

RESOLUTIONS 1 9 9 6

NUMBER	DATE	TEXT
RES 96-1	08-12-96	RETIREMENT - WILLIAM COPPINGER
RES 96-2	08-26-96	SALES AND USE TAX - BALLOT
RES 96-3	09-09-96	SOUTHWEST MEMORIAL HOSPITAL
RES 96-4	09-16-96	SUSPEND FIRE BAN ORDINANCE 96-1
RES 96-5	11-04-96	BOUNDARIES SW COLO RURAL ENTERPRISE ZONE FOR MONTEZUMA COUNTY
RES 96-6	12-23-96	TO AMEND THE 1996 BUDGET
RES 96-7	12-23-96	TO ADOPT THE 1997 BUDGET
RES 96-8	12-23-96	TO APPROPRIATE SUMS OF MONEY
RES 96-9	12-23-96	TO SET MILL LEVIES

THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 23rd day of December, 1996, with the following persons in attendance:

Commissioners: Thomas K. Colbert, Helen McClellan
and G. Eugene Story
Commissioners Absent: G. Eugene Story
County Administrator: Thomas J. Weaver
County Attorney: Bob Slough
Clerk and Recorder: Evie Ritthaler

the following proceedings, among others, were taken:

Resolution # 09-96 - TO SET MILL LEVIES

A RESOLUTION LEVYING GENERAL PROPERTY TAXES FOR THE YEAR 1996 TO HELP DEFRAID THE COSTS OF GOVERNMENT FOR MONTEZUMA COUNTY, COLORADO, FOR THE 1997 BUDGET.

WHEREAS, the Commissioners of Montezuma County, Colorado, have adopted the annual budget in accordance with the Local Government Budget Law, on the 23rd day of December, 1996, and;

WHEREAS, the 1996 valuation by the Commissioners of Montezuma County as certified by the County Assessor is \$172,036,527.;

NOW THEREFORE BE IT RESOLVED by the Commissioners of Montezuma County, Colorado, that;

For the purpose of meeting all general operating expenses of Montezuma County during the 1997 budget year, there is hereby levied a tax of mills as stated below upon each dollar of the total valuation of assessment of all taxable property within the County for the year 1996.

SUMMARY OF FUNDS BUDGET 1997

County General	11.732
Social Services	1.930
Road and Bridge	2.398
TOTAL COUNTY MILL LEVY	16.060

Commissioners voting aye in favor of the resolution were:

Thomas K. Colbert, Helen McClellan and _____

Commissioners voting nay against the resolution were:

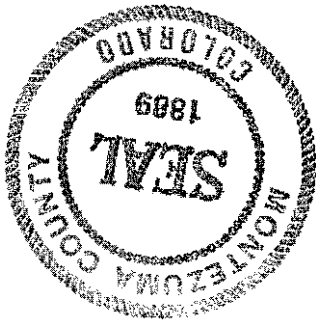
_____, _____ and _____

Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

I certify that the above Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners of Montezuma County, Colorado, and the votes upon same are true and correct.

Dated this 23rd day of December, 1996.

(SEAL)



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 23rd day of December, 1996, with the following persons in attendance:

Commissioners: Thomas K. Colbert, Helen McClellan
and G. Eugene Story
Commissioners Absent: G. Eugene Story
County Administrator: Thomas J. Weaver
County Attorney: Bob Slough
Clerk and Recorder: Evie Ritthaler

the following proceedings, among others, were taken:

Resolution # 08-96 - TO APPROPRIATE SUMS OF MONEY

WHEREAS, The Commissioners have adopted the annual budget in accordance with Local Government Budget Law on December 23, 1996, and;

WHEREAS, The Commissioners have made provision therein for revenues in an amount equal to or greater than the total proposed expenditures as set forth in said budget, and;

WHEREAS, it is not only required by law, but also necessary to appropriate the revenue provided in the budget to and for the purposed described below so as not to impair the operations of the County.

NOW THEREFORE BE IT RESOLVED by the Commissioners of Montezuma County, Colorado, that the following sums are hereby appropriated from the revenue of each fund, to each fund, for current operating expenses.

FUND OPERATIONS

General	\$ 4,630,533
Social Services	\$ 3,443,739
Road	\$ 1,942,480
Airport	\$ 6,595
Lodgers Tax	\$ 60,000
Revenue Sharing	\$ 11,000
Conservation Trust	\$ 65,000
Landfill	\$ 447,842
Revolving Loan Fund	\$ 5,000
Water Rights Escrow Fund	\$ 50,000
Emergency Telephone	\$ 72,000
TOTAL	\$ 10,923,189

Commissioners voting aye in favor of the resolution were:

Thomas K. Colbert, Helen M. O'Leary and _____

Commissioners voting aye in favor of the resolution were:

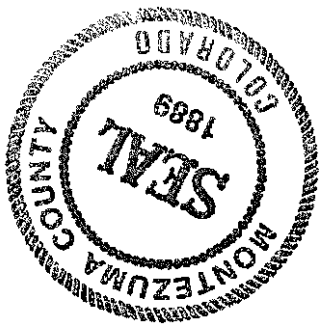
_____, _____ and _____

Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

I certify that the above Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners of Montezuma County, Colorado, and the votes upon same are true and correct.

Dated this 23rd day of December, 1996.

(SEAL)



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 23rd day of December, 1996, with the following persons in attendance:

Commissioners: Thomas K. Colbert, Helen McClellan
and G. Eugene Story
Commissioners Absent: G. Eugene Story
County Administrator: Thomas J. Weaver
County Attorney: Bob Slough
Clerk and Recorder: Evie Ritthaler

the following proceedings, among others, were taken:

Resolution # 07-96

A RESOLUTION ADOPTING A BUDGET FOR MONTEZUMA COUNTY, COLORADO FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 1997 AND ENDING ON THE LAST DAY OF DECEMBER, 1997.

WHEREAS, the Commissioners of Montezuma County, Colorado, have appointed Thomas J. Weaver to prepare and submit a proposed budget to said governing body, and;

WHEREAS, Mr. Weaver has submitted a proposed budget to this governing body for its consideration, and;

WHEREAS, due to proper notice, published or posted in accordance with the law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on December 23, 1996 and interested electors were given the opportunity to file or register any objections to said proposed budget, and;

NOW THEREFORE BE IT RESOLVED by the Commissioners of Montezuma County, Colorado, that;

The budget as submitted hereby is approved and adopted as the budget of Montezuma County, Colorado for the year stated above.

Commissioners voting aye in favor of the resolution were:

Thomas K. Colbert, Helen McClellan and

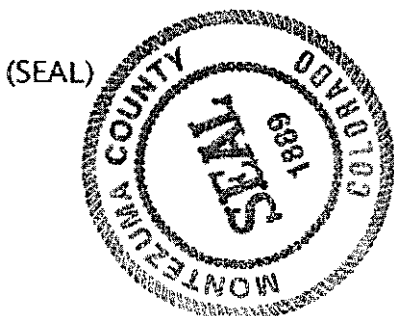
Commissioners voting nay against the resolution were:

_____, _____ and _____

Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

I certify that the above Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners of Montezuma County, Colorado, and the votes upon same are true and correct.

Dated this 23rd day of December, 1996.



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 23rd day of December, 1996, with the following persons in attendance:

Commissioners: Thomas K. Colbert, Helen McClellan
and G. Eugene Story
Commissioners Absent: *G. Eugene Story*
County Administrator: Thomas J. Weaver
County Attorney: Bob Slough
Clerk and Recorder: Evie Ritthaler

the following proceedings, among others, were taken:

Resolution # 6-96

WHEREAS, Montezuma County adopted an operating budget for the General Fund and Road and Bridge Fund in December 1995 for the ensuing year, and;

WHEREAS, Montezuma County after adoption of the 1996 budget, received unanticipated revenues or revenues not assured at the time of the adoption of the budget other than the local government's property tax mill levy;

NOW THEREFORE BE IT RESOLVED that the Board of County Commissioners of Montezuma County, Colorado, the governing board, may authorize the expenditure of such funds by enacting a supplemental budget and appropriation as follows:

GENERAL FUND	\$ 334,267.00
ROAD AND BRIDGE	\$ 271,520.00
LANDFILL	\$ 245,428.00

Commissioners voting aye in favor of the Resolution were:

Thomas K. Colbert, Helen McClellan and _____

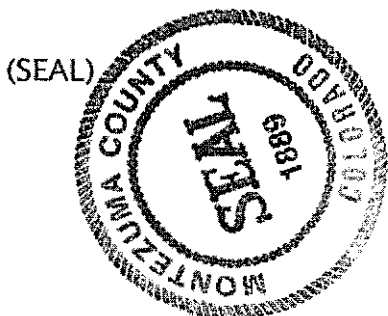
Commissioners voting aye in favor of the Resolution were:

_____ and _____

Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

I certify that the above Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners of Montezuma County, Colorado, and the votes upon same are true and correct.

Dated this 23rd day of December, 1996.



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

GENERAL FUND:

2/6/96	Admin.	2700-1310	Smart Growth Grant	14,850.00
	Misc.	2800-1796	E.M.S. Grant	12,189.00
	Sr. Nutr.	3100-1130	Incoming Money	6,000.00
	Sr. Nutr.	3100-1160	Incoming Money	500.00
	Sr. Nutr.	3100-1222	Incoming Money	955.00
2/12/96	Misc.	2800-1720	C.D.B.G. Pymt. #11	3,426.00
	Sheriff	1700-1220	Reimb. from Posse	279.00
3/21/96	Misc.	2800-1720	C.D.B.G. Pymt. #12	5,076.00
3/28/96	Misc.	2800-1720	C.D.B.G. Pymt. #13	3,777.00
4/15/96	Sheriff	1700-1455	Carry-Over Gaming	7,696.00
	Admin.	2700-1220	Incoming Money/S.S.	5,000.00
4/23/96	Elections	3800-1220	Carry-Over Elections	6,222.00
		3800-1322	Incoming Money/Elections	
	Sheriff	1700-1555	Incoming Money/School Programs	350.00
	Sheriff	1700-1500	Reimb./ Training Class	165.00
	Sheriff	1700-1420	Reimb./ Training Class	157.00
	Sheriff	1700-1220	Incoming Money	22.00
5/1/96	Misc.	2800-1720	C.D.B.G. Pymt. #14	2,669.00
5/14/96	Misc.	2800-1796	E.M.S. Grant	3,017.00
	Jail	1600-1220	Reimb./Stratton	438.00
	Sheriff	1700-1120	Reimb./Stratton	128.00
	Sheriff	1700-1120	Reimb./Wittwer	32.00
6/11/96	Sheriff	1700-1220	Reimb./Lavey	35.00
	Sheriff	1700-1220	Reimb./D.A.R.E.	117.00
	Sheriff	1700-1420	Reimb./State of New Mexico	209.00
	Sheriff	1700-1420	Reimb./Stratton	292.00
	Sheriff	1700-1430	Reimb./Veatch	437.00
	Sheriff	1700-1430	Reimb./Dufur	73.00
	Sheriff	1700-1500	Reimb./Pierce	150.00
	Sheriff	1700-1555	Reimb./School Donation	475.00
	Misc.	2800-1712	Reimb./Timber Sale	7,713.00
	Juv. Crime	1200-1130	Juv. Crime/City of Cortez/County	35,000.00
	Juv. Crime	1200-1160	Juv. Crime/City of Cortez/County	
	Juv. Crime	1200-1220	Juv. Crime/City of Cortez/County	
	Juv. Crime	1200-1420	Juv. Crime/City of Cortez/County	
	Sheriff	1700-1420	Reimb./City of Cortez/County	164.00
7/8/96	Sheriff	1700-1500	Reimb./Class Cancellation	365.00
	Misc.	2800-1712	Timber Sale	12,807.00
8/16/96	Assessor	1400-1220	Incoming Money	8,184.00
	Sheriff	1700-1220	Gun Sale	2,800.00
9/19/96	Jail	1600-1120	Incoming Money	6,700.00
	Jail	1600-1160	Incoming Money	955.00
	Sheriff	1700-1120	Incoming Money	8,583.00
	Sheriff	1700-1152	Incoming Money	1,373.00
	Sheriff	1700-1154	Incoming Money	3,062.00
	Sheriff	1700-1220	Incoming Money	8,849.00
	Sheriff	1700-1380	Incoming Money	4,992.00
	Sheriff	1700-1420	Incoming Money	471.00
	Sheriff	1700-1430	Incoming Money	2,000.00
	Sheriff	1700-1455	Incoming Money	19,914.00
	Sheriff	1700-1500	Incoming Money	340.00
	Sheriff	1700-1555	Incoming Money	225.00
	Grnds./Bldg	2600-1220	Remodeling Probation	2,500.00
10/14/96	Sheriff	1700-1220	Auction	1,706.00
	Admin.	2700-1313	GoCo Grant	10,000.00
	Misc.	2800-1725	Mancos Valley Resources Grant	3,322.00
	Misc.	2800-1712	Timber Sale	11,266.00

11/5/96	Misc.	2800-1730	Trappers Fund	2,050.00
	Jail	1600-1120	Reimb. of Prisoner Care:	2,059.00
	Jail	1600-1130	State of Colorado and	718.00
	Jail	1600-1160	Dolores County	363.00
12/9/96	Jail	1600-1220	Reimbursement of	7,700.00
	Jail	1600-1222	Prisoner Care: State of	2,106.00
	Jail	1600-1250	Colorado and	773.00
	Jail	1600-1310	Dolores County	5,420.00
	Sheriff	1700-1120	Casino & Forest Service Inc.	10,431.00
	Sheriff	1700-1160	Casino & Forest Service Inc.	5,839.00
	Sheriff	1700-1154	Casino & Forest Service Inc.	7,791.00
	Sheriff	1700-1220	Casino & Forest Service Inc.	4,318.00
	Sheriff	1700-1380	Casino & Forest Service Inc.	5,149.00
	Sheriff	1700-1420	Casino & Forest Service Inc.	83.00
	Sheriff	1700-1430	Casino & Forest Service Inc.	5,109.00
	Sheriff	1700-2000	Casino & Forest Service Inc.	17,553.00
12/16/96	Elections	3800-1120	Incoming Money & Carry-Over	28,778.00
	Elections	3800-1160	from 1995	
	Elections	3800-1220		
	Elections	3800-1322		
Total General Fund:				334,267.00

ROAD AND BRIDGE FUND:

2/6/96		5000-1220	Permits	35,555.00
		5000-1220	Permits	4,989.00
		5000-1235	Signs	53.00
3/21/96		5000-1372	Impact fees	5,600.00
4/15/96		5000-1372	Impact fees	800.00
		5000-1220	Permits	2,310.00
4/23/96		5000-1223	Dust Abatement	1,142.00
		5000-1220	Permits	8,744.00
5/20/96		5000-1223	Dust Abatement	17,236.00
6/11/96		5000-1220	Permits	400.00
		5000-1360	Insurance	607.00
		5000-1220	Permits	1,970.00
7/8/96		5000-1223	Dust Abatement	2,050.00
8/16/96		5000-1220	Permits	4,871.00
		5000-1223	Dust Abatement	12,545.00
		5000-1375	Energy Impact Grant	100,000.00
9/19/96		5000-1220	Permits	3,936.00
		5000-1455	Gaming	14,673.00
10/14/96		5000-1220	Weed/Forest Service	2,920.00
		5000-1320	Weed/Forest Service	
		5000-1420	Weed/Forest Service	
		5000-1511	Weed/Forest Service	
11/5/96		5000-1220	Permits	7,473.00
		5000-1224	Gravel/Dolores County	6,335.00
		5000-1455	Gaming	31,577.00
11/15/96		5000-1220	Hindmarsh/Road N&28	450.00
		5000-1220	Permits	3,832.00
12/6/96		5000-1226	Reimb./Mosquito Control	1,452.00
Total Road & Bridge Fund:				271,520.00

LANDFILL FUND:

8/21/96	6000-1220	Transfer from Capital Fund	31,228.00
	6000-1310	Transfer from Capital Fund	2,450.00
10/14/96	6000-1220	Transfer from Capital Fund	42,102.00
	6000-1310	Transfer from Capital Fund	32,800.00
	6000-2000	Transfer from Capital Fund	136,848.00
Total Landfill Fund:			245,428.00

**THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO**

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 4th day of November 1996, with the following persons in attendance:

Commissioners:	Thomas K. Colbert, Helen McClellan, and G. Eugene Story
Commissioners Absent:	
County Attorney:	Bob Slough
County Administrator:	Thomas J. Weaver
County Clerk:	Nelda Jenkins, Deputy Clerk

the following proceedings, among others, were taken:

RESOLUTION #5-96

A RESOLUTION MODIFYING AND RE-CERTIFYING THE BOUNDARIES SOUTHWEST COLORADO RURAL ENTERPRISE ZONE FOR MONTEZUMA COUNTY

WHEREAS, the Montezuma County Board of Commissioners is actively pursuing economic development; and

WHEREAS, the Montezuma County Board of Commissioners passed resolution #90-11 which expanded the Enterprise Zone but excluded certain residential areas; and

WHEREAS, Montezuma County still meets the distress criteria of the Enterprise Zone based on the most recent demographic data available; and

WHEREAS, the City of Cortez, the Town of Mancos and the Town of Dolores also wish to annex their entire city and town limits into the Southwest Colorado Rural Enterprise Zone; and

WHEREAS, the State is requiring the Southwest Colorado Rural Enterprise Zone to submit a re-certification plan; and

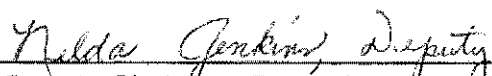
WHEREAS, the Montezuma County Board of Commissioners finds that expanding the Enterprise Zone boundaries to the entire County will provide the maximum benefit business investment including home businesses.

