

EQUIPMENT RENTAL AGREEMENT

THIS EQUIPMENT RENTAL AGREEMENT (the "Agreement") is made and entered into as of the 29 day of October, 2009, (the "Effective Date") by and between the COULEE MEDICAL FOUNDATION, a Washington nonprofit corporation, its successors and assigns, hereinafter referred to as "Lessor" and DOUGLAS, GRANT, LINCOLN & OKANOGAN COUNTIES PUBLIC HOSPITAL DISTRICT NO. 6, a Washington municipal corporation, hereinafter referred to as "Lessee."

RECITALS

WHEREAS, the Lessee has been duly established and covers Douglas, Grant, Lincoln and Okanogan Counties, Washington for the purposes of owning and operating hospitals and other health care facilities and supplying hospital services and other health care services for the residents of the Lessee and other persons pursuant to the provisions of Chapter 70.44 RCW; and

WHEREAS, the Lessee is authorized, pursuant to RCW 70.44.060(3), to lease existing hospital and other health care facilities and equipment and other property and to pay such rental therefore as the Commissioners of the Lessee (the "Commissioners") shall deem proper; and

WHEREAS, the Lessee owns Coulee Medical Center (formerly known as Coulee Community Hospital and Coulee Family Medical Clinic) located in Grand Coulee, Washington (the "Facilities"); and

WHEREAS, the Commissioners deemed it to be in the best interest of the Lessee to have the existing Facilities replaced, equipped and furnished to better meet the health care needs of the population it serves (the "Construction Project"); and

WHEREAS, the Board of Directors of Lessor (the "Board) passed Resolution No. 104 on September 30, 2009 approving the Lessor to enter into a series of transactions with the Lessee, including the execution of a Site Lease, Operating Lease and this Equipment Rental Agreement, in order to facilitate the Lessor's ability to obtain HUD Section 242 Mortgage Insurance to secure financing of the Construction Project; and

WHEREAS, the Commissioners passed Resolution No. 639 on September 30, 2009 approving the Lessee to enter into a series of transactions with the Lessor, including the execution of a Site Lease, Operating Lease, and Equipment Rental Agreement in order to facilitate the Lessor's ability to obtain HUD Section 242 Mortgage Insurance to secure financing of the Construction Project; and

WHEREAS, the Commissioners deemed it to be in the best interest of the Lessee that, in order to insure that the Lessee's residents will continue to have hospital services available in an unlikely event of default of any HUD Documents, to transfer the Lessee's existing personal property utilized to provide health care services at the Facilities to the Lessor; and

WHEREAS, the Commissioners deemed it to be in the best interest of the Lessee that, in order to insure that the Lessee's residents will continue to have hospital services available in an unlikely event of default of any HUD Documents, to lease from the Foundation all future equipment needed to provide health care services at the Facilities to the Lessor.

NOW, THEREFORE, in consideration of the foregoing Recitals, the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lessee and Lessor agree as follows:

Section 1. Definitions. Capitalized terms used herein shall have the following meanings in this Agreement:

"Agreement" shall mean this document, as the same may be amended from time to time in accordance herewith.

"Base Equipment Rentals" means the amount sufficient to pay all of the Initial Equipment Rentals, Prepaid Rental Credits, and Renewal Rentals, as defined in Sections 4 and 6, respectively.

"Base Operating Rentals" means the amount sufficient to pay the Base Rentals less the Base Equipment Rentals.

"Base Rentals" means the amount sufficient to pay all of the principal, interest, Mortgage Insurance Premium, Mortgage Reserve Fund, Operating Account Reserve Fund and any other requirements in connection with the HUD Documents as set forth in the Operating Lease, dated October 1, 2009.

"Construction Project" means the improvements constructed or to be constructed upon the Site and includes the demolition of the existing Coulee Medical Center and Coulee Family Medical Clinic within the twelve month period following completion of the improvements.

"District" means the Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District No. 6 and any successor thereto. The District is also referred to in the HUD Documents as the "Operator."

"Equipment" defined in Section 2 below.

"Equipment Lease" means the Initial Equipment Rental, Future Equipment Rental., Prepaid Rental Credit and Renewal Rental.

"Event of Default" means an event described in Section 11 of this Agreement.

"Foundation" means the Coulee Medical Foundation, a Washington nonprofit corporation, its successors and assigns. The Foundation is also referred to in the HUD Documents as the "Mortgagor."

“*Force Majeure*” means any event that is not within the control of the District, including without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accidents affecting machinery, transmission pipes or canals.

“*Future Equipment*” defined in Section 2 below.

“*Governmental Authority*” means any federal, state, or local government or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“*Hospital*” means the facilities known as Coulee Medical Center, including Coulee Family Medicine, located in Grand Coulee, Washington, as currently existing and operating, together with any addition to or replacement thereof, including the Construction Project.

“*Hospital Revenue*” means all revenues of the District, with the exception of tax revenues, and shall include, but is not limited to, all rents, receipts, revenues, income, profits, proceeds, accounts receivable and unrestricted cash and investments derived from properties owned or leased by the District including the health clinic operated by the District and located in Coulee City, Washington.

