

**NOTICE OF A FINANCE, BUDGET AND AUDIT COMMITTEE MEETING
OF THE BOARD OF DIRECTORS
MONTGOMERY COUNTY HOSPITAL DISTRICT**

Notice is hereby given to all interested members of the public that the Board of Directors of Montgomery County Hospital District will hold a regular meeting as follows:

Date: June 15, 2010
Time: 3:30 P.M.
Place: MONTGOMERY COUNTY HOSPITAL DISTRICT
ADMINISTRATIVE BUILDING
200 RIVER POINTE DR.
SUITE 200
CONROE, MONTGOMERY COUNTY, TEXAS 77304

Open to Public: The meeting will be open to the public at all times during which such subjects are discussed, considered, or formally acted upon as required by Texas Open Meetings Act, Chapter 551 of the Government Code.

This Notice in detail was posted at least 72 hours prior to the beginning of said meeting with the County Clerk's Office and is on the Bulletin Board of the Courthouse and in the District's Administrative Office.

Subject: The agenda for such meeting shall include the consideration of, and if deemed advisable, the taking of action upon:

1. Call to Order
2. Consider and act upon recommendations to present to the MCHD Board of Directors regarding District public funds investments and the District investment policy (Mr. Posey, Treasurer – MCHD Board)
3. Consider and take action on the budget calendar for fiscal year ending September 30, 2011 (Mr. Posey, Chair – Finance and Budget Committee)
4. Consider and act upon recommendations to staff regarding tax rate and other related budget items pertaining to fiscal year ending September 30, 2011 (Mr. Posey, Chair – Finance and Budget Committee)
5. Consider and act upon recommendations to present to the MCHD Board of Directors regarding lease or purchase of EKG Monitors (Mr. Posey, Chair – Finance and Budget Committee)
6. Adjourn

Harold Posey, Chair Finance and Budget

The Board will announce it will convene into Executive Session, if necessary, pursuant to Chapter 551 of the Texas Government Code, to receive advice from Legal Counsel, to discuss matters of land acquisition, litigation and personnel matters as specifically listed on this agenda. The Board of Directors may also announce it will go into Executive Session, if necessary, to receive advice from Legal Counsel regarding any item on this agenda.

**NOTICE OF A FINANCE, BUDDGET AND AUDIT COMMITTEE MEETING OF
THE BOARD OF DIRECTORS MONTGOMERY COUNTY HOSPITAL
DISTRICT - PAGE 1**

MONTGOMERY COUNTY HOSPITAL DISTRICT

Banking and Investment Policy

This banking and investment policy (“Investment Policy”) is adopted to meet the District’s responsibilities under the Public Funds Investment Act, Chapter 2256, Texas Government Code (hereinafter “Government Code”). Effective cash management is recognized as essential to good fiscal management. Investment interest is a source of revenue to District funds. The District’s investment portfolio shall be designed and managed in a manner intended to maximize this revenue source, to be responsive to public trust, and to be in compliance with legal requirements and limitations.

Investments shall be made with the following primary objectives, listed in order of priority:

- * **Safety** and preservation of principal
- * Maintenance of sufficient **liquidity** to meet operating needs
- * **Public trust** from prudent investment activities
- * Optimization of **interest earnings** on the portfolio

1. **DEFINITIONS** For purposes of this Investment Policy, the following definitions shall apply:

- a. The “District” means Montgomery County Hospital District.
- b. “Bond Proceeds” means the proceeds from the sale of bonds, notes and any other obligations issued by the District, and reserves and funds maintained by the District for debt service purposes.
- c. “Book Value” means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- d. “Funds” means public funds in the custody of the District that the District is authorized to invest.
- e. “Investment Pool” means an entity created under the Government Code as set forth in §§2216 - 2219 to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are: (i) preservation and safety of principal; (ii) liquidity; and (iii) yield.
- f. “Market Value” means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.
- g. “Qualified Representative” means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization and who is one of the following:
 - (1) for a business organization doing business that is regulated or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

- (2) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by a corporate resolution to act on behalf of and bind the banking institution; or
- (3) for an Investment Pool, the person authorized by the elected official or board with authority to administer the activities of the Investment Pool to sign the written instrument on behalf of the Investment Pool.