NOW THEREFORE, BE IT RESOLVED that the Montezuma County Board of Commissioners rescinds all previous Board Resolutions describing or pertaining to previous Enterprise Zone boundaries and request the State Department of Local Affairs and the Montezuma County Commissioner's include the entire County in the re-certification plan for Montezuma County as part of the Southwest Colorado Rural Enterprise Zone Re-Certification Plan.

Commissioners voting aye in favor of the Resolution were:

_____

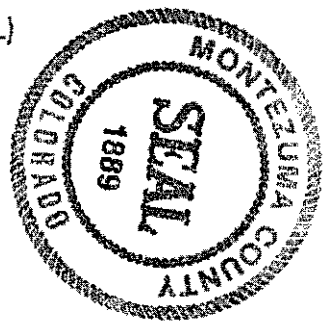
Commissioners voting nay against the Resolution were:


County Clerk and Recorder
Montezuma County, Colorado

I certify that the above and foregoing Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners for Montezuma County, Colorado, and the votes upon same are true and correct.

Dated this 4th day of Nov, 1996

(SEAL)



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

A RESOLUTION MODIFYING AND RE-CERTIFYING THE BOUNDARIES
SOUTHWEST COLORADO RURAL ENTERPRISE ZONE FOR
MONTEZUMA COUNTY

WHEREAS, the Montezuma County Board of Commissioners is actively pursuing economic development; and

WHEREAS, the Montezuma County Board of Commissioners passed resolution #90-18¹¹ which expanded the Enterprise Zone but excluded certain residential areas; and

WHEREAS, Montezuma County still meets the distress criteria of the Enterprise Zone based on the most recent demographic data available; and

WHEREAS, the City of Cortez, the Town of Mancos and the Town of Dolores also wish to annex their entire city and town limits into the Southwest Colorado Rural Enterprise Zone; and

WHEREAS, the State is requiring the Southwest Colorado Rural Enterprise Zone to submit a re-certification plan; and

WHEREAS, the Montezuma County Board of Commissioners finds that expanding the Enterprise Zone boundaries to the entire County will provide the maximum benefit business investment including home businesses.

NOW THEREFORE, BE IT HEREBY RESOLVED that the Montezuma County Board of Commissioners rescinds all previous Board Resolutions describing or pertaining to previous Enterprise Zone boundaries and request the State Department of Local Affairs and the Montezuma County Commissioner's include the entire County in the re-certification plan for Montezuma County as part of the Southwest Colorado Rural Enterprise Zone Re-Certification Plan.

RESOLUTION NO. 96-4

A RESOLUTION SUSPENDING THE BAN ON OPEN FIRES

WHEREAS, Montezuma County Ordinance No. 1-96 prohibits open fires in the unincorporated areas of Montezuma County, except as the Board of County Commissioners of Montezuma County based upon competent evidence may by resolution suspend said ban on open fires from time to time to the degree and manner consistent with existing wildfire dangers; and

WHEREAS, competent evidence having been presented of sufficient rainfall throughout Montezuma County temporarily reducing existing wildfire dangers to more normal conditions;

NOW THEREFORE BE IT RESOLVED by the Board of County Commissioners of Montezuma County that said ban on open fires should be and is hereby suspended. Said suspension shall continue in effect until canceled pursuant to Montezuma County Ordinance No. 1-96.

This Resolution is adopted this 16th day of September, 1996, at 11:05 o'clock a.m.

BOARD OF COUNTY COMMISSIONERS
OF MONTEZUMA COUNTY, COLORADO

Thomas K. Colbert
Helen McClellan
Eugene Story

Commissioners voting aye in favor of this Resolution were:

Thomas K. Colbert, Helen McClellan and
E. Eugene Story.

Commissioners voting no against this Resolution were:

_____, _____ and
_____.



Helda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

RESOLUTION NO. 96-3

WHEREAS, the Montezuma County Hospital District having proposed material modifications in its service plan and having petitioned the Board of County Commissioners of Montezuma County for approval of said proposed modifications; and

WHEREAS, public hearings having been held as required by law; and

WHEREAS, said Board of County Commissioners, having considered the proposed modifications and the evidence and after requiring numerous changes to protect and maintain the Montezuma County Hospital District and its assets, finds that the material modifications as provided for in Draft 6 of the Hospital Operating Lease Agreement By And Between Montezuma County Hospital District And Southwest Health System, Inc., a Colorado Nonprofit Corporation, dated August 27, 1996, revised as of August 26, 1996, and the Corporate Bylaws Of Southwest Health System, Inc., Draft 5, revised as of August 26, 1996, copies of which are attached hereto and made a part hereof, should be approved as follows:

NOW THEREFORE BE IT RESOLVED by the Board of County Commissioners of Montezuma County that Draft 6 of the Hospital Operating Lease Agreement By And Between Montezuma County Hospital District And Southwest Health System, Inc., a Colorado Nonprofit Corporation, dated August 27, 1996,, marked Exhibit A attached hereto and made a part hereof, and the Corporate Bylaws of Southwest Health System, Inc., Draft 5, revised August 26, 1996, marked Exhibit B attached hereto and made a part hereof, serve the public purpose of operating the Hospital in the best interest of the people in the Montezuma County Hospital District and are hereby approved subject to the following requirements:

1. That the Montezuma County Hospital District shall retain the Excluded Assets listed on Exhibit 1.7 of said Lease, specifically hospital funds as defined on said exhibit, and that said Hospital District shall maintain a minimum balance of \$800,000.00 of hospital funds at all time, and further, said Hospital District shall comply with 32-1-1103(2), C.R.S.

2. That said Hospital District shall comply with Art. 11, §6, Colorado Constitution,

3. That said Hospital District shall file with the Board of County Commissioners of Montezuma County a copy of each financial report required in the above described Lease.

4. That failure to comply herewith by the Montezuma County Hospital District shall constitute a material modification hereof which shall be subject to injunction or other remedy as provided by law.

This Resolution is adopted this 9th day of September, 1996, at 9:25 am o'clock A. m.

BOARD OF COUNTY COMMISSIONERS
OF MONTEZUMA COUNTY, COLORADO

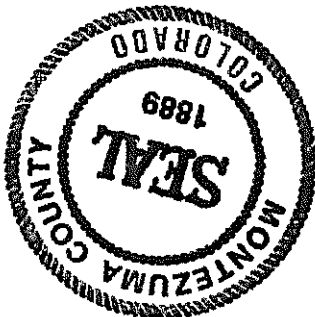
Thomas K. Colbert
Helen McClellan
Eugene Story

Commissioners voting aye in favor of this Resolution were:

Thomas K. Colbert, Helen McClellan and
E. Eugene Story.

Commissioners voting no against this Resolution were:

_____, _____ and
_____.



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

received September 7, 1996
Melba Jenkins, Deputy Clerk

DRAFT 6
08/27/96

revised
8-26-96

HOSPITAL OPERATING LEASE AGREEMENT

BY AND BETWEEN

MONTEZUMA COUNTY HOSPITAL DISTRICT

AND

SOUTHWEST HEALTH SYSTEM, INC.

A COLORADO NONPROFIT CORPORATION

Exhibit A

EXHIBITS

- 1.1 Amended Bond Resolutions
- 1.2 Assigned Contracts
- 1.3(b) License Agreement Obligations
- 1.7 Excluded Assets
- 1.8 Excluded Liabilities
- 1.12(b) Motor Vehicles
- 1.12(c) Trademarks
- 1.12(d) Hospital Accounts Receivable
- 1.12(e) Gifts
- 1.12(f) Promissory Notes
- 1.17 Leased Hospital Assets
- 3.1 Schedule of Rental Payments
- 4.1 SHS Articles of Incorporation and Bylaws

HOSPITAL OPERATING LEASE AGREEMENT

TABLE OF CONTENTS

ARTICLE I - DEFINITIONS	3
1.1 "Amended Bond Resolutions"	3
1.2 "Assigned Contracts"	3
1.3 "Assumed Liabilities"	3
1.4 "Bondholder"	3
1.5 "Bond Resolutions"	3
1.6 "Certificates of Title"	4
1.7 "Excluded Assets"	4
1.8 "Excluded Liabilities"	4
1.9 "Existing Bonds"	4
1.10 "Hospital Accounts Receivable"	4
1.11 "Hospital Employees"	4
1.12 "Hospital Medical Staff"	4
1.13 "Hospital Operations"	5
1.14 "Hospital Service Area"	5
1.15 "Inventories of Supplies"	5
1.16 "JCAHO"	5
1.17 "Leased Hospital Assets"	5
1.18 "Term"	7
1.19 "Transfer Date"	7
ARTICLE II - ASSET LEASE	7
2.1 Lease of Leased Hospital Assets	7
2.2 Renewals	8
ARTICLE III - CONSIDERATION	8
3.1 Rent	8
3.2 Payment of Assumed Liabilities	8
3.3 SHS to Maintain Mission	9
3.4 Indemnification by SHS	9
3.5 Performance of Covenants and Other Obligations	10
3.6 Indemnification by the District	10
ARTICLE IV - GENERAL COVENANTS OF SHS	10
4.1 Corporate Status	10
4.2 Tax-Exempt Status	11
4.3 Hospital License	11

4.4	Medically Indigent Care.....	11
4.5	Accreditation.....	12
4.6	Medical Staff.....	12
4.7	Transfer of District Employees.	12
4.8	Consents, Licenses and Approvals.....	12
4.9	Maintenance of Hospital.....	13
4.10	Insurance.....	13
4.11	Operating Expenses and Taxes.	15
4.12	Participation and Reimbursement Agreements.	15
4.13	Government Grants.....	15
4.14	Existing Bonds.....	16
4.15	Additional Financial Reports and Corrective Actions	16
4.16	Reporting Requirements	19
4.17	Provision of Resources to District	21
ARTICLE V - GENERAL COVENANTS OF THE DISTRICT		21
5.1	Consents and Notices.....	21
5.2	Cooperation with SHS	21
5.3	Liens and Encumbrances.....	21
5.4	Quiet Enjoyment	22
5.5	Eminent Domain	22
5.6	Right of First Refusal.....	22
ARTICLE VI - SALE, ASSIGNMENT, MORTGAGING AND SUBLETTING		23
6.1	Right to Sell or Mortgage.....	23
6.2	Right to Assign and Sublet.....	23
6.3	Restrictions on Assignments and Subleases	24
6.4	Effect of Early Termination.....	24
ARTICLE VII - DAMAGE, DESTRUCTION AND EMINENT DOMAIN.....		24
7.1	Damage and Destruction.....	25
7.2	Eminent Domain.....	26
ARTICLE VIII - REPRESENTATIONS AND WARRANTIES OF THE DISTRICT.....		27
8.1	Authority	27
8.2	No Conflicts.....	27
8.3	Bonds	28
8.4	Rent.....	28
8.5	Condition	28
ARTICLE IX - REPRESENTATIONS AND WARRANTIES OF SHS.....		28
9.1	Organization.....	29

9.2	Authority	29
9.3	No Conflicts	29
ARTICLE X - DEFAULT AND TERMINATION		29
10.1	Effect of Default by SHS.....	29
10.2	Effect of Default by the District	30
10.3	Early Termination	31
10.4	Surrender of Leased Hospital Assets Upon Termination	31
ARTICLE XI - IMPOSSIBILITY		32
ARTICLE XII - TRANSFER DATE DELIVERIES		33
12.1	SHS's Deliveries to the District.....	33
12.2	The District's Deliveries to SHS	33
12.3	Failure to Deliver	34
ARTICLE XIII - MISCELLANEOUS.....		34
13.1	Notices and Payments.....	34
13.2	Severability.....	35
13.3	Entire Agreement.....	35
13.4	Amendment	35
13.5	Governing Law	35
13.6	Counterparts.....	35
13.7	Permission and Consent	36
13.8	Accounting Determinations	36
13.9	Successors and Assigns	36
13.10	Authorization of SHS to Act.....	36
13.11	Conditions Precedent to Closing	37

HOSPITAL OPERATING LEASE AGREEMENT

THIS HOSPITAL OPERATING LEASE AGREEMENT (the "Agreement"), entered into as of this first day of October, 1996, by and between **The Montezuma County Hospital District**, a Colorado special hospital district incorporated under C.R.S. §32-1-101 et seq. (the "**District**"), and **Southwest Health System, Inc.**, a Colorado nonprofit corporation ("**SHS**").

PREAMBLE

WHEREAS, the District owns and operates a general acute care hospital known as Southwest Memorial Hospital, located in the City of Cortez, Colorado (the "**Hospital**"); and

WHEREAS, the District has determined that it is in the best interest of delivery of health care to residents of its service area, both within and without its geographic boundaries, to lease the operation of the Hospital to a locally-controlled, Colorado nonprofit, non-governmental corporation subject to the terms and conditions of this Agreement; and

WHEREAS, the District has concluded, following many months of analysis, public input and consultation with nationally recognized health care experts, that the lease of hospital operations is likely to: (i) enhance Hospital operating efficiencies and effectiveness (ii) enhance the Hospital's ability to form linkages with other health care institutions and providers to form an integrated delivery system offering an

increased continuum of care to the residents of the District, (iii) improve the environment for physician and allied health professional recruitment and retention, and (iv) promote the Hospital's ability to maintain financial viability and adaptability to future changes and challenges in the health care environment, especially those posed by state and national health reform; and

WHEREAS, the District has concluded the best interests of the community served by the District and its Hospital will be best served by undertaking the transactions described in this Agreement; and

WHEREAS, the District has the statutory power and authority, pursuant to the Colorado Special District Act (the "**Act**") to lease certain assets to SHS; and

WHEREAS, SHS has the power and authority to accept the lease of certain assets from the District under the terms and conditions set forth herein; and

WHEREAS, SHS intends to assume responsibility to operate and maintain the Hospital in such a manner so as to provide residents of the District with health care services at a level at least comparable to the quality of care now provided at the Hospital.

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

ARTICLE I
DEFINITIONS

The following words, terms or phrases, when used in this Agreement, shall have the following meanings, unless the context clearly indicates a different meaning:

1.1 "Amended Bond Resolutions" means the amendment to the Bond Resolutions, in substantially the form set forth at Exhibit 1.1, necessary or appropriate to reflect the lease of the Leased Hospital Assets to SHS, and other transactions contemplated by this Agreement.