“*HUD*” means the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner, its successors and assigns.

“*HUD Documents*” means, collectively, the Commitment, the Deed of Trust, the Mortgage Note, the Security Agreement, the HUD Regulatory Agreement(s), the Building Loan Agreement, the Mortgage Reserve Fund Agreement, and all other agreements, documents, certificates and financing statements executed by or on behalf of the Foundation and the District, where applicable, at Initial Endorsement or Final Endorsement of the HUD Insured Loan or otherwise in connection with the Mortgage Note or any amendments, modifications or allonges thereto or restatements thereof; the term “*HUD Documents*” also means the National Housing Act, as amended, and all rules and regulations of FHA applicable to such Act, and the written programmatic requirements of FHA.

“*HUD Insured Loan*” means the loan from the Lender to the Foundation, secured by a mortgage insured by HUD, for the construction of the Construction Project, as it may be amended from time to time.

“*HUD Regulatory Agreement*” means the Regulatory Agreement, including any riders thereto, dated as of October 22, 2009, among the Foundation, the District and the Secretary of HUD, their successors and assigns, as it may be amended from time to time.

“*Initial Equipment*” defined in Section 2 below.

“*Lender*” means RED MORTGAGE CAPITAL, INC., its successors and assigns.

“*Lessee*” means the District.

“*Lessor*” means the Foundation.

“*Mortgage*” means the Leasehold Deed of Trust securing the HUD Insured Loan.

“*Operating Lease*” means that certain operating lease executed and entered into by and between the Foundation and the District dated October 1, 2009, and all amendments thereto.

“*Renewal Rental*” defined in Section 6 below.

“*Requirement of Law*” means any federal, state or local statute, ordinance, rule or regulation, any judicial or administrative order (whether or not on consent), request or judgment, any common law doctrine or theory, any provision or condition of any permit or any other binding determination of any Governmental Authority relating to the ownership or operation of property, including but not limited to any of the foregoing relating to zoning, environmental, health or safety issues.

“*Site*” means the real property described in Exhibit “A” of the Operating Lease together with all improvements now located thereon and specifically excluding therefrom any improvements, additions to, alterations, and/or replacements constructed by or on behalf of the Foundation.

“*Site Lease*” means the Site Lease dated as of October 1, 2009, between the District and the Foundation.

“*State*” means the State of Washington.

Section 2. Creation of Lease. Lessor does hereby lease to Lessee, and Lessee does hereby lease from Lessor all furnishings, furniture and equipment (including non movable medical equipment), and including all components thereof (the “FF&E” herein), (1) purchased with the proceeds of the HUD Insured Loan and which is more specifically described on Exhibit “A” attached hereto, as amended from time to time, and by this reference made a part hereof; (2) currently used by Lessee in its existing facilities to provide health care services and transferred to Lessor prior to the endorsement of the HUD Insured Note along with any and all FF&E acquired by Lessee and transferred to Lessor after initial endorsement of the HUD Insured Note for use by Lessee to deliver health care services to its residents, and which is more specifically described on Exhibit “B” attached hereto, as amended from time to time, and by this reference made a part hereof; and (3) acquired by Lessor at the request of Lessee, after initial endorsement of the HUD Insured Note, in order to deliver health care services to its residents at the Hospital and which is more specifically described on Exhibit “C”, as amended from time to time, attached hereto and by this reference made a part hereof. The FF&E listed on Exhibits “A” and “B” are hereinafter collectively referred to herein as “Initial Equipment”. The FF&E listed, or to be listed, on Exhibit “C” is hereafter referred to as “Future Equipment”. The Initial Equipment and Future Equipment shall be collectively referred to herein as “Equipment.”

Section 3. Lease Term. The term of this Agreement shall commence as of the Effective Date, and unless extended or terminated earlier in accordance with the provisions of

this Agreement, shall remain in effect until such time as the HUD Insured Loan has been paid in full (the "Fixed Term"). If for any reason Lessor cannot deliver possession of the Initial Equipment (or any portion thereof) to Lessee on or before the Effective Date, Lessor shall not be subject to any liability therefore, nor shall such failure affect (a) the validity of this Agreement; (b) the obligations of Lessee hereunder; or (c) extend the Fixed Term.

Section 4. Initial Equipment Rent. Lessor, Lessee, and Lender have agreed that the Fair Market Value ("FMV") of the FF&E described on Exhibit A shall be \$2,000,000 and the FMV of the FF&E described on Exhibit B shall be Four Hundred Ninety Two Thousand Six Hundred Seventeen Dollars (\$492,617). Lessee shall pay as rent for the leasing of the Initial Equipment, a monthly lease payment equal to one-twelfth of the annual amortization of the FMV of the Initial Equipment, which amortization shall be over the average depreciable life of all the Equipment ("Initial Equipment Rental"). The depreciable life for the FF&E described on Exhibit A shall be that as established by the American Hospital Association useful life recommendations ("Useful Life"). The depreciable life for the FF&E described on Exhibit B shall be that established by the Lessor and Lessee. Lessee shall pay the Initial Equipment Rental to the Lessor or its assignee during the lease term in immediately available funds. The Initial Equipment Rental payments shall commence on the earlier of the Effective Date or five days before the first interest payment date of the HUD Insured Loan, which date shall be consistent with the date of the first payment toward Mortgage Principal as reflected in the Base Rental payment as provided for in the Operating Lease and as shown in Exhibit "D" hereto.

