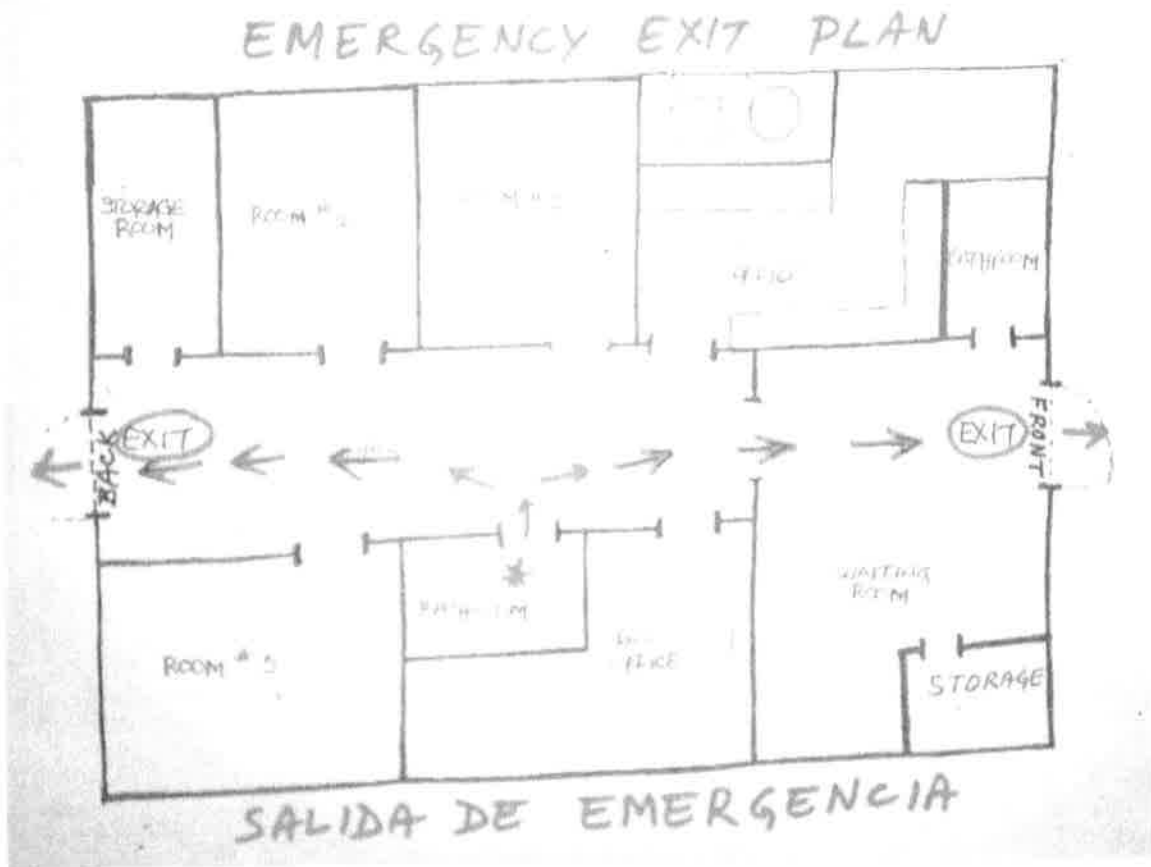


Office



Reception

591 E. Merritt Floor Plan



Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible.

The subject improvements have been relatively maintained and updated over the years. Many of the bathrooms are ADA and general modernization of the remainder would not be cost prohibitive. An investment to modernize the property is feasible and estimated at \$90 per square foot (including hard costs, soft costs and profit). The cost has been carefully considered through review of actual redevelopment costs, developer opinions, broker opinions and Marshall Valuation Services. It should be noted that construction costs are rising, and contractors are busy. Brokers and developers indicate the main barrier to feasibility, is rising construction costs.

Feasibility Analysis		
979 Gem Street & 591 E. Merritt Street		
Gross Building Area (S.F.)	2,937	
Fair Market Rent (as Renovated)	\$1.35	per/S.F./Month
Monthly Rent	\$3,965	
Annual Rent	\$47,579	Monthly Rent X 12
Vacancy & Collection @ 5.0%	-\$2,379	
Effective Gross Income	\$45,200	
Administrative	-\$500	
Management	-\$1,356	
Replacement Reserves	-\$678	
NOI	\$42,666	
CAP Rate	7.00%	Per / S.F.
Renovated Value	\$609,520	\$208
Less Cost to Renovate	\$264,330	\$90
As Is Value	\$345,190	\$117.53

Government regulation, and medical building standards set forth by the state and CMS (Centers for Medicare & Medicaid Services) also elevate costs. Despite these factors the chart above indicates feasibility based on a fair market rent estimate of \$1.35 per square foot with triple net expenditures. The feasibility analysis shows the "as is" valuation of the subject to be about \$117 per square foot. This is supported by the data and near the reconciled value conclusion of \$116 per square foot.

VALUATION

The sales comparison approach is utilized to determine the value. The income approach is less relevant because the medical office would require renovations to lease the property and a hypothetical valuation. The cost approach is also less relevant due to the mixed age of the improvements. The sales data is strong and is most relied upon by market participants. The feasibility analysis in the highest and best use provides support for the value conclusion.

Sales Comparison Approach

The sales comparables are outlined on the following pages. For an in-depth view of the sales comparables, including pictures and descriptions, please see the Addenda.



COMPARABLE SALES					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Building Address	Medical Office 1018 N. Cherry Street Tulare	Medical Office 810 N. Cherry St. Tulare	Medical Office 987 N. Blackstone St. Tulare	Medical Office 925 E. Merritt Avenue Tulare	Dental Office 970 N. Cherry Street Tulare
APN	170-340-012	170-094-002	170-334-045	170-334-036	170-322-026
Sales Date	June-2016	March-2016	Oct-2015	Jan-2015	May-2014
Doc. Number	16-35492	16-17631	15-71803	15-4216	14-27003
Price	\$300,000	\$250,000	\$570,000	\$375,000	\$280,000
Price/S.F. Net Bld. Area	\$97.09	\$214.78	\$185.43	\$178.66	\$129.15
Buyer	Kambo	AAJ Investments, L.P.	Wesslen	Betre	Bell
Seller	Downey Radiation Props.	Mederos	Perko	Potorke	Elston
Net Building Area	3,090	1,164	3,074	2,099	2,168
Gross Bldg. Area	3,090	1,164	3,074	2,099	2,168
Land Size, S.F.	9,838	9,749	15,763	11,455	10,284
Site Coverage	31%	12%	20%	18%	21%
Year Built	1990	1980	2000	1992	1970
On-Site Parking	Yes	Yes	Yes	Yes	Yes
Condition	Average	Above Average	Above Average	Above Average +	Average
Quality	Average	Above Average	Above Average	Above Average +	Above Average
Adjustments					
Property Rights	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%
Financing	Conventional 0%	Conventional 0%	Conventional 0%	Conventional 0%	Conventional 0%
Conditions of Sale	Arm's Length 0%	Arm's Length 0%	Arm's Length 0%	Arm's Length 0%	Arm's Length 0%
Immediate Expenditures	None 0%	None 0%	None 0%	None 0%	None 0%
Market Conditions	June-2016 5%	March-2016 5%	Oct-2015 5%	Jan-2015 10%	May-2014 10%
Sub-Total	\$101.94	\$225.52	\$194.70	\$196.52	\$142.07
Location	0%	0%	-15%	0%	0%
Size, S.F.	0%	-20%	0%	0%	0%
Parking	0%	0%	0%	0%	0%
Age/Condition	0%	-15%	-15%	-20%	0%
Quality	0%	-10%	-10%	-20%	-10%
Sub-Total	0%	-45%	-40%	-40%	-10%
Adj. Price/S.F. Net Rental	\$101.94	\$124.03	\$116.82	\$117.91	\$127.86

The adjusted price per square foot ranges between \$101.94 and \$127.86. Sales 1 and 5 are the best indicators. Sales 2, 3 and 4 are superior to the subject and required large negative adjustments. All factors considered, a value of \$115.00 per square foot is reasonable for the subject property.

Square Feet	Value per S.F.	Property Value
2,937	\$115.00	\$337,755
	Value Rounded	\$340,000

An exposure time of one year estimated at the appraised value.

PROPERTY 6 – 890, 906 & 922 CHERRY STREET, TULARE



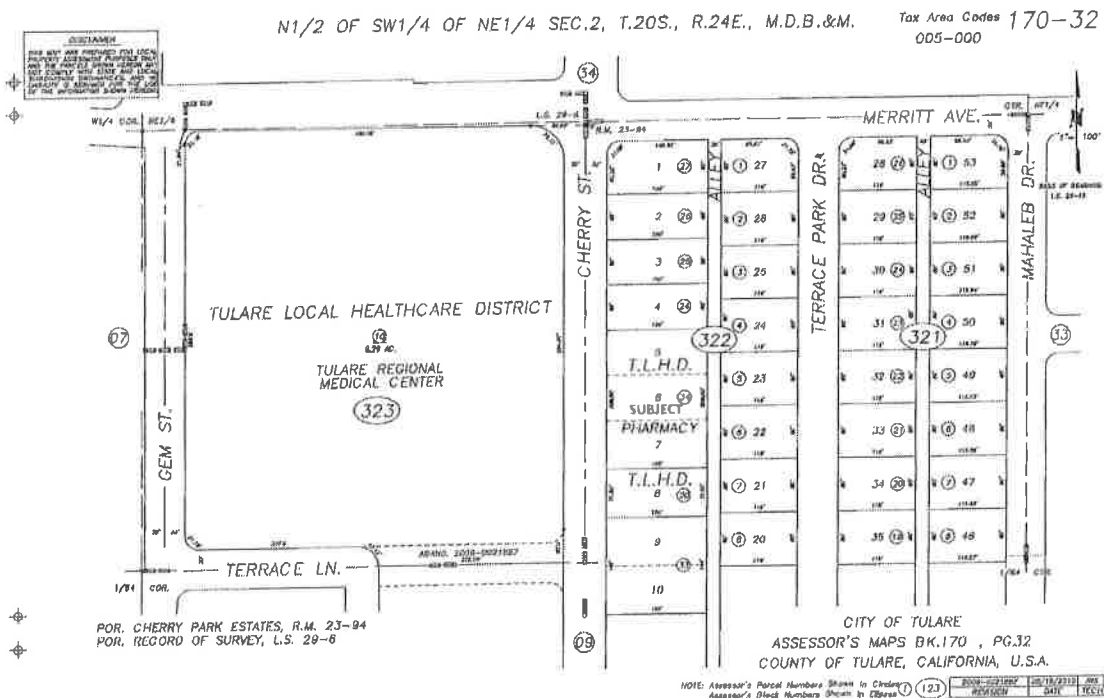
Property Summary: The property consists of three buildings on a single parcel. They share common area entry and have reciprocal parking areas.

The offices have not sold in the prior three years; they are not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”⁸ The property is within flood zone X; this is not an identified flood zone.

Property 906 is occupied by the Tulare Hospital Foundation. The tenant does not pay rent. Property 890 is occupied a Microcorre Diagnostic Laboratory (MDL); their lease originated in April 2013 and expired three years later in March 2016. No options or extensions have been provided to the appraiser. I have assumed MDL is a monthly tenant paying \$0.80 per square foot.

⁸ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN:	170-322-034
Lot(s):	5, 6, 7
Site Area:	31,472
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior



Site Comments: Access is via Cherry Street and an along the east property line via alley. Street parking is also available. The site is suitable in size and shape for office or medical development and all utilities are available.

IMPROVEMENTS			
	890 Cherry	906 Cherry	922 Cherry
Gross Building Area (Square Feet)	2,439 (per Lease)	1,044	5,000
Current Use	Microcorre Diagnostic Lab	Tulare Hospital Foundation	Vacant
Year Built	1968	1979	1967
Renovated	Yes	Maintained	No
Effective Age	50 Years	50 Years	50 Years
Remaining Economic Life	25 Years	35 Years	0 Years
Exterior Condition	Average	Average	Below-average
Interior Condition	Average	Average	Fair
Quality	Average	Average	Average
Exterior Construction			
Foundation	Concrete	Concrete	Concrete
Floor	Concrete	Concrete	Concrete
Walls	Block	Block	Block
Windows	Aluminum-frame	Aluminum-frame	Aluminum-frame
Doors	Aluminum-frame with glass	Aluminum-frame with glass	Aluminum-frame with glass
Roof	Wood	Wood	Wood
Roof finish	Composition	Composition	Composition
Interior Construction			
Walls	Wood frame/ drywall	Wood frame/ drywall	Wood frame/ drywall
Ceiling	Suspended acoustical	Glue on tile	Glue on tile
Flooring	Carpet/tile/laminate	Carpet/tile/laminate	Carpet/tile/laminate
Doors	Wood	Wood	Wood
Lighting	Canned/fluorescent	Canned/fluorescent	Canned/fluorescent
Sprinklers	No	No	No
Cabinets/Counters	Wood/laminate	Wood/laminate	Wood/laminate
Site Improvements			
Parking	49 shared	50 shared	50 shared
Landscape	Shrubs/grass/trees/planter	Shrubs/grass/trees/planter	Shrubs/grass/trees/planter

Improvement Comments: The buildings were constructed between 1967 and 1979. Interior layouts vary. Building 890 is a medical laboratory; it has an open lab area, perimeter offices and two bathrooms.

Building 906 is an office converted from a pharmacy. The interior has been renovated and exhibits good maintenance practices. Despite this factor the finishes are outdated. There are two offices, lobby and one non-ADA restroom.

Building 922 is vacant and inhabitable. The roof is leaking, and collapsing is several areas. Mold is prevalent throughout the building. The presence of asbestos is likely given the age of the improvements. The building is no longer viable and negatively contributes to value.

890 Cherry Street Photos (Microcorre Diagnostic Lab)



West elevation



North and east elevation



Lab area



Office

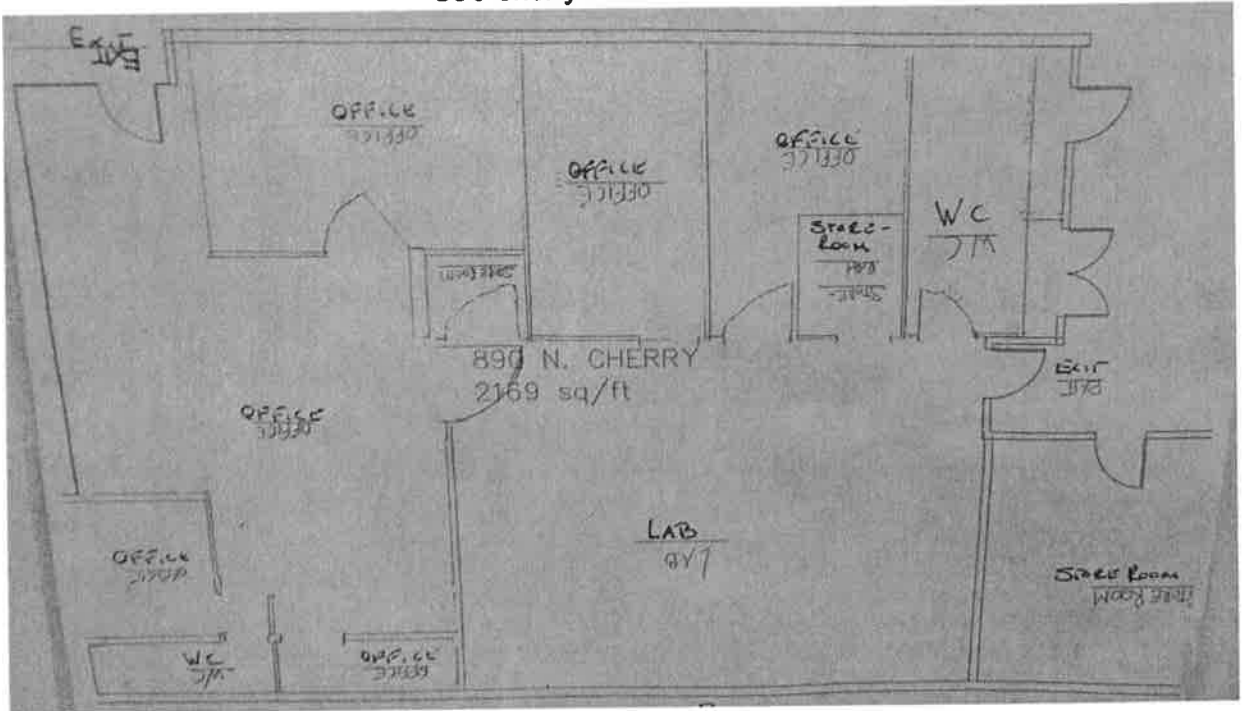


Office



Office

890 Cherry Floor Plan



906 Cherry Street Photos (Tulare Hospital Foundation)



West elevation



East elevation



Interior work area



Office

Floor Plan Not Available for 906 Cherry Street.