1.2 "Assigned Contracts" means the agreements of the District entered into in connection with Hospital Operations, listed on the attached Exhibit 1.2.

1.3 "Assumed Liabilities" means:

- (a) All payment obligations, other obligations and liabilities arising under the Assigned Contracts listed on the attached Exhibit 1.2 after the Transfer Date;
- (b) All payment obligations, other obligations and other liabilities arising in connection with the license agreements listed on the attached Exhibit 1.3(b) after the Transfer Date.

1.4 "Bondholder" means the person, from time to time, in possession and the apparent owner of the Existing Bonds.

1.5 "Bond Resolutions" means the resolutions of the District adopted and approved on October 26, 1976, authorizing the issuance of the Existing Bonds.

1.6 "Certificates of Title" means all certificates of title issued by the Colorado Secretary of State for motor vehicles owned by the District and used in Hospital Operations as of the Transfer Date.

1.7 "Excluded Assets" means those assets owned by the District as of the Transfer Date which shall be and remain the assets of the District and not leased to SHS pursuant to this Agreement, as such assets are more specifically identified on the attached Exhibit 1.7.

1.8 "Excluded Liabilities" means the Existing Bonds, and such other pre-Transfer Date liabilities of the District which are, and shall remain, the liability of the District and not part of the Assumed Liabilities hereunder, as such Excluded Liabilities are more specifically identified on the attached Exhibit 1.8.

1.9 "Existing Bonds" means the Montezuma County Hospital District Hospital Revenue Bonds, Series 1977, in the principal amount of \$1,446,000, issued by the District pursuant to the Bond Resolutions.

1.10 "Hospital Accounts Receivable" means all amounts owed to the District in connection with Hospital Operations as of the Transfer Date.

1.11 "Hospital Employees" means all of the District employees employed in connection with Hospital Operations (as defined in Section 1.13 below) as of the Transfer Date.

1.12 "Hospital Medical Staff" means all physicians, dentists, oral surgeons and podiatrists holding appointment to the Medical Staff of the Hospital as of the Transfer Date.

1.13 "Hospital Operations" means all health care, administrative and related or ancillary activities conducted as of the Transfer Date or in the past by the District, or during the Term by SHS, in connection with the operation of the Hospital.

1.14 "Hospital Service Area" means the primary, secondary, and tertiary service areas served by the Hospital.

1.15 "Inventories of Supplies" means all items of consumable Hospital-related personal property owned or held by the District as determined on substantially the same basis as that term was used in the audited financial statements of the District dated as of the fiscal year ending December 31, 1995.

1.16 "JCAHO" means the Joint Commission on Accreditation of Healthcare Organizations (or an equivalent nationally recognized accrediting organization).

1.17 "Leased Hospital Assets" means:

(a) the real property commonly known as Southwest Memorial Hospital, 1311 North Mildred Road, Cortez, Colorado 81321 including

(i) the Hospital building and surrounding parking areas, driveways, power station and other improvements, appurtenances, goods, fixtures, furnishings or other types of personal property incorporated into or affixed to any part of the Hospital building located as of the Transfer Date;

(ii) all contiguous additions and/or expansions thereof as may be constructed on the real property during the Term and used as part of the Hospital; and

(iii) the real property commonly known as Good Samaritan Center Building, 136 North Main Street, Mancos, Colorado 81328.

- (b) The machinery, furniture and equipment, including medical and office equipment, listed on the attached Exhibit 1.17;
- (c) The motor vehicles listed on the attached Exhibit 1.17;
- (d) The trademarks listed on the attached Exhibit 1.17;
- (e) The Hospital Accounts Receivable listed on the attached Exhibit 1.12(d);
- (f) The benefit, but not outright ownership, of the gifts, bequests, donations or other endowments specifically given for the benefit of or restricted to the use of the Hospital and listed on the attached Exhibit 1.12(e);
- (g) The promissory notes signed by patients and listed on the attached Exhibit 1.12(f);
- (h) All rights to receive goods or services, to use and occupy personal and leased real property or to receive payment for goods or services rendered, or other benefits arising under the Assigned Contracts;
- (i) All Inventories of Supplies, as defined in Section 1.15 hereinbelow;
- (j) All trade secrets and other confidential information concerning the operation or use of the Hospital not in the public domain and in existence on the Transfer Date;

- (k) All medical records of Hospital patients in existence on the Transfer Date;
- (l) All business records arising from the operation or use of the Hospital in existence on the Transfer Date;
- (m) Any prepaid expenses arising from the operation or use of the Hospital in existence on the Transfer Date;
- (n) The right to any and all recovery from all collection cases in progress on the Transfer Date for goods furnished or services rendered by the Hospital;
- (o) The name "Southwest Memorial Hospital";
- (p) All rights under the assigned contracts listed on the attached Exhibit 1.2 and under the license agreements listed on the attached Exhibit 1.3(b);

and all of such other assets owned by the District, other than the Excluded Assets, as of the Transfer Date, as defined in Section 1.19 below.

1.18 "Term" means the period commencing on the Transfer Date and ending on September 30, 2046, subject to earlier termination pursuant to the termination provisions set forth in this Agreement.

1.19 "Transfer Date" means the later of September 1, 1996, or the third business day following the date upon which all of the conditions precedent set forth in Section 13.11 below have occurred and been satisfied.

ARTICLE II

ASSET LEASE

2.1 Lease of Leased Hospital Assets. The District hereby leases the Leased Hospital Assets to SHS on the terms and conditions set forth herein, and SHS hereby leases such Leased Hospital Assets from the District on said terms and conditions, to have and to hold for the Term.

2.2 Renewals. The Term of this Agreement is not subject to renewal by the parties hereto, unless both parties mutually agree in writing to extend the Term of this Agreement beyond the date set forth in Section 1.18 above.

ARTICLE III

CONSIDERATION

In consideration of the District's lease of the Leased Hospital Assets to SHS, and all other promises and responsibilities of the District set forth in this Agreement, SHS agrees as follows:

3.1 Rent. SHS shall pay rent to the District pursuant to the Schedule attached hereto as Exhibit 3.1, except as provided to the contrary in Articles VII and X hereof. SHS shall make all rental payments due hereunder to the District in the manner set forth in Section 13.1 hereof. The first payments due thereunder shall be prorated as of the Transfer Date.

3.2 Payment of Assumed Liabilities. SHS shall pay, or otherwise cause to be satisfied or discharged, all Assumed Liabilities when due under their terms. SHS may, at its expense and in its own name and behalf, or, to the extent lawful, in the name and behalf of the District, in good faith, contest the payment of any such Assumed Liabilities and, in the event of any such contest, permit any such Assumed

Liabilities to remain unpaid during the period of such contest and any appeal therefrom. The District will cooperate fully with SHS, at SHS's expense, in any such contest.

The District shall continue to be responsible for its debts and obligations not specifically assumed hereunder as "Assumed Liabilities" prior to the Transfer Date. Following the Transfer Date, the parties agree that the District shall retain the services of an independent auditor to audit the accounts and obligations of the District and SHS. Overpayments and/or underpayments, as the case may be, shall be made between the parties so as to allocate the obligations and responsibilities of each party consistent with the terms of this Agreement.

3.3 SHS to Maintain Mission. At all times during the Term, SHS shall maintain its mission of managing, operating and/or maintaining this hospital and health care-related facilities, programs and services to further its mission of creating a healthy community.

3.4 Indemnification by SHS. Except as set forth on Exhibit 1.8 hereto, as of the Transfer Date, SHS shall assume responsibility for and shall defend, indemnify and hold harmless the District and its agents, with respect to (i) all liabilities and duties of the District pursuant to the Assigned Contracts, which liabilities were as a result of actions taken by SHS after the Transfer Date; (ii) all claims for breach of contract resulting from SHS's action or failure to act after the Transfer Date; (iii) all claims related to SHS's errors and omissions, including but not limited to, medical malpractice, directors and officers liability, workers' compensation, automobile liability, and premises liability, completed operations and products liability; and (iv) all claims that might accrue between SHS employees and SHS related to their employment

relationship after the Transfer Date. The terms and conditions of this Section 3.4 shall survive the expiration or any earlier or other termination of this Agreement.

3.5 Performance of Covenants and Other Obligations. SHS shall (i) fully and continuously observe and perform all of the covenants described in Article IV below and its other obligations and responsibilities under this Agreement, and (ii) operate and use the Hospital in a manner which will allow it to repay all its debts and satisfy all its obligations.

3.6 Indemnification by the District. The District, except as specifically set forth herein, shall assume responsibility for and shall defend, indemnify and hold harmless SHS and its agents with respect to (i) all Excluded Liabilities as set forth in Exhibit 1.8; (ii) all claims for breach of contract resulting from the District's actions or failure to act prior to the Transfer Date; (iii) all claims related to the District's errors and omissions, including, but not limited to, medical malpractice, directors and officers liability, workers compensation, automobile liability, premises liability, completed operations and products liability; and (iv) all claims that might have accrued between the District and District employees related to the employment relationship prior to the Transfer Date. The terms and conditions of this Section 3.6 shall survive the expiration or any earlier or other termination of this Agreement.

ARTICLE IV

GENERAL COVENANTS OF SHS

SHS hereby agrees and covenants with the District to take, at SHS's sole cost and expense, the following actions during the Term (or such other period as may be specified below):

4.1 Corporate Status. SHS shall maintain its corporate existence as a Colorado nonprofit corporation and its Board of Directors shall not, without first obtaining the affirmative vote of the Board of Directors of the District, (i) adopt a plan of merger or consolidation with another corporation, (ii) authorize any transaction providing for the sale or other disposition of assets exceeding more than twenty-five percent (25%) of the total book value of SHS, except as provided in Section 6.2, ~~or (iii)~~ ~~grant any entity the power to appoint or remove any of SHS's Board of Directors.~~ SHS has adopted Articles of Incorporation, as amended, and corporate Bylaws substantially in the form attached hereto as Exhibit 4.1.

4.2 Tax-Exempt Status. SHS shall not take any action which would endanger its ability to obtain and maintain its status as an organization exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or any successor or similar provision. SHS covenants that it will not operate the Hospital or engage in any activity that might reasonably be expected to cause any of the Existing Bonds to lose their tax-exempt status.

4.3 Hospital License. SHS shall obtain on or before the Transfer Date a license to operate the Hospital from the Colorado Department of Health and shall maintain such license in accordance with the provisions of C.R.S. §25-3-101 et seq., or any successor or similar statute.

4.4 Medically Indigent Care. SHS agrees that during the term of this Agreement, it will provide all medically necessary services that are now provided by the Hospital to all District residents without regard to their ability to pay. Further, SHS agrees to use its best efforts to identify those residents for which it would create a financial hardship if Hospital were to attempt to collect its usual and customary

charges. Hospital will establish its indigency determination for gross family income at an amount not less than 150% of the then most current Federal poverty guidelines. SHS shall establish minimum levels of documentation and proof of such indigency status as identified in Hospital policies and procedures which may be revised from time to time.

4.5 Accreditation. SHS shall maintain the Hospital's JCAHO accreditation.

4.6 Medical Staff. On or before the Transfer Date, SHS shall adopt the Bylaws, Rules and Regulations of the Hospital's Medical Staff in effect as of the Transfer Date and shall extend privileges to all members of the Hospital's Medical Staff and its allied health professional staff on identical terms as in effect as of the Transfer Date.

4.7 Transfer of District Employees. SHS recognizes the contributions made by the Hospital's current and former employees in providing care and services to patients. Accordingly, effective on the Transfer Date, SHS shall offer employment to Hospital Employees under the same job title, responsibilities, salary and employee benefits in effect as of the Transfer Date. This covenant, however, shall not be construed to prohibit SHS's discharge of Hospital Employees for cause, nor shall this provision be construed as requiring continued employment for an indefinite period of time in the future, it being understood that SHS shall retain the right to make personnel changes consistent with the operating requirements of the Hospital.

4.8 Consents, Licenses and Approvals. SHS shall take all actions it deems necessary or appropriate to obtain and maintain in full force and effect any

consents, licenses, permits and approvals necessary in connection with this Agreement, Hospital Operations, or the furtherance of SHS's corporate purposes.

4.9 Maintenance of Hospital. SHS shall (i) maintain, preserve and keep the Leased Hospital Assets in good condition, repair and working order, (ii) purchase, repair or replace any and all equipment necessary to meet then current state licensure and JCAHO accreditation standards, and (iii) take all other actions necessary to provide health care services at a level at least comparable to the quality of care provided at the Hospital as of the Transfer Date. The District acknowledges and agrees that SHS may, at its own expense, make or cause to be made any and all additions, alterations, changes and deletions in and to all or any part of the Leased Hospital Assets as SHS in its sole discretion deems necessary or appropriate; provided, however, that (i) all additions and alterations shall be performed in a good and workmanlike manner, which means that the quality of workmanship and materials shall be at least equal to that existing on the Transfer Date; (ii) no permanent demolition of any substantial part of the Leased Hospital Assets, without replacement of such assets or construction of replacement space, shall be made without the prior written consent of the District; (iii) SHS shall not grant any lien, mortgage, security interest or other encumbrance on the Leased Hospital Assets; and (iv) SHS shall not sell, exchange or otherwise dispose of a substantial part of the Leased Hospital Assets, except (a) during the normal course of business due to wear and tear, obsolescence; or (b) without the prior written consent of the District.

4.10 Insurance. SHS shall carry such type and amount of insurance concerning the Leased Hospital Assets, including, but not limited to, public liability insurance, worker's compensation insurance and hospital professional liability

insurance, as is customary in the case of similarly situated not-for-profit hospital corporations engaged in the same or similar activities, and to the extent reasonably necessary to protect the interests of the District, with respect to the revenues of the Hospital and the ability of SHS to meet its rent obligations to the District, as set forth in Section 3.1 of this Agreement.

At a minimum, SHS shall carry with an insurance company or companies rated "A" or better by the A. M. Best Company, Inc.: (i) fire and extended coverage insurance on the Hospital (and any related facility controlled by SHS) in an amount not less than the replacement value of such assets; (ii) worker's compensation insurance on all eligible employees in such amounts as required by law, and employer's liability insurance, of not less than \$100,000 per each individual and \$300,000 per incident; (iii) property damage insurance of not less than \$50,000; (iv) a fidelity bond covering the Secretary/Treasurer of SHS, in an amount not less than \$200,000; and (v) a fidelity bond covering any person or person other than the Secretary/Treasurer having custody or control over SHS's funds, in an amount not less than \$5,000. SHS may elect to obtain such insurance as is required by this Section by means of policies issued by insurance companies, or, at SHS's election, partially by means of self-insurance in conjunction with other companies through an insurance trust or other arrangement, or wholly by means of self-insurance. All insurance policies maintained pursuant to this Section shall name the District as an additional insured party. The proceeds of any property insurance on the Hospital (and any related facility) shall be applied to the necessary costs involved in the repair or replacement of such facility, and to the extent not so applied shall be payable to the District.

4.11 Operating Expenses and Taxes. SHS shall pay, or otherwise cause to be paid, all Operating Expenses incurred during the Term; provided that the District will reimburse SHS for any operating expenses incurred, but not billed, until after the Transfer Date and, further, that SHS will reimburse the District for any prepayments of operating expenses to the extent not accrued as of the Transfer Date. SHS shall also pay, as the same respectively become due, all taxes, assessments and governmental charges that may be lawfully assessed or levied against or otherwise attributable to the Leased Hospital Assets during the Term; provided, however, that with respect to taxes, assessments or governmental charges that may lawfully be paid in installments over a period of years, SHS shall be obligated to pay only such installments as are required to be paid during the Term. SHS may, at its expense and in its own name and behalf, or, to the extent lawful, in the name and behalf of the District, in good faith, contest any such taxes, assessments and governmental charges provided that such proceedings have the effect of preventing the forfeiture of the Leased Hospital Assets or any part thereof or interest therein to satisfy the same. The District will cooperate reasonably with SHS, at SHS's expense, in any such contest.