Section 5.0 Future Equipment Rent; Payment of Rental

Section 5.01 Future Equipment Rent The Lessee shall pay monthly rental in the amounts set forth in Sections 5.02 or 5.03, as the case may be, for the lease of each of the pieces of Future Equipment. As provided for in this Section 5, Lessee shall prepay purchase price of the equipment if Lessor acquires Future Equipment for Lessee which Lessor purchases outright, or pay a monthly rent if Lessor acquires Future Equipment for Lessee which Lessor is obligated to pay for monthly.

Section 5.02 Prepaid Rental of Future Equipment. If Lessee prepays for the leasing of any piece of the Future Equipment said prepayment shall be equal to the purchase price of said piece of Future Equipment, including, but not limited to, State sales tax, delivery and installation costs, and the cost for any extended warranties required by Lessee. Each month the Lessor shall then apply one twelfth of the annual amortization prepayment over the Useful Life of each piece of Future Equipment so purchased for the payment of the monthly rental due from the prepayment ("Prepaid Rental Credit") The Prepaid Rental Credit shall commence on the first day of the first full month following the delivery of each piece of Future Equipment and on the same day of each successive month thereafter for the Useful Life of each piece of Future Equipment. Prepayment amounts for Future Equipment are non-refundable and in the event of termination of this Equipment Rental Agreement none of the prepayment amounts shall be due back to the Lessee.

Section 5.03 Future Equipment Payments. If Lessor acquires equipment pursuant to an obligation to make monthly payments, the Lessee shall pay a monthly lease payment equal to

all monthly payments made by the Lessor from financing or leasing the Future Equipment including, through a third party, and including, but not limited to, principal, interest, lease payments, State sales tax costs, delivery and installation costs, and the costs for any extended warranties required by Lessee. Said payments shall be made over the same term and amounts the Lessor is obligated to make such payments for each piece of Future Equipment (“Future Equipment Rental”). Lessee shall pay the Future Equipment Rental to the Lessor or its assignee during the lease term in immediately available funds. The Future Equipment Rental payments shall be paid according to the payment schedule agreed to by Lessor and the third party equipment provider and/or lender. Lessor shall provide Lessee with a copy of all documents executed with the third party providing said Future Equipment or the financing for said Future Equipment.

Section 6. Renewal of Equipment Rental. Upon the payment of all Initial Equipment Rental payments or the credit of all Prepaid Rental Credits for each piece of equipment, or Future Equipment Rental payments for each piece of equipment, as provided for in Sections 4, 5.02, 5.03, respectively, or this Section 6, Lessee and Lessor shall renew the lease period for the remainder of the Fixed Term for each piece of equipment that will continue to be used by the Lessee, and not otherwise disposed of pursuant to Section 8.06 herein (“Renewal Rental”). The said renewal period shall be on the same terms and conditions as set forth herein for the Initial Equipment, except that the Equipment Rental shall be adjusted to a rate equal to one twelfth of the amortization of the then current FMV of the equipment as determined by Lessee, at Lessee’s sole discretion, over the then average remaining useful life of the equipment as determined by the Lessee, at Lessee’s sole discretion. The Lessee shall, thirty (30) days prior to the expiration of the useful life of the equipment, provide to the Lessor an updated schedule reflecting the FMV of the then existing equipment, the useful life thereof, and the amortization thereof.

Section 7. Monthly Payments. . Lessee shall pay a monthly payment equal to Base Rental plus Future Equipment Rental. The monthly Base Rental will equal the total of the (1) Initial Equipment Rental (2) Prepaid Rental Credit; and (3) Renewal Rental (collectively “Base Equipment Rental”) plus the Base Operating Rental.

Section 8. Delivery, Ownership, Use, Maintenance and Transfer of Equipment

Section 8.01. Delivery; Acceptance. Lessor shall cause the Equipment to be delivered to Lessee at the Hospital and Lessee shall accept the equipment upon delivery, or, if accepting criteria is specified in applicable purchase documents related to any item of the Equipment then Lessee shall accept said item as soon as it has met such criteria. Lessee shall evidence its acceptance of the Equipment by executing and delivering a letter to Lessor representing that Lessee represents and warrants that (a) the Initial Equipment was (i) purchased with HUD Insured Funds and is the FF&E requested by the Lessee, or (ii) is all the FF&E owned by the Lessee and transferred to the Lessor, and/or (b) the Future Equipment purchased is the FF&E requested by Lessee; and (c) Lessee irrevocably accepts such equipment under the terms of this Agreement.