- 2. **INVESTMENT OFFICER(S)** The Chief Executive Officer (“CEO”), Chief Financial Officer and Treasurer of the Board of Directors shall serve as investment officers of the District, shall recommend appropriate legally authorized and adequately secured investments, and shall invest District Funds as directed by the Board and this Investment Policy. All investment transactions, except Investment Pools, shall be executed on a delivery versus payment basis. In making investment decisions pertaining to investments of District funds, the Investment Officer(s) shall exercise the judgment and care under prevailing circumstances that a prudent person would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. When deciding whether an investment officer’s actions were prudent, the determination should be based upon the total investment portfolio, rather than an individual investment in the portfolio. However, an investment transaction not consistent with this Investment Policy would not be considered prudent.
- 3. **WITHDRAWAL & TRANSFER AUTHORITY** The Chief Executive Officer, Chief Financial Officer or the Treasurer of the Board of Directors is authorized to withdraw, transfer, and reinvest the District’s investments as prescribed in this Investment Policy. Any other employee or representative of the District will be permitted to perform these functions by express written authority of the Board or the Chief Executive Officer (see Exhibit “B”).
- 4. **CHECKS, DRAFTS, ETC.**
 - a. Except as otherwise provided herein, all checks, drafts, notes or other orders for payment of money issued in the name of the District shall be signed (i) by the Chief Executive Officer (or his staff designee) or by one (1) member of the Board for dollar amounts up to \$9,999.99; or (ii) by the Chief Executive Officer (or his staff designee) and by one (1) member of the Board for dollar amounts totaling \$10,000.00 or greater.
 - b. Due to an extended and/or unexpected absence of the Chief Executive Officer, all checks, drafts, notes or other orders for payment of money issued in the name of the District shall be signed (i) by the Acting CEO (or the CEO’s staff designee) or by one (1) member of the Board for dollar amounts up to \$9,999.99; or (ii) by the Acting CEO (or the CEO’s staff designee) and by one (1) member of the Board or by a combination of any three (3) members of the Board for dollar amounts totaling \$10,000.00 or greater.
 - c. The Chief Executive Officer may not initiate and sign a purchase order and thereafter sign the check (or authorize an electronic draft) evidencing payment of the Purchase Order.
 - d. With the express approval of the Board of Directors, drafts to the District’s bank accounts for certain expenditures may be made through electronic signatures, electronic payments, and/or other automated arrangements not requiring a physical signature of a District representative. In such event, the procedures shall be set forth in a written contract or instrument approved by the Board of Directors which sets forth the nature of such expenditures, the procedures to be followed in instituting such drafts and safeguards to ensure the integrity and security of such transactions. Any provisions in such specific agreements and/or Board-approved instruments

which conflict with this Investment Policy shall supersede this Investment Policy to the extent of such conflict. Such agreements and/or instruments shall, upon their approval by the Board of Directors, be appended to this Investment Policy and constitute appendices hereto.

- (1) The Board of Directors acknowledges the “Approved Procedures to Process And Pay Indigent Care Claims”, as such procedures are set forth in the document appended hereto as Appendix 1, which has been previously approved by the Board of Directors.

5. APPROVED INVESTMENTS The District is authorized to invest its Funds in only the investment types, consistent with the strategies and maturities defined in this Investment Policy and chapter 2256 of the Government Code. The maximum stated maturity of any individual investment should be no longer than 10 years, and the maximum dollar-weighted average maturity of any pooled fund should be no longer than one year.