4.12 Participation and Reimbursement Agreements. SHS shall enter into such participation and reimbursement agreements with third party payors and insurers as SHS determines is in the best interests of the residents of the District as SHS can reasonably determine at the time of entering into the contracts.

4.13 Government Grants. SHS shall comply with the terms of all government grants received by the District prior to the Transfer Date or received by SHS on or after the Transfer Date, including, but not limited to, grants made by the State of Colorado and the Federal Government.

4.14 Existing Bonds.

(a) SHS agrees that there will be charged against users of services pertaining to the Hospital (and other related facilities the revenue of which is to be retained by SHS) such rents, fees and other charges such as are at least sufficient so that the gross revenues of the Hospital (and any such related facilities) are sufficient to pay in each fiscal year: (i) an amount equal to the annual Operation and Maintenance Expenses (as defined in the Bond Resolutions) for such fiscal year; and (ii) an amount equal to one hundred twenty percent (120%) of the average annual principal and interest payments under the Existing Bonds.

(b) SHS agrees to take all other action deemed by the District to be necessary or appropriate in connection with obtaining the consent of the Bondholder to the Amended Bond Resolutions or to assure compliance with the Bond Resolutions, as amended by the Amended Bond Resolutions.

4.15 Additional Financial Reports and Corrective Actions. The District and SHS desire to make a part of this Agreement a mechanism whereby the District would be given, on an ongoing basis, information of a kind likely to indicate if the Hospital was in or was vulnerable to experiencing severe financial distress. The District and SHS further agree that certain customary financial ratios generally may be used as indicia of current or impending severe financial distress. The parties therefore agree as follows:

(a) No later than thirty-one (31) days after the end of each fiscal quarter, SHS shall provide to the District a report (the "Ratio Report") containing the three (3) financial ratios set forth below in Section 4.15(b), as of the end of

the most recent fiscal quarter. Debt service coverage ratio, long term debt to asset ratio and average age of plant will be reviewed with the annual audit.

(b) The ratios to be contained in the report are as follows:

(i) Return on Assets Ratio. This ratio shall be calculated by dividing (A) SHS's net income for the immediately preceding four (4) fiscal quarters by (B) the total Hospital Assets, and the Hospital Leased Assets expressing such total as a percentage.

(ii) Acid Test Ratio. This ratio shall be calculated by dividing (A) the sum of the cash and current cash equivalents which are held by SHS as of the end of the immediately preceding fiscal quarter, divided by (B) SHS's total current liabilities, as of the end of the same quarter, and expressing such total as a percentage.

(iii) Current Ratio. This ratio shall be calculated by dividing (A) SHS's total current assets as of the end of the immediately preceding fiscal quarter, by (B) SHS's total current liabilities as of the end of the same quarter, and expressing such total as a percentage.

(c) Whenever (i) the Return on Assets Ratio and (ii) either the Acid Test Ratio or the Current Ratio for a fiscal quarter are below the seventy-fifth (75th) percentile, but above the fiftieth (50th) percentile for the Sole Community Provider category as set forth in the most recent Sourcebook, published by DeLoitte & Touche (or any other publication thereof containing substantially the same information) (the "Comparable Hospital Category"), then, the District shall require that SHS give special attention to the areas which have substantially

BM
yes
AM
ZHC

contributed to the applicable ratios being below the seventy-fifth (75th) percentile.

(d) Whenever (i) the Return on Assets Ratio and (ii) either the Acid Test Ratio or the Current Ratio for a fiscal quarter are below the fiftieth (50th) percentile, but above the thirty-seven and one-half (37-1/2) percentile for the Comparable Hospital Category, then, the District shall request that SHS provide to the District a Memorandum of Understanding, which will require approval by the District, setting forth the actions that SHS must take to improve the areas which have substantially contributed to the applicable ratios being below the fiftieth (50th) percentile.

(e) Whenever (i) the Return on Assets Ratio and (ii) either the Acid Test Ratio or the Current Ratio for a fiscal quarter are below the thirty-seven and one-half (37-1/2) percentile, but above the twenty-fifth (25th) percentile for the Comparable Hospital category, then, the District shall require that SHS provide to the District a corrective action plan, specifying the dates by which SHS will accomplish corrective actions to improve the areas which have substantially contributed to the applicable ratios being below the thirty-seven and one-half (37-1/2) percentile. This Agreement shall be terminable by the District if such corrective action is not taken by SHS as of the date specified in the corrective action plan.

(f) Whenever (i) the Return on Assets Ratio and (ii) either the Acid Test Ratio or the Current Ratio for a fiscal quarter are below the twenty-fifth (25th) percentile for the Comparable Hospital Category, then, (A) the Ratio Report shall contain a detailed analysis of the financial health of SHS and the

viability of Hospital operations, (B) the District shall determine, based on such analysis and any additional information which the District Board believes to be pertinent, whether the current and future health care needs of the residents of the District would be best served by the termination of the Agreement, and (C) if the District determines that such needs would be best served by termination of the Agreement, then the District shall terminate the Agreement; however, if the District determines that the current and future health care needs of the residents of the District would not be best served by the termination of the Agreement, then it shall communicate such decision, and the basis thereof, to the Montezuma County Commissioners (the "County Commissioners"), who shall independently decide, based on all the available evidence, whether the current and future health care needs of the residents of the District would be best served by the termination of the Agreement. If the County Commissioners concur with the District's decision to permit SHS to continue to operate the Hospital hereunder, this Agreement shall continue in full force and effect. If the County Commissioners disagree with the District's decision and decide that termination of the Agreement is appropriate pursuant to this Section, the Agreement shall be terminated effective as of the date of such decision or as of a later date agreed to by the County Commissioners and the District Board.

4.16 Reporting Requirements. SHS agrees to provide to the District the following reports and notices:

- (a) Audited annual financial statements, including a statement of income and expenses (including gross revenues, net revenues, all capital

expenditures and profit and loss) and a balance sheet as of the end of the fiscal year, within one hundred twenty (120) days after the end of each fiscal year;

(b) Utilization statistics and reports within one hundred twenty (120) days after the end of each fiscal year; such statistics and reports shall include but not be limited to the following: beds in service, occupancy rate, admissions, average length of stay, outpatient visits, emergency room visits and surgical procedures;

(c) Notification within thirty (30) days of loss of or change in the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of SHS;

(d) Annual letter from SHS's Board of Directors and Chief Executive Officer to the effect that nothing has come to their attention to indicate that SHS is in default under the terms of this Agreement; or if such a default has occurred, such letter shall set forth the details thereof;

(e) Annual list of all insurance policies in force with respect to the Hospital and any related facilities, and copies of certificates evidencing such insurance;

(f) The approved operating budget for the Hospital (and any related facilities), together with a certified copy of the resolutions adopted by the Board of Directors of SHS approving such budget, within twenty (20) days after the end of each fiscal year; and

(g) Quarterly reports of income and expenses for the Hospital (and any related facilities) prepared on forms furnished by the Bondholder, within thirty-one (31) days after the end of each fiscal quarter.

4.17 Provision of Resources to District. During the Term, SHS shall provide to the District such office space, clerical and financial personnel and other resources reasonably necessary for the District to conduct its operations on an ongoing basis.

ARTICLE V

GENERAL COVENANTS OF THE DISTRICT

The District hereby agrees and covenants with SHS to take the following actions during the Term (or such other period as may be specified below):

5.1 Consents and Notices. The District, prior to the Transfer Date, shall obtain any consents and give any notices required in connection with the assignment to SHS of the Assigned Contracts and the assumption by SHS of the Assumed Liabilities under the terms and conditions thereof. The District shall provide SHS with satisfactory evidence on or before the Transfer Date that all such consents have been obtained and notices have been given.

5.2 Cooperation with SHS. The District, at SHS's expense, shall cooperate reasonably with SHS in any manner necessary to enable SHS to fulfill SHS's obligations and exercise SHS's rights under this Agreement. Subject to Article VI below, the District grants SHS the right to issue bonds and to incur other indebtedness, from time to time, related to its tax-exempt purposes as the law may so allow; however, SHS shall not encumber the Leased Hospital Assets.

5.3 Liens and Encumbrances. The District shall not suffer or permit any liens or encumbrances (other than any liens or encumbrances which may exist on the Transfer Date) to be filed or exist against the Leased Hospital Assets.

5.4 Quiet Enjoyment. The District shall take any and all action necessary or appropriate to enable SHS to take and enjoy peaceful, quiet and undisputed possession of the Leased Hospital Assets.

5.5 Eminent Domain. The District shall take no action to exercise the power of eminent domain or to cause any other governmental authority or person, firm or corporation acting under governmental authority to exercise such power over any of the Leased Hospital Assets.

5.6 Right of First Refusal. Subject to the terms and conditions of the Bond Resolutions or the Amended Bond Resolutions (as applicable), the District grants SHS a right of first refusal with regard to a sale of any part of the Leased Hospital Assets. If, at any time during the Term, the District determines that a sale of the Leased Hospital Assets would be in the best interest of the residents of Montezuma County and solicits and receives a bona fide offer to purchase the Leased Hospital Assets (an "Offer"), and wishes to accept the Offer, the District shall, but only if SHS is not then in default of any of its obligations under this Agreement, first allow SHS the opportunity to purchase the Leased Hospital Assets upon the same terms and conditions contained in the Offer. The District shall submit such Offer to SHS, and SHS shall have sixty (60) days from the date of receipt of such Offer in which to decide whether to purchase the Leased Hospital Assets. If SHS decides to purchase the Leased Hospital Assets, it shall notify the District in writing of such intent prior to the expiration of such sixty (60) day period. SHS shall then be obligated, within sixty (60) days of such notice to the District, to enter into an agreement for the purchase of the Leased Hospital Assets on terms substantially identical to those contained in the Offer, and shall then be bound to consummate and close the purchase of the Leased Hospital Assets under

such terms and within the same time period as was specified for closing the transaction in the Offer. If SHS does not elect to purchase the Leased Hospital Assets within the sixty (60) day period, the District may then sell it to the third party on the terms and conditions contained in the Offer. However, if the sale has not closed within one hundred twenty (120) days after the closing date specified in the original Offer, any subsequent sale will be subject to the provisions of this section.

Any sale of the Leased Hospital Assets shall be in accordance with the statutory and constitutional provisions then in effect. Approval of this Agreement by the Montezuma County Commissioners does not constitute approval of any sale of the Hospital by the District, and any sale of a substantial portion of the Leased Hospital Assets shall constitute a material modification hereof.

ARTICLE VI

SALE, ASSIGNMENT, MORTGAGING AND SUBLETTING

6.1 Right to Sell or Mortgage. SHS shall have no authority or power to sell or convey any of the Leased Hospital Assets or to cause or permit any lien or encumbrance of any kind to be attached to or be placed upon the District's title or interest in the Leased Hospital Assets, and any and all liens and encumbrances created by SHS shall attach to SHS's leasehold interest only.

6.2 Right to Assign and Sublet. Subject to Section 4.2 above, SHS shall have the right to assign or sublet its interest in and to (i) up to twenty-five percent (25%) of the total floor area of the Hospital building, and (ii) up to twenty-five percent of Leased Hospital Assets in each instance without the consent of, or notice to, the District, provided that:

(a) such assignments or subleases shall be for operating purposes and in furtherance of the health care purposes of SHS; and

(b) no such assignments or subleases shall extend beyond the Term.

6.3 Restrictions on Assignments and Subleases. In the event that SHS should assign or sublet any part of its rights and obligations hereunder, subject to paragraph 6.2 above, with respect to less than all of the Leased Hospital Assets:

(a) SHS shall continue to be liable to the District for the performance of all obligations and duties which are the responsibility of SHS under the terms hereof; and

(b) SHS shall impose such restrictions and obligations upon such assignee(s) or sublessee(s) as are consistent with the provisions of this Agreement and appropriate under the circumstances.

6.4 Effect of Early Termination. In the event that this Agreement is terminated prior to the natural expiration of the Term for any reason, the rights of the District shall be subject to: (i) the remaining unsatisfied provisions of the Assigned Contracts and the Assumed Liabilities; and (ii) such assignments, indebtedness or subleases, as have been consented to by District pursuant to this Article , and the District shall succeed to all rights of SHS under the terms of such assignments or subleases as if the District had entered into such assignments or subleases with the other parties thereto.

ARTICLE VII

DAMAGE, DESTRUCTION AND EMINENT DOMAIN

7.1 Damage and Destruction. If during the Term any significant portion of the Leased Hospital Assets shall be damaged or partially or totally destroyed by fire, flood, windstorm or other casualty, SHS shall notify the District within thirty (30) days of such casualty. Subject to the procedures required under the Bond Resolutions or the Amended Bond Resolutions (as applicable) and related documents governing the Existing Bonds, SHS may, upon such notice, at its option, elect to either:

(a) Terminate this Agreement effective as of the date of such casualty, pay no further rental payments hereunder, and pay all proceeds of the property insurance on the damaged or destroyed assets to the District within thirty (30) days after such proceeds are received; or

(b) Proceed with all due diligence to restore, repair or replace the damaged or destroyed assets using the proceeds of the property insurance on such assets; provided, however, that if SHS fails (i) to substantially restore, repair or replace such assets within 180 days after such casualty, or (ii) with respect to restoration, repair or replacement which cannot with due diligence be completed within said 180-day period, SHS fails to take all actions necessary to complete such restoration, repair or replacement with all due diligence, the District shall have the right to terminate this Agreement by notifying SHS of such termination (i) as of the expiration of said 180-day period, or (ii) with respect to restoration, repair or replacement which cannot with due diligence be completed within said 180-day period, after allowing a reasonable time for the completion of such restoration, repair or replacement. In the event that SHS elects to restore, repair or replace the damaged or destroyed assets under this Section, the District shall promptly execute and deliver to SHS any and all documents

necessary to waive any and all rights on claims which the District has or may have in and to all insurance proceeds. In the event that the District elects to terminate this Agreement under this Section, SHS shall promptly pay to the District all remaining insurance proceeds.

7.2 Eminent Domain. Subject to the terms and conditions of the Bond Resolutions or the Amended Bond Resolutions (as applicable), if during the Term either title to or the temporary use of the Leased Hospital Assets shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, any proceeds received from any award made in any related eminent domain proceedings (after the payment of any expenses incurred in connection with such proceedings) shall be paid to SHS on the express condition that SHS use all such proceeds for the sole purpose of acquiring new land and facilities to be used for the provision of health care services to the residents of the District. If any part of such proceeds are used for any purpose not authorized under this Section, the District may demand the return of all proceeds, in which event SHS shall within three (3) days of such demand pay to the District all proceeds not used for an authorized purpose. SHS and the District further agree that:

(a) If only the temporary use of all or substantially all of the Leased Hospital Assets is taken, SHS shall not be obligated to pay rent with respect to such period; and

(b) If title to all or substantially all of the Leased Hospital Assets is taken, this Agreement shall be terminated and SHS shall not be obligated to pay any further amount as rent hereunder or be bound in any way by the terms of this Agreement effective as of the date of such taking.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES OF THE DISTRICT

The District hereby represents and warrants to SHS that the following representations and warranties are true and accurate as of the date hereof and as of the Transfer Date:

8.1 Authority. The District has power and authority to execute and deliver this Lease Agreement, and to carry out the transactions contemplated hereby and therein, respectively. The Board of Directors of the District, acting on behalf of the District in connection with this Agreement is the properly appointed, acting, and duly authorized representative of the District, and is acting in accordance with the provisions of the Act, or any successor or similar statute.

8.2 No Conflicts. The Lease Agreement is duly executed and delivered and is a valid and legally binding obligation of the District enforceable in accordance with its respective terms. The execution and delivery of this Lease Agreement, does not, and the consummation of the transactions contemplated hereby will not result in the creation of any lien, charge or encumbrance or the acceleration of any indebtedness or other obligation of the District or the Hospital, and are not prohibited by, in violation of or in conflict with any provisions of, and will not result in a default under or a breach of (i) any constitutional provision affecting the District or the Hospital, (ii) any contract, agreement or other instrument to which the District or the Hospital is a party or is bound, (iii) any ordinance, law or regulation or (iv) any order, decree or judgment of any court or governmental agency to which the District or the Hospital is a party or is bound.