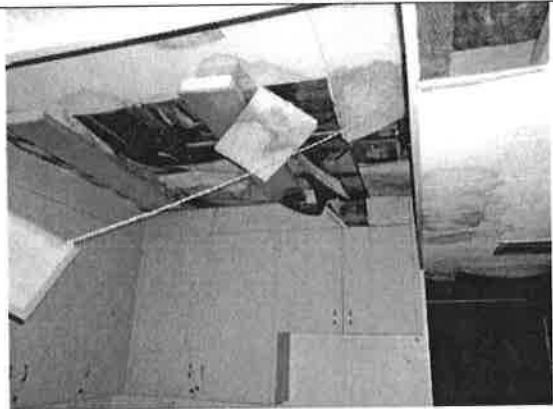
922 Cherry Street Photos (Vacant)



West elevation



North and east elevation



Lab area



Office

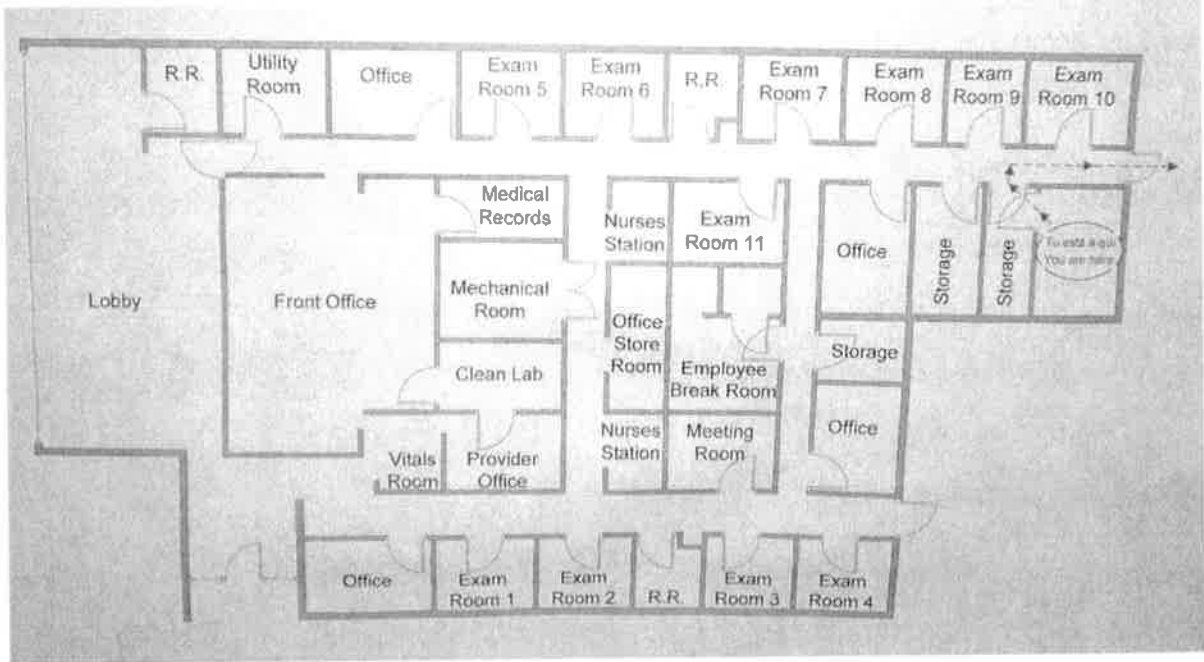


Office



Office

890 Cherry Floor Plan



Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible.

The highest best use as improved is to remove building 922 and construct new building, when feasible, to maximize the utility of the site. Buildings 890 and 906 should continue to be leased or occupied as a benefit to the owner.

VALUATION

The property is operating as a multi-tenant office development sharing reciprocal parking area. There is a surplus land component since the highest and best use is to demolish building 922. The habitable and occupied building area of suites 890 and 906 equate to 3,843 square feet. Based on a site coverage ratio of 25% the required site area is 15,372 square feet. The total site area is 31,472 yielding a surplus land component of 16,100 square feet. The underlying land has been established in the appraisal at \$8 per square foot. The surplus land value will be added to the value of the habitable building area.

The sales comparison approach and income approach are utilized to determine the value. The cost approach is less relevant due to the mixed age of the improvements. Sales and rental data is strong; market participants rely on these approaches the most.

Sales Comparison Approach

The sales comparables are outlined on the following pages. For an in-depth view of the sales comparables, including pictures and descriptions, please see the Addenda.



COMPARABLE SALES							
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Building Address	Medical Office 1018 N. Cherry Street Tulare	Medical Office 810 N. Cherry St. Tulare	Medical Office 987 N. Blackstone St. Tulare	Medical Office 925 E. Merritt Avenue Tulare	Dental Office 970 N. Cherry Street Tulare	Multi-Tenant Office 220 N. J Street Tulare	Multi-Tenant Office 420-444 N. 'O' St. Tulare
APN	170-340-012	170-094-002	170-334-045	170-334-036	170-322-026	176-111-025	170-233-009
Sales Date	June-2016	March-2016	Oct-2015	Jan-2015	May-2014	Apr-2018	Oct-2017
Doc. Number	16-35492	16-17691	15-71809	15-4216	14-27003	18-20580	17-63071
Price	\$309,000	\$250,000	\$570,000	\$375,000	\$250,000	\$400,000	\$530,000
Price/S.F. Net Bld. Area	\$97.09	\$214.78	\$185.43	\$178.66	\$129.15	\$100.00	\$39.92
Buyer	Kambo Downey Radiation Props.	AAJ Investments, L.P. Mederos	Weeslen Perko	Datre Potorke	Bell Elston	Gallado Smith	Hartman Annathan Holdings Inc.
Seller							
Net Building Area	3,090	1,164	3,074	2,099	2,188	4,000	9,786
Gross Bldg. Area	3,090	1,164	3,074	2,099	2,188	4,000	9,786
Land Size, S.F.	9,838	9,749	15,763	11,455	10,284	5,816	32,294
Site Coverage	31%	12%	20%	18%	21%	69%	30%
Year Built	1990	1980	2000	1992	1970	1978	1980's
On-Site Parking	Yes	Yes	Yes	Yes	Yes	PUD	Yes/ abundant
Condition	Average	Above Average	Above Average	Above Average +	Average	Average	Average -
Quality	Average	Above Average	Above Average	Above Average +	Above Average	Average	Average
Net Income	Owner-Occupied	Owner-Occupied	Owner-Occupied	Owner-Occupied	Owner-Occupied	Owner-Occupied	Owner-Occupied
Net Income/PSF	-	-	-	-	-	-	-
Adjustments							
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Leased Fee	Fee Simple
Financing	0%	0%	0%	0%	0%	0%	0%
Conditions of Sale	Conventional	Conventional	Conventional	Conventional	Conventional	Conventional	Conventional
Immediate Expenditures	0%	0%	0%	0%	0%	0%	0%
Market Conditions	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Sub-Total	None	None	None	None	None	None	None
Market Conditions	0%	0%	0%	0%	0%	0%	0%
Sub-Total	June-2016	March-2016	Oct-2015	Jan-2015	May-2014	Apr-2018	Oct-2017
Sub-Total	5%	5%	5%	10%	10%	0%	0%
Sub-Total	\$101.84	\$225.52	\$194.70	\$196.52	\$142.07	\$100.00	\$89.92
Location	0%	0%	-15%	0%	0%	5%	5%
Size, S.F.	0%	-10%	0%	0%	0%	0%	5%
Parking	0%	0%	0%	0%	0%	0%	0%
Age/Condition	25%	-10%	-10%	-20%	0%	0%	5%
Quality	0%	-10%	-20%	-20%	-5%	10%	0%
Sub-Total	25%	-30%	-45%	-40%	-5%	15%	15%
Sub-Total	\$127.43	\$157.86	\$107.08	\$117.91	\$134.36	\$115.00	\$103.41
Adj. Price/S.F. Net Rentable	\$127.43	\$157.86	\$107.08	\$117.91	\$134.36	\$115.00	\$103.41

The adjusted price per square foot ranges between \$103.41 and \$157.86. Building 906 is small and renovated increasing value; however, it is general office and lesser quality than medical comparables. The price per square foot is reconciled near the middle of the range. Building 890 is mostly open building area filled with lab equipment. Sale 6 is a laboratory purchased by an owner-user and former tenant; it is the best comparable for building 890. Value to the habitable building improvements is allocated as follows:

Building	Square Feet	Value per S.F.	Property Value
890	2,439	\$105	\$256,095
906	1,044	\$130	\$135,720
		Value	\$391,815
		Value Rounded	\$390,000

An exposure time of one year estimated at the appraised value.

Income Approach

The value of a property by the income approach is derived by converting the expected income generated from a property into a present estimate using one of many income capitalization procedures. In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of the holding period. The value estimated by the income approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risks.

The lease contract expired in 2016 but the tenant was leasing the property at \$0.80 per square foot with gross expenditures. **I have assumed the tenant is leasing the property at \$0.80 per square foot, monthly.**

The following rent comparables were utilized to estimate market rent for buildings 890 and 906.



Rental 1 is in the Blackstone Professional Center in the city of Tulare on the west side of Hillman Street, north of Corvina Avenue. This new office was constructed as a build to suit for Chicago Title Company. The lease has a five-year term and two percent annual increases. The tenant can terminate the lease after three years, so long as they reimburse for tenant improvements and pay a penalty. The tenant pays for CAM and the landlord pays for all other expenses.



Rental 2 is in the Blackstone Professional Center in the city of Tulare on the west side of Hillman Street, north of Corvina Avenue. This new office was constructed as a build to suit for an insurance company and three additional suites were leased to various tenants. A CPA leased one of the smaller suites for a three-year term with 2.0% annual increases and triple-net expenses.



Rental 3 is located within the Mission Plaza PUD development on the south side of East Merritt Avenue, west of Mahaleb Street in the city of Tulare. This is a proposed build to suit office that has been pre-leased to a pharmacy for a five-year-term. The lease increases 3.0% per annum, starting at year three.



Rental 4 is in the city of Tulare on the east side of North "O" Street, south of East Cross Avenue. The property consists of 3-4 suites with 2/3 of the gross building area occupied by Sierra Dairy Lab. The tenant recently purchased the property but had been leasing the space for many years at \$0.95 per square foot, gross. In 2017 the lease expired, and the tenant purchased the property.



Rental 5 is in the Tulare Medical Center and recently lease to Dr. Tenn for a two-year term. This is a gross lease and rent is flat for a two-year term. The tenant received the space in "as is" condition. The property has operated as a medical clinic since it was constructed.



SUMMARY OF RENT COMPARABLES

	Rental 1	Rental 2	Rental 3	Rental 4	Rental 5
Location	Chicago Title 1909 Hillman Tulare	Andy Hinojosa CPA 1953 Hillman Tulare	Alpha Pharmacy 873 E. Merritt Tulare	Sierra Dairy Laboratory 420 N. "O" Street Tulare	Dr. Tenn 1068 N. Cherry Tulare
Start Date	December-2017	December-2017	April-2017	December-2016	March 2017
Term	5 Years	3 Years	5-Years	1 Year	2 Years
Increases	2.0%/annum	2.0%/annum	3.0%/annum @ Yr. 3	Flat	Flat
Expenses	Mod. Gross	NNN	Mod. Gross	Gross	Gross
Bldg. (S.F.)	2,446	1,102	1,428	6,000	3,281
Year Built	2017	2017	2017	1980's	2000
Condition	Good	Good	Good	Average	Average
Quality	Average	Average	Average	Average	Above Average
Property Type	Office	Office	Pharmacy	Lab	Mediact
Rent/S.F./Mo.	\$2.00	\$1.35	\$1.35	\$0.95	\$1.28
Rating	Superior	Superior	Superior	Similar	Superior

The rent comparables indicate a range between \$0.95 and \$2.00 per square foot. Rentals 1-3 are all new buildings. Building 890 is leased at \$0.80 per square foot, gross; this rental rate is estimated to be less than market rent. Market rent of Building 890 is estimated at \$1.00 per square foot and most consistent with Rental 4. Building

906 is small with renovated interior, so an elevated rate is most reasonable. The small size is somewhat offset by the quality and lack of medical buildout. Market rent for Building 906 is estimated at \$1.30 per square foot.

Operating Expenses: Developing an opinion of value by the income approach is directly related to the capitalization of the net operating income. The net operating income is derived by deducting the operating expenses, from the effective gross income. Expenses fall under two categories, fixed and variable. Market expenses were requested and not provided; therefore, I have estimated market expenses. The expense estimate is based on historical expenses of similar properties, broker opinions and market surveys.

Fixed Expenses	Variable Expenses
<ul style="list-style-type: none"> ▪ Property tax Derived by multiplying the tax rate by the current property value. This may be inconsistent with the actual assessment by the county assessor. ▪ Insurance Liability for personal injury and hazard insurance in the event of a physical loss due to fire or other cause ▪ Replacement Reserves An allowance kept in reserve for periodic building repairs, particularly short-lived items that wear out more rapidly than other building components. Generally ranges between 1.0% and 1.50% of the effective gross income. 	<ul style="list-style-type: none"> ▪ Maintenance, Repairs and Janitorial General building repairs, roof, walls, windows, flooring, etc. ▪ Utilities & Electrical Electricity, water, sewer, gas, etc. ▪ Administration fees Advertising, payroll, legal etc. ▪ Contracted Services Pest control, site cleanup, gardener/landscape, security, window washing ▪ Management Contracted service provided for operation of the asset. May include collection of rents or organizing scheduled maintenance. Rates will typically vary between 2.0% and 6.0% of the effective gross income.

Vacancy & Collection Loss: The Tulare medical office market is stable but soft. There are few vacancies available and new construction is on the rise in the premier office parks. The estimated market rent is based upon the anticipation of 100% occupancy. The amount for vacancy and income loss is that amount deducted from the potential gross annual income to reflect probable vacancy, turnover, or nonpayment of rents by tenants. Citywide vacancy is visually estimated to be about 5.0% and consistent with the estimate for the subject property.

Overall Capitalization Rate: The final step in the income approach is the selection of the overall capitalization rate. We will utilize two methods, which include the market derived overall rates from the sales comparison approach and a review of national investor criteria.

Market Derived Rates: The sales exhibit the following overall rates.

OAR MARKET EXTRACTION							
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7
Sale Price	\$300,000	\$250,000	\$570,000	\$375,000	\$280,000	\$400,000	\$880,000
Bldg. Area	3,090	1,164	3,074	2,099	2,168	4,000	9,786
Source	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
Lease Type	Gross	Gross	Gross	Gross	Gross	Gross	Gross
Gross Income	\$ 25,956	\$ 22,349	\$ 49,799	\$ 35,263	\$ 20,813	\$ 48,000	\$ 93,946
Vacancy	\$ 1,298	\$ 1,117	\$ 2,490	\$ 1,763	\$ 1,041	\$ 2,400	\$ 4,697
EGI	\$ 24,658	\$ 21,231	\$ 47,309	\$ 33,500	\$ 19,772	\$ 45,600	\$ 89,248
Expenses	\$ 6,904	\$ 5,945	\$ 13,246	\$ 9,380	\$ 5,536	\$ 12,768	\$ 24,990
NOI	\$ 17,754	\$ 15,287	\$ 34,062	\$ 24,120	\$ 14,236	\$ 32,832	\$ 64,259
Indicated OAR	5.92%	6.11%	5.98%	6.43%	5.08%	8.21%	7.30%

Reconciliation: The sales overall rates range from 5.08% to 8.21%. See the market analysis for review of the broader Overall Rate Range nationally. The actual income and expenses were utilized when available. Typical investments like the subject property indicate a range between 7.0% and 8.0%. A rate of 7.50% is reasonable and applied to the subject. Please reference the following chart for the value conclusion via income approach.

INCOME APPROACH							
MICROCORRE LAB	2,439	S.F.	X	\$ 1.00	=	\$ 2,439	
TULARE HOSPITAL FOUNDATION	1,044	S.F.	X	\$ 1.30	=	\$ 1,357	
REIMBURSED OPERATING EXPENSES	3,483	S.F.	X	\$ -	=	\$ -	
MONTHLY INCOME						\$ 3,796	
POTENTIAL GROSS INCOME						\$ 45,554	
VACANCY & COLLECTION LOSS	5.00%					\$ 2,278	
EFFECTIVE GROSS INCOME						\$ 43,277	
OPERATING EXPENSES	EXPENSE/S.F.						
MAINTENANCE/REPAIR	\$0.80	of GBA PER ANNUM =		\$ 2,786			
ADMIN EXCLUDING MANAGEMENT	\$0.15	of GBA PER ANNUM =		\$ 522			
INSURANCE	\$0.50	of GBA PER ANNUM =		\$ 1,742			
TAXES-PROPERTY	1.19%	of VALUE =		\$ 4,634			
UTILITIES (COMMON AREA ONLY)	\$0.10	of GBA PER ANNUM =		\$ 348			
CONTRACTED SERVICES	\$0.60	of GBA PER ANNUM =		\$ 2,090			
MANAGEMENT	3.00%	of EGI =		\$ 1,298			
REPLACEMENT RESERVES	1.50%	of EGI =		\$ 649			
TOTAL OPERATING EXPENSES				\$ 14,070			
NET OPERATING INCOME						\$ 29,207	
VALUATION							
NET OPERATING INCOME	=			\$ 29,207			
O.A.R.				7.50%			
VALUE INDICATION	=			\$ 389,422			
ROUNDED	=			\$ 390,000			

RECONCILIATION OF VALUE

The approaches exhibit the following value range:

Sales Comparison Approach:	\$390,000
Income Approach:	\$390,000

Both approaches are consistent. The value is estimated at \$390,000. The surplus land is added to the value conclusion and the cost to demolish Building 922 is deducted as follows:

Surplus Land Value	
16,100 S.F. X \$8.00/S.F. =	\$128,800
Value Rounded =	\$128,000

Demolition Costs for Building 922	
5,000 S.F. X \$10.00/S.F. =	\$50,000
Profit @ 15% =	\$7,500
Demolition Costs =	\$57,500
Rounded =	(\$57,000)

Final Value Reconciliation

Value of 890 and 906	\$390,000
Surplus Land Value	<u>\$128,000</u>
Total	\$518,000
Less Demolition	(57,000)
Total Value	\$461,000
Total Value Rounded	\$460,000

The exposure time is estimated at nine months.