- a. Obligations, including letters of credit, of the United States or its agencies and instrumentalities.
- b. Direct obligations of the State of Texas or its agencies and instrumentalities.
- c. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
- d. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States, or their respective agencies and instrumentalities.
- e. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- f. Bonds issued, assumed, or guaranteed by the State of Israel.
- g. Certificates of deposit and share certificates as provided by § 2256.10 of the Government Code.
- h. Securities lending programs as authorized under § 2256.0115 of the Government Code.
- i. Mutual Funds; as authorized under § 2256.014 of the Government Code.
- j. A Public Funds Investment Pool meeting the requirements of Government Code 2256.016-2256.019, if the Board authorizes the investment in the particular pool by resolution.
- k. Other authorized investments as described in chapter 2256 of the Government Code, as amended from time to time.

The District shall monitor the market price of its investments by using information from the *Wall Street Journal*. As provided in Government Code §§ 2256.009(b), the following are not considered authorized investments:

- a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.
- b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

- c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.
- d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjust opposite to the changes in a market index.

6. **SAFETY AND INVESTMENT MANAGEMENT** The investment officer(s) shall observe financial market indicators, study financial trends, and utilize available educational tools in order to maintain appropriate managerial expertise. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio and offsets, during a 12-month period, any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

7. **LIQUIDITY AND MATURITY** Assets of the District shall be invested in instruments whose maturities do not exceed ten (10) years from the time of purchase, subject to the following exceptions:

- a. A shorter maturity is required by law.
- b. The District's Investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements, projected on a weekly, monthly, and annual basis.

8. **DIVERSITY** The investment portfolio shall be diversified in terms of investment instruments, maturity, scheduling and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District may meet its obligation to diversify by placing all or part of its investment portfolio in a public funds Investment Pool meeting the requirements of Government Code §§ 2256.016-2256.019, if the Board authorizes the investment in the particular pool by resolution.

9. **FUNDS/STRATEGIES** Investments of the following fund categories shall be consistent with this policy and in accordance with the strategy defined below:

OPERATING FUNDS: Investment strategies for operating funds and commingled pools containing operating funds shall have as their primary objective investment liquidity and maturity sufficient to meet anticipated cash flow requirements.

DEBT SERVICE FUNDS: Investment strategies for debt service funds shall be consistent with any requirements in the bond documents, and shall have as their objective sufficient investment liquidity to timely meet debt service payment obligations and with no maturities extending beyond the final debt service payment date.

DEBT SERVICE RESERVE FUNDS: Investment strategies of debt service reserve funds shall be consistent with any requirements in the bond documents, and shall have as their primary objective the generation of a dependable revenue stream from high quality short-to-medium term securities with minimal volatility.

BOND PROCEEDS: Investment strategies shall be in compliance with the bond covenants regarding the investment and handling of such Funds.

SAFEKEEPING and CUSTODY: The cash, collateral, and investments of the District shall be held by an independent third party with whom the District has a current custodial agreement. Funds of the District in excess of federally insured amounts shall be collateralized by pledged

securities in accordance with the Public Funds Collateral Act (Texas Government Code ch. 2257). The District shall retain clearly marked receipts providing proof of the District's ownership, or the District may delegate to an Investment Pool the authority to hold legal title as custodian of investments purchased with District Funds.

10. **BROKER/DEALERS** Broker/dealers must submit annual audited financial statements to the District and be in good standing with the National Association of Securities Dealers. Representatives of brokers/dealers shall be registered with the Texas State Securities Board. The Board, at least annually, shall review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.
11. **SELLERS OF INVESTMENTS** A written copy of this Investment Policy shall be presented to any person offering to engage in an investment transaction with the District. The Qualified Representative of the business organization seeking to sell an authorized investment shall execute a written instrument stating:
 - a. The business organization has received and reviewed the District's Investment Policy; and
 - b. Has acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the organization that are not authorized by the District's Investment Policy, except to the extent that this authorization requires an analysis of the District's entire portfolio or requires an interpretation of subjective investment standards.