9.1 Organization. SHS is a nonprofit corporation duly organized and in good standing under the laws of the State of Colorado. SHS has the power to lease and to own assets and to carry on its business as contemplated under this Agreement.

9.2 Authority. SHS has the power to execute and deliver this Lease Agreement and to carry out the transactions contemplated hereby. All corporate actions required to be taken by SHS to authorize the execution, delivery and performance of this Agreement and all transactions contemplated hereby have been duly and properly taken.

9.3 No Conflicts. This Agreement is duly executed and delivered and is a the valid and legally binding obligation of SHS enforceable under its respective terms. The execution and delivery of this Lease Agreement does not, and the consummation of the transactions contemplated hereby will not result in the creation of any lien, charge or encumbrance, or the acceleration of any indebtedness or other obligation of SHS, and are not prohibited by, in violation of or in conflict with any provision of, and will not result in a default under or a breach of, (i) any contract, agreement or other instrument to which SHS is a party or is bound, (ii) any ordinance, law or regulation, or (iii) any order, decree or judgment of any court or governmental agency to which SHS is a party or is bound.

ARTICLE X

DEFAULT AND TERMINATION

10.1 Effect of Default by SHS. If (i) SHS fails to perform any of its obligations under the terms of this Agreement, including its obligation to abide by the covenants set forth in Article IV, and such failure continues for sixty (60) days after

written notice of such default from the District; provided, however, that if the nature of the default is such that more than sixty (60) days are reasonably required for its cure, then SHS shall not be deemed to be in default if SHS commences such cure within said sixty (60) day period and thereafter diligently prosecutes such cure to completion, and provided, further, if the default involves a hazardous condition SHS shall immediately after written notice commence and with diligence thereafter to cure such default, or (ii) SHS adopts a plan of dissolution or files for bankruptcy, liquidation or receivership of SHS, or (iii) SHS defaults in the payment or performance of its obligations and such default continues beyond the applicable grace period, if any, provided in the operative documents for such transaction, then the District shall have the right either to terminate this Agreement upon written notice at any time after expiration of the applicable cure period, if any, or enforce the terms of this Agreement by invoking any other right or remedy allowed at law or in equity, including without limitation an action for specific performance. Notwithstanding anything to the contrary in this Section, and subject to Article VII hereof and the other sections of this Article X, SHS's failure to pay the rent under Section 3.1 above within five (5) business days after the due date thereof shall be an immediate event of default hereunder.

10.2 Effect of Default by the District. If the District fails to perform or pay, in a full and timely manner, any of its obligations under the terms of this Agreement and such failure continues for sixty (60) days after written notice of such default from SHS; provided, however, that if the nature of the default is such that more than sixty (60) days are reasonably required for its cure, then the District shall not be deemed to be in default if the District commences such cure within said sixty (60) day period and thereafter diligently prosecutes such cure to completion, and provided,

further, if the default involves a hazardous condition the District shall immediately after written notice commence and with diligence thereafter to cure such default, then SHS shall have the right either to (i) terminate this Agreement upon written notice at any time after expiration of the applicable cure period, if any, or (ii) enforce the terms of this Agreement by invoking any other right or remedy allowed at law or in equity, including without limitation an action for specific performance.

10.3 Early Termination. Except as set forth in Section 4.15, Article VII hereof and otherwise in this Article , this Agreement may not be terminated by either party prior to the end of the Term without the written consent of the other party.

10.4 Surrender of Leased Hospital Assets Upon Termination. Upon the termination of this Agreement for any reason, SHS shall, on the date of termination, surrender the Leased Hospital Assets to the District and shall transfer the following items to the District:

(a) All Leased Hospital Assets, wheresoever then located as of the effective date of termination, including property acquired by SHS, or any of its affiliates or subsidiaries, after the Transfer Date to further its nonprofit, charitable purposes.

(b) All normal and customary liabilities incurred by SHS in its day to day operation of the Hospital (including the Assumed Liabilities); and

(c) All rights of SHS in any assignment, sublease entered into by SHS pursuant to Section 6.2.

Notwithstanding the foregoing, the District, in its sole option, may decide whether to accept any of the assets described in Subsection (a) above upon the effective date of such termination. Upon such date the District shall have the full right

and authority to assume operation of the Hospital, to collect as its own revenue all revenues from operation of the Hospital, and to establish, maintain and enforce a schedule of rates and charges which, together with the tax levies of the District, and all other revenue of the District, shall be sufficient to pay the costs of operation and maintenance expenses of the District and the payment of principal and interest on the Existing Bonds, if then outstanding.

ARTICLE XI
IMPOSSIBILITY

Neither party hereto shall be liable for any delay in performance or failure to perform when fire, flood, explosion, accident, unavailability of equipment, supplies, parts or materials, energy shortage, war, weather, casualty, act of God, sabotage, law or government regulation, or any other cause reasonably beyond such party's control makes performance impossible despite the best efforts to perform by the party from whom performance is required.

ARTICLE XII

TRANSFER DATE DELIVERIES

12.1 SHS's Deliveries to the District. SHS shall deliver the following to the District on or before the Transfer Date:

- (a) Certificate of Good Standing from the Colorado Secretary of State.
- (b) A certificate executed by the Chairman of SHS, dated as of the Transfer Date, stating that, to the best of his knowledge, all representations and warranties of SHS set forth herein are accurate and true as of the Transfer Date.
- (c) A certified copy of resolutions adopted by the Board of Directors of SHS, authorizing and approving the execution and performance of this Lease Agreement.

12.2 The District's Deliveries to SHS. The District shall deliver the following to SHS on or before the Transfer Date:

- (a) A Certificate executed by the Chairman of the District, dated as of the Transfer Date, stating that, to the best of his knowledge, all representations and warranties of the District set forth herein are accurate and true as of the Transfer Date.
- (b) The Certificates of Title, properly assigned to SHS.
- (c) Evidence of all consents and notices required by Section 5.1.
- (d) A certified copy of resolutions adopted by the District Board of Directors adopting and approving the Amended Bond Resolutions, and authorizing and approving the execution and performance of this Lease Agreement.

The District also shall take any and all additional actions which may be necessary in order to effectuate this Lease Agreement.

12.3 Failure to Deliver. In the event that either party hereto fails to make any delivery required under this Article, the non-defaulting party may, at its option, declare this Agreement to be null and void as of the Transfer Date, in which case all deliveries shall immediately be returned to the party making the delivery.

ARTICLE XIII

MISCELLANEOUS

13.1 Notices and Payments. All notices, requests, demands, payments and other communications to be made hereunder shall be in writing and shall be deemed to have been duly given if either mailed by certified mail, return receipt requested, postage prepaid, or hand delivered and with such delivery evidenced by a signed receipt, as follows:

(a) If to the District:

1311 North Mildred Road
Cortez, Colorado 81321
Attention: Chairman of the Board

(b) If to SHS:

1311 North Mildred Road
Cortez, Colorado 81321
Attention: Chairman of the Board

or to such other address as either party hereto may request by such written notice. Any notice given in accordance with this Article shall be deemed to have been received either three (3) days after it was mailed or upon delivery, whichever first occurs.

13.2 Severability. If any provision of this Lease or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of this Lease that can be given effect without the invalid provision or application, and to this end the provisions of this Lease are declared to be severable.

13.3 Entire Agreement. This Agreement, together with the Exhibits attached hereto, in accordance herewith, contains the entire understanding of the District and of SHS with respect to the transactions contemplated hereby and supersedes all other agreements and understandings between the District and SHS.

13.4 Amendment. This Agreement may be amended only by a written agreement authorized by the affirmative vote of the governing body of both SHS and the District and executed by the authorized representatives of both parties; provided, however, that in the event the parties hereto desire to make a material modification to this Agreement, the material modification shall be presented to the Board of County Commissioners for their review and approval.

13.5 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado.

13.6 Counterparts. This Agreement may be executed simultaneously in two (2) or more counterparts, all of which together shall constitute one and the same Agreement.

13.7 Permission and Consent. Wherever in this Agreement the permission or consent of either the District or SHS is required or requested, such permission and consent shall not be unreasonably withheld or delayed.

13.8 Accounting Determinations. All accounting determinations required to be made under this Agreement shall be made in accordance with generally accepted accounting principles.

13.9 Successors and Assigns.

(a) With respect to the Hospital, each provision hereof shall be a covenant running with the land and shall extend to and shall bind and inure to the benefit of the District and SHS and their respective legal representatives, successors in interest and assigns of their respective rights and obligations with respect to the Hospital.

(b) With respect to the Leased Hospital Assets other than the Hospital:

(i) each provision hereof shall extend to and shall bind and inure to the benefit of the District and its legal representatives, successors and assigns; and

(ii) each provision hereof shall be a continuing obligation of SHS and its legal representatives and shall be binding upon the possessor in interest, assignee or sublessee of SHS.

13.10 Authorization of SHS to Act . Notwithstanding any other provisions of this Agreement, the District hereby authorizes SHS, at the sole discretion of SHS, to obtain any and all zoning and/or building permits, tax divisions and certifications of tax exempt status, filing plats of subdivision, negotiating agreements with public and private utilities, and any and all other documents and/or approvals

required by or from any governmental authority exercising jurisdiction over all or any part of the Leased Hospital Assets, as SHS, in its sole discretion, shall from time to time deem necessary or appropriate in order to carry out the health care purposes of SHS. Nothing in this Article shall be deemed or construed as in any way limiting or amending the obligations of the District under Section 5.4 to cooperate with SHS in any way necessary in order to enable SHS to exercise its rights hereunder, including without limitation, the obligation to sign any and all documents and to take any and all other steps necessary to accomplish any of the actions set forth in this Article.

13.11 Conditions Precedent to Closing. The obligations of the parties under this Agreement are subject to the satisfaction, on or prior to the Transfer Date, of the following conditions:

(a) There shall have been no material breach by either party in the performance of any of their respective covenants herein, each of the representations and warranties of each of them contained or referred to in this Agreement shall be true and correct in all material respects on the Transfer Date as though made on the Transfer Date, and there shall have been delivered to each party their respective deliveries as described in Article XII above;

(b) No order shall have been entered in any action or proceeding before any court or governmental agency, and no preliminary or permanent injunction by any court shall have been issued which would have the effect of (i) making the transactions contemplated by this Agreement illegal; or (ii) otherwise preventing consummation of such transactions; and there shall have been no federal or state statute, rule or regulation enacted or promulgated that could

reasonably, directly or indirectly, result in any of the consequences referred to in clauses (a) or (b) of this Section;

(c) All necessary federal, state and local governmental approvals and consents, including the approval of the Montezuma County Board of Commissioners, shall have been obtained, without the imposition of any material conditions or restrictions and without the loss of any existing material waivers arising out of the closing of the transactions contemplated hereby;

(d) If any governmental agency seeks to preliminary enjoin the transactions contemplated hereby, either party may decide not to proceed further with the transactions; provided, however, that if both of the parties agree to contest such preliminary injunction, each party shall bear its own costs and expenses associated therewith; and

(e) All third party consents or waivers required to be obtained with respect to the proposed transactions shall have been obtained.

* * * *

IN WITNESS WHEREOF, the parties hereto have caused their authorized representatives to execute this Agreement in their respective names on the day and year first above written.

(SEAL)

The Montezuma County Hospital District

ATTEST:

By: _____
Its: Secretary

By: _____
Its: Chairman

(SEAL)

Southwest Health System, Inc.

ATTEST:

By: _____
Its: Secretary

By: _____
Its: Chairman

NOTARY

STATE OF COLORADO)
) SS.
COUNTY OF MONTEZUMA)

The foregoing instrument was acknowledged before me this ____ day of _____, 1996, by _____ and _____, who are the Chairman and Secretary, respectively, of The Montezuma County Hospital District, on behalf of the District.

Notary Public
Montezuma County, Colorado
My commission expires: _____

STATE OF COLORADO)
) SS.
COUNTY OF MONTEZUMA)

The foregoing instrument was acknowledged before me this ____ day of _____, 1996, by _____ and _____, who are the Chairman and Secretary, respectively, of Southwest Health System, Inc., a Colorado nonprofit corporation, on behalf of the corporation.

Notary Public
Montezuma County, Colorado
My commission expires: _____

EXHIBIT 1.7

EXCLUDED ASSETS

Hospital funds including all cash, bank accounts, savings and loan accounts, certificates of deposit, money market accounts, treasury bills, bond funds, investments and reserves owned or held by the District.

EXHIBIT 1.8

EXCLUDED LIABILITIES

In addition to the Existing Bonds, the pending lawsuits and potential lawsuits for which Notices of Claim have been filed, as more fully described below:

1. Lawsuit filed in Federal District Court being Case No. 96-WY-19-HA, captioned "Cathi Cropp vs. Montezuma County Hospital District, et al."
2. Notice of Intent filed by Kris and Lois Cashner vs. Southwest Memorial Hospital dated October 13, 1995.
3. Notice of Intent filed by Bonnie L. Wancura vs. the Montezuma County Hospital District dated April 29, 1996.
4. Notice of Intent filed by Georgia Stanley vs. Montezuma County Hospital District dated May 17, 1996.
5. Notice of Intent filed by Cara Balderrama vs. Montezuma County Hospital District dated July 26, 1996.
6. Any and all hazardous waste claims.
7. Any and all fines and penalties incurred or assessed prior to the Transfer Date.
8. All current liabilities incurred prior to the Transfer Date.
9. Any and all liens.
10. Bond payments.

EXHIBIT 1.12(b)

MOTOR VEHICLES

Vehicle No.: 1FOKE30L6CHB23146
Year/Make/Model: 1982 Ford Ambulance

Vehicle No.: 1GBJR346KJ110840
Year/Make/Model: 1988 Ambulance

Vehicle No.: 1GBJK34N1PE253674
Year/Make/Model: 1993 Ambulance

Vehicle No.: 1GOOL19WOPB550119
Year/Make/Model: 1993 Safari Van

Vehicle No.: FTCRIOA9KUB25530
Year/Make/Model: 1989 Ford Ranger

EXHIBIT 3.1

SCHEDULE OF RENTAL PAYMENTS

The annual rental amount to be paid by SHS to the District shall be paid semi-annually on March 30 and September 30 of each year:

<u>Annual Period</u>	<u>Annual Rent</u>
1996	\$30,000.00 plus interest
1997	30,000.00 plus interest
1998	35,000.00 plus interest
1999	35,000.00 plus interest
2000	40,000.00 plus interest
2001	40,000.00 plus interest
2002	40,000.00 plus interest
2003	45,000.00 plus interest
2004	45,000.00 plus interest
2005	50,000.00 plus interest
2006	50,000.00 plus interest
2007	55,000.00 plus interest
2008	55,000.00 plus interest
2009	60,000.00 plus interest
2010	65,000.00 plus interest
2011	65,000.00 plus interest
2012	70,000.00 plus interest
2013	70,000.00 plus interest
2014	70,000.00 plus interest
2015	70,000.00 plus interest
2016	61,000.00 plus interest

The annual rental amounts for the years 2017 through 2046 shall be paid annually on September 30 of each year, in the amount of \$1.00, unless this Lease is terminated prior to such date. In addition to the above cash rental payments, SHS shall continuously abide by and comply with the terms of Articles III and IV of the Agreement throughout the Term. The rental payment for 1996 shall be pro-rated as of the Transfer Date.

The District's obligation to make bond payments includes principal and interest. The interest varies according to the balance remaining on the principal. The annual rental shall include not only the principal but the accrued interest as well.

Received September 1, 1996
Y Ida Jenkins, Deputy Clerk

DRAFT 5
~~7/30/96~~
8/20/96

Revised
8-26-96

CORPORATE BYLAWS

OF

SOUTHWEST HEALTH SYSTEM, INC.