Section 8.02 Ownership of Property; Use by Lessee. The Equipment shall at all times remain and be the sole and exclusive property of Lessor, and the Lessee shall have no right in the said Equipment. The Lessee shall only have the right to use the Equipment upon the terms and conditions set forth herein. Lessee agrees that it will use or permit the use of said Equipment exclusively for lawful purposes and exclusively for the delivery of health care services for which Lessee provides at the Hospital. Lessee further agrees that in the event the Equipment is confiscated by any duly constituted Governmental Authority as a result of the use of the Equipment by Lessee, its agents or employees, in violation of any Requirement of Law, the Lessee will reimburse Lessor for any damage or expense sustained by Lessor in replacing or reacquiring the Equipment and Lessor may, at its sole option, immediately terminate this Agreement, and such termination shall constitute an Event of Default under the HUD Documents.

Section 8.03 Inspection of Equipment. Lessor shall have the right to enter on to the Hospital from and after the Effective Date to inspect the Equipment. Lessor shall conduct any such inspection in accordance with the Requirement of Law.

Section 8.04 Operation and Maintenance of Equipment. Lessee shall at all times and at its own expense keep all Equipment, subject to this Agreement, in good and efficient working order and condition. In the event of accident or breakage of any Equipment, Lessee shall have the equipment repaired at Lessee's expense. Lessee shall pay all expenses incurred in connection with the use of the Equipment, including, but not limited to, any expenses or costs incurred for the operation and maintenance of said Equipment. Lessee agrees to reimburse Lessor upon demand for any of these items paid or advanced on behalf of the Lessee by Lessor, Lender or HUD. Such reimbursement shall be in addition to any Lease payments.

Section 8.05 Notification Upon Loss or Damage. If any of the Equipment is lost, stolen, or willfully or accidentally destroyed, Lessee will notify Lessor immediately, and shall, at Lessee's expense, use all reasonable endeavors to recover said equipment. If unsuccessful in the recovery, Lessee shall seek reimbursement from its insurer. Any payment received from insurer shall be used to repair the equipment if damaged or transferred to the Lessor to pay off any outstanding debt of the third party financier of said equipment and then to purchase replacement equipment, if Lessee chooses to have the equipment replaced; and the Foundation will retain a security interest in the replaced equipment. If the Lessee elects not to have replacement equipment purchased by Lessor or having elected to have replacement equipment purchased there exists excess insurance proceeds, the unspent or excess insurance proceeds shall be applied by Lessor to the outstanding Future Equipment Rental payments. The Equipment Lease payments due to Lessor pursuant to Sections 4, 5 or 6, remain in full effect, and no adjustment or abatement shall be made thereto.

Section 8.06 Replacement/Disposal of Equipment. If, at any time, Lessee determines the existing equipment needs to be replaced with another piece of equipment for any reason, or is no longer needed by the Lessee to provide health care services, then, in each circumstance, the equipment to be replaced or returned shall be disposed of by Lessor and any proceeds received shall be applied to reduce any outstanding financial obligation due a third party on a Future Equipment Rental. If no Future Equipment Rental obligations are outstanding, said proceeds

shall be applied to reduce the HUD Insured Loan. If the amount received from the disposal is less than the financial obligation due a third party, the Lessee shall pay the difference within thirty days of being presented the amount due in immediately available funds.

Section 8.07 Transfer of Equipment. In accordance with the Section 10 of the Site Lease, upon full payment of the HUD Insured Loan, all remaining Equipment shall become the property of the Lessee. Lessor, or its assigns, will provide Lessee a Bill of Sale confirming the transfer to Lessee of all Equipment at such time.

Section 9. Liens. Without the prior written consents of the Lessor, the Lender and HUD, the Lessee shall not allow any liens, levies or encumbrances to be attached to the Equipment (hereinafter "Lien"). Lessee agrees to indemnify, protect, defend and hold Lessor harmless from or against all liabilities, losses, damages, expenses and costs (including reasonable attorney fees and costs) incurred in connection with any such Lien. Lessee's obligations pursuant to this Section shall survive the Fixed Term. In the event Lessor shall be required to remove any Lien, the Lessor may take any and all action it may deem reasonable to remove the Lien. All costs and expenses incurred by the Lessor, Lender, or HUD, including without limitation amounts paid in good faith settlement of such Lien, and attorney's fees and costs, shall be paid by the Lessee to Lessor in addition to any Equipment Lease payments.