A form of the written instrument is attached as Exhibit "A". The investment officer may not acquire or otherwise obtain any authorized investment described in this policy from a person who has not delivered to the District an instrument that is substantially in this form.

12. **INVESTMENT TRAINING** The investment officers of the District shall: (1) attend at least one training session relating to the Treasurer's or Officers' responsibilities under the Public Funds Investment Act within 12 months after taking office or assuming duties; and (2) attend an investment training session not less than once in a two-year period and receive not less than ten hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the Board. The training must include education in investment controls, security risks, strategy risks, market risks, and compliance with the Public Funds Investment Act.
13. **STANDARD OF CARE** Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the objectives specified in Government Code 2256.006, in the order of priority specified therein.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the following shall be taken into consideration:

- a. The investment of all Funds, rather than the prudence of a single investment, over which the officer had responsibility.
 - b. Whether the investment decision was consistent with the Board's written Investment Policy.
14. **PERSONAL INTEREST** An investment officer who has a personal business relationship with a business organization offering to engage in an investment transaction for the District shall file a statement disclosing that personal business interest, and shall abstain from participation in the District's decision whether to engage the business organization for which the investment officer

has a personal business relationship. An investment officer who is related within the second degree by affinity or consanguinity, as determined by Government Code, Chapter 573, to an individual seeking to sell an investment to the District shall file a statement disclosing that relationship with the Board and with the Texas Ethics Commission. An investment officer has a personal business relationship with a business organization if:

- a. the investment officer owns 10 percent or more of the voting stock or shares of the business organizations or owns \$5,000 or more of the Fair Market Value of the business organization;
- b. Funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- c. The investment officer has acquired from the business organization investments with a Book Value of \$2,500 or more for the personal account of the investment officer.

15. QUARTERLY REPORTS The investment officer(s) shall prepare and submit to the Board a written report of investment transactions for all Funds covered by the Public Funds Investment Act, unless all of the District's investments are held by an Investment Pool. This report shall be presented to the Board not less than quarterly, within a reasonable time after the end of the period. The report must:

- a. Contain a detailed description of the investment position of the District on the date of the report.
- b. Contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled funds group that states:
 - (1) Beginning Market Value for the reporting period.
 - (2) Additions and changes to the Market Value during the period.
 - (3) Ending Market Value for the period.
 - (4) Fully accrued interest for the reporting period.
- c. State the Book Value and Market Value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested.
- d. State the maturity date of each separately invested asset that has a maturity date.
- e. State the account or fund or pooled group fund in the District for which each individual investment was acquired.
- f. State the compliance of the investment portfolio of the District as it relates to the District's investment strategy expressed in the District's Investment Policy and relevant provisions of law.

16. ANNUAL REVIEW The Investment Policy and the investment strategy shall be reviewed not less than annually by the Board. The Board shall affirmatively, by written resolution, state that it has reviewed the Investment Policy and investment strategy, and such resolution shall record any changes made in the Investment Policy or investment strategy.

17. ANNUAL AUDIT The Board shall perform or have conducted a compliance audit of management controls on investments and adherence to the Board's established investment policies. The compliance audit may be performed in conjunction with the annual financial audit by the District's independent auditing firm. If the District invests in other than money market mutual funds,

Investment Pools or money market accounts offered by its depository bank in the form of certificates of deposit, the reports prepared by the investment officers shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board.

18. **ELECTRONIC FUNDS TRANSFER** The District may use electronic means to transfer or invest all Funds collected or controlled by the District.
19. **AUTHORIZATION** Unless authorized by this policy, (including the appendices hereto) a person may not deposit, withdraw, transfer, or manage in any other manner the Funds of the District.
20. **COMPLIANCE** All investments made by the District must comply with the Texas Public Funds Investment Act and all federal, state and local statutes, rule or regulations.