ADOPTED EFFECTIVE: _____ 1, 1996

Exhibit B

**CORPORATE BYLAWS
OF
SOUTHWEST HEALTH SYSTEM, INC.**

TABLE OF CONTENTS

ARTICLE I - CORPORATION	1
Section 1.1 Corporate Name	1
Section 1.2 Purposes	1
Section 1.3 Restrictions on Corporate Activities	2
Section 1.4 Corporate Office	2
Section 1.5 Corporate Dissolution	3
ARTICLE II - MEMBERS	3
Section 2.1 Qualifications	3
Section 2.2 Transfer of Membership	3
Section 2.3 Rights and Powers of Members	4
Section 2.4 Annual Meeting	4
Section 2.5 Special Meetings	5
Section 2.6 Quorum	5
Section 2.7 Resolutions	6
ARTICLE III - BOARD OF DIRECTORS	6
Section 3.1 Composition	6
Section 3.2 Powers and Duties of the Board of Directors	7
Section 3.3 Election; Vacancies; Terms	7
Section 3.4 Annual Meeting of Board	9
Section 3.5 Regular Meetings of the Board	9
Section 3.6 Special Meetings of the Board	10
Section 3.7 Notice of Board Meetings and Waiver of Notice	10
Section 3.8 Unanimous Consent Action by Board	10
Section 3.9 Quorum at Board Meetings	10
Section 3.10 Manner of Acting	11
Section 3.11 Removal of Directors	11
Section 3.12 Compensation	11
Section 3.13 Performance Evaluations	11
ARTICLE IV - OFFICERS OF THE BOARD OF DIRECTORS	12
Section 4.1 Election of Board Officers	12
Section 4.2 Duties of the Chairperson	12
Section 4.3 Duties of the Vice Chairperson	12
Section 4.4 Duties of the Secretary/Treasurer	13
Section 4.5 Duties of the Assistant Secretaries and Assistant Treasurers ..	13
Section 4.6 Vacancies	14
Section 4.7 Salaries	14
Section 4.8 Removal	14

ARTICLE V - COMMITTEES OF THE BOARD OF DIRECTORS	14
Section 5.1 Standing Committees	14
Section 5.2 Executive Committee	15
Section 5.3 Joint Conference Committee	15
Section 5.4 Special Committees	16
Section 5.5 Quorum	16
Section 5.6 Manner of Acting	16
Section 5.7 Term of Office	17
Section 5.8 Vacancies	17
Section 5.9 Chairpersons	17
Section 5.10 Advisory Nature of Committee Action	17
ARTICLE VI - ADMINISTRATION	17
Section 6.1 President/CEO.	17
Section 6.2 Authority.	18
ARTICLE VII - MEDICAL STAFF	19
Section 7.1 Medical Staff Bylaws	19
Section 7.2 Privileges	19
Section 7.3 Applications	20
Section 7.4 Term of Appointment	22
Section 7.5 Corrective Actions	23
Section 7.6 Appeals	24
Section 7.7 Insurance	24
ARTICLE VIII - VOLUNTEERS	25
Section 8.1 Support	25
Section 8.2 Auxiliaries Bylaws	25
Section 8.3 Supervision	25
ARTICLE IX - CORPORATE SEAL	26
ARTICLE X - FISCAL MATTERS	26
Section 10.1 Fiscal Year	26
Section 10.2 Contracts	26
Section 10.3 Loans	26
Section 10.4 Checks, Drafts, Etc.	26
Section 10.5 Maintenance of Records	27
Section 10.6 Deposits	27
ARTICLE XI - CONFLICTS OR DUALITY OF INTEREST	27
Section 11.1 Statement of General Policy	27
Section 11.2 Coverage of this Policy	28
Section 11.3 Disclosure of all Conflicts	28
Section 11.4 Proscribed Activity by Persons Having Conflicts	29

ARTICLE XII - INDEMNIFICATION	29
Section 12.1 Coverage	30
Section 12.2 Payment	30
Section 12.3 Evaluation	30
Section 12.4 Consideration	31
Section 12.5 Insurance	31
Section 12.6 Non-Exclusivity of Rights	31
ARTICLE XIII - AMENDMENTS	32

CORPORATE BYLAWS
OF
SOUTHWEST HEALTH SYSTEM, INC.

ARTICLE I

CORPORATION

Section 1.1 Corporate Name. The name of the corporation shall be **Southwest Health System, Inc.**, a Colorado nonprofit corporation (the "**Corporation**").

Section 1.2 Purposes. The Corporation is organized and shall be operated exclusively for charitable, scientific and educational purposes. The specific purposes of the Corporation are:

(a) To provide high quality, accessible health care services to enhance the quality of health for the people in the Four Corners area;

(b) To promote continuing education for health care professionals and practitioners engaged in providing health care-related services;

(c) To own, lease, or otherwise deal with all property, real and personal, to be used in furtherance of these purposes; and

(d) To engage in and enter into such affiliations, alliances, joint ventures and other relationships with health care institutions, providers and related organizations, both for-profit and nonprofit, and with governmental agencies, in order to further the creation, promotion and operation of an integrated delivery network offering a continuum of quality care to individuals residing within the Four Corners area.

Section 1.3 Restrictions on Corporate Activities. Notwithstanding anything to the contrary in the Articles of Incorporation of the Corporation or these Bylaws:

(a) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Section 1.2;

(b) No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation (except to the extent permitted pursuant to an election made under Section 501(h) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States Internal Revenue Law (the "Code")), and the Corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of, or in opposition to, any candidate for public office; and

(c) The Corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from federal income tax and described in Section 501(c)(3) of the Code or by a corporation contributions to which are deductible under Section 170(c)(2) of the Code.

Section 1.4 Corporate Office. The Corporation shall have and continuously maintain a registered office and a registered agent, to be located at 1311 North Mildred Road, Cortez, Colorado.

Section 1.5 Corporate Dissolution. In the event of the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, distribute all of the assets of the Corporation to the Montezuma County Hospital District, an organization described under Section 115 of the Code (the "**District**") for public purposes; provided, however, in the event the District is not then in existence, then to Montezuma County, Colorado, an organization described in Section 115 of the Code (the "**County**"), for public purposes; provided further, however, in the event the County is not then in existence, then to such organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes which shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so distributed shall be disposed of by a court of competent jurisdiction of the County to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE II

MEMBERSHIP

Section 2.1 Qualifications. Any person at least eighteen (18) years of age who is a resident of or taxpayer in the District shall be a Member of the Corporation.

Section 2.2 Transfer of Membership. Membership in the Corporation is not transferable or assignable.

Section 2.3 Rights and Powers of Members. Members of the Corporation shall have such rights and powers as are set forth in the Articles of Incorporation of the Corporation and in these Bylaws, as amended, and by the laws of the State of Colorado, including the power:

- (a) to elect directors of the Corporation;
- (b) to approve certain Bylaws amendments pursuant to Article XIII below; and
- (c) to vote on all matters where the vote of members with voting rights is required under the Articles of Incorporation of the Corporation, these Bylaws, or the laws of the State of Colorado.

Section 2.4 Annual Meeting. The annual meeting of the Members of the Corporation shall be held in the month of June of each year at the Corporation's corporate office, or at such other location within the District as shall be designated by the Board of Directors. Notice of the date, time and place of such annual meeting, and the names of candidates to fill upcoming vacancies on the Board of Directors, shall be published in at least three (3) newspapers of general circulation in the County once a week for three (3) consecutive weeks, the date of the first publication of such notices being at least thirty (30) days prior to the date of such annual meeting.

The agenda for the annual meeting of the Members shall include:

- (1) Call to order;
- (2) Presentation of approval of minutes of last annual meeting, and of any special meeting held since that meeting;
- (3) Financial report;

- (4) Presentation of the Annual Report of the Board of Directors;
- (5) Election of members of the Board of Directors for the Corporation;
and
- (6) Adjournment.

Section 2.5 Special Meetings. Special meetings of the Members of the Corporation shall be called at any time by the Chairman, by at least three (3) members of the Board of Directors, or upon the written request of at least ten (10) Members.

Notice of the time, date and place of any special meeting shall be by publication in at least three (3) newspapers of general circulation in the County at least ten (10) days prior to the time of such meeting. Such notice shall state the general nature of the business to be considered at such meeting.

The agenda at a special meeting of the Members shall include:

- (1) Call to order;
- (2) Reading of the official call for the meeting;
- (3) Transaction of the business for which the meeting is called; and
- (4) Adjournment.

Section 2.6 Quorum. A quorum for the transaction of business at any meeting of the Members shall consist of not fewer than ten (10) of the Members of the Corporation. If less than a quorum is present at the meeting, the Members present may adjourn the meeting to another date, time and place.

Section 2.7 Resolutions. Unless otherwise provided in the Articles of Incorporation or Bylaws, resolutions shall be adopted and actions taken upon a majority vote of the Members present.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 Composition. Beginning with its organizational meeting on or before July 1, 1996, the Board of Directors of the Corporation shall consist of nine (9) persons. At no time may more than twenty percent (20%) of the Board of Directors be composed of practicing physicians and at no time may a majority of the Board of Directors be composed of publicly elected government officials or appointees thereof. The Board shall use the following criteria in their nomination of replacement Board members pursuant to Section 3.3 of these Bylaws:

- (i) Board members should have strategic experience in industries which have experienced strong paradigm shifts in recent years, for example, banking or education;
- (ii) Board members should have a strong understanding of organizational behavior and development, and of the respective roles of governance and management;
- (iii) The Board of Directors must have a systems-view of its role, be externally-oriented, and must provide visionary, creative and ambitious governance;

(iv) Board members must have or acquire a good understanding of health care issues and events beyond those affecting the community served by the Corporation;

(v) Board members should effectively initiate change as well as respond effectively to change;

(vi) Board members should nurture and embrace a culture in which risk-taking is both acceptable and encouraged;

(vii) The Board of Directors should be action-oriented, nimble and decisive; and

(viii) The composition of the Board of Directors should reflect diversity and demonstrate that diversity can be achieved without sacrificing quality.

Section 3.2 Powers and Duties of the Board of Directors. The policymaking and governing powers of the Corporation shall be vested in the Board of Directors, which, subject to the terms and conditions of that certain Hospital Operating Lease Agreement by and between the Corporation and the District dated as of July 1, 1996 (the "Lease") shall have charge, control, and management of the policies, property, affairs, and funds of the Corporation. The Board of Directors shall have the power and authority to do and perform all acts or functions not inconsistent with these Bylaws or the Articles of Incorporation of the Corporation or with the Lease.

Section 3.3 Election; Vacancies; Terms.

(a) The director(s) named in the Articles of Incorporation and constituting the first Board of Directors shall hold office until the organizational meeting of

the Board of Directors. The directors appointed by the incorporating officer at such organizational meeting shall be divided into the following three (3) classes, with the term of one class expiring each year: there shall be three (3) directors of the first class to hold office for one (1) year; three (3) directors of the second class to hold office for two (2) years; and three (3) directors of the third class to hold office for three (3) years. Beginning seventy-five (75) days prior to the annual meeting of the Board of Directors in June of 1997 (and seventy-five (75) days prior to each annual meeting in June thereafter), the Board of Directors shall cause to be published twice in at least three (3) newspapers of general circulation in the County a notice soliciting individuals who desire to run for election for the Board of Directors in the upcoming election (the "Notice of Solicitation"). All respondents to such Notice of Solicitation shall notify the Board of Directors of their desire to run for election in a manner prescribed by the Board within twenty (20) days of publication of such Notice. The Board of Directors shall publish, pursuant to Section 2.4 above, the names of all respondents to the Notice of Solicitation. At the annual meeting of the Members, the three (3) individuals who receive the greatest number of votes by the Members shall be elected to serve a three (3) year term to succeed those whose terms expire at such annual meeting. All new members of the Board of Directors shall participate in a board orientation process which will enable each individual to be educated about his or her fiduciary and related duties while serving as a director of the Corporation.

(b) Vacancies on the Board of Directors due to death, resignation, or other cause may, but need not, be filled during the year through appointment by

the Board of Directors to fill such vacancy or vacancies until the upcoming annual meeting of the Members, at which time an election shall be held pursuant to the procedures set forth in subsection (a) above to fill the remaining term of such vacant director position.

(c) Each director shall serve a term of three (3) years. No director may serve more than two (2) consecutive three (3) year terms without at least one (1) intervening year following the expiration of second such term.

Section 3.4 Annual Meeting of Board. The annual meeting of the Board of Directors shall be held in June of each year at the principal office of the Corporation, or at such place as may be designated from time to time by the Board of Directors, at such hour as may be designated in the notice for the purpose of appointing the officers for the coming year, as hereinafter provided, and such other matters which may come before the Board.

Section 3.5 Regular Meetings of the Board. In addition to the annual meeting described in Section 3.4, the Board of Directors shall hold regular monthly meetings at least ten (10) times per year at the principal office of the Corporation or such other convenient locations as designated by the Board of Directors. The time and dates for such regular meetings during each year shall be set by the Board at its annual meeting.

Section 3.6 Special Meetings of the Board. Special meetings of the Board of Directors may be called by the Chairperson or the President/CEO. Further, special meetings of the Board of Directors shall be called by the Chairperson within five (5) days of receipt of a written request of at least three (3) Directors.

Section 3.7 Notice of Board Meetings and Waiver of Notice.

Written notice of all meetings of the Board of Directors shall be mailed by first class mail or delivered to each Director at least five (5) days before the date of a regular meeting and at least three (3) days before the date of a special meeting, the latter notice which shall state generally the business to be taken up at the meeting. Attendance at a meeting by a Director shall constitute waiver of notice of that meeting unless he or she attends for the sole purpose of objecting at the commencement of the meeting to the meeting on the grounds of inadequate notice. Any Director may waive notice of any meeting by a written waiver delivered to the Secretary/Treasurer either before or after the meeting. All regular meetings of the Board of Directors shall include in its agenda an open public forum period during which: (i) public input and comments will be solicited regarding the Corporation's operations and activities and (ii) financial reports will be given regarding the financial condition of the Corporation.

Section 3.8 Unanimous Consent Action by Board. Any action by the Board of Directors by unanimous written consent shall be valid if executed as required by the Colorado Nonprofit Corporation Act.

Section 3.9 Quorum at Board Meetings. For all meetings of the Board of Directors (other than for action taken by unanimous written consent), a quorum shall be at least a majority of the members of the Board of Directors then in office. No proxy voting shall be permitted. Directors may participate in and act at any meeting through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can communicate with each

other. Participation in such meeting shall constitute attendance and presence in person at the meeting.

Section 3.10 Manner of Acting. Each director shall have one vote at all meetings of the Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors except as otherwise required by law, by the Articles of Incorporation, or by these Bylaws.

Section 3.11 Removal of Directors. Any director elected or appointed by the Board of Directors who is consistently in violation of the conflict of interest statement or has three unexcused absences from regular Board meetings within the past twelve (12) months may be removed by an affirmative vote of at least two-thirds of the Board of Directors then in office whenever, in its judgment, the best interests of the Corporation would be served thereby; provided, however that such removal shall not affect or limit such director's contract rights, if any.

Section 3.12 Compensation. Members of the Board of Directors and members of all committees of the Board of Directors shall receive no compensation for any services rendered in those capacities. However, nothing contained herein shall be construed to preclude any member of the Board of Directors or member of any Board committee from receiving compensation from the Corporation for other services actually rendered or for expenses incurred for serving the Corporation or in any other capacity.

Section 3.13 Performance Evaluations. At least once each year the Board of Directors will conduct an evaluation of the performance of the President/CEO, the results of which will be reported to him or her with findings or recommendations. At least once each year the Board of Directors will conduct a self-evaluation of the

performance of its directors in accordance with recommendations by the Joint Commission on Accreditation of Healthcare Organizations.

ARTICLE IV

OFFICERS OF THE BOARD OF DIRECTORS

Section 4.1 Election of Board Officers. The officers of the Board of Directors shall be a Chairperson, a Vice Chairperson, and a Secretary/Treasurer, and such other officers who shall be elected by the Board of Directors. None of such offices shall be held by a practicing physician. All Board officers shall be elected at the annual meeting of the Board of Directors for a term of one (1) year, must be members of the Board of Directors and shall serve at the pleasure of the Board of Directors.