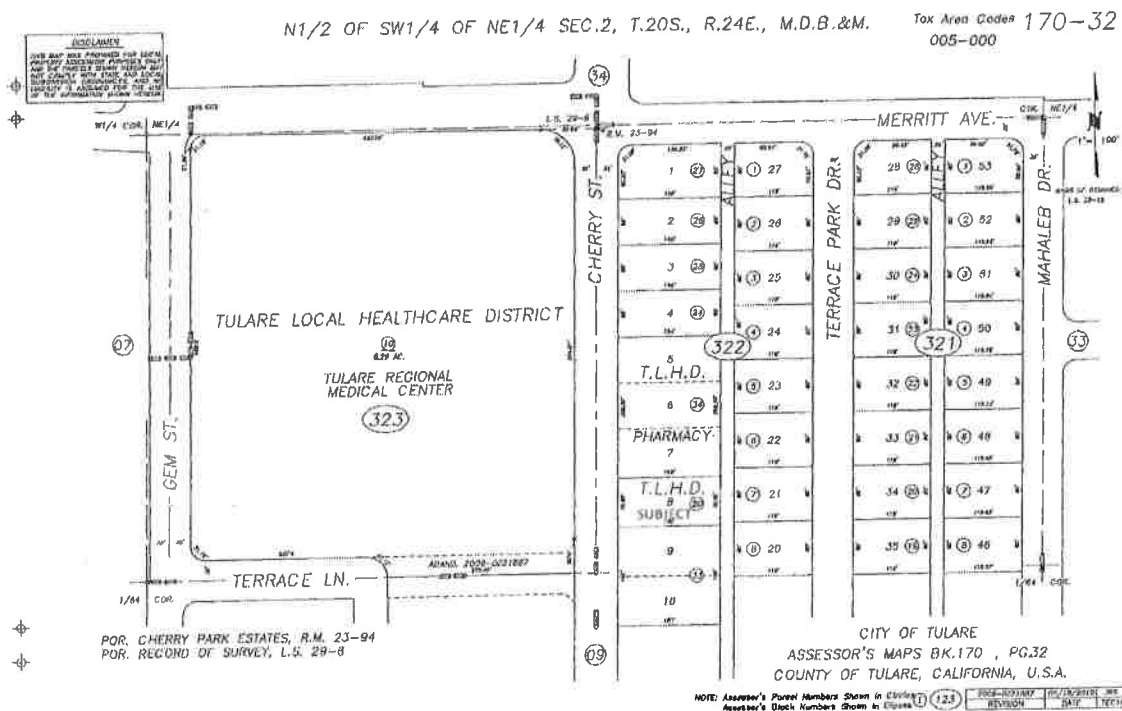
PROPERTY 7 – 874 CHERRY STREET, TULARE



Property Summary: The property is a vacant medical office on one parcel. The office has not sold in the prior three years; it is not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”⁹ The property is within flood zone X; this is not an identified flood zone.

⁹ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN:	170-322-020
Lot(s):	8
Site Area:	10,734
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior



Site Comments: Access is via Cherry Street through a one-way concrete paved driveway. An alley provides an exit along the east property line. Street parking is also available. The site is suitable in size and shape for office or medical development. All utilities are available.

IMPROVEMENTS

874 Cherry Street, Tulare	
Gross Building Area (Square Feet)	1,281 S.F.
Improvement Type	Medical
Year Built	1963
Renovated	Minor updates over the years
Effective Age Estimate	40 Years
Remaining Economic Life Estimate	10 Years
Exterior Condition	Below Average
Interior Condition	Below Average to Fair
Quality	Average
<u>Exterior Construction</u>	
Foundation	Concrete
Floor	Concrete
Walls	Concrete
Windows	Aluminum-frame
Doors	Aluminum-frame with glass
Roof	Wood
Roof finish	Composition
<u>Interior Construction</u>	
Walls	Wood frame/ drywall
Ceiling	Suspended acoustical
Flooring	Carpet/ laminate
Doors	Wood
Lighting	Fluorescent
Sprinklers	No
Cabinets/Counters	Wood/laminate

Building Systems	HVAC
Site Improvements	
Parking	12 asphalt paved stalls
Landscape	Shrubs/grass/trees around building

Improvement Comments: The interior has an entry/reception, waiting room, two-three exam rooms, two bathrooms (non ADA) and storage rooms. The building does not have power and the interior finishes are in below-average to fair condition. The roof appears to be leaking in several areas.

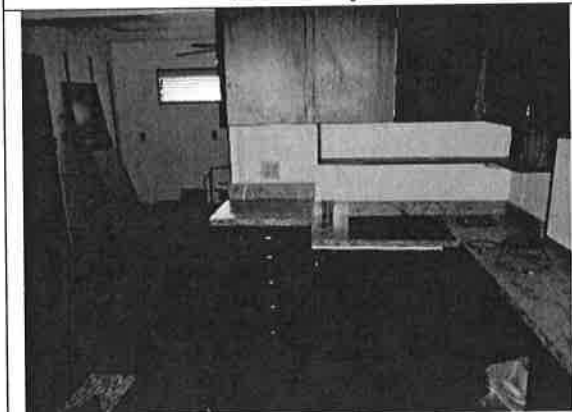
Photos



Main entry



Bathroom



Office area



Exam room

Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible.

The feasibility analysis performed in the chart on the right indicates land value, less demolition costs is slightly greater or near the value as improved. At this point, the building improvements have exceeded their useful life and should be demolished. A new medical office should be constructed in it's place when feasible.

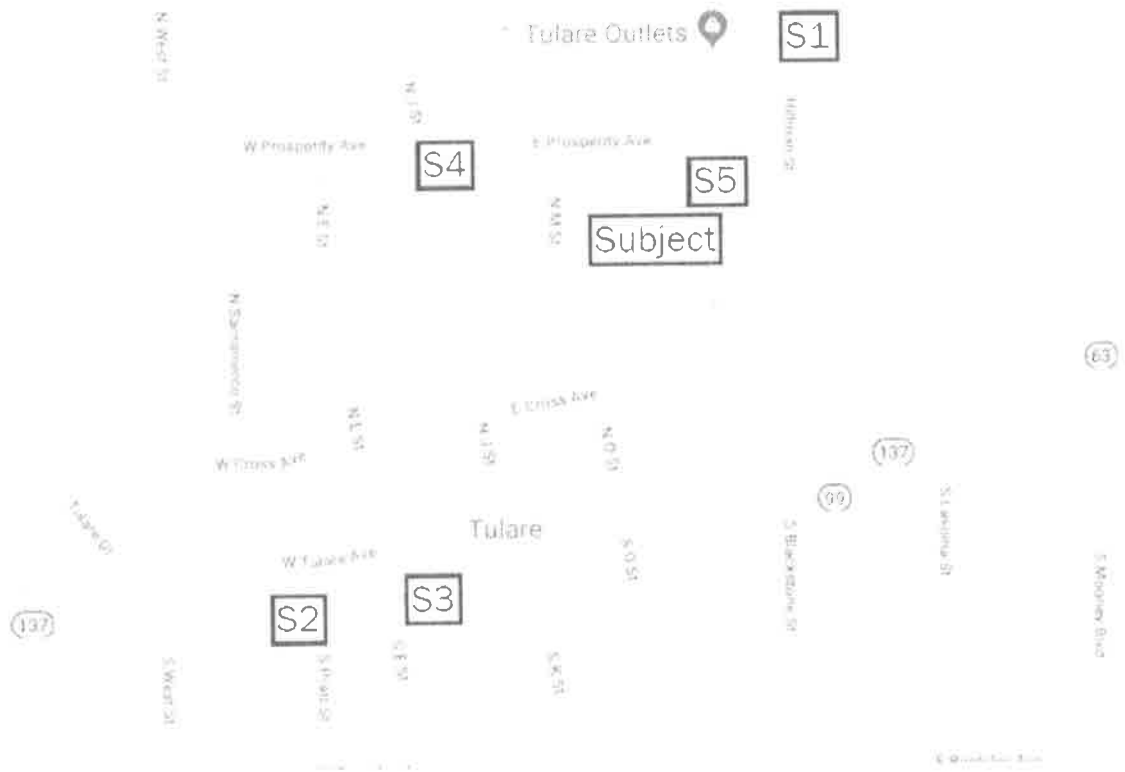
Feasibility Analysis		
874 Cherry Street		
Gross Building Area (S.F.)	1,281	
Fair Market Rent (as Renovated)	\$1.35	per/S.F./Month
Monthly Rent	\$1,729	
Annual Rent	\$20,752	Monthly Rent X 12
Vacancy & Collection @ 5.0%	-\$1,038	
Effective Gross Income	\$19,715	
Administrative Management	-\$500	
Replacement Reserves	-\$591	
NOI	-\$296	
CAP Rate	\$18,327	Per / S.F.
Renovated Value	7.00%	
Less Cost to Renovate	\$261,820	\$204
	\$166,530	\$130
As Is Value	\$95,290	\$74.39
Vacant Land Value @ \$10/S.F.	\$107,340	

VALUATION

The sales comparison approach is the best indicator for vacant land.

Sales Comparison Approach

The local market was searched for comparable land sales. The best comparables were selected and analyzed on the following pages.



SUMMARY OF COMPARABLE LAND SALES					
	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Location	Lot 5 in Del Lago Professional Center. NEC of Hillman & Leland, Tulare 149-130-041	725 W Inyo Avenue, Tulare	315 W Inyo Avenue, Tulare	East side of "J" Street, south of Prosperity Avenue, Tulare	1075 N. Blackstone Avenue, Tulare
APN		175-261-004	175-187-006	169-090-042	170-380-002
Buyer	7ten Properties, LLC	Gaytan	Payan	Lucio	Jackson Tsai & Ass.
Seller	Malli	Valley Builders Inc.	Ohara	City of Tulare	Mehan
Date of Sale	Feb-2018	March-2018	June-2016	Dec-2016	Aug-2015
Sale Price	\$360,000	\$35,000	\$120,000	\$218,000	\$275,000
Price/S.F.	\$11.57	\$5.00	\$10.67	\$6.54	\$8.45
Size (Acres)	0.71	0.16	0.26	0.77	0.75
Size (S.F.)	31,128	6,995	11,250	33,332	32,552
Zoning	C-2	C-4	C-4	C-4	C-3
Off-sites	PUD/Partial	Yes	Yes	Partial	Yes
Utilities	Yes	Yes	Yes	Yes	Yes
Orientation	Corner	Interior	Corner	Interior	Interior
Adjustments					
Sale Conditions	0%	0%	0%	0%	0%
Financing	0%	0%	0%	0%	0%
Property Rights	0%	0%	0%	0%	0%
Immediate Expenditures	0%	0%	0%	0%	10%
Market Conditions	0%	0%	0%	0%	0%
Adj. Value Site S.F.	\$11.57	\$5.00	\$10.67	\$6.54	\$9.29
Location	-20%	0%	0%	0%	-10%
Size	15%	-5%	0%	15%	15%
Zoning	0%	0%	0%	0%	0%
Orientation	-10%	0%	-10%	0%	0%
Off-sites	5%	0%	0%	5%	0%
On-Sites	0%	0%	0%	0%	0%
Utilities	0%	0%	0%	0%	0%
Adjustment	-10%	-5%	-10%	20%	5%
Adj. Price/S.F.	\$10.41	\$4.75	\$9.60	\$7.85	\$9.76

The sales are consistent near \$8-\$10 per square foot, excepting Sale 2. Due to the shape of Sale 2 is it less useable and considered inferior. The value of the underlying land is estimated at \$10.00 per square foot. Demolition costs (including profit) are deducted from the underlying land value and calculated as follows:

APN	Square Feet	Value per S.F.	Value
1170-322-020	10,734	\$10.00	\$107,340
		Value Rounded	\$105,000
		Less Demolition	(\$15,000)
		Reconciled Value	\$90,000

Demolition Costs	
1,281 S.F. X \$10.00/S.F. =	\$12,810
Profit @ 15% =	\$1,922
Demolition Costs =	\$14,732
Rounded =	(\$15,000)

An exposure time of one year estimated at the appraised value.

PROPERTY 8 – 793, 795 & 799 NORTH CHERRY STREET, TULARE

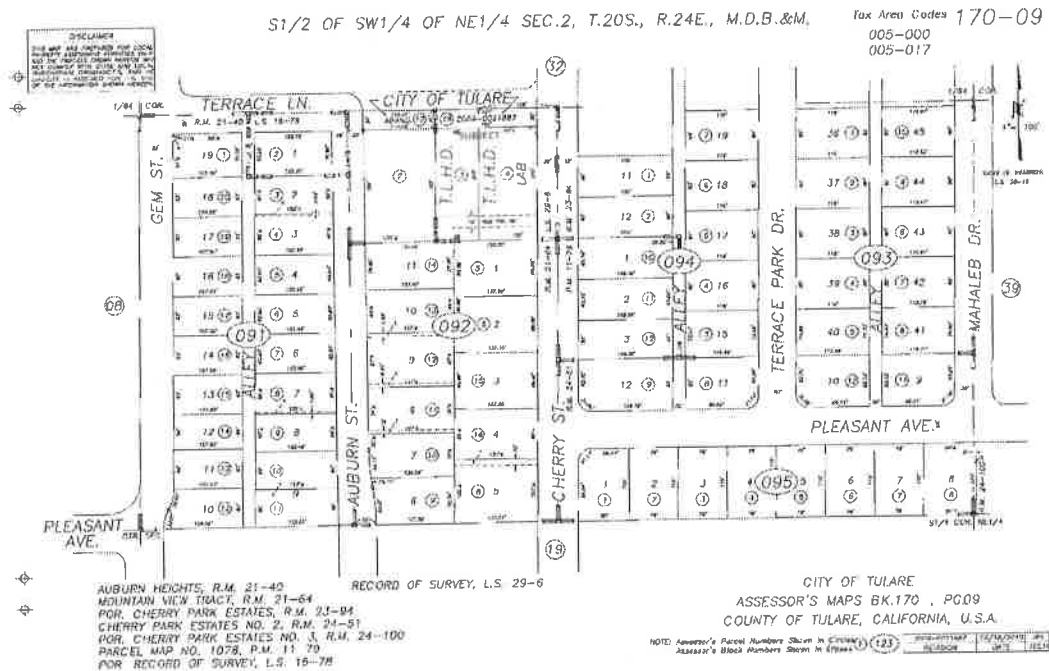


Property Summary: The property is located on the west side of North Cherry Street at the East Terrace Avenue alignment. The site is improved with two former medical offices (792 & 795) utilized for general office and storage. A third manufactured office (799) is also located on site.

The offices have not sold in the prior three years; they are not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”¹⁰ The property is within flood zone X; this is not an identified flood zone.

¹⁰ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN(s):	170-092-004 170-092-003
Lot(s):	NA
Site Area:	30,445
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior



Site Comments: Access is via alley North Cherry Street. Street parking is available. The site is suitable in size and shape for office or medical development and all utilities are available. The two-parcel assemblage is operating as a single unit. It is unlikely the western parcel (003) would sell separate from the remainder at this time.

IMPROVEMENTS			
	793 N. Cherry Street	795 N. Cherry Street	799 N. Cherry Street
Gross Building Area (Square Feet)	1,560	2,158	1,200
Current Use	Office Storage	Office/Storage	Office/Storage
Year Built	1954	1954	1970's (estimate)
Renovated	Minor renovations	Minor renovations	No
Effective Age	30 Years	30 Years	25 Years
Remaining Economic Life	20 Years	20 Years	15 Years
Exterior Condition	Average	Average	Below-average
Interior Condition	Average	Average	Average
Quality	Average -	Average -	Average - (Manufactured Office)
Exterior Construction			
Foundation	Concrete	Concrete	Wood
Floor	Wood	Wood	Wood
Walls	Wood	Wood	Wood
Windows	Aluminum-frame	Aluminum-frame	Aluminum-frame
Doors	Aluminum-frame with glass	Aluminum-frame with glass	Metal
Roof	Wood	Wood	Wood
Roof finish	Composition	Composition	Composition
Interior Construction			
Walls	Wood frame/ drywall	Wood frame/ drywall	Wood frame/ drywall
Ceiling	Glue on tile/drywall	Glue on tile/drywall	Drywall
Flooring	Carpet/tile	Carpet/laminate	Carpet/laminate
Doors	Wood	Wood	Wood
Lighting	Fluorescent	Fluorescent	Fluorescent
Sprinklers	No	No	No
Cabinets/Counters	Wood/laminate	Wood/laminate	Wood/laminate
Building System	HVAC	HVAC	HVAC
Site Improvements			
Parking	31 shared stalls	31 shared stalls	31 shared stalls
Landscape	Shrubs/grass/trees/planter	Shrubs/grass/trees/planter	Shrubs/grass/trees/planter

Improvement Comments: Interior layouts consist of offices, conference, bathrooms, break areas and storage. Portions of the interior have newer flooring and paint. Built in cabinets and counters are mostly wood and laminate. The buildings need some clean-up and interior renovations to meet modern standards. They are general office space in average to below average condition.