MONTGOMERY COUNTY HOSPITAL DISTRICT

Banking and Investment Policy
(Signature Page)

The undersigned hereby acknowledge that he/she has received and reviewed the District's Investment Policy:

Georgette Whatley, Chairman, MCHD Board of Directors

John Hennigan, Vice-Chairman, MCHD Board of Directors

Sandy Wagner, Secretary, MCHD Board of Directors

Harold Posey, Treasurer, MCHD Board of Directors

Francis Bourgeois, Member, MCHD Board of Directors

Kenn Fawn, Member, MCHD Board of Directors

Hans Ambrosia, Member, MCHD Board of Directors

Allen Johnson, MCHD Chief Executive Officer

Mike Nicknish, MCHD Chief Financial Officer

June 22, 2010

Date

EXHIBIT A

Form of Statement by Seller of Investments

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

BEFORE ME, the undersigned authority, on this day personally appeared the person whose name is subscribed below, who, being by me first duly sworn, upon oath deposed and said:

My name is Georgette Whatley. I am a Qualified Representative of Montgomery County Hospital District (the “Organization”), which is engaged in the business of selling investments and desires to sell investments to the Montgomery County Hospital District (the “District”). This statement is provided to meet the requirements of the Public Funds Investment Act.

I hereby certify that

1. I have received and reviewed the District’s Investment Policy;
2. The Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the District and the Organization that are not authorized by the District’s Investment Policy, except to the extent that the Organization has not made an analysis of the make-up of the District’s entire portfolio or has not engaged in any interpretation of subjective investment standards; and
3. The statements, representations and declarations made in this document are true and correct.

Qualified Representative

SWORN AND SUBSCRIBED BEFORE ME, this the 22 day of June, 2010.

(seal)

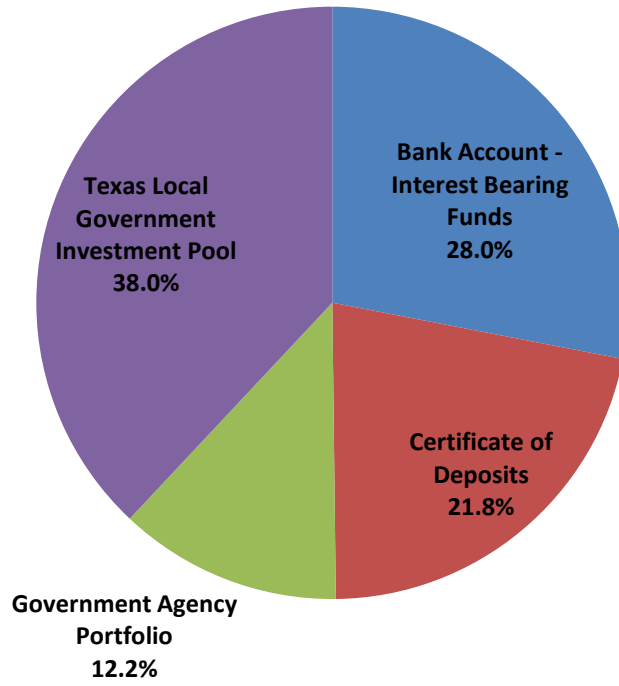
Notary Public in and for the
State of Texas

EXHIBIT B

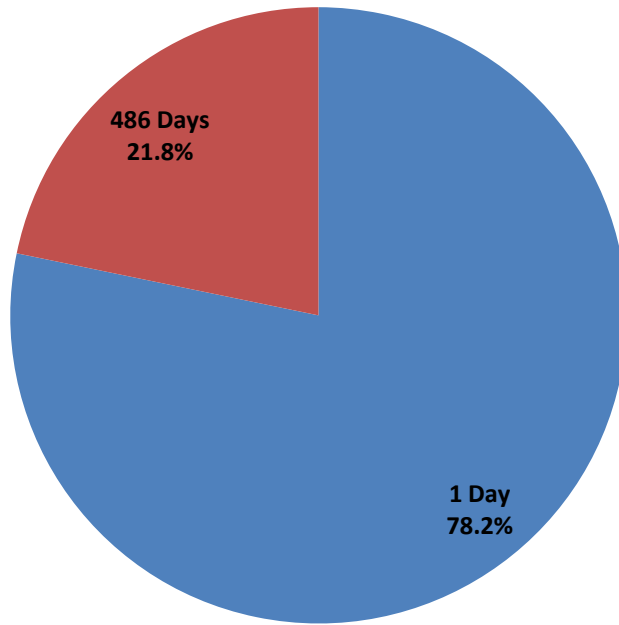
Withdrawal & Transfer Authority Addendum