Section 4.2 Duties of the Chairperson. The Chairperson shall chair all meetings of the Board of Directors and shall exercise all other duties assigned to him or her under these Bylaws or by a resolution of the Board of Directors. He or she shall be an ex officio voting member of the Executive Committee and an ex officio non-voting member of all other Board committees.

Section 4.3 Duties of the Vice Chairperson. The Vice Chairperson, in the absence of the Chairperson or in the event of the Chairperson's inability or refusal to act, shall have all the power and authority and obligations of the Chairperson. The Vice Chairperson shall also perform such other duties as may be assigned from time to time by the Chairperson or by the Board of Directors. He or she shall be an ex officio voting member of the Executive Committee.

Section 4.4 Duties of the Secretary/Treasurer. The Secre-

tary/Treasurer shall record or cause to be recorded the minutes of the meetings of the Board of Directors in one (1) or more books provided for that purpose, give or cause to be given all notices in accordance with the provisions of these Bylaws or as required by law and be custodian of the corporate records and of the seal of the Corporation. The Secretary/Treasurer also shall have responsibility for and custody of all funds and securities of the Corporation. He or she shall maintain or cause to be maintained the funds of the Corporation in such depositories as shall be designated by the Board of Directors and maintain or cause to be maintained accurate records of all receipts and expenditures of the Corporation. The Secretary/Treasurer shall perform or cause to be performed all the duties incident to the office of Secretary/Treasurer and such other duties as from time to time may be assigned to him or her by the President/CEO or the Board of Directors. If required by the Board of Directors, the Secretary/Treasurer shall give a bond for the faithful discharge of his or her duties in such sum and with such surety or sureties as the Board of Directors shall determine. He or she shall be an ex officio voting member of the Executive Committee.

Section 4.5 Duties of the Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall perform such duties as shall be assigned to them by the Secretary/Treasurer, or by the President/CEO or the Board of Directors. The Assistant Secretaries and Assistant Treasurers may, but need not be, members of the Board of Directors. If required by the Board of Directors, the Assistant Treasurers shall give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board shall determine.

Section 4.6 Vacancies. The Board of Directors may fill a vacancy in any office due to death, resignation, removal, or otherwise at any meeting of the Board of Directors.

Section 4.7 Salaries. Persons serving as officers of the Corporation, other than those who are deemed to be full-time employees of the Corporation, shall receive no salaries or other compensation for the performance of their duties; provided, that any officer who advances his or her own funds to meet expenses in the performance of his or her duties as an officer of the corporation shall be reimbursed therefor.

Section 4.8 Removal. Any officer elected or appointed by the Board of Directors may be removed by an affirmative vote of two-thirds of the Board of Directors then in office whenever, in its judgment, the best interests of the Corporation would be served thereby; provided, however that such removal shall not affect or limit such officer's contract rights, if any.

ARTICLE V

COMMITTEES OF THE BOARD OF DIRECTORS

Section 5.1 Standing Committees. There shall be an Executive Committee, a Joint Conference Committee, and such other standing committees of the Board as may be established from time to time by resolution of the Board of Directors. The Chairperson and President/CEO shall be ex officio, non-voting members of all standing committees except the Executive Committee, in which the Chairperson shall serve as an ex officio, voting member.

Section 5.2 Executive Committee.

(a) The Executive Committee shall consist of the Chairperson, the Vice Chairperson and the Secretary/Treasurer as ex officio voting members thereof.

(b) The Executive Committee shall have and exercise the full authority of the Board of Directors except as otherwise limited by law, the Board of Directors, or these Bylaws. The Executive Committee shall transact the business of the Corporation during the period between meetings of the Board of Directors.

Section 5.3 Joint Conference Committee.

(a) The Joint Conference Committee shall consist of the Executive Committee of the Board, the Medical Executive Committee, and the President/CEO. The Joint Conference Committee's Chair shall be appointed by the Chairperson of the Board, rotating annually between Medical Staff and Board representatives.

(b) The Joint Conference Committee shall:

(i) Keep the Board, Medical Staff, and Hospital administration cognizant of pertinent actions taken or contemplated by the Hospital;

(ii) Consider plans for the future growth of and change in the Hospital organization;

(iii) Discuss and seek solutions of problems that arise in the operation of the Hospital;

(iv) Consider reports on the work of the medical staff and make recommendations which it considers to be in the best interests of the Hospital, and act to review conflicting recommendations; and

(v) Receive Quality Assurance/Performance Improvement reports and make recommendations to the Board and Medical Staff to improve patient care.

The Joint Conference Committee shall meet as often as necessary, but not less than quarterly.

Section 5.4 **Special Committees.** The Board of Directors, by resolution, may designate one or more additional committees, each of which shall consist of two (2) or more directors, and such other persons as the Board of Directors shall designate. The members of each of said committees shall be appointed by the Chairperson or in such other manner as may be provided for in the resolution creating such committee.

Section 5.5 **Quorum.** A majority of all of the voting members of any committee shall constitute a quorum for the transaction of business by such committee; provided, however, that if less than a majority of such members are present at such meeting, the majority of the members present may adjourn the meeting from time to time without further notice.

Section 5.6 **Manner of Acting.** The act of the majority of the members of any committee present at a meeting at which a quorum is present shall be the act of the committee unless a greater number is required by the laws of the State of Colorado.

Section 5.7 **Term of Office.** Each committee member shall serve for such term as may be set forth in the resolution authorizing such committee.

Section 5.8 **Vacancies.** A vacancy in the membership of any committee may be filled by an appointment made in the same manner as an original appointment.

Section 5.9 **Chairpersons.** The resolution authorizing each committee shall designate a member of such committee to serve as chairperson. The person selected to serve as committee chairperson of a standing committee shall be chosen from among the members of the Board of Directors.

Section 5.10 **Advisory Nature of Committee Action.** All actions taken and recommendations made by a committee other than the Executive Committee shall be advisory and shall not have any effect unless they are formally approved by the Board of Directors.

ARTICLE VI

ADMINISTRATION

Section 6.1 **President/CEO.** The Board of Directors shall select and appoint a qualified President/CEO who shall be its direct executive representative in the management of the Corporation's health care facilities. In addition, he or she shall have at least two (2) years of progressive experience as President/CEO or Assistant President/CEO of a health facility. The President/CEO shall be given the necessary authority and responsibility to operate the facility in all its activities and departments, subject only to such policies as may be adopted and such orders as may be issued by the Board of Directors. He or she shall act as the duly authorized representative of the Board of Directors in all matters in which the Board of Directors has not formally

designated some other person to act. The President/CEO shall be evaluated at least annually by the Board of Directors as a whole.

Section 6.2 Authority. The authority and duties of the President/CEO shall include the responsibility to:

- (a) Carry out all policies established by the Board of Directors.
- (b) Prepare an annual budget showing the expected receipts and expenditures, as required by the Board of Directors.
- (c) Develop criteria utilized to select, employ, control, and discharge of all employees, and develop and maintain personnel policies for the Corporation. Criteria utilized in establishing job performance expectations and evaluation indicators will apply to contracted and payroll staff. The criteria for clinical providers shall reflect the skills needed to accomplish age appropriate assessments and treatment plans; such age appropriate assessment and treatment planning criteria shall also be developed, with the collaboration of the Medical Staff for their utilization in evaluation and reporting of competencies.

The President/CEO shall, at least annually, report to the Board of Directors a summary review of all personnel providing patient care services who are not subject to Medical Staff privilege delineation. The review shall report to the Board, by position category, the number of evaluations with detail as to the number meeting satisfactory as well as marginal evaluations. Timeliness of evaluations shall also be included in the annual report to the Board of Directors.

- (d) Maintain physical properties in a good state of repair and operating condition.

(e) Supervise business affairs to ensure that funds are collected and expended to the best possible advantage and submit periodic and special reports to the Board as may be required regarding such, including those attesting to One Level of Care, irrespective of payor source.

ARTICLE VII

MEDICAL STAFF

Section 7.1 Medical Staff Bylaws. The Board of Directors shall see that the Medical Staff operates under the Medical Staff Bylaws which are consistent with the Corporation's policy as well as all other applicable legal or other requirements. The Medical Staff Bylaws and accompanying Rules and Regulations shall be developed and adopted by the Medical Staff and presented to the Board of Directors for review and approval. The Board of Directors shall not unreasonably or without cause delay the adoption of the Medical Staff Bylaws. Medical Staff Bylaws shall be reviewed at least annually by the Medical Staff and this review shall be reported annually to the Board of Directors.

Section 7.2 Privileges. The Board of Directors shall cause the physicians, dentists, oral surgeons and podiatrists who have been granted practice privileges in the Corporation to organize themselves into a Medical Staff under Medical Staff Bylaws approved by the Board of Directors. The Board of Directors shall consider recommendations from the Medical Executive Committee and appoint to the Medical Staff, in numbers not exceeding the Corporation's needs, physicians, dentists, oral surgeons and podiatrists who meet the qualifications for membership as set forth in the

Medical Staff Bylaws. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of their patients, subject to such limitations as are contained in these Bylaws and in the Medical Staff Bylaws, Rules and Regulations and subject, further to any limitations attached to their appointment. Only a member of the Medical Staff with admitting privileges may admit a patient to Corporation. Members of the Medical Staff may practice only within the scope of privileges granted by the Board of Directors. Each patient's medical condition is the responsibility of a qualified physician member of the Medical Staff.

Section 7.3 Applications. Each applicant shall provide in writing, on a form provided by Corporation, at least the following:

(a) Names of at least three (3) professional references, who are familiar with the applicant's current professional qualifications and competence, and only one of whom may be from his/her practice group;

(b) Verified information regarding professional school diploma, post-graduate training, current licenses to practice, DEA (Drug Enforcement Agency) registration, and membership in local, state or national professional societies; and current and former hospital affiliations.

(c) Verified competence for all high risk invasive or cognitive procedures or privileges for which the applicant has applied including a list of all such procedures/cases managed during residency or for the past 2 years for physicians already in practice;

(d) Information as to whether the applicant's professional license or registration in any state or Medical Staff appointment on clinical privileges at

another hospital have ever been, or are under consideration for reduction, revocation, suspension, nonrenewal or voluntary relinquishment for disciplinary reasons, and if applications for staff appointment and/or privileges at other hospitals have been denied, or are under consideration to be denied, revoked or suspended. Any adverse action, pending or past, or any action which could be considered as adverse, shall be disclosed as it is considered relevant;

(e) Information on the applicant's physical and mental health;

(f) Evidence of current professional liability insurance coverage in amounts that may be determined from time to time, and at any time, by the Board, after consultation with the Medical Executive Committee and Medical Staff, and information about any malpractice judgments, suits, claims and settlement;

(g) Any additional information required by the Medical Executive Committee, relevant clinical directors, Medical Staff Committees or Board to adequately evaluate the applicant; and

(h) For applicants with current privileges at other hospitals, a copy of such privileges.

Failure by the applicant to provide truthful, accurate and complete information shall in itself be grounds for denial or revocation of staff membership/appointment and clinical privileges.

No aspect of Medical Staff membership or particular clinical privileges shall be denied on the basis of sex, race, creed, color or national origin or on the basis of any other criteria unrelated to the delivery of quality patient care in the Corporation.

The Corporation or its Medical Staff shall not discriminate with respect to surgical privileges against an individual because of that individual's holding a degree of Doctor of Medicine, Doctor of Osteopathy, Doctor of Dental Science or Doctor of Podiatric Medicine within the scope of their respective licensure.

The Board of Directors shall render a decision on all completed applications within sixty (60) days after the recommendation on the applicant has been submitted to the Board of Directors by the Medical Executive Committee (unless such Committee has made an adverse recommendation and the applicant has exercised his or her right to a hearing).

Section 7.4 Term of Appointment. All initial appointments to the Medical Staff shall be for a period of at least twelve (12) months. Reappointment to the Medical Staff shall be for two (2) years and shall be made by the Board of Directors pursuant to the Reappointment and Renewal of Privileges found in the Medical Staff Bylaws, Rules and Regulations.

The Medical Staff Bylaws shall provide the right to the practitioner to be heard before the Medical Executive Committee if the Medical Executive Committee issues an adverse recommendation or before the Board to discuss a Board decision if the same is adverse to the practitioner. The Board of Directors shall render a decision on all such matters within sixty (60) days after the recommendation comes from the Medical Staff or after the request by the practitioner.

Section 7.5 Corrective Actions. The curtailment, suspension or revocation of clinical privileges of any practitioner appointed to the Medical Staff, or the consideration thereof, shall be by hearing before the Medical Staff or a standing

committee thereby appointed for said purpose or letter of suspension by President/CEO for incomplete charts or any reason making termination necessary. Said hearing shall be upon notice of the practitioner at least seven (7) days in advance of the date of said hearing. The notice shall be in writing and shall contain the following:

- (a) The date, time and place of said hearing.
- (b) A clear and complete statement of the facts which constitute the charges or conduct upon which the curtailment, suspension or revocation is being considered.
- (c) The names and current resident addresses of all persons who may be called to testify or make statements in support of the matters set forth in subparagraph (b) above.
- (d) If any documentary evidence will be presented by the staff or standing committee, then copies of said documents shall be attached to and made part of said notice.

At all such hearings as set forth above, the practitioner whose privileges are being considered shall have the right to appear and be present, to have an attorney of his or her choice appear and be heard, to question any and all persons whose testimony be taken, to present testimony and argument in opposition to the proposed action.

Section 7.6 Appeals. After the Medical Executive Committee has reached its decision and advised the practitioner of the same, said practitioner shall be entitled to request a formal hearing with the Board of Directors of the Corporation. If no

such objections are filed as above provided, the decision of said Medical Executive Committee shall be deemed to be consented to by said practitioner.

At all subsequent Medical Staff meetings, Joint Conference meetings, or meetings of the Board of Directors of the Corporation whereat said decision of the Medical Staff or Committee be reviewed or reconsidered, the practitioner shall or may be present with Counsel, argue and be otherwise heard such that in no event will said practitioner be excluded from any consideration of or action upon his/her privileges.

Section 7.7 Insurance. Each practitioner granted clinical privileges in the Corporation shall maintain in force professional liability insurance in not less than One Million Dollars (\$1,000,000 per occurrence/Three Million Dollars (\$3,000,000) in aggregate or any amount which from time to time may be determined by resolution of the Board of Directors after consultation with the Medical Executive Committee, or provide other proof of financial responsibility in such manner as the Board of Directors may from time to time establish. Subject to the approval of the Board of Directors, the Medical Executive Committee, may for good cause shown by the practitioner, waive these requirements with regard to such practitioner, provided that any such waiver is not granted or withheld on an arbitrary, discriminatory, or capricious basis.

Practitioners employed by the Federal government and whose hospital practice is entirely restricted to office duties that come under the jurisdiction of the Federal Tort Claims Act will be considered to meet the requirements of this section. It is the practitioner's responsibility to provide proof that his or her official duties come under the jurisdiction of this Act. Members of the Medical Staff who do not comply with

this requirement shall have their Medical Staff membership withdrawn until proof of insurance is verified.

ARTICLE VIII

VOLUNTEERS

Section 8.1 **Support.** It shall be the policy of the Corporation to actively support and promote Volunteer Auxiliaries. This policy is undertaken in recognition of the contributions made by volunteers to the Corporation and to its patients.

Section 8.2 **Auxiliaries Bylaws.** The Volunteer Auxiliaries shall adopt Bylaws identifying the goals and objectives of the Auxiliaries and the means for meeting them. These Bylaws shall be subject to approval or revision by the Corporation's Board of Directors.

Section 8.3 **Supervision.** Other volunteers serving the Corporation in any capacity shall do so upon approval of the Board of Directors. The President/CEO shall assume responsibility for assuring that all volunteers serving the Corporation are approved and shall ensure all volunteer groups are appropriately supported and supervised.