793 Cherry Photos



Exterior & parking



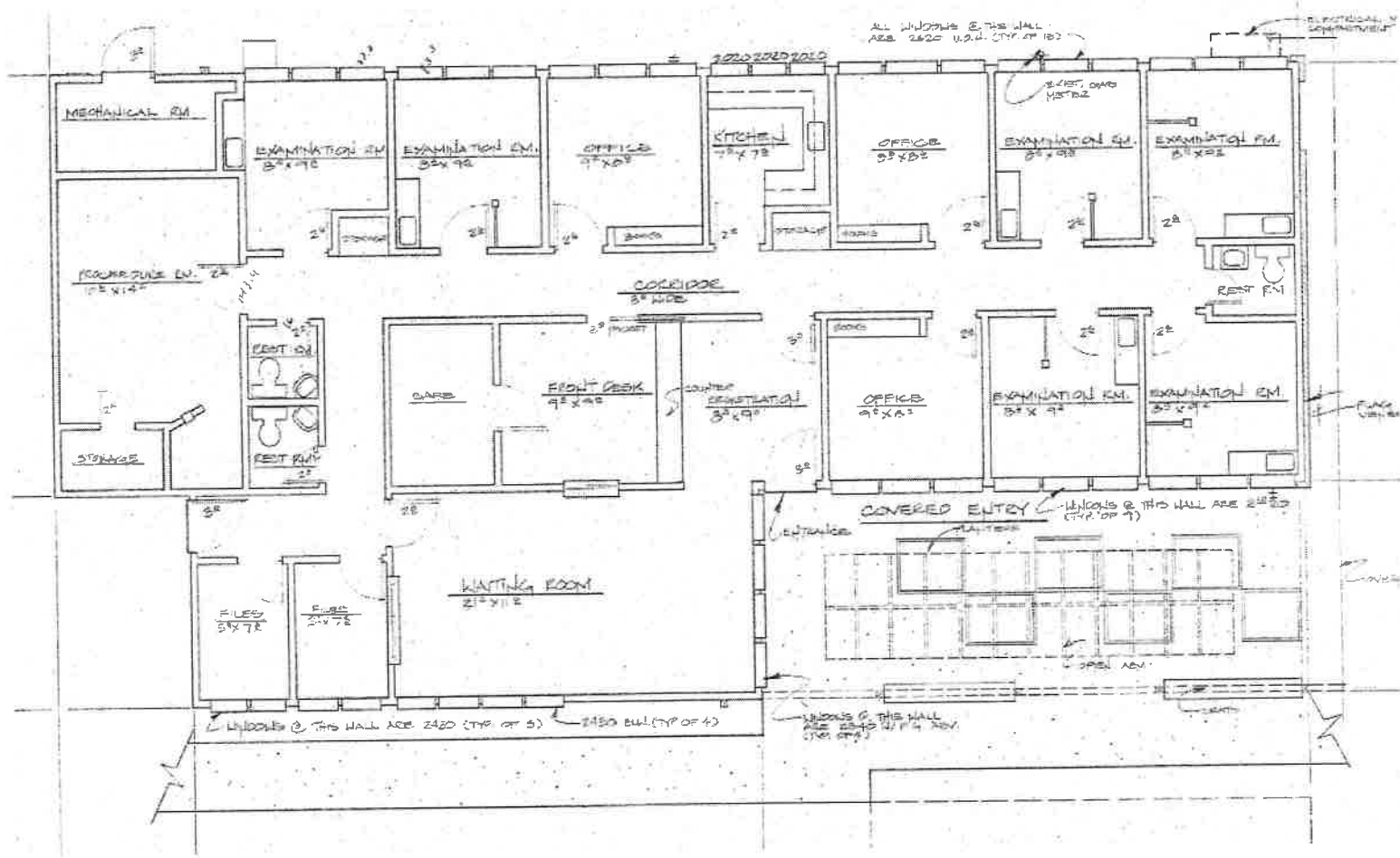
Office



Office



Kitchen



Floor Plan

795 Cherry Photos



Exterior



Office



Kitchen



Office

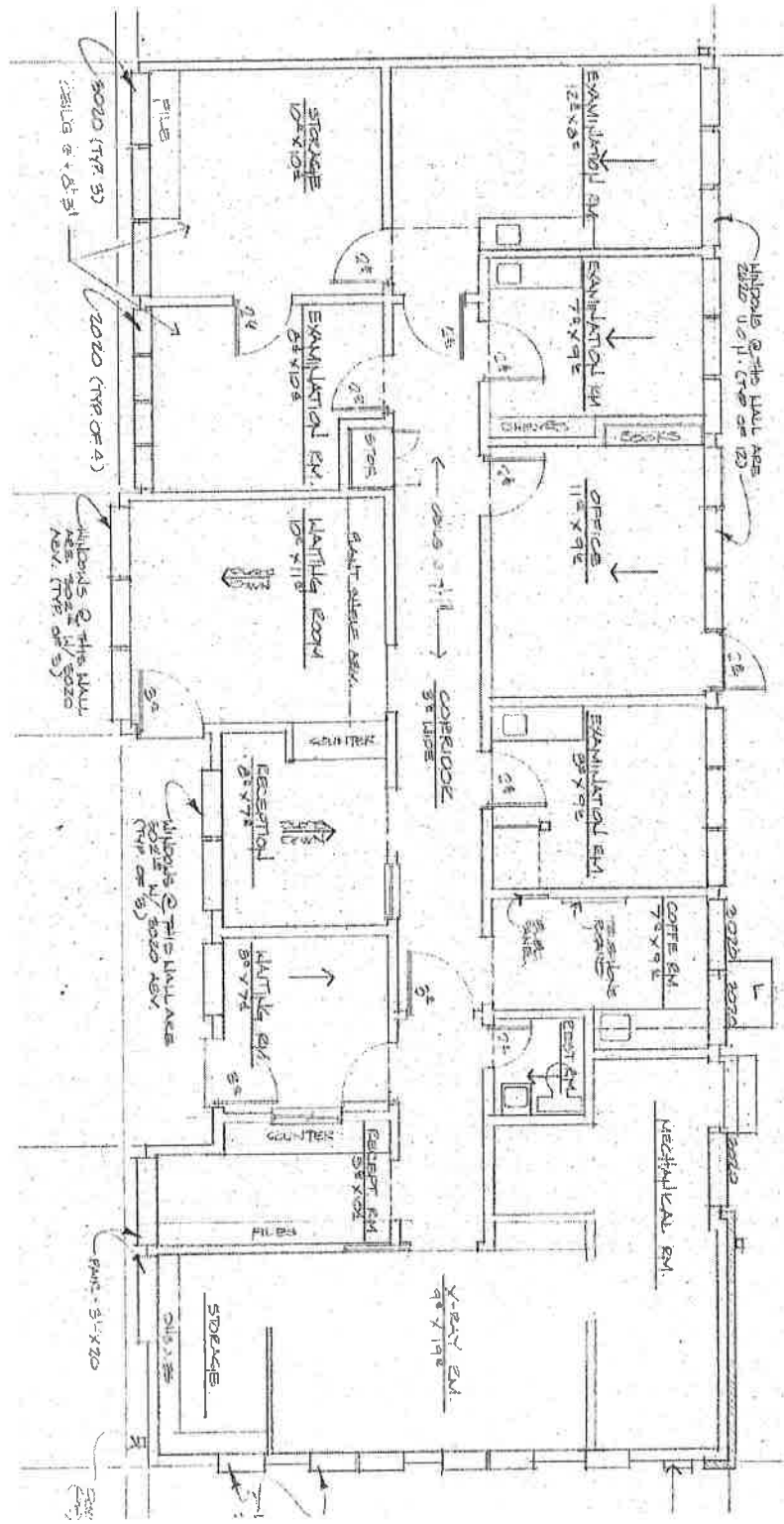


Bathroom



Reception

795 Floor Plan



799 Cherry Photos



Exterior



Conference and kitchen



Bathroom with shower



Office



Parking lot

Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible.

The subject improvements have been moderately maintained over the years but have gradually turned into office and storage space. Modernization of building 793 and 795 is feasible. Site improvements need attention including the landscaping and parking lot. An investment to modernize the property is estimated at \$120 per square foot (including hard costs, soft costs and profit). The cost has been carefully considered through review of

Feasibility Analysis		
793 - 795 Cherry		
Gross Building Area (S.F.)	3,718	
Fair Market Rent (as Renovated)	\$1.35	per/S.F./Month
Monthly Rent	\$5,019	
Annual Rent	\$60,232	Monthly Rent X 12
Vacancy & Collection @ 5.0%	-\$3,012	
Effective Gross Income	\$57,220	
Administrative	-\$500	
Management	-\$1,717	
Replacement Reserves	-\$858	
NOI	\$54,145	
CAP Rate	7.00%	Per / S.F.
Renovated Value	\$773,502	\$208.04
Less Cost to Renovate	\$446,160	\$120
As Is Value	\$327,342	\$88.04

actual redevelopment costs, developer opinions, broker opinions and Marshall Valuation Services. It should be noted that construction costs are rising, and contractors are busy. Brokers and developers cite the main barrier to feasibility is rising construction costs. Government regulation, and medical building standards set forth by the state and CMS (Centers for Medicare & Medicaid Services) also elevate costs. Despite these factors the chart above indicates feasibility based on a fair market rent estimate of \$1.35 per square foot with triple net expenditures. The feasibility analysis shows the "as is" valuation of the subject to be about \$88 per square foot applied to the buildings 793 and 795. Building 799 is a manufactured building; the age and exterior depreciation would not warrant a capital investment into the property. It should be utilized for storage until removal and construction of modern medical office is feasible and in demand.

VALUATION

The sales comparison approach is utilized to determine the value. The income approach is less relevant because the medical office would require renovations to lease the property and a hypothetical valuation. The cost approach is also less relevant due to the mixed age of the improvements. The sales data is strong and is most relied upon by market participants. The feasibility analysis in the highest and best use provides support for the value conclusion. The manufactured office is given some value as storage space.

SALES COMPARISON APPROACH

The sales comparables are outlined on the following pages. For an in-depth view of the sales comparables, including pictures and descriptions, please see the Addenda.



COMPARABLE SALES				
	Sale 1	Sale 5	Sale 6	Sale 7
Building Address	Medical Office 1018 N. Cherry Street Tulare	Dental Office 970 N. Cherry Street Tulare	Multi-Tenant Office 220 N. J Street Tulare	Multi-Tenant Office 420-444 N. "O" St. Tulare
APN	170-340-012	170-322-026	176-111-025	170-233-009
Sales Date	June-2016	May-2014	Apr-2018	Oct-2017
Doc. Number	16-35492	14-27003	18-20580	17-63071
Price	\$300,000	\$280,000	\$400,000	\$880,000
Price/S.F. Net Bld. Area	\$97.09	\$129.15	\$100.00	\$89.92
Buyer	Kambo Downey Radiation Props.	Bell Elston	Gallado Smith	Hartman Annathan Holdings Inc.
Seller				
Net Building Area	3,090	2,168	4,000	9,786
Gross Bldg. Area	3,090	2,168	4,000	9,786
Land Size, S.F.	9,838	10,284	5,816	32,294
Site Coverage	31%	21%	69%	30%
Year Built	1990	1970	1978	1980's
On-Site Parking	Yes	Yes	PUD	Yes/ abundant
Condition	Average	Average	Average	Average -
Quality	Average	Above Average	Average	Average
Net Income	Owner Occupied	Owner Occupied	Owner Occupied	Owner-Occupied
Net Income/PSF	-	-	-	-
Adjustments				
Property Rights	Fee Simple 0%	Fee Simple 0%	Leased Fee 0%	Fee Simple 0%
Financing	Conventional 0%	Conventional 0%	Conventional 0%	Conventional 0%
Conditions of Sale	Arm's Length 0%	Arm's Length 0%	Arm's Length 0%	Arm's Length 0%
Immediate Expenditures	None 0%	None 0%	None 0%	None 0%
Market Conditions	June-2016 5%	May-2014 10%	Apr-2018 0%	Oct-2017 0%
Sub-Total	\$101.94	\$142.07	\$100.00	\$89.92
Location	0%	0%	5%	5%
Size, S.F.	0%	-5%	0%	5%
Parking	0%	0%	0%	0%
Age/Condition	0%	0%	0%	0%
Quality	-15%	-15%	-10%	0%
Sub-Total	-15%	-20%	-5%	10%
Adj. Price/S.F.	\$86.65	\$113.65	\$95.00	\$98.92

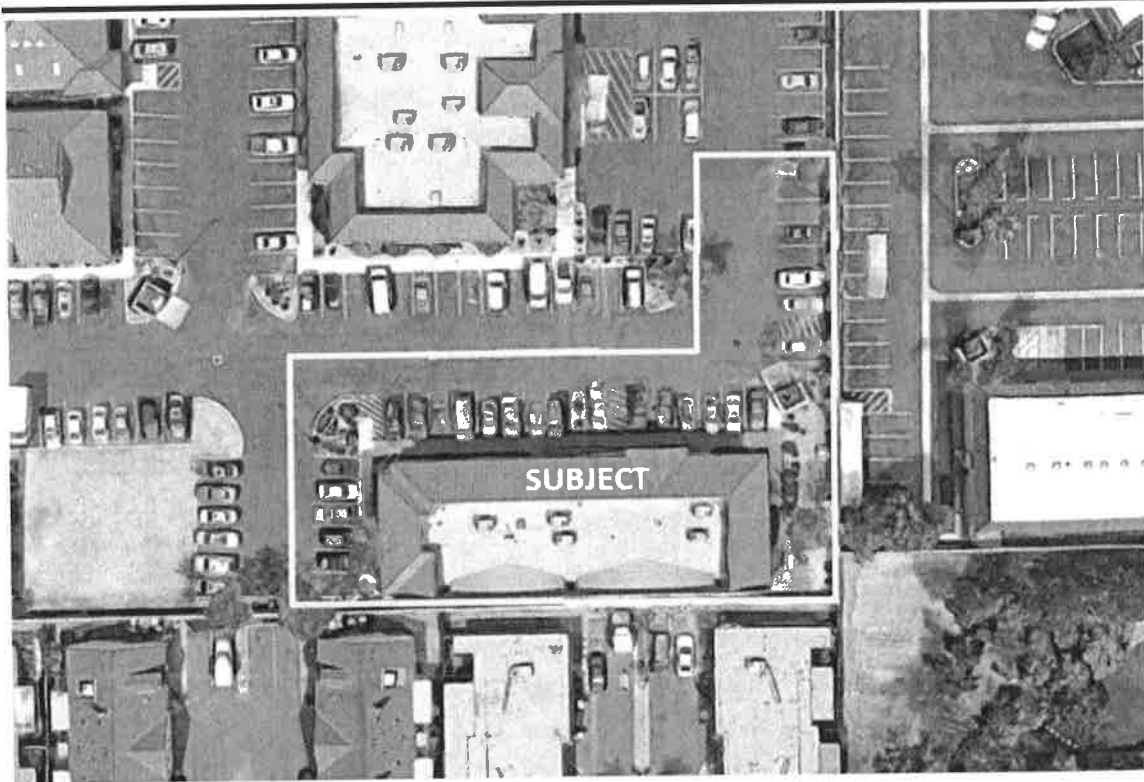
The adjusted price per square foot ranges between \$86.65 and \$113.65. The subject's age and condition warrant a value in the lower tier of the adjusted range. All factors

considered, a value of \$90.00 per square foot is reasonable and applied to the gross building area of 793 and 795.

Building	Square Feet	Value per S.F.	Property Value
793	1,560	\$90	\$140,400
795	2,158	\$90	\$194,220
799	1,200		\$25,000
		Total Value	\$359,600
		Total Value Rounded	\$360,000

An exposure time of one year estimated at the appraised value.

PROPERTY 9 – SOUTH VALLEY VETERANS CLINIC



Property Summary: Property 8 is in a planned unit development on the east side of North Cherry Street, north of East Merritt Avenue, in the city of Tulare. The development is known as the Tulare Medical Center and includes 16 parcels. The subject site is improved with a Veterans Hospital built to suit in 2004.

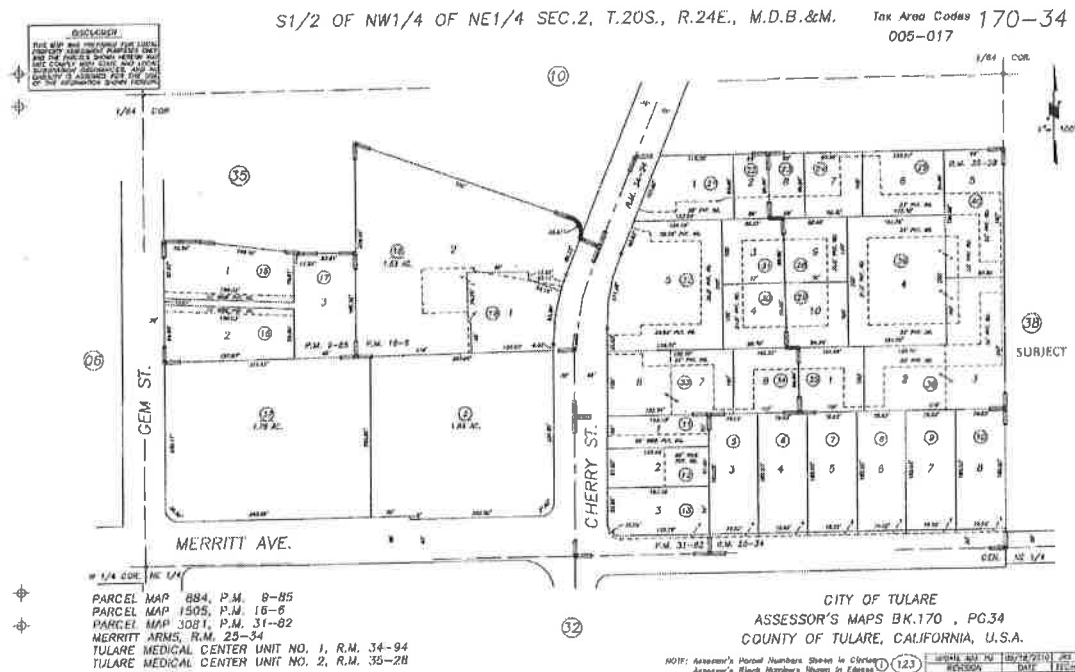
The office has not sold in the prior three years; it is not listed for sale or lease. No office or medical offices were noted to be for sale in the immediate vicinity. The property is zoned C-2 (Office Commercial). The C-2 zone is intended to “provide areas for the development of small to large scale office facilities and related support services and other appropriate uses.”¹¹ The property is within flood zone X; this is not an identified flood zone.