The Board of Directors and Chief Executive Officer hereby grant authority to the Senior Accountant to withdraw, transfer, and reinvest the District's investments as prescribed in this Investment Policy.

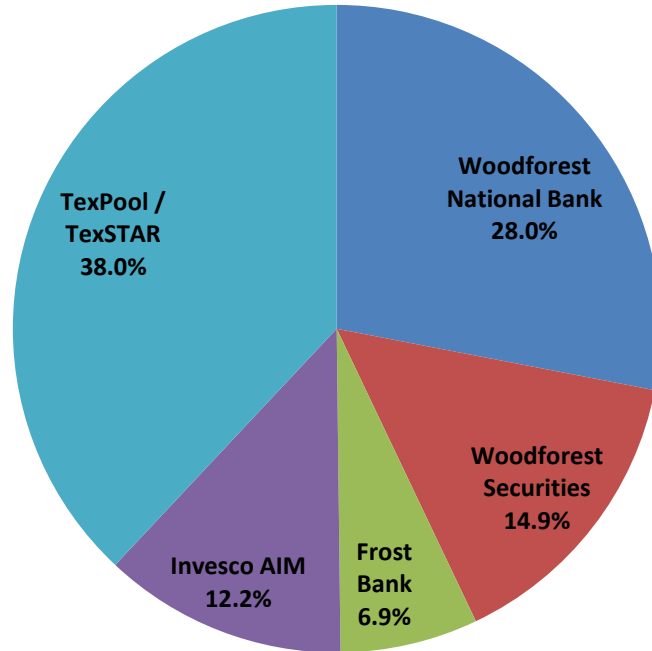
Portfolio by Type of Investment as of May 31, 2010



Weighted Average Maturity of Underlying Securities



Portfolio by Manager / Broker



**Montgomery County Hospital District
Fiscal Year Ending September 30, 2011
Budget Calendar**

DRAFT

April

	12	Budget requests for Capital Purchases worksheets
	12	Budget requests for Personnel worksheets
J.R. Moore	15	Send "Request for Verification of Exemption Information" to MCAD

May

	4	Budget worksheets for Operating Expenses
J.R. Moore	8	Mailing of notices of appraised value by Chief Appraiser
	13	Budget worksheets for Payroll Expenses
J.R. Moore	15	Deadline for submitting appraisal records to ARB

June

	9	Contact Tax Assessor's office for Planning Calendar
	7 - 16	Department review of Payroll Expenses (Stacy C., Bill D., Mike N., Dept. Mgr)
	13	Budget worksheets for Revenue
	15	Budget Committee meeting
	17	Review Budget draft - Executive Staff (Operating Expenses and Capital Expenses)
28 - July 9		Department review of budgets (Allen J., Kelly C., Allen S., Mike N., Dept. Mgr)

July

	19	Prepare final hearing calendar for Board meeting (agenda for board)
J.R. Moore	20	Deadline for ARB to approve appraisal records
J.R. Moore	26	Deadline for Chief Appraiser to certify rolls to taxing units.
J.R. Moore	26	Certification of anticipated collection rate by Collector
J.R. Moore	27	Calculation of effective and rollback tax rate
	30	Finalize all budget drafts
	30	72 - hour notice for Board meeting to discuss tax rate
	30	Notice of Public Hearing on Budget is a notice in newspaper (at least ten days before public hearing) MCHD will take to the newspaper and post at the County Courthouse