Section 10. Taxes. Lessee shall reimburse Lessor for (or pay directly, but only if instructed by Lessor) all taxes, fees, and assessments that may be imposed by any Governmental Authority on the Equipment on its purchase, ownership, delivery, possession, operation, use, rental, return to Lessor, or its transfer by Lessor to Lessee (collectively, "Taxes"), provided however, Lessee shall not be liable for any such Taxes (whether imposed by United States of America or by any other domestic or foreign taxing authority) imposed upon or measured by Lessor's net income. Lessee's obligations include but are not limited to the obligation to pay all license and registration fees and all sales, use, personal property and other such Taxes and governmental charges, together with any penalties, fines and interest thereon that may be imposed during the Fixed Term. Lessee, if required by any Governmental Authority to make any report or return with respect to such Taxes, must ensure that such reports are properly filed and accurately reflect Lessor's interest in the Equipment. Lessor has no obligation to contest any such Taxes, however, Lessee may do so provided that: (i) Lessee does so in its own name and at its own expense, (ii) the contest does not or will not result in any lien attaching to any such equipment or otherwise jeopardize Lessor's right to any equipment; and (iii) Lessee indemnifies Lessor of all expenses including legal fees and costs liabilities and losses that Lessor incurs as a result of any such contest

Section 11. Event of Default. Any of the following shall constitute an "Event of Default" under this Agreement:

A. Failure by the Lessee to pay Base Equipment Rental payment on or before the date the Mortgage Payment is due or for Future Equipment Rental pursuant to the payment schedule agreed to by Lessor and the third party equipment provider and/or lender; or,

B. Failure to make timely payment of Taxes or other charges pursuant to Section 10 that is due and owing; or,

C. Lessee's failure to perform any other obligations under this Agreement within thirty (30) days after it has received notice of non-performance from Lessor. Provided, however, if the default cannot reasonably be cured within the thirty (30) day period, Lessee shall not be in default if Lessee commences that cure within the said thirty (30) days, and thereafter diligently pursues such cure to completion.

D. Any action of the Commissioners which has the effect, intended or otherwise, of modifying or in any way limiting the rights of the Lessor to the equipment subject of this Agreement or upon default as provided for in Section 11.02 of the Operating Lease; or,

E. The Lessee's filing of a petition under the Federal Bankruptcy laws or other applicable debt relief or insolvency laws seeking to adjust the obligation represented by this Agreement; or,

F. The subjection of any portion of the Equipment to any Lien, levy, seizure, assignment, application, or sale for or by any creditor or Governmental Authority; or,

G. A determination of a Court of competent jurisdiction that the obligation of the Lessee to pay any Equipment Lease payment or any portion of said Equipment Lease hereunder, or the obligation of the Lessor to provide quiet enjoyment of said equipment hereunder, is invalid or unenforceable; or

H. Any action by the Commissioners which has the effect, intended or otherwise, of modifying or in any way limiting the rights of the Lessor to the right to the Equipment upon default as provided for in Section 11 heretofore, or which attempts to modify, reduce or in any way limits the Lessee's pledge of revenues and obligation to pay future rentals to Lessor.

If, by reason of Force Majeure, the Lessee shall be unable in whole or in part to carry out any obligation set forth in this Agreement, other than its obligation to pay Equipment Lease payments, the Lessee shall not be deemed in default during the continuance of such inability. Provided, however, the Lessee shall as promptly as possible, remedy the cause or causes preventing the Lessee from carrying out such obligation, except that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee.

Section 12. Remedies on Default. In the Event of Default, the Lessor, with the consent of Lender and HUD, and/or HUD, without any further demand or notice, may take any one or combination of the following remedial steps: (a) terminate this Agreement; (b) sell or lease its interest in all or a portion of the Equipment, (c) recover from the Lessee Equipment Lease payments due up to the date of termination of this Agreement or the Operating Lease, as the case may be; (d) declare a default under the Operating Lease between Lessor and Lessee; or

(e) enforce any provision of this Agreement by equitable remedy, including but not limited to, enforcement of the Lessee's obligation to pay Equipment Lease payment by specific performance, writ of mandamus, or other injunctive relief.

Section 13. Waivers. The Lessor (with the consent of Lender and HUD) may waive any Event of Default under this Agreement and its consequences. In the event that any agreement contained herein shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 14. Insurance. At its own expense, Lessee shall provide and maintain the following insurance:

A. Insurance against the loss, theft of, or damage to the Equipment for the actual cash value of damages or stolen property as of the time of loss, or the cost of repairing or replacing the damaged or stolen property with other property of the like kind and quality, naming Lessor as a loss payee; and,

B. Public liability and third party property damage insurance in the amount not less than one million dollars (\$1,000,000) per occurrence, naming Lessor as additional insured.

The insurance provided pursuant to this Section 12 may be provided by one or more private or public insurance companies or organizations subject to the conditions in Article 7, Section 7.02 of the Operating Lease.

Section 15. Indemnification of Lessor. Lessee shall and does hereby agree to protect and hold Lessor harmless against any and all losses or damages caused by the equipment leased subject to this Agreement by any reason whatsoever, and Lessee shall and does hereby assume all liability to any person whomsoever arising from the location, condition or use of said equipment, and shall indemnify and does indemnify the Lessor of and from all liability, claim and demand whatsoever arising from the location, condition or use of said equipment whether in operation or not and growing out of any cause.

Section 16. Representations and Warranties.