Hypothetical Condition: The subject’s lease terminated in June 2018. According to a Standstill Agreement, contained in the work file, the VA intends to stay but lease negotiations for an extended term have not commenced. I have appraised the property as if it is under a new three-year contract at the same rental rate and terms within the Standstill Agreement. The lease is outlined in the income approach.

¹¹ City of Tulare Zoning Ordinance, Chapter 10.48: Office Commercial District

SITE DATA	
APN:	170-072-020
Lots:	2, 3, 4
Site Area:	26,777
Shape:	Rectangular
Zoning:	C-2 (Office Commercial)
Offsites:	Curb, gutter & sidewalk
Utilities:	Municipal
Topography:	Level
Flood Zone:	X
Orientation:	Interior

Site Comments: Access to the office park is via two concrete paved driveways along Cherry Street. The site is suitable in size and shape for office or medical office development; all utilities are available.

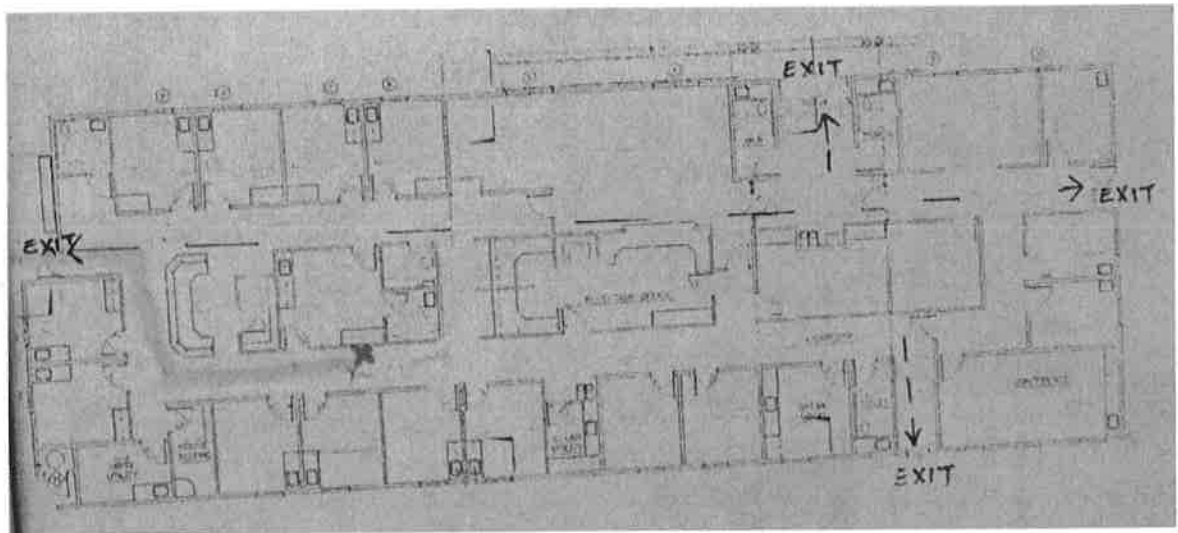


IMPROVEMENTS

1050 Cherry Street, Tulare	
Gross Building Area (Square Feet)	6,977
Improvement Type	VA Clinic
Year Built	2004
Renovated	Maintained
Effective Age Estimate	10 Years
Remaining Economic Life Estimate	40 Years
Exterior Condition	Good
Interior Condition	Good
Quality	Good
<u>Exterior Construction</u>	
Foundation	Concrete
Floor	Concrete
Walls	Stick-frame
Windows	Aluminum-frame
Doors	Aluminum-frame with glass
Roof	Wood
Roof finish	Epoxy
<u>Interior Construction</u>	
Walls	Wood frame/ drywall/ tile
Ceiling	suspended acoustical tile/drywall
Flooring	Tile/laminate
Doors	Aluminum-frame with glass/metal
Lighting	Canned/fluorescent
Sprinklers	Yes
Cabinets/Counters	Laminate

Building System	HVAC
<u>Site Improvements</u>	
Parking	Reciprocal parking throughout development
Landscape	Shrubs/trees/sprinklers
ADA	ADA ramp and rails at entry

Improvement Comments: I did not have access to the entire interior, but I was able to view the entry/reception, waiting area and restrooms. The floorplan below outlines several exam rooms, offices, break room and ADA restrooms throughout the remaining building area. Government occupied buildings have specifications exceeding most private medical offices and the portion I viewed was in good condition and good quality.

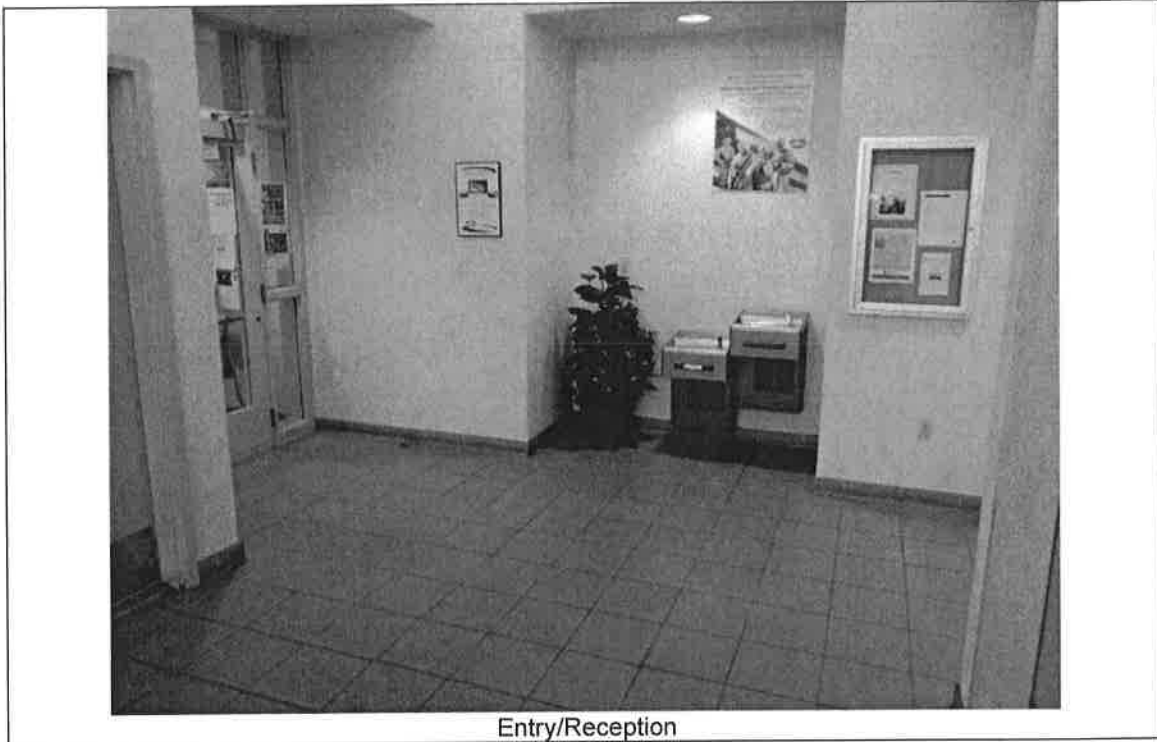




View of the entry



Bathroom



Entry/Reception

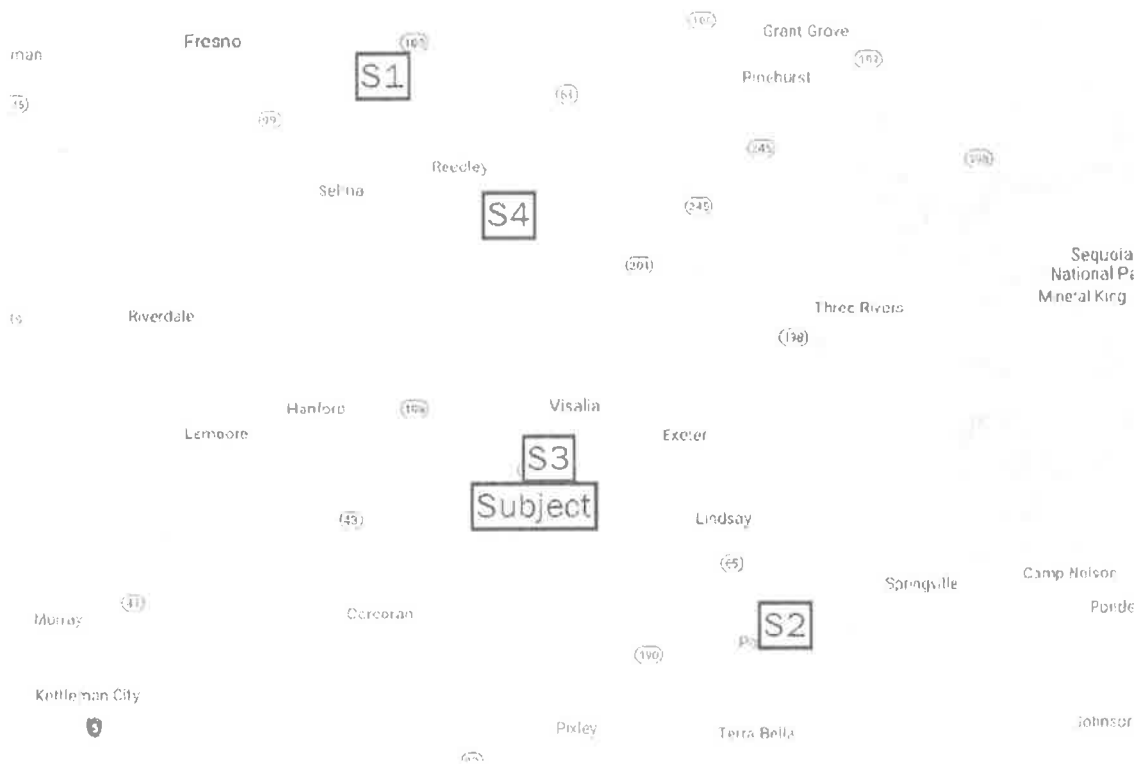
Highest and Best Use Conclusions: The highest and best use of the site as though vacant is for office or medical office development when feasible. The highest and best use of the property as improved is to extend the lease contract to the VA for a period of five to ten years. This will reduce the overall rate and increase value. The property should continue to be leased the VA for as long as possible. Market rent is substantially less than contract rent.

VALUATION

The sales comparison approach and income approach are utilized to value the subject. Data for both approaches is strong and the market generally relies upon these two factors when determining the worth of an investment property. The cost approach has less relevance and is excluded.

Sales Comparison Approach

The subject is an investment property. Investment sales of similar quality have been analyzed; they are outlined on the following pages.





Sale 1 is in the city of Sanger along the south side of Jensen Avenue, east of North Bethel Avenue. The property is part of a planned-unit-development and shares common area with Telecare. The property is under a long-term lease contract to Davita Dialysis. The original lease term is set to expire on September 21, 2021 but the buyers felt strongly the tenant would pursue a five-year option. The buyer wanted to invest in commercial real estate and this was not a 1031 transaction. The broker indicated the overall rate at 6.52% is based on the net operating income at the time of sale.



Sale 2 is in the city of Porterville on the north side of Morton Avenue, east of North Porter Road. The property was renovated in 2014 and a new 15-year lease was signed by Social Security Administration. The lease has a modified gross structure and increases 8.5% at year five. At the time of sale there were 12 years remaining with a seven-year firm-term in place. In 2014 a 400 square foot addition expanded the office at a cost of \$541,000, including 90,000 for blast proof windows. A new roof was installed in 2017. The gross rental income was \$226,804 with expenses of \$76,693 per annum.



Sale 3 is located within the Blackstone Professional Center in the city of Tulare on the west side of Hillman Street, north of Corvina Avenue. This office was recently constructed and leased to Chicago Title and Residential Mortgage Company. The Chicago Title lease carries a five-year term and two percent annual increases. The tenant can terminate the lease after three years, so long as they reimburse for tenant improvements and pay a penalty. The Residential Mortgage lease is also five years at \$2.00 per square foot plus \$0.09 per square foot for CAM reimbursements; they too can terminate the lease within one-year but must reimburse for certain expenditures. The buyer is an investor who has the third and final space listed for lease at \$2.00 per square foot, offering the same expense structure as the other two lessees.



Sale 4 is in the city of Dinuba at the southwest corner of North Way and Eaton Avenue. The property is leased to Davita Dialysis for a 15-year term with triple net expenses. Two 5-year renewal options are available. Rent started at \$1.95 per square foot and increases every five years 10%. The property sold about nine months before the initial increase.

COMPARABLE SALES					
	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Building Address	VA 1050 Cherry Street Tulare	Davita Dialysis 2517 Jensen Avenue Sanger, CA	Social Security 890 W. Morton Avenue Porterville, CA	Multi-tenant Office 1905 Hillman Street Tulare, CA	Davita Dialysis 510 W. North Way Dinuba, CA
APN	170-340-038	315-101-69	251-160-049	166-210-008	014-144-002
Sales Date	-	April-2018	April-2018	May-2017	January-2017
Doc. Number	-	18-43029	18-17475	17-28044	17-5305
Price	-	\$2,900,000	\$2,250,000	\$1,775,000	\$3,590,000
Price/S.F. Net Bld. Area	-	\$446.15	\$336.52	\$288.90	\$398.62
Buyer	-	Davies-Torrance Trust	Smith	Zysling	Naekel
Seller	-	Sanger Properties LLC	Schmidt	Hidden Oak Dev. LLC	RPM Realty
Net Building Area	6,977	6,500	6,686	6,144	9,006
Gross Bldg. Area	6,977	6,500	6,686	6,144	9,006
Land Size, S.F.	31,305	28,314	26,387	6,144	47,045
Site Coverage	22%	23%	25%	100%	19%
Year Built	2004	2010	2003/Ren. 2014	2017	2013
On-Site Parking	Yes	Yes	Yes	PUD	Yes
Condition	Above Average	Above Average	Above Average	Good	Good
Quality	Good	Good	Above Average	Above Average	Good
Net Income	\$165,389	\$189,092	\$150,111	\$129,796	\$211,100
Net Income/PSF	\$23.70	\$29.09	\$22.45	\$21.13	\$23.44
Adjustments					
Property Rights	Leased Fee	-5%	-10%	10%	-10%
		\$423.85	\$302.87	\$317.79	\$358.76
Financing	Normal	0%	0%	0%	0%
		\$423.85	\$302.87	\$317.79	\$358.76
Conditions of Sale	Conventional/Cash	0%	0%	0%	0%
		\$423.85	\$302.87	\$317.79	\$358.76
Exp. After Sale	-----	0%	0%	0%	0%
		\$423.85	\$302.87	\$317.79	\$358.76
Market Conditions	Current	0%	0%	5%	5%
Sub-Total	-----	\$423.85	\$302.87	\$333.68	\$376.70
Location	Average	0%	0%	0%	0%
Site Coverage	Average	0%	0%	0%	0%
Size (S.F.)	6,977	0%	0%	0%	5%
Age	2004	-10%	-10%	-10%	-10%
Condition	Above Average	0%	0%	0%	0%
Quality	Good	0%	15%	10%	0%
Total	-----	-10%	5%	0%	-5%
Adj. Price/S.F.	-----	\$381.46	\$318.02	\$339.68	\$357.86

The sales have a tight adjusted range. Sales 2-4 better represents the subject's net operating income and value as investments. The short lease term of three-years increases risk. There is a strong likelihood of continued leasing by the VA but the short term warrants a value in the lower tier of adjusted values. The subject's value is estimated at \$3200 per square foot:

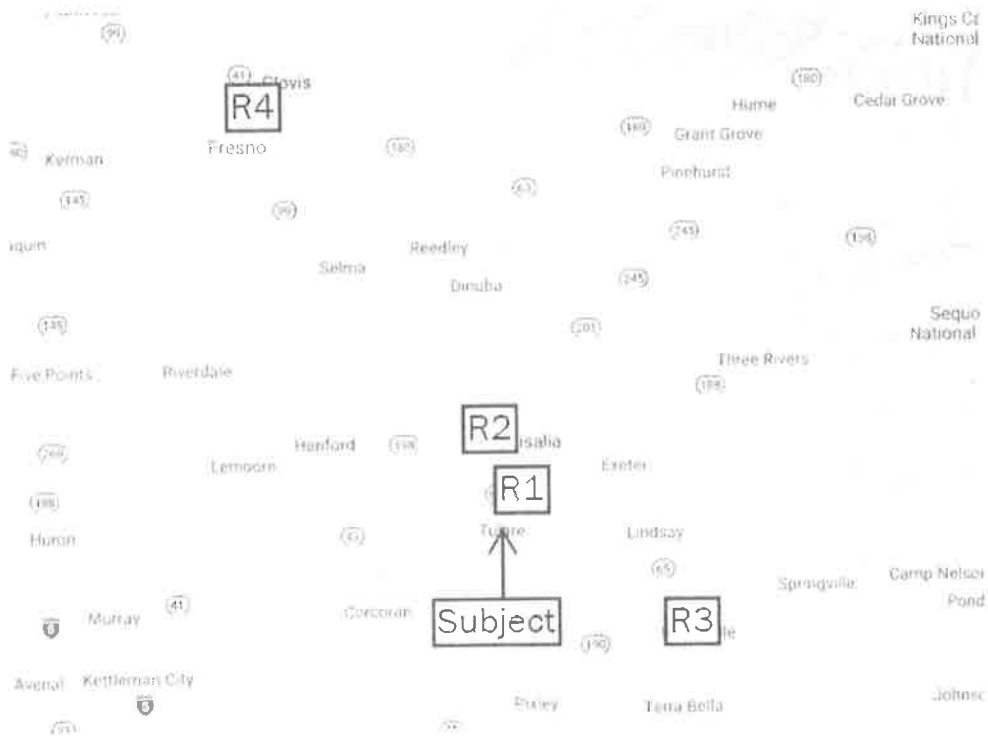
6,977 S.F. X \$320 =	\$2,232,640
Value Rounded =	\$2,230,000

INCOME APPROACH

The value of a property by the income approach is derived by converting the expected income generated from a property into a present estimate using one of many income capitalization procedures. In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of the holding period. The value estimated by the income approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risks.