August

J.R. Moore	1 - 7	Publication of effective and rollback tax rates; statement and schedules; submission to governing body
	3	Notice for Budget hearing. Quarter-page notice in newspaper (at least fifteen days before Budget Meeting of Board to discuss tax rate; if proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule public hearing. (J.R. Moore will provide agenda items)
J.R. Moore	3	Notice of Public Hearing on tax increase is the <u>first</u> quarter-page notice in newspaper (at least seven days before public hearings) J.R. Moore will take to the newspaper
	6	72 - hour notice for <u>first public hearing</u> on tax rate and on <u>Budget hearing</u> (MCHD post agenda)
	10	First Public Hearing to adopt tax rate (restricted agenda) and meeting of Board to discuss tax rate; if proposed tax rate will exceed the rollback rate or the effective tax rate (whichever is lower), take record vote and schedule public hearing. (J.R. Moore will provide agenda items)
	13	72 - hour notice for <u>second public hearing</u> (MCHD to post agenda)
	17	Second Public Hearing to adopt tax rate and Public Hearing on Budget
	20	72 - hour notice for meeting at which governing body will adopt tax rate and second quarter-page notice in newspaper of tax revenue increase and adoption of tax rate
	24	Board meeting to adopt tax rate and budget
	31	Deadline to adopt tax rate in order to be included with 2010 Consolidated Tax Roll

September

- Notes:
- A. Separate public hearings for budget required by enabling legislation (Sec. 7)
 - B. Separate public hearings for tax rate - See Tax Assessor Collector Planning Calendar.

Agenda Item #5



Consider and act upon recommendations to present to the MCHD Board of Directors regarding lease or purchase of EKG Monitors (Mr. Posey, Chair – Finance and Budget Committee)

To: Finance and Budget Committee
From: Mike Nicknish
Date: June 15, 2010
Re: EKG Monitors lease-purchase contract

Staff received approval at the May 25th Board meeting to purchase the 45 Philips HeartStart MRx ALS monitors for a purchase price of approximately \$899,000. Philips provided a 4 and 5 year lease-purchase option, with pricing for monthly or annual payments.

The most recent lease-purchase proposal is attached.

Fiscal Impact: TBA

Yes	No	N/A	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Budgeted item?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Within budget?
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Renewal contract?
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Special request?



Philips Medical Capital

June 10, 2010

Montgomery County Hospital District
Allen Johnson
200 River Pointe, Suite 200
Conroe, Texas 77304

Philips Medical Capital (“Lessor”) is pleased to submit the following proposal, for discussion purposes only, based on our present understanding of the financing requirements of the Lessee named below (“Lessee”) for the acquisition of the below described equipment (“Equipment”). Any changes to these terms, conditions and assumptions may alter the proposed financing. Notwithstanding anything to the contrary, including, without limit, acceptance by Lessee, this Letter is an indication of interest regarding a possible financing transaction on the general terms and conditions outlined herein and should not be construed as a commitment to finance.

LESSEE: Montgomery County Hospital District

LESSOR: Philips Medical Capital

EQUIPMENT: Forty-five (45) Philips HeartStart MRx ALS monitors

FINANCING TYPE: Tax-Exempt Municipal Lease-Purchase Financing

AMOUNT FINANCED: \$898,767.25

FIRST PAYMENT: At or prior to funding

4 YEAR OPTIONS	<u>Option 1</u>	<u>Option 2</u>
INTEREST RATE:	2.70%	2.70%
PAYMENT FREQUENCY	Monthly in advance	Annual in advance
PAYMENT FACTOR	0.02195259	0.26007765
PAYMENT AMOUNT	\$19,730.27	\$233,749.27

5 YEAR OPTIONS	<u>Option 1</u>	<u>Option 2</u>
INTEREST RATE:	2.98%	2.98%
PAYMENT FREQUENCY	Monthly in advance	Annual in advance
PAYMENT FACTOR	0.017915	0.211915
PAYMENT AMOUNT	\$16,101.70	\$190,462.11

ALL INTEREST RATES OFFERED ARE INDEXED.