Section 16.01 Rentals Secured by Pledge of Gross Revenues. The obligation of the Lessee to pay Base Equipment Rental to the Lessor or its assignee(s), pursuant to this Agreement during the Lease Term, and any renewals thereof, is secured by an irrevocable pledge of Lessee's gross revenues, as evidenced by Resolution No. 639. The Lessor and HUD acknowledge and agree Lessee's obligation to pay the Base Equipment Rental amounts is specifically not secured by any pledge of Lessee's property tax revenues.

Section 16.02 Representations, Covenants and Warranties by Lessor and Lessee. Lessor and Lessee reaffirm the representations of each item contained in Article II, Sections 2.01 and 2.02 of the Operating Lease as if they were made in this Agreement.

Section 16.03 Lessor's Warranties. Except for Future Equipment financed by Lessor through third parties, Lessor covenants that Lessor is the sole owner of the Equipment and that no other person, party, firm or corporation has any right, title or interest in or to such equipment, and that, during the Fixed Term and as long as no Event of Default has occurred and is continuing, Lessor will not sell or encumber the Equipment or its interest therein, except subject to the rights given to Lessee, Lender and/or HUD and their successors and assigns.

Section 16.04 Disclaimer of Warranties. The only express warranty which the Equipment are subject to is the standard manufacturer's warranty on the said equipment, if any. Lessor is leasing the Equipment to Lessee "AS-IS." LESSOR DOES NOT MAKE ANY EXPRESS WARRANTIES OR REPRESENTATION. IN ADDITION, THERE ARE NO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE OR ANY OTHER IMPLIED WARRANTIES BY LESSOR. Neither Lessor nor Lessor's assignee(s) have responsibilities to Lessee or any other person with respect to any interruption of service, loss, of business or anticipated profit or consequential damages.

Section 17. Miscellaneous.

Section 17.01 Assignment. Lessee shall not let or sublet the Equipment subject to this Agreement, nor assign this Agreement or any part thereof, without the express prior written consent of the Lessor, Lender and HUD. If consent is once given by the Lessor to the assignment of this Agreement, or any interest therein, Lessor shall not be barred from afterwards refusing to consent to any further assignment. Any assignment granted by Lessor shall not be construed as relieving the Lessee from any obligations under this Agreement. Lessor may assign its interest in this Agreement only with the prior written consent of HUD and the Lender.

Section 17.02 Addition Documents; Further Assurances. Lessee further agrees to execute or obtain and deliver to Lessor, at Lessor's request, such additional documents as Lessor may reasonably request as necessary to protect Lessor's interest in the Equipment or in this Agreement, including, without limitation, financing statements.

Section 17.03 Filing of Agreement. On the request of Lessor, Lessee agrees to execute any instruments necessary to the filing or recording of this Agreement. Lessee agrees to appoint Lessor as Lessee's true and lawful attorney to prepare, execute and sign any and all financing statements, security agreements and or other documents in order to effectuate a lien on the property subject to this Agreement and to sign the name of the Lessee with the same force and effect as if signed by Lessee and to file such instruments at the proper location or locations in State.

Section 17.04. Manner of Giving Notices. All notices or other communications hereunder shall be in writing and shall be deemed given when mailed by certified or registered mail, postage prepaid, addressed as follows: if to the Lessee, to The Board of Commissioners Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District No. 6, Attention: Chief Executive Officer, 411 Fortyn Road, Grand Coulee, Washington 99133-8718, with a copy to the Lessee's general counsel, attention: Randall Stamper, Esq., 720 West Boone, Suite 200, Spokane Washington, 99201; if to the Lessor, to The Coulee Medical Foundation, PO Box 171

Grand Coulee, Washington, 99133-0171, Attention: President; if to HUD, to the Director, Office of Insured Health Care Facilities, U.S. Department of Housing and Urban Development, 451 7th Street, Room 9224, Washington, D.C. 20410-8000; if to Lender, to Red Mortgage Capital, Inc., Attention: Eric Mestemaker, Two Miranova Place, 12th Floor, Columbus, Ohio 43215. The entities listed above may, by written notice, designate any further or different addresses to which subsequent notices or other communications shall be sent.

Section 17.05. No Individual Liability. All covenants, stipulations, promises, agreements and obligations of the Lessor or the Lessee, as the case may be, contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Lessor or the Lessee, as the case may be, and not of any member, director, officer, employee, servant or other agent of the Lessor or the Lessee in his or her individual capacity, and no recourse shall be had on account of any such covenant, stipulation, promise, agreement or obligation, or for any claim based thereon or hereunder, against any member, director, board member, officer, employee, servant or other agent of the Lessor or the Lessee or any natural person executing this Agreement or any related document or instrument except in the case of fraud or intentional misconduct.

Section 17.06. Amendments, Changes and Modifications. This Agreement may not be amended, changed, modified or altered other than by the execution of a subsequent document in the same manner as this Agreement is executed. No amendment, changes, modifications, or alterations of this Agreement shall be deemed effective without the express written approval of HUD and the Lender.