VA LEASE	
Tenant	VA
Suite #	1050
Suite Type	Medical
Start	August 1, 2014
End	July 31, 2009
Options	Five (1) year options
TI's	Build to suit
Increases	3.0% per annum
Expenses	Gross
Starting Rent	\$19,117
Current Rent	\$19,691
Net Rentable	6,977
Per S.F. Total	\$2.82

The subject's lease is outlined in the chart above and has Gross expenditures. In a gross lease the lessee has a base rental rate. The lessor pays all operating expenses except for utilities, electricity, water, sewer, gas and janitorial. **I have assumed a three-year lease originating on the reports effective date.**



Rental 1 is in the Blackstone Professional Center in the city of Tulare on the west side of Hillman Street, north of Corvina Avenue. This new office constructed as a build to suit for Chicago Title Company. The lease has a five-year term and two percent annual increases. The tenant can terminate the lease after three years, so long as they reimburse for tenant improvements and pay a penalty. The tenant pays for CAM and the landlord pays for all other expenses.



Rental 2 is in the city of Visalia on the west side Akers Street, south of State Route 198. The property is part of PUD style retail and office development. The property is a two-tenant building leased to a dental office and Elite Medical Services. The interior was renovated at a cost of roughly \$30 per square foot and a five-year lease commenced at \$2.05 per square foot with gross expenditures. Rent increases 2.0% per annum and the tenant has one 3-year option to renew.



Rental 3 is in the city of Porterville on the north side of Morton Avenue, east of North Porter Road. The property was renovated in 2014 and a new 15-year lease was signed by Social Security Administration. The lease has a modified gross structure and increases 8.5% at year five. In 2014 a 400 square foot addition expanded the office at a cost of \$541,000, including 90,000 for blast proof windows. A new roof was installed in 2017.



Rental 4 is in the city of Fresno on the north side of East Olive Avenue, west of North Clovis Avenue. The building was occupied by USPS; they vacated, and an investor purchased the property. Subsequently the building was renovated at a cost of \$1,000,000 for office standards set forth by the CHP; they pre-leased the property for 16 years, with a four-year firm term. Rent starts at \$24,955 per month for the first eight years then increases to \$28,698 per month for the remaining lease term. This is a gross lease where the tenant is responsible for their own utilities and janitorial service. The remaining expenses are the responsibility of the lessor.



SUMMARY OF RENT COMPARABLES				
	Rental 1	Rental 2	Rental 3	Rental 4
	Chicago Title	Elite Corporate Medical Services	Social Security Administration	CA Highway Patrol
Location	1909 Hillman Tulare	5344 W. Cypress Visalia	890 W. Morton Avenue Porterville	5435 E. Olive Avenue Fresno
Start Date	Dec-2017	May-2017	January 2015	November 2014
Term	5 Years	5-Years	15 Years/ 7 Yr. Firm	16 Years/ 4 Yr. Firm
Increases	2.0%/annum	2.0%/annum	8.5% every 5 years	15% @ Yr. 8
Expenses	Mod. Gross	Gross	Full Service	Gross
Bldg. (S.F.)	2,446	3,003	6,686	9,598
Year Built	2017	2004 Ren. 2017	2003 Ren. 2014	1990/Ren. 2014
Condition	Good	Above Average	Above Average	Above Average
Quality	Average	Above Average	Above Average	Above Average
Property Type	Office	Medical	Office	Office
Rent/S.F./Mo.	\$2.00	\$2.05	\$2.87	\$2.60
Adjustments:				
Property Rights	0%	0%	0%	0%
Lease Conditions	0%	0%	0%	0%
Market Conditions	5%	5%	10%	10%
Adjustment	5%	5%	10%	10%
Sub-Total	\$2.10	\$2.15	\$3.16	\$2.86
Location	-10%	-10%	0%	0%
Size	-5%	-5%	0%	5%
Age/Condition	-10%	-5%	-5%	0%
Quality	25%	15%	15%	15%
Lease Type	5%	0%	-15%	0%
Concessions	0%	0%	0%	0%
Sub-Total	5%	-5%	-5%	20%
Adj. Rent/S.F./Mo.	\$2.21	\$2.04	\$3.00	\$3.43

The rent comparables indicate a range between \$2.04 and \$3.43 per square foot. The subjects rental rate falls within the adjusted range and considered reasonable for this type of specialized development.

Operating Expenses: Developing an opinion of value by the income approach is directly related to the capitalization of the net operating income. The net operating income is derived by deducting the operating expenses, from the effective gross income. Expenses fall under two categories, fixed and variable. Expenses were requested but not provided. I have estimated expenditures utilizing market surveys, historical expenses of similar properties and broker opinions. The expenses are outlined in the income approach chart.

Fixed Expenses	Variable Expenses
<ul style="list-style-type: none"> ▪ Property tax Derived by multiplying the tax rate by the current property value. This may be inconsistent with the actual assessment by the county assessor. ▪ Insurance Liability for personal injury and hazard insurance in the event of a physical loss due to fire or other cause ▪ Replacement Reserves An allowance kept in reserve for periodic building repairs, particularly short-lived items that wear out more rapidly than other building components. Generally ranges between 1.0% and 1.50% of the effective gross income. 	<ul style="list-style-type: none"> ▪ Maintenance, Repairs and Janitorial General building repairs, roof, walls, windows, flooring, etc. ▪ Utilities & Electrical Electricity, water, sewer, gas, etc. ▪ Administration fees Advertising, payroll, legal etc. ▪ Contracted Services Pest control, site cleanup, gardener/landscape, security, window washing ▪ Management Contracted service provided for operation of the asset. May include collection of rents or organizing scheduled maintenance. Rates will typically vary between 2.0% and 6.0% of the effective gross income.

Vacancy & Collection Loss: The Tulare medical office market is stable. There are few vacancies available and new construction is evident. The estimated market rent is based upon the anticipation of 100% occupancy. The amount for vacancy and income loss is that amount deducted from the potential gross annual income to reflect probable vacancy, turnover, or nonpayment of rents by tenants. The tenant is a government entity with minimal risk of default; however, some vacancy needs to be considered for a long-term hold. Considering all factors, 5.0% is reasonable.

Overall Capitalization Rate: The final step in the income approach is the selection of the overall capitalization rate. We will utilize two methods, which include the market derived overall rates from the sales comparison approach and a review of national investor criteria.

Market Derived Rates: The sales exhibit the following overall rates:

OAR MARKET EXTRACTION				
	Sale 1	Sale 2	Sale 3	Sale 4
Sale Price	\$2,900,000	\$2,250,000	\$1,775,000	\$3,590,000
NOI	\$ 189,092	\$ 150,111	\$ 129,796	\$ 211,100
Indicated OAR	6.52%	6.67%	7.31%	5.88%
NOI/SF	\$29.09	\$22.45	\$21.13	\$23.44

Reconciliation: The sales overall rates range from 5.88% to 7.31%. See the market analysis for review of the broader Overall Rate Range nationally. The actual income and expenses were utilized when available. Overall rate trends have been analyzed on a broad and local scale. The national average trends are stabilizing. The sales comparables show a relatively consistent range but the subject only has three years

remaining on the lease term.¹² An overall rate exceeding the high end of the range better reflects the risk inherent of the short remaining lease term. A rate of 7.50% is reasonable and applied to the subject. Please reference the following chart for the value conclusion via income approach.

INCOME APPROACH							
VA CONTRACT RENT	6,977	S.F.	X	\$	2.82	=	\$ 19,691
REIMBURSED OPERATING EXPENSES	6,977	S.F.	X	\$	-	=	\$ -
MONTHLY INCOME							\$ 19,691
POTENTIAL GROSS INCOME							\$ 236,292
VACANCY & COLLECTION LOSS	5.00%						\$ 11,815
EFFECTIVE GROSS INCOME							\$ 224,477
OPERATING EXPENSES	EXPENSE/S.F.						
MAINTENANCE/REPAIR	\$1.50	of GBA PER ANNUM =		\$			10,466
ADMIN EXCLUDING MANAGEMENT	\$0.10	of GBA PER ANNUM =		\$			698
INSURANCE	\$0.40	of GBA PER ANNUM =		\$			2,791
TAXES-PROPERTY	1.19%	of VALUE =		\$			24,814
UTILITIES (COMMON AREA ONLY)	\$0.46	of GBA PER ANNUM =		\$			3,209
CONTRACTED SERVICES	\$0.80	of GBA PER ANNUM =		\$			5,582
MANAGEMENT	3.00%	of EGI =		\$			6,734
REPLACEMENT RESERVES	1.50%	of EGI =		\$			3,367
TOTAL OPERATING EXPENSES				\$			57,661
NET OPERATING INCOME							\$ 166,817
VALUATION							
NET OPERATING INCOME	=			\$			166,817
O.A.R.							8.00%
VALUE INDICATION	=			\$			2,085,211
ROUNDED	=			\$			2,090,000

Reconciliation of Value

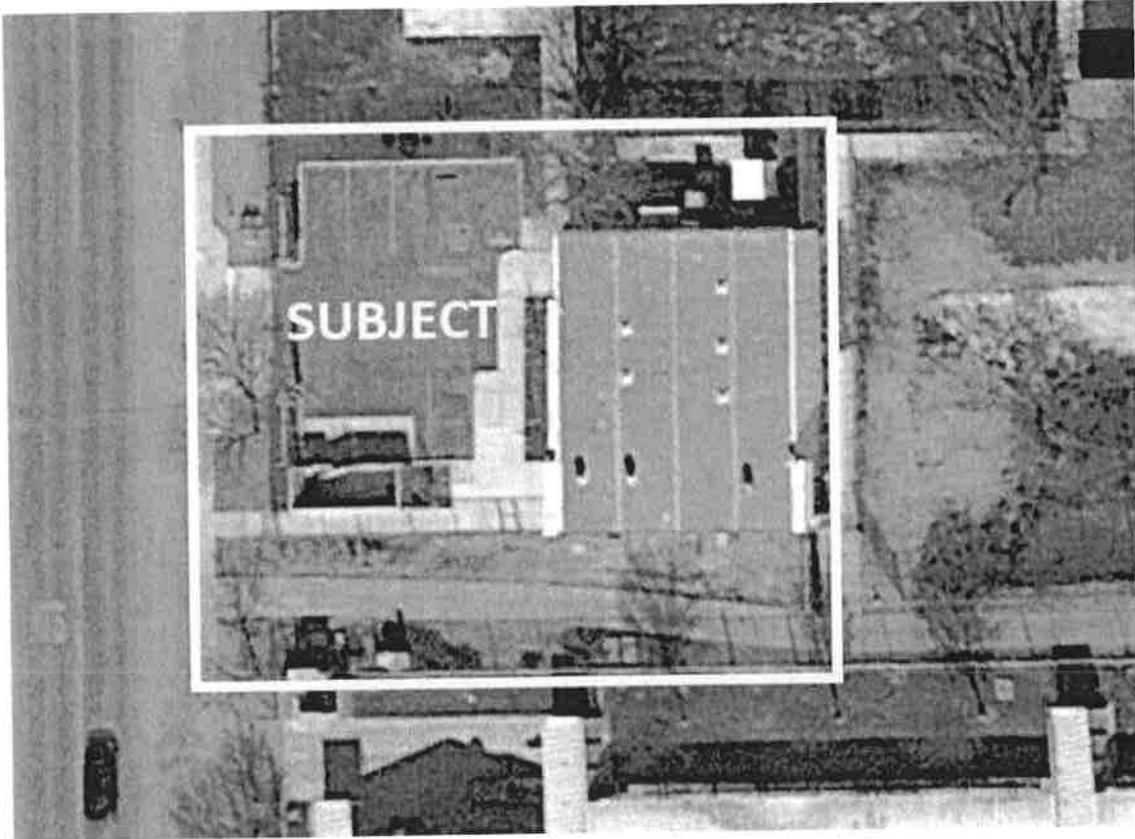
The three approaches exhibit the following value range for the stabilized premise:

Sales Comparison Approach: \$2,230,000
Income Approach: \$2,090,000

The income approach is a better indicator and given the most weight. The value is reconciled at \$2,100,000. The exposure time is estimated at 6 months.

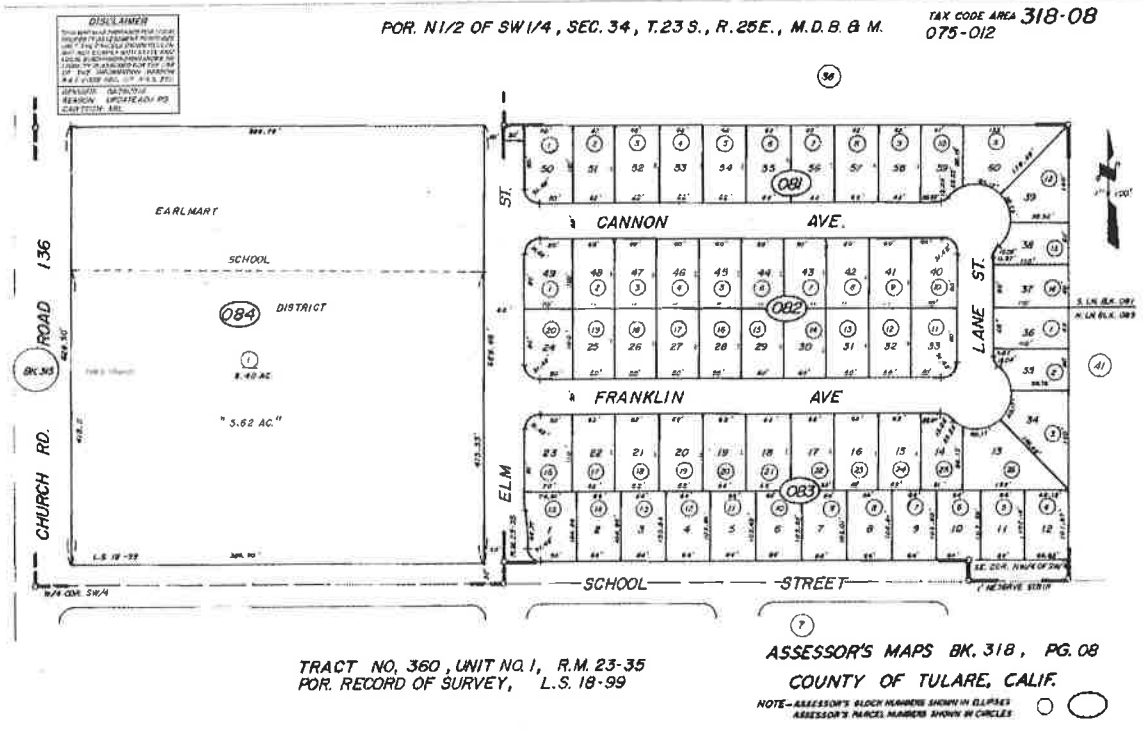
¹² Subject to hypothetical condition

PROPERTY 10 – 398 S. CHURCH STREET, EARLIMART



Property Summary: The property is a vacant medical office sitting on 30,800 square feet of leased ground. The Landlord is the Earlimart School District. The clinic opened in 2015 and closed shortly thereafter. The property has not sold in the prior three years; it is not listed for sale or lease. The land is zoned PO (Professional Office) by the County of Tulare. Medical Clinics are a legal and conforming use in this zone.¹³ The property is within flood zone X500; this is not an identified flood zone.

¹³ SECTION 8.1: "P-O", PROFESSIONAL AND ADMINISTRATIVE OFFICE ZONE Chapter 3, Section 8.1, Page 1

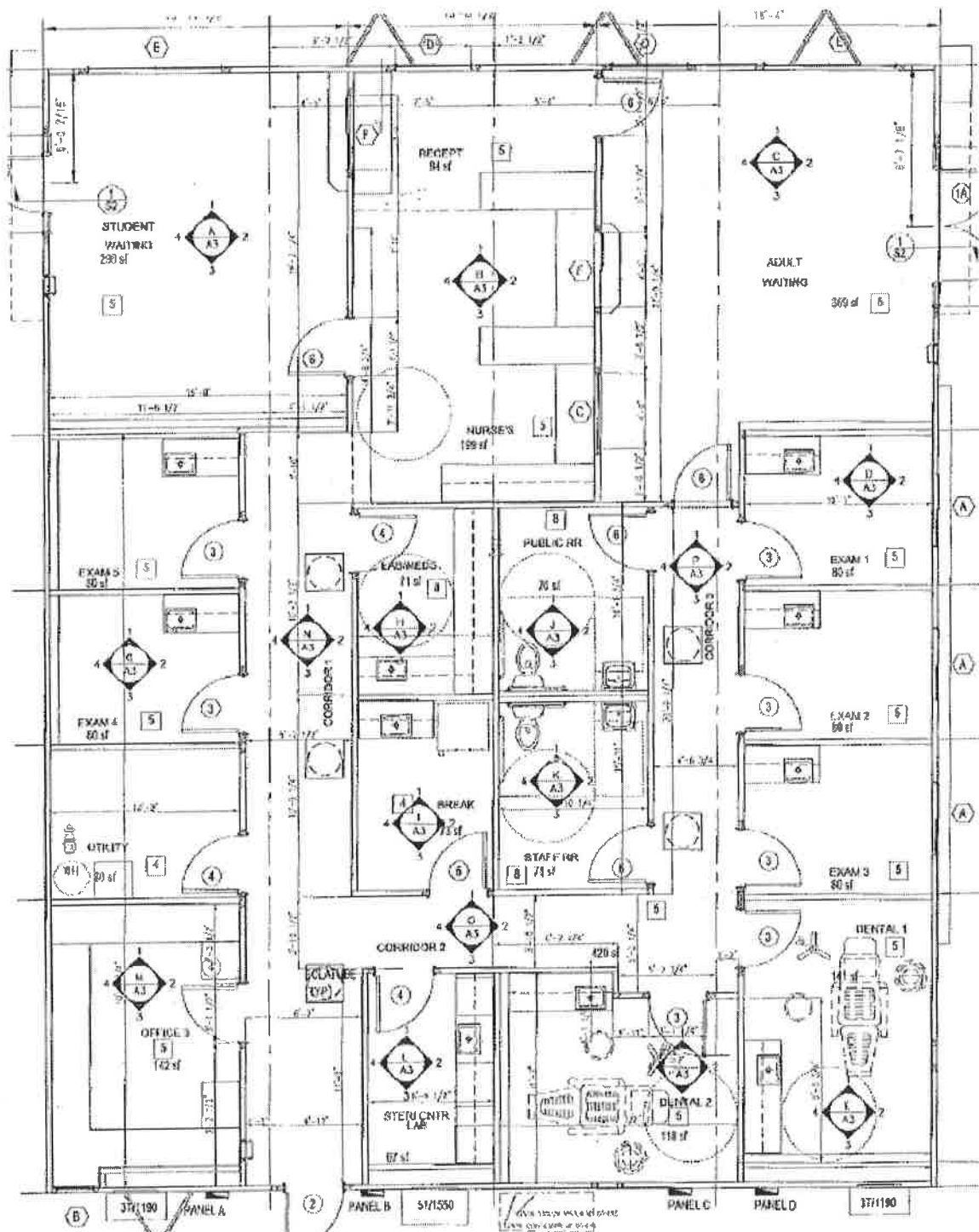


Site Comments: Access is via South Church Street and concrete paved drive. Street parking is available. The leased site is suitable in size and shape for office or medical development. All utilities are available.