CLOSING DATE: To Be Determined.



Philips Medical Capital

INTEREST RATE LOCK*: The final fixed interest rate for the transaction shall be set ten (10) business days prior to closing and shall be determined pursuant to the indexing provisions described below.

FINANCING RATE INDEX*: The financing rate used to determine the final Payment Amount will be indexed to the Securities Industry and Financial Market Association Index (“SIFMA Swap Ask Yield”).

For the four year payment options: The two-year SIFMA Swap Ask Yield, plus 182 basis points. The SIFMA two-year Swap Ask Yield as of 6/10/10 is 0.88%.

For the five year payment options: The three-year SIFMA Swap Ask Yield, plus 174 basis points. The SIFMA three-year Swap Ask Yield as of 6/10/10 is 1.24%.

OTHER FEES: Lessee is responsible for all of its own expenses, including, legal fees, and any other costs and fees associated with this financing. The foregoing fees may be included in the amount financed. Philips Medical Capital does not charge any documentation or closing fees.

CALL PROVISIONS: The Lessee will have the option to prepay its obligations in whole, but not in part, on any payment date. In the event the Borrower elects to prepay, in addition to the principal amount, a premium on the outstanding principal balance will be due as follows: 2% of the then outstanding principal balance.

NET FINANCING: Maintenance, insurance and taxes will be the responsibility of the Lessee.

TAX-EXEMPT OBLIGATION: This proposal is based on the Lessee’s obligation under the underlying finance agreement qualifying as a tax-exempt obligation as described in Section 103 of the Internal Revenue Code of 1986, as amended. Lessee shall be required to use the Equipment in a manner, and do those things required, so that the interest portions of the loan payments shall not become subject to Federal income taxation

TITLE/SECURITY: Title to be held in the name of the Lessee, with Lessor retaining a first priority, perfected security interest in the Equipment.



Philips Medical Capital

BASIS OF PROPOSAL: This proposal is: (a) subject to review and approval by Lessor’s credit committee; (b) delivered to Lessee on the condition that its terms be kept confidential and not shown to, or discussed with, any third party (other than on a confidential and need-to-know basis with Lessee’s directors, officers, counsel and other advisors, or as required by law) without Lessor’s express written approval; and (c) governed and construed in accordance with the internal laws of the Commonwealth of Pennsylvania. Lessee and Lessor agree to: (a) the exclusive jurisdiction of the state and federal courts located in Philadelphia County, Pennsylvania with respect to any dispute arising out of or relating to this proposal and (b) waive any right to trial by jury that either of them may have arising out of or relating to this proposal.

Either Lessor or Lessee may terminate discussions at any time in its sole discretion. If made, an approval by Lessor would be in a separate writing and would be subject to legal and business due diligence and credit review, with results satisfactory to Lessor, in its sole discretion. Lessee acknowledges that the terms of the financing (if approved) may change before the parties execute final documentation. No financing terms will be binding on either party until Lessee and Lessor sign definitive documentation. This Letter is not a statement of all terms and conditions of the financing, which terms and conditions would be contained fully in final documentation and would supercede the terms of this Letter. This Letter is intended for the use of the Lessee only, and no other party may rely upon or derive any legal rights from this Letter.

This Letter is valid for 60 days from the date hereof and thereafter shall automatically be deemed to be null and void.

By signing below, Lessee hereby authorizes the release of any credit or financial information to Lessor and its agents and assigns.

The terms and conditions of this Letter are hereby agreed to and accepted this _____ day of _____, 2010.

Montgomery County Hospital District

By: _____

Title: _____

Philips Medical Capital welcomes the opportunity to work with you. If you have any questions please call me at 610.386.3787.

Sincerely,

Dee Engel
Financial Specialist
Philips Medical Capital