Section 17.07. Events Occurring on Days That Are Not Business Days. If the last day for performance of any act or the exercising of any right under this Agreement, excepting payments, is a day that is not a Business Day, such act may be performed or such right may be exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Agreement.

Section 17.08. Severability. In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof, the intention being that the various provisions hereof are severable. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the Lessor and the Lessee shall exercise their best reasonable efforts to reform or amend this Agreement in such manner that the original purpose and intent hereof are achieved and the interests of the parties, their successors and assigns, and/or HUD, are reasonably protected consistently with the terms of the transactions contemplated hereby and by the HUD Documents.

Section 17.09. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

Section 17.10. Applicable Law. The laws of the State shall be applied in the interpretation, execution and enforcement of this Agreement and the exclusive venue for any

litigation concerning this Agreement shall lie only in the Superior Court for Grant County, Washington.

Section 17.11. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17.12. HUD Documents Controlling. To the extent that any provision of this Agreement shall be in conflict with any provision of the HUD Documents, or be in conflict with the National Housing Act or HUD regulations or written program requirements thereunder, the HUD Documents, the provisions of the National Housing Act and HUD regulations or written program requirements thereunder, as the case may be, shall be controlling. This provision shall not be interpreted or applied in such a manner as to be deemed an improper delegation of governmental authority.

Section 17.13 Successor in Interest. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, heirs and assigns.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

LESSOR:

By: _____

Its: _____

LESSEE:

By: _____

Its: _____

Exhibit A

Equipment Purchased With Proceeds of HUD Insured Loan

Exhibit B**Equipment Transferred by Lessee to Lessor**

Item #	Description	Date Acquired.
60702	PAGER SYSTEM & PAGERS	5/1/1993
60712	NURSE CALL SYSTEM	6/1/1997
60718	MED/SURG BEDS (2)	4/1/1999
60721	BEDS - TWO STRYKER COPR	1/1/2000
60729	2 STRYKER BEDS	10/1/2000
60731	4 STRYKER HOSP BEDS	3/1/2001
60732	DATASCOPE MONITOR	5/1/2001
60733	TWO STRYKER BEDS	8/1/2001
60736	OHMEDA PED MIST TENTS (2)	3/1/2002
60737	VITAL SIGN MONITOR	12/1/2002
60738	DATASCOPE TELEMETRY UN	12/1/2002
60740	DESIGN STUDIO BLINDS	11/1/2004
60783	4 STYKER RELIEF BEDS	10/1/2003
60784	GE REFURBISHED MONITOR	9/1/2006
60785	ARJO SIT/STAND LIFT	11/1/2006
60786	ORDER ENTRY MED MODULE	2/1/2007
60787	ZOLL DEFIBRILLATOR	6/1/2007
60788	NURSING COMPUTERS	2/1/2008
60789	DATASCOPE MONITOR	1/1/2008
60790	15 IV PUMPS	10/1/2008
60791	Laptop Computers	11/1/2008
60792	Laptop Computers - IRM	3/1/2009
61702	BILLI BASSINET & LIGHT	4/1/2004
62030	EZ STANDING LIFT	11/1/2001
62031	APOLLO WHIRLPOOL TUB	11/1/2002
62032	13 BEDS	11/1/2002
70105	TWIN FETAL MON	3/1/2001
70106	BLANKET/FLUID WARMER	3/1/2001
70107	2 OB BIRTHING BEDS	9/1/2001
70108	FETAL MONITOR	8/1/2003
70109	DATASCOPE MONITOR	1/1/2008
451	QUANTUM DUAL LIGHT	4/1/1992
70201	PS3500 (TM) SYS	6/1/1992
70221	ZIMMER POWER SAW & DRILL	1/1/1997
70242	CHOLEDOCHOSCOPE	9/1/2000
70249	4 DAY-SURG BEDS	5/1/2001
70254	OLYMPUS LAPROSCOPE	7/1/2001
70258	LINVATEC ARTHROSCOPE	7/1/2002
70260	UNIVER ENDO BRONTOSCOPE	11/1/2002