IMPROVEMENTS	
398 S. Church Street, Earlimart	
Gross Building Area (Square Feet)	2,830 S.F.
Improvement Type	Medical
Year Built	2015
Renovated	No
Effective Age Estimate	3 Years
Remaining Economic Life Estimate	42 Years
Exterior Condition	Above Average
Interior Condition	Assumed to be Average (Appraiser did not view the interior)

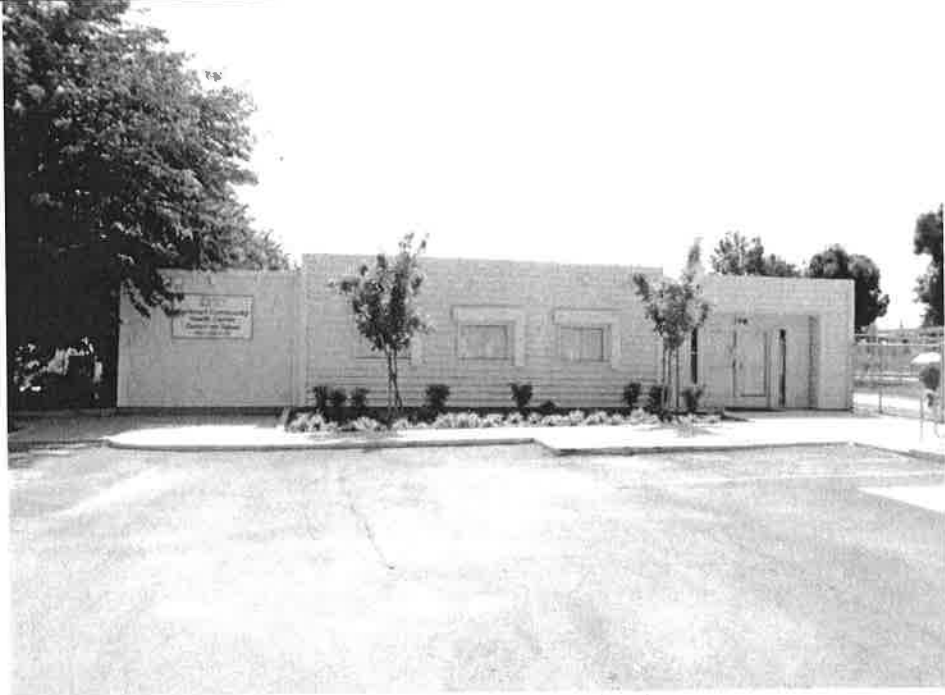
Quality	Average
<u>Exterior Construction</u>	
Foundation	Concrete
Floor	Concrete
Walls	Metal-frame
Windows	Aluminum-frame
Doors	Aluminum-frame with glass
Roof	Wood
Roof finish	Metal
<u>Interior Construction</u>	
	The interior was not available for viewing. Interior improvements are assumed to be average quality in above-average condition
Building System	HVAC
<u>Site Improvements</u>	
Parking	5 asphalt paved stalls
Landscape	Shrubs/grass/trees around building

Improvement Comments: The interior has a reception, two waiting areas, five exam rooms, office, break room two ADA restrooms, two labs and two dental exam rooms.

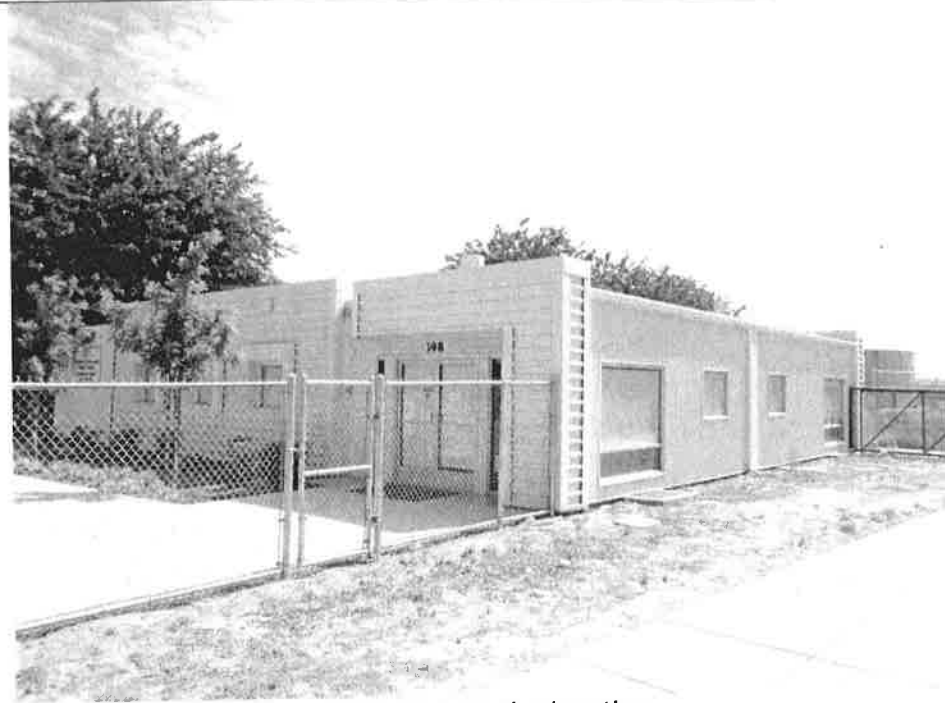


Floor Plan

Photos



West elevation and parking lot



West and south elevation

PROPERTY DISCUSSION

Scenario 1:

The ground was leased to Tulare Regional Medical Center in February of 2012 for a five-year term. There are two 5-year options to continue ground rent, at the initial lease rate of \$1 per year. The first option to extend the lease for five years would have been in March of 2017. No proof of such extension has been provided but has been requested. In the lease under Article 11. "Termination," the following are causes for lease termination.

ARTICLE 11. TERMINATION

Termination

11.01 (a) The right to terminate this LEASE under this provision may be exercised without prejudice to any other right or remedy to which the terminating party may be entitled at law or under this LEASE.

(b) LANDLORD may terminate this LEASE, for cause, with written notice upon the occurrence of any of the following:

- (1) TENANT is adjudged bankrupt; or
- (2) TENANT becomes insolvent or has a receiver appointed; or
- (3) TENANT suffers any judgment which remains unsatisfied for 30 or more days, and which would substantively impair the ability of the judgment debtor to perform under this LEASE; or
- (4) TENANT fails to pay Fixed or Additional Rent due; or
- (5) TENANT abandons the PROPERTY for seven (7) or more consecutive days; or
- (6) CEQA review is required as a prerequisite to beginning or completing the construction necessary to effectuate this LEASE; or
- (7) TENANT materially breaches this LEASE.

I do not have the legal capacity to decipher the terms of the lease agreement; however, the termination clauses above would indicate there may be good cause for lease termination. It is unlikely the school would be opposed to re-opening the clinic as a benefit to the community, and student/faculty body; however, it is my opinion the market would have no interest in the property without satisfactory guidance on this issue.

Additional concerns include the lease term. The lease term is only good for a maximum of 15 years at \$1 per annum, as guaranteed by the extensions. Item (d) under Article 3 states the following:

(d) Upon the TERMINATION DATE or expiration of any TERM EXTENSION, the TERM of this LEASE may be extended upon mutual written agreement of the parties, for an additional TERM, the duration of which shall be clearly identified ("TERM EXTENSION").

There is no guarantee the school will agree to extend the lease but there is the likely possibility of lease extension. It is also worth noting the school has authority over potential subleasing and may not approve prospective medical operators.

To summarize:

- A. No lease extension has been provided.
- B. The Landlord appears to have good cause to terminate the lease.
- C. If the lease were extended, operations are only guaranteed through 2027.
- D. The Landlord has the authority to deny prospective medical operators who intend to sublease.
- E. The building improvements are expensive to move. The cost to unhook the improvements from municipal utilities, transport and re-connect the improvements at another site would probably exceed the "as is" value. New site development costs, impact fees and profit would also need to be considered. At this point, the improvements are probably never going to be moved, even if the lease were terminated.

For these reasons above, I have concluded the value of the improvements in the "as is" condition, to be zero dollars.

Scenario 2 Valuation:

As a secondary valuation I have appraised the property under the following extraordinary assumptions:

- 1. The tenant is in good standing and the Lessor has not terminated the lease.
- 2. All options have been extended through the 2027 guaranteed lease term.

Highest and Best Use Conclusions: The highest and best use of the leased parcel is for a rural health clinic.

The highest and best use, as improved, is to immediately extend the existing ground lease for a period consistent with the remaining economic life of the building improvements. The economic life is about 40-45 years. In lieu of a long-term lease the property has functionality for the duration of guaranteed operations into 2027.

VALUATION

The income approach is the only value indicator relevant to the subject property under the extraordinary assumption.

Income Approach

Market rent for the subject property has been estimated at \$1.00 per square foot with annual increases of 3.0% per annum. The only expenses incurred by the Landlord are landscape maintenance and ground rent. The lease extends into 2027 and at the end of the extension periods the property could revert to the Landlord. For this reason, there is no reversion value.

Discount Rate: According to *PWC Real Estate Investor Survey, 2nd Quarter 2018*, the discount rate for triple net lease and strip center markets are as follows:

National Market Segment	Medical Office	Secondary Office
Discount Rate Range	5.50% - 11.00%	6.50% - 13.00%
Average	7.73%	9.05%

The subject improvements carry additional risk and rate near the high end of the range is most reasonable. A discount rate of 11.00% is applied to the net income. See the following DCF for the leasehold valuation.

DISCOUNTED CASH FLOW ANALYSIS									
Year	1	2	3	4	5	6	7	8	9
No. of Months	12	12	12	12	12	12	12	12	8
Suite Size (S.F.)	2,830	2,830	2,830	2,830	2,830	2,830	2,830	2,830	2,830
Rental Income	\$1.00	\$1.03	\$1.06	\$1.09	\$1.13	\$1.16	\$1.19	\$1.23	\$1.27
Monthly Income	\$2,830	\$2,915	\$3,002	\$3,092	\$3,185	\$3,281	\$3,379	\$3,481	\$3,585
Annualized (X 12) PGI	\$33,960	\$34,979	\$36,028	\$37,109	\$38,222	\$39,369	\$40,550	\$41,767	\$28,680
Vacancy & Collection @ 5.0%	-\$1,698	-\$1,749	-\$1,801	-\$1,855	-\$1,911	-\$1,968	-\$2,028	-\$2,088	-\$1,434
Effective Gross Income	\$32,262	\$33,230	\$34,227	\$35,254	\$36,311	\$37,401	\$38,523	\$39,678	\$27,246
Maintenance to Sidewalk & Landscape	-\$500	-\$500	-\$500	-\$500	-\$500	-\$500	-\$500	-\$500	-\$500
Less Ground Rent	-\$1	-\$1	-\$1	-\$1	-\$1	-\$1	-\$1	-\$1	-\$1
Net Income	\$31,761	\$32,729	\$33,726	\$34,753	\$35,810	\$36,900	\$38,022	\$39,177	\$26,745
Discount Rate:	11.00%								
	0.9009009	0.8116224	0.7311914	0.6587310	0.5934513	0.5346408	0.4816584	0.4339265	0.3909248
Discounted Cash Flows:	\$ 28,614	\$ 26,563	\$ 24,660	\$ 22,893	\$ 21,252	\$ 19,728	\$ 18,313	\$ 17,000	\$ 10,455
Sum of Discounted Cash Flows:		\$ 79,837							
Reversion Value		\$0							
Total Value Rounded		\$ 80,000							

A value of **\$80,000** is estimated as the fair market value, subject to the extraordinary assumption outlined on the prior page. Exposure time is estimated at nine months.

ADDENDA

QUALIFICATIONS OF JACOB I. HOWER, MAI
jake@simonhower.com



STATE OF CALIFORNIA CERTIFICATION
California Certified General Real Estate Appraiser - # 3002762
State of California Department of Real Estate #01892235

PROFESSIONAL AFFILIATIONS
The Appraisal Institute - Designated Member
Tulare County Association of Realtors

APPRAISAL EXPERIENCE
Simon & Hower, Inc. Hanford, CA January 1, 2018 - Present, Owner
Simon Company Inc. Hanford, CA 2010-January 1, 2018, Real Estate Appraiser.

EDUCATION

California State University, Fresno
Bachelor of Science, Criminology- Law Enforcement Option – 2008

Appraisal Institute
Numerous courses through the Appraisal Institute including all prerequisites to attain the MAI designation and multiple condemnation and litigation courses/seminars.

TYPES OF PROPERTIES APPRAISED

Commercial Properties
Office, medical, industrial, apartments, retail, subdivisions, vacant land, self-storage

Agricultural
Nut crops, stone fruit, citrus, irrigated field crops, rangeland, conservation easements, vineyards, dairies

RIGHT-OF-WAY EXPERIENCE

Appraisal experience involving full and partial acquisitions, road widenings, permanent and temporary easements, overcrossings, undercrossings and High-Speed-Rail corridor

PARTIAL LIST OF CLIENTS

Cities and Government: Hanford, Lindsay, Porterville, Avenal, Kings County, USDA, SBA

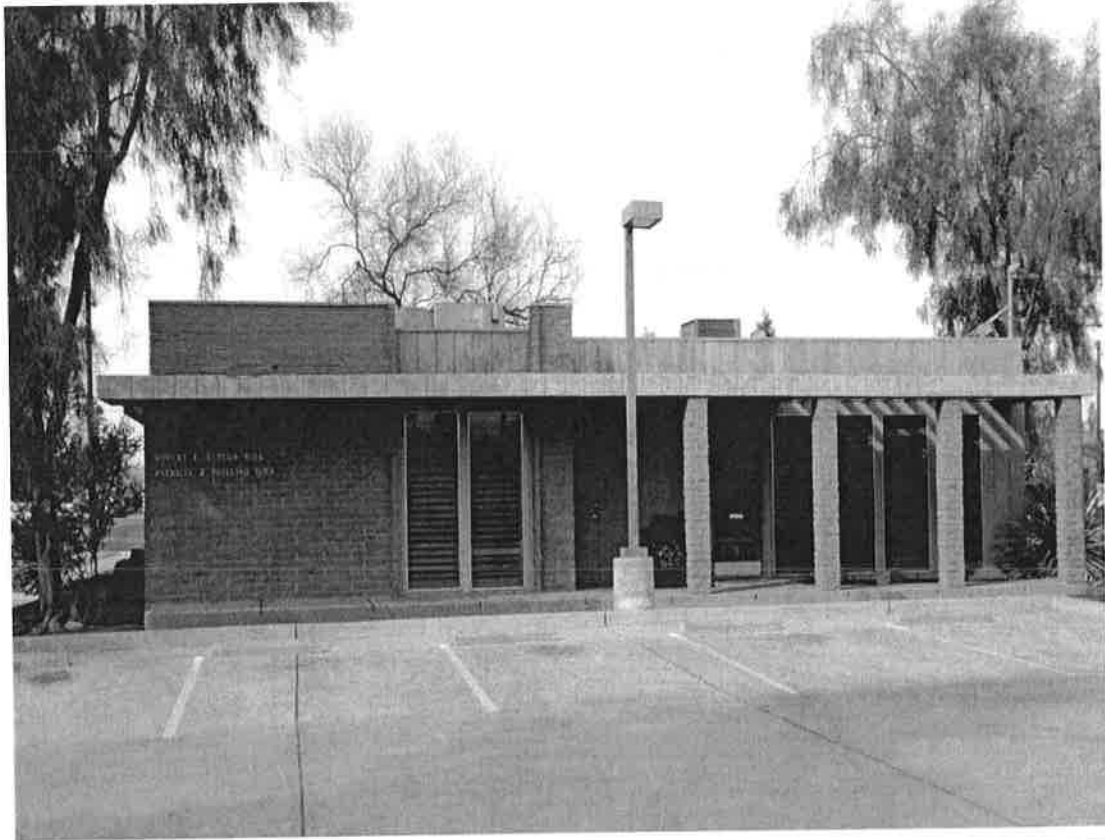
Attorneys: Dias Law Firm: Kahn, Soares & Conway, LLP: Griswold, LaSalle, Cobb, Dowd & Gin, LLP: Chielpegian Cobb: Ruddell Cochran Stanton Smith & Bixler, LLP: McCormick Barstow, LLP

Lenders: Bank of the Sierra: Suncrest Bank: Westamerica Bank: Central Valley Community Bank: Valley Republic Bank:

Healthcare: Adventist Health, Kaweah Delta, Visalia Medical Clinic, Family Healthcare Network, Tulare Local Healthcare District, Corcoran District Hospital

SALES COMPARABLES

COMPARABLE 1	970 N. CHERRY STREET	TULARE, CA 93274
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<p>Sale Price: \$280,000 Sale Date: 5/29/2014 Doc #: 14-27003 Buyer: Brian Bell Seller: Robert & Karen Elston</p>	<p>Building Size: 2,168 S.F. Year Built: 1970 Site Size: 10,284 S.F. Construction Type: Concrete Block On Site Parking: 11 Stalls</p>
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The property is located on the east side of the North Cherry Street, south of East Merritt Avenue. This is a medical district across the street from the former Tulare hospital. This sale was a private transaction that took place in 2014. The buyer is a local dentist who purchased the property and secured an SBA Loan. Subsequently the property was renovated and occupied as Brian Bell Dentistry. The loan amount was \$573,000 and indicates a total renovation cost of \$293,000 or \$135 per square foot. A portion of this is probably for new equipment but it's reasonable to assume a minimum of \$80 to \$100 per square foot in renovation costs.

COMPARABLE 2	1018 N. Cherry Street	TULARE, CA 93274
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Sale Price: \$300,000 Sale Date: 6/16/2015 Doc #: 15-35492 Buyer: Prem & Meena Kamboj Seller: Downey Radiation Properties	Building Size: 3,090 S.F. Year Built: 1990 Site Size: 9,838 S.F. Construction Type: Concrete Block On Site Parking: 13 Stalls
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The property is located on the east side of the North Cherry Street, north of East Merritt Avenue. This is a medical district diagonal from the former Tulare hospital. The property was purchased by an adjacent pediatrician who in renovated and incorporated the building into his adjacent property. The facility has been rebranded under Family Healthcare Network. The property was part of a private transaction, but it did receive market exposure in 2015 asking \$427,900. At that time the property was in below average condition and needed a new roof, according to brokers who toured the property.

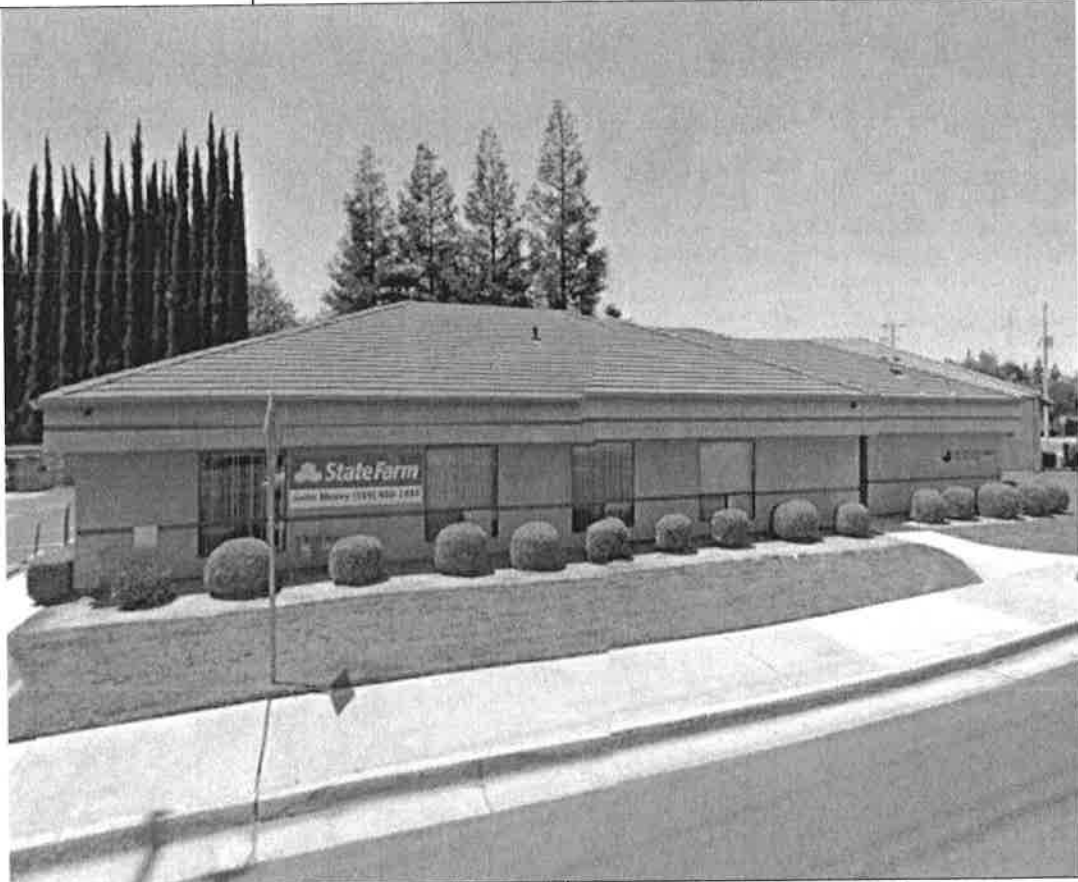
COMPARABLE 3	925 E Merritt Avenue	TULARE, CA 93274
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Sale Price: \$375,000 Sale Date: 1/5/15 Doc #: 15-4216 Buyer: Abraham Betre Seller: Istvan Potorke, Tr.	Building Size: 2,099 S.F. Year Built: 1992 Site Size: 11,455 S.F. Construction Type: Wood frame On Site Parking: 10 Stalls
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The property is in the city of Tulare on the south side of Merritt Avenue west of Blackstone Street. The building was owner-operated and being utilized for gynecology and obstetrics. There is a 300 square foot garage and 220 square foot covered patio. The property had been renovated in recent years including interior updates, landscape and fencing. The owner retired and sold the real estate along with the practice and goodwill (\$60,000) equipment and supplies (\$83,000) and a 5-year no compete clause (\$10,000). The real estate was secured at \$375,000 and set by an appraisal. The buyer financed the sale through a new SBA loan.

COMPARABLE 4	987 N. Blackstone Avenue	TULARE, CA 93274
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<p>Sale Price: \$570,00 Sale Date: 10/13/15 Doc #: 15-71803 Buyer: Todd & Christen Wesslen Seller: Jay & Kimberly Perko</p>	<p>Building Size: 3,074 S.F. Year Built: 2000 Site Size: 15,763 S.F. Construction Type: Wood frame On Site Parking: Common Area</p>
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This is a multi-tenant office property located in the Blackstone Professional Center at the southwest corner of North Blackstone Street and East Merritt Avenue. The property includes an office suite (1,014 S.F.) leased to an insurance agent and an orthodontist suite (2,060 S.F.). The insurance office was leased at \$1,400 per month. The orthodontist had previously purchased the business from the building owner and a deal was negotiated for the Wesslen to purchase the real estate at appraised value. The orthodontist suite included five stations, nurses station, lab, x-ray, waiting/reception, private office and bathrooms.

COMPARABLE 5	810 Cherry Street	TULARE, CA 93274
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<p>Sale Price: \$250,000 Sale Date: 3/24/16 Doc #: 16-17631 Buyer: AAJ Investment, L.P. Seller: Dennis & Cathy Maderos</p>	<p>Building Size: 1,164 S.F. Year Built: 1980 Site Size: 9,749 S.F. Construction Type: Concrete block On Site Parking: 14 stalls</p>
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This is a single-tenant office located on the east side of Cherry Street, north of Pleasant Avenue, southeast of the Tulare Regional Medical Center Hospital. The building has a waiting room, chart room, lab, private office, two exam rooms and restroom. The property has access from the rear alley and the building could be expanded as the site coverage ratio is only 11%. The property is now occupied by an Urgent Care. The Seller's originally purchased the property as part of an upleg in an exchange in 2013 for \$215,000.

COMPARABLE 6	220 N. "J" Street	TULARE, CA 93274
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<p>Sale Price: \$400,000 Sale Date: 4/20/18 Doc #: 18-20580 Buyer: Jose & Thelma Gallardo Seller: Smith Trust</p>	<p>Building Size: 4,000 S.F. Year Built: 1978 Site Size: 5,816 S.F. Construction Type: Wood-frame On Site Parking: Shared parking</p>
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The property is in the downtown district of Tulare on the east side of "J" Street, south of East San Joaquin Avenue. The improvements are part of a PUD type development that originated in the 1970's and 1980's. Historically, rental rates and sales prices have been consistent, with little fluctuation, over the past ten years. This property was purchased by an owner-user who operates an insurance business; they will utilize roughly half of the space. The buyer put \$40,000 down at an interest rate of 6% amortized over 20 years, due in 20 years; the seller carried the note.

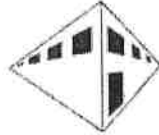
COMPARABLE 7	420-440 "O" Street	TULARE, CA 93274
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<p>Sale Price: \$400,000 Sale Date: 10/12/17 Doc #: 17-63071 Buyer: William & Marla Hartman Seller: Annathan Holdings LLC</p>	<p>Building Size: 9,768 S.F. Year Built: 1980's Site Size: 32,294 S.F. Construction Type: Wood-frame On Site Parking: 42 stalls</p>
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The property is in the city of Tulare on the east side of North "O" Street, south of East Cross Street. Improvements include two buildings that were mainly occupied by a single tenant operating a dairy lab. The second building was fit for 2-3 office tenants but was vacant at the time of sale. The tenant purchased the property and planned to expand into the vacant building area. This was a private transaction between the buyer and seller.

ENGAGEMENT LETTER



Simon & Hower, Inc. REAL ESTATE APPRAISAL

Phone: (559) 582-9112

1306 N. Irwin Street
Hanford, CA 93230

Fax: (559)582-9114

Tax I.D. # 82-3837999

DATE OF AGREEMENT: 05/1/2018

PARTIES TO AGREEMENT

CLIENT

Tulare Local Healthcare District
869 N. Cherry Street
Tulare, CA 93724.

Client hereby engages Appraiser to complete an appraisal assignment as follows:

PROPERTY IDENTIFICATION

All properties attached and identified as "Exhibit A."

PROPERTY TYPE

The properties are a mixture of medical office, vacant medical office, office, vacant land and manufactured medical offices. Some of the addresses shown in Exhibit A will be combined and valued as a single property. We have estimated this to be about 12 different valuations to include four vacant lots.

INTEREST VALUED

Fee simple unless subject to a lease.

INTENDED USERS

Tulare Local Healthcare District
Community Medical Centers

Note: No other users are intended by Appraiser. Appraiser shall consider the intended users when determining the level of detail to be provided in the Appraisal Report.

INTENDED USE

To value property for security on a private loan to TLHD from CMC

TYPE OF VALUE

Typical lending market value definition.

DATE OF VALUE

Current, unless otherwise indicated by the Client.

HYPOTHETICAL CONDITIONS & EXTRAORDINARY ASSUMPTIONS

None

ANTICIPATED SCOPE OF WORK

Inspect the subject properties, summarize market conditions, apply all necessary approaches to value as determined by the appraiser, analyze the market data and provide the fair market value. This is a narrative style appraisal report that will incorporate all properties under a single cover. Each property will have a brief, but adequate physical description.

APPRAISAL REPORT

DELIVERY DATE

Six weeks from receipt of signed engagement letter.

DELIVERY METHOD

A PDF copy of the report and hard copies if needed.

PROPERTIES UNDER CONTRACT FOR SALE

If the properties appraised are currently under contract for sale, Client shall provide to Appraiser a copy of said contract including all addenda.

CHANGES TO AGREEMENT

The agreement can be modified in writing by both parties.

CANCELLATION

Client may cancel this Agreement prior to the Appraiser's delivery of the Appraisal Report upon written notification to the Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice, unless otherwise agreed upon by Appraiser and Client in writing.

NO THIRD PARTY BENEFICIARIES

Nothing in this Agreement shall create a contractual relationship between the Appraiser or the Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third-party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

TESTIMONY AT COURT OR OTHER PROCEEDINGS

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial, arbitration or administrative proceeding, or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment.

APPRAISER INDEPENDENCE

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot insure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective by Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by Client within 10 days of the Date of Agreement specified.

GOVERNING LAW & JURISDICTION

The interpretation and enforcement of this Agreement shall be governed by the laws of the state in which the Appraiser's principal place of business is located, exclusive of any choice of law rules.

PAYMENT TO APPRAISER

The fee will not exceed \$14,000 to be paid upon completion.

K. P. Hetherington 2 May 2018
Tulare Local Healthcare District Date

Jacob Hower 5/1/2018
Jacob Hower, MAI Date

<u>Property Addresses</u>	<u>Tenant</u>	<u>City</u>	<u>Comments</u>	<u>Ownership</u>
591 E. Merritt Ave	No occupancy	Tulare	Used for storage only Used to be Dr. Parul Gupta's	Owned by TLHCD
979 Gem street	No occupancy	Tulare	office/some storage items only	Owned by TLHCD
945 Gem street	No occupancy	Tulare	Dr. office/storage only	Owned by TLHCD
943 Gem street	No occupancy	Tulare	Dr. office/storage only	Owned by TLHCD
941 Gem street	No occupancy	Tulare	Dr. office/storage only	Owned by TLHCD
938 Gem street	Medical Staff office	Tulare	Was being used until Hospital closed	Owned by TLHCD
937 Gem street	Marketing office	Tulare	Was being used until Hospital closed	Owned by TLHCD
935 Gem street	Home care office	Tulare	Was being used until Hospital closed	Owned by TLHCD
922 Cherry street	No occupancy	Tulare	Old clinic/storage items only	Owned by TLHCD
908 Cherry street	Foundation office	Tulare	Still being utilized This was not on the armstrong agreement but I believe hospital owns.	Owned by TLHCD
890 Cherry street	Microcore lab	Tulare	still being utilized	Owned by TLHCD
874 Cherry street	No occupancy	Tulare	Used for storage only	Owned by TLHCD
783 Cherry street	No occupancy	Tulare	Storage only. This is old home care building Armstrong map shows as 793	Owned by TLHCD
765 Cherry street	IT building	Tulare	Cherry street. Still being utilized	Owned by TLHCD
799 Cherry street	IOR building	Tulare		Owned by TLHCD
1080 Cherry street	No occupancy	Tulare	Dirt plot only No construction/buildings present	Owned by TLHCD
1084 Cherry street	No occupancy	Tulare	Dirt plot only. No construction/buildings present	Owned by TLHCD
Lot 28 Cherry street	No occupancy	Tulare	Dirt plot only No construction/buildings present No address present on Armstrong map	Owned by TLHCD
1050 Cherry street	VA Clinic	Tulare		Owned by TLHCD
1046 Cherry street	No occupancy	Tulare	Dirt plot only No construction/buildings present	Owned by TLHCD
386 S Church	Earlmarl Rural Health Clinic	Earlmarl	Was being used until Hospital closed	TLHCD Owns Modular Building, however land is leased

END OF REPORT

Tulare Local Health Care District

Sources:		
City of Tulare Loan - Initial Funding	\$	6,000,000
Total First Draw	\$	6,000,000
City Loan - Following - TBD	\$	3,000,000
TOTAL	\$	9,000,000

Updated 01/29/2019

Uses:	Amount:	
Settlement Payments:		
HCCA - Settlement	\$	1,800,000
Celtic - Settlement	\$	500,000
Tax Payer Lawsuits (x3)	\$	87,500
Bankruptcy - Chapter 9 Administrative & Other		
Claims:		
Wipfli/HFS (Est.)	\$	2,468,812
Hawkins, Delafield	\$	20,000
Navigant	\$	147,633
Medline	\$	49,000
Ombudsmen (Est.)	\$	20,000
Catch Up on Operating Expenses	\$	450,176
Reserve for Other	\$	456,879
Total First Draw	\$	6,000,000
Working Capital & Capital Expenditures	\$	3,000,000
TOTAL	\$	9,000,000

Tulare Local Health Care District
\$9MM Line of Credit from City of Tulare
Expected Uses of Funds
Debt Service:
Revenue Bonds - Monthly Payments
Revenue Bonds - Reserves Replenishment
Operational Costs of the District:
Payroll, Payroll Taxes , Workers, Comp, Employee Insurances: Executive, Financial, & Support Staff
Insurances - General Liability, Directors and Officers, Cyber, Pollution, Property, Crime, Fiduciary, Etc., along with Tail Coverages as needed
Legal Counsel, Bankruptcy Counsel, General Counsel
Consulting – Bankruptcy, Medicare and Medi-Cal, and Other Third Party Audits, Supplemental Pay Programs reporting and auditing
Security and Alarm Services for Hospital Tower and Rental Properties; Property Management Services
Other Operational Expenses: Utilities, Supplies, I/T support, Bank Fees, Minor equipment, Storage Rentals, etc.
External Financial Audits
Capital Outlays:
Main Hospital Infrastructure Projects, Including Seismic Compliance Projects, Evolutions Projects, & Rental Properties
Bankruptcy and Settlements:
Administrative Claims
Payments on Assumed Contracts
Agreed Upon Settlements
Other Debt Service:
Interest and Principal Repayments – Adventist Health Line of Credit
Prepared: January 23, 2019