Item #	Description	Date Acquired.
70261	RETRACTOR SYSTEM	12/1/2002
70262	SURGERY TABLE	10/1/2003
70265	TYCO CAUTERY UNIT	10/1/2004
70266	AESCALAP INST STORAGE	10/1/2004
70267	LINVATEC ORTHO DRILL	8/1/2005
70269	ZOLL DEFIBRILLATOR	6/1/2007
70270	DATASCOPE MONITOR	1/1/2008
70271	R WOLF ENDOSCOPE SYSTEM	7/1/2008
70302	DATASCOPE PASSPORT	8/1/2001
70403	WEST COAST END. ANESTH. EQUIP.	1/1/1997
70408	ANESTHESIA MACHINE	11/1/2001
70409	PASSPORT MONITOR	8/1/2003
70410	DATASCOPE MONITOR	1/1/2008
70411	VENTILATOR MACHINE	7/1/2009
70412	ANESTHESIA SYRINGE PUMP	8/1/2009
	AUTOCLAVE UPDATE-MODEL 3100	
70505	M/C 3522	11/1/1998
70506	AUTOCLAVE UPGRADE	11/1/2003
70704	KODAK ANALYZER	6/1/1994
70720	PENTRA 90C HEMATOLOGY	8/1/2001
70721	NPT7 BLOOD GAS ANALYZER	4/1/2002
70722	COAG ANALYZER UPDATE	8/1/2003
70723	AIRFLOW HOOD	10/1/2003
70724	STEEL LAB CABINETS	10/1/2003
70726	LAB MEDITECH MODULE	12/1/2004
70727	LAB BD DIAGN SYS	10/1/2007
72314	DATASCOPE MONITOR	1/1/2008
71412	X-RAY BOXES	6/1/2001
71416	MOBILE X-RAY UNIT	11/1/2003
71417	CMX CR MACHINE	6/1/2004
71418	GE CATSCAN	6/1/2004
71419	GE PORT CT BLDG	6/1/2004
71421	TOSHIBA ULTRASOUND	9/1/2004
71422	NOVARAD SYSTEM	11/1/2004
71423	RAD MEDITECH MODULE	9/1/2004
71424	MAIN RADIOLOGY MACHINE	5/1/2008
71425	DXA SYSTEM	12/1/2008
71501	MAMMOGRAPHY UNIT	8/1/1992
71502	MAMMOGRAPHY MACHINE	1/1/2002
71701	PHARM MEDITECH MOD	2/1/2004
71702	TELEPHARMACY SETUP	8/1/2006
243	CABINETS & TRACKS	10/1/1985
72308	PORT ULTRASOUND MACHINE	6/1/2002
72309	DATASCOPE MONITOR	2/1/2003

Item #	Description	Date Acquired.
72310	EKG MACHINE	9/1/2004
72311	GE EMERG OB MONITOR	1/1/2006
72312	ER FETAL MNTR SOFTWARE	3/1/2006
72313	ZOLL DEFIBRILLATOR	6/1/2007
72314	EDM/PCM SOFTWARE LICENSE	6/1/2009
72315	EDM SOFTWARE IMPLEMENTATION	8/1/2009
281	WAITING ROOM FURNITURE	2/1/1979
290	9 EXAM TABLES	3/1/1979
75004	CLINIC EXAM TABLE	4/4/1996
75022	DIGITAL COLPOSCOPE	8/1/2003
75024	8 LAPTOPS, SOFTWARE	8/1/2006
75025	LAPTOPS & SOFTWARE	11/1/2006
72701	COMPUTER EQUIPMENT - CC CLINIC	2/1/1997
72703	COOPER SURG CULPOSCO	11/1/2007
83209	DIETARY RANGE	1/1/2001
83211	ICE MACHINE	1/1/2009
347	WHOUSE AIR COND	5/1/1973
350	FIREPRO SPRNKLR	10/1/1973
84307	AIR SHIELDS	4/1/1998
84308	GENERATOR	9/1/1998
84309	GK INT GEN UPDATE	2/1/1999
84317	95 CHEVY PICKUP	9/1/2003
84318	KEYHOLE SECURITY SYS	9/1/2005
84319	1998 WHITE TOYOTA TACOMA PICKUP	9/1/2007
84320	2000 CHEVY 1500 PU	10/1/2007
85001	PHONE EQUIPMENT	9/1/1992
85016	MEDITECH COMPUTER SYSTEM	4/1/1998
85017	BUS OFF CUBICLES	4/1/1999
85018	ELECT FILING SYSTEM	4/1/2000
85019	VOICEMAIL UPGRADE	4/1/2000
85024	MEDITECH SOFTWARE UP	5/1/2005
85025	IBM COMPUTERS	8/1/2005
86003	LAN NETWORK	6/1/2004
86004	LAN NETWORK UPDATE	1/1/2005
412	COMPAQ DESK PRO	6/1/1985
86907	3M ENCODER PROG	4/1/1998
86910	ROLLING SHELVING	6/1/2001
86915	MNO COMPUTER MODULE	12/1/2004
86916	MNO SOFTWARE	3/1/2005
86917	DICTAPHONE SYSTEM	5/1/2008
86918	DOCUWARE SYSTEM	10/1/2008

86919	MEDITECH ARCHIVING MOD	5/1/2009
Item #	Description	Date Acquired.
86920	MEDITECH ARCHIVING MOD	7/1/2009
86921	DOCUWARE EXPANSION	8/1/2009
87951	TELEMED EQUIPMENT	12/31/1998
87952	TELEMED EQUIPMENT	12/31/1999

together with any additional personal property acquired by the Corporation subsequent to the date of execution and delivery of this Operating Lease for use in the Hospital.

Exhibit C

Equipment Acquired by Lessor on Request of Lessee

This schedule will be revised annually as new equipment is added/deleted, etc. in the normal course of business.

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