ARTICLE IX

CORPORATE SEAL

The Board of Directors shall adopt a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Colorado."

ARTICLE X

FISCAL MATTERS

Section 10.1 Fiscal Year. The fiscal year of the Corporation shall end on the 31st day of December of each year.

Section 10.2 Contracts. The President/CEO, or his or her express designee(s), are authorized by the Board of Directors to execute contracts on behalf of the Corporation. In addition, the Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 10.3 Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. No loan shall be granted to an officer or Director of the Corporation.

Section 10.4 Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the

name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 10.5 Maintenance of Records. The Corporation shall keep correct and complete books and records of account and other records of the activities of the Corporation in accordance with commonly accepted good business standards or as necessary for compliance with legal requirements. All such records shall be open to inspection upon the demand of any member of the Board of Directors.

Section 10.6 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE XI

CONFLICTS OR DUALITY OF INTEREST

Section 11.1 Statement of General Policy. It is natural for both real and apparent conflicts or dualities of interest to sometimes occur in the course of conducting the daily affairs of the Corporation. A conflict or duality of interest is defined as referring only to personal, proprietary interests of the persons covered by this policy and their immediate families and not to philosophical or professional differences of opinion. Conflicts or dualities of interest will occur because the many persons associated with the Corporation should be expected to have and do in fact generally have multiple interests and affiliations and various positions of responsibility within the

community. Sometimes a person will owe identical duties to two (2) or more organizations having similar activities.

Conflicts or dualities of interest are to be avoided because they potentially or apparently place the interests of others ahead of the Corporation's obligations to its corporate purposes and to the public interest. Conflicts or dualities of interest are also undesirable because they often reflect adversely upon the persons involved and upon the institutions with which they are affiliated, regardless of the actual facts or motivations of the parties. However, it is decidedly not in the long-range best interests of the Corporation to terminate or cease all association with persons who may have real or apparent conflicts or dualities of interest if there is a prescribed and effective method of rendering such conflicts harmless to all concerned.

It shall be the policy of the Corporation, therefore, not to preclude dealings with those having actual or apparent conflicts or dualities of interest so long as the same are disclosed promptly and fully to all necessary parties whenever they occur and to prohibit specified involvement by such parties in the affairs of the Corporation.

Section 11.2 Coverage of this Policy. This policy shall apply to all members of the Board of Directors and corporate officers, agents, and employees of the Corporation, including independent contractor providers of services and materials. It shall be the obligation of the Corporation's management to publicize this policy to all such parties on a recurring basis.

Section 11.3 Disclosure of all Conflicts. All members of the Board of Directors and all officers, agents, and employees of the Corporation shall disclose all real or apparent conflicts or dualities of interest which they discover or have brought to

their attention in connection with the Corporation's activities. "Disclosure" as used in these Bylaws shall mean providing to the appropriate persons a written description of the facts comprising the real or apparent conflict or duality of interest. An annual disclosure statement shall be circulated to directors, officers, and certain identified agents and employees to assist them in considering such disclosures, but disclosure is appropriate whenever conflicts or dualities of interest may occur. The written notices of disclosure of conflicts or dualities of interest shall be filed with the President/CEO or any other person designated by him or her from time to time to receive such notifications. All disclosures of real or apparent conflicts or dualities of interest received hereunder shall be noted for record in the minutes of a meeting of the Board of Directors.

Section 11.4 Proscribed Activity by Persons Having Conflicts.

Where an individual director, officer, agent or employee believes that he or a member of his or her immediate family might have or does have a real or apparent conflict or duality of interest, he or she should, in addition to filing the notice of disclosure required under Section 9.3, abstain from making motions, participating in relevant deliberations, voting, executing agreements, attempting to influence others' votes, or taking any other similar direct action on behalf of the Corporation where the conflict or duality of interest might pertain.

ARTICLE XII

INDEMNIFICATION

Section 12.1 Coverage. Any person who at any time serves or has served as a director or officer of the Corporation, or in such capacity at the request of the Corporation for any other corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under an employee benefit plan, shall have a right to be indemnified by the Corporation to the fullest extent permitted by Section 13-21-115.7 of the Colorado Nonprofit Corporation Act or the corresponding provision(s) of any successor statute or law against (a) reasonable expenses, including reasonable attorneys' fees, actually incurred by him or her in connection with any threatened, pending or completed action, suit or proceedings and any appeal thereof, whether civil, criminal, administrative or investigative, and whether or not brought by or on behalf of the Corporation, seeking to hold him or her liable by reason of the fact that he or she is or was acting in such capacity, and (b) reasonable payments made by him or her in satisfaction of any judgment, money decree, fine (including, without limitation, an excise tax assessed with respect to an employee benefit plan), penalty or settlement for which he or she may have become liable in any such action, suit or proceeding.

Section 12.2 Payment. Expenses incurred by such person may be paid in advance of the final disposition of such investigation, action, suit or proceeding upon receipt of any undertaking by or on behalf of such person to repay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation under the laws of the State of Colorado.

Section 12.3 Evaluation. The Board of Directors of the Corporation shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this Article XII, including without limitation, to the extent needed, making a good faith evaluation of the manner in which the claimant for indemnity acted and of the amount of indemnity due him or her and giving notice to, and obtaining approval by, the Corporation.

Section 12.4 Consideration. Any person who at any time after the adoption of this Article XII serves or has served in any of the aforesaid capacities for or on behalf of the Corporation shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein. Such right shall inure to the benefit of the legal representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from the provision of this Article XII. Any repeal or modification of these indemnification provisions shall not affect any rights or obligations existing at the time of such repeal or modification.

Section 12.5 Insurance. The Corporation shall have the power, by resolution of the Board of Directors, to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of any other Corporation, partnership, joint venture, trust or other enterprise, or as a trustee or administrator under an employee benefit plan, against any liability asserted him or her and incurred by him or her in such capacity, or arising out of his or

her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability.

Section 12.6 Non-Exclusivity of Rights. The right of indemnification hereinabove provided shall be in addition to other rights of indemnification permitted by applicable law, and shall not be exclusive of any rights to which any such director, officer, employee or agent may otherwise be entitled under any Bylaws, agreement, vote of the Board of Directors or otherwise with respect to any liability or litigation expenses arising out of his or her activities in such capacity.

ARTICLE XIII

AMENDMENTS

The Articles of Incorporation and these Bylaws may be amended by the affirmative vote of two-thirds of the Board of Directors then in office; provided, however, that any proposed amendment to the Articles of Incorporation or to these Bylaws which, if adopted, would revise or modify the number, composition or manner of election of the Members of the Board of Directors also shall require the affirmative vote of the Members at a duly called annual or special meeting thereof.

RESOLUTION NO. 96-2

Shall Montezuma County Taxes Be Increased By A One (1%) Percent Sales And Use Tax Beginning January 1, 1997, Which Is Estimated To Generate The First Full Fiscal Year Maximum Increase Of Revenue In The Amount Of \$1,400,000 And Annually Thereafter, More Or Less, Said Sales Tax To Be Imposed On The Sale Of Tangible Personal Property At Retail And On The Furnishing Of Services In Montezuma County, Said Tangible Personal Property And Services Shall Be The Same As The Tangible Personal Property And Services Taxable Pursuant To 39-26-104, C.R.S., And Exempting Therefrom Sales And Purchases Of Certain Items, Including, But Not Limited To, Food, Fuel And Energy For Residential Light, Heat And Power, And Machinery And Machine Tools, And Said Use Tax Shall Be Imposed On The Storing, Using Or Consuming In Montezuma County Any Motor And Other Vehicles Purchased At Retail Outside Montezuma County On Which Registration Is Required, Except That Said Use Tax Shall Not Apply As Provided In 29-2-109, C.R.S., Said Revenue To Be Allocated And Expended Fifty-five (55%) Percent For County Road And Bridge Construction And Maintenance Purposes, Thirty-Six (36%) Percent For Law Enforcement-Crime Prevention And Justice Building - Jail And Communications-Dispatch Purposes, And Nine (9%) Percent For Other County Purposes Such As The County Clerk And Recorder's Office And The Treasurer's Office And Administration Generally, And The Revenue And Spending Limits Of Art. 10, §20, Colorado Constitution, Or Any Other Law Shall Not Apply To Or Limit Said Tax And Revenue Therefrom Or Expenditure Thereof And Said Revenue And Expenditures Shall Not Be Included In Any Revenue And Spending Limitation And Shall Be Collected And Spent Without Limitation Or Condition Except As Herein Provided.

WHEREAS, actual revenue to Montezuma County in 1992 was \$9,931,390 and spending was \$9,995,472, in 1993 revenue was \$9,989,228 and spending was \$9,757,305, in 1994 revenue was \$10,139,424 and spending was \$10,779,574, in 1995 revenue was \$9,734,456 and spending was \$9,696,190, and the estimated revenue for 1996 is \$10,027,361 and estimated spending is \$10,071,732. The overall percentage and dollar change in spending is 7.63% or \$76,260.

AND WHEREAS, it is further estimated that without the revenue proposed by this Resolution that fiscal year 1997 revenue and spending will be approximately \$10,000,000, and that the estimated first full fiscal year maximum increase of revenue generated by this sales and use tax would be \$1,400,000 and annually thereafter, more or less.

AND WHEREAS, said increase of revenue is necessary for Montezuma County road and bridge construction and maintenance purposes, and law enforcement-crime prevention and Justice Building-jail and communications-dispatch purposes, and other county purposes such as the County Clerk and Recorder's office and the Treasurer's office and administration generally.

AND WHEREAS, Montezuma County is authorized to levy a county sales tax and use tax in accordance with 29-2-101, C.R.S., et seq.;

AND WHEREAS, no proposal for a county sales tax and use tax shall become effective until approved by a majority of the registered electors of the county voting on such proposal pursuant to section 29-2-104, C.R.S.;

NOW THEREFORE BE IT RESOLVED by the Board of County Commissioners of Montezuma County that the following proposal for a county wide sales tax and use tax is hereby referred to the registered electors of Montezuma County:

1. The amount of tax shall be one (1 %) percent and all revenue received by Montezuma County from said tax shall be allocated and expended as follows:

(a) Fifty-five (55 %) percent for county road and bridge construction and maintenance purposes.

(b) Thirty-six (36 %) percent for law enforcement - crime prevention and Justice Building - jail and communications-dispatch purposes.

(c) Nine (9 %) percent for other county purposes, such as the County Clerk and Recorder's Office and the Treasurer's Office and administration generally.

2. Description of the sales tax

(a) Approval by the registered electors shall impose a sales tax in the amount of one (1 %) percent on the sale of tangible personal property at retail or the furnishing of services, as provided in paragraph (d) of this subsection, in Montezuma County.

(b) For the purpose of this sales tax proposal, all retail sales are consummated at the place of business of the retailer unless the tangible personal property sold is delivered by the retailer or his agent to a destination outside the limits of Montezuma County or to a common carrier for delivery to a destination outside the limits of Montezuma County. The gross receipts from such sales shall include delivery charges when such charges are subject to the state sales and use tax imposed by article 26 of title 39, C.R.S., regardless of the place to which delivery is made. If a retailer has no permanent place of business in Montezuma County, or has more than one place of business, the place at which the retail sales are consummated for the purpose of a sales tax imposed hereby shall be determined by the provisions of article 26 of title 39, C.R.S., and by rules and regulations promulgated by the department of revenue.

(c) The amount subject to tax shall not include the amount of any sales or use tax imposed by article 26 of title 39, C.R.S.

(d) The tangible personal property and services taxable pursuant hereto shall be the same as the tangible personal property and services taxable pursuant to section 39-26-104, C.R.S., and subject to the same exemptions as those specified in section 39-26-114, C.R.S., except 39-26-114(18), C.R.S. Sales of food, as defined in section 39-26-102(4.5), C.R.S., shall be exempt. Purchases of machinery or machine tools as provided in section 39-26-114(11), C.R.S., shall be exempt. And the sales and purchases of those items in section 39-26-114(1)(a)(XXI), C.R.S., shall be exempt, said items being electricity, coal, wood, gas, fuel oil, and coke sold, but not for resale, to occupants of residences, whether owned, leased, or rented by said occupants, for the purpose of operating residential fixtures and appliances which provide light, heat, and power for such residences. "Gas" includes natural, manufactured, and liquefied petroleum gas.

(e) All sales of personal property on which a specific ownership tax has been paid or is payable shall be exempt from said sales tax when such sales meet both the following conditions:

(I) The purchaser is a nonresident of or has his principal place of business outside of Montezuma County; and

(II) Such personal property is registered or required to be registered outside the limits of Montezuma County under the laws of this state.

(f) The seven percent limitation provided in section 29-2-108, C.R.S., will be exceeded by one-half percent in the City of Cortez, and by one-half percent in the Town of Dolores, and by zero percent in the Town of Mancos.

(g) That a vendor's fee for the collection of said sales tax shall be allowed pursuant to 39-26-105, C.R.S.

3. Description of the use tax

Approval by the registered electors shall impose a use tax in the amount of one (1%) percent on the storing, using or consuming in Montezuma County any motor and other vehicles purchased at retail outside Montezuma County on which registration is required.

(a) Said use tax shall not apply to the storage, use, or consumption of any tangible personal property the sale of which is subject to a retail sales tax imposed by Montezuma County.

(b) Said use tax shall not apply to the storage, use, or consumption of any tangible personal property purchased for resale in Montezuma County, either in its original form or as an ingredient of a manufactured or compounded product, in the regular course of business;

(c) Said use tax shall not apply to the storage, use, or consumption of tangible personal property brought into Montezuma County by a nonresident thereof for his own storage, use, or consumption while temporarily within Montezuma County; however, this exemption does not apply to the storage, use, or consumption of tangible personal property brought into this state by a nonresident to be used in the conduct of a business in this state;

(d) Said use tax shall not apply to the storage, use, or consumption of tangible personal property by the United States government, or the state of Colorado, or its institutions, or its political subdivisions in their governmental capacities only or by religious or charitable corporations in the conduct of their regular religious or charitable functions;

(e) Said use tax shall not apply to the storage, use, or consumption of tangible personal property by a person engaged in the business of manufacturing or compounding for sale, profit, or use any article, substance, or commodity, which tangible personal property enters into the processing of or becomes an ingredient or component part of the product or service which is manufactured, compounded, or furnished and the container, label, or the furnished shipping case thereof;

(f) Said use tax shall not apply to the storage, use, or consumption of any article of tangible personal property the sale or use of which has already been subjected to a legally imposed sales or use tax of another county equal to or in excess of that imposed hereby. A credit shall be granted against the use tax imposed hereby with respect to a person's storage, use, or consumption in the subsequent county of tangible personal property purchased by him in a previous county. The amount of the

credit shall be equal to the tax paid by him by reason of the imposition of a sales or use tax of the previous county on his purchase or use of the property. The amount of the credit shall not exceed the tax imposed hereby.

(g) Said use tax shall not apply to the storage, use, or consumption of tangible personal property and household effects acquired outside Montezuma County and brought into it by a nonresident acquiring residency;

(h) Said use tax shall not apply to the storage or use of a motor vehicle if the owner is or was, at the time of purchase, a nonresident of Montezuma County and he purchased the vehicle outside of Montezuma County for use outside the county and actually so used it for a substantial and primary purpose for which it was acquired and he registered, titled, and licensed said motor vehicle outside Montezuma County;

(i) Said use tax shall not apply to the storage, use, or consumption of any construction and building materials and motor and other vehicles on which registration is required if a written contract for the purchase thereof was entered into prior to the effective date of such use tax;

(j) Said use tax shall not apply to the storage, use, or consumption of any construction and building materials required or made necessary in the performance of any construction contract bid, let, or entered into at any time prior to the effective date of such use tax.

(k) That the Montezuma County Clerk and Recorder shall collect said use tax for Montezuma County and that no registration shall be made of any motor or other vehicle for which registration is required, and no certificate of title shall be issued for such vehicle by the Department of Revenue or its authorized agents until any tax due upon the use, storage, or consumption thereof pursuant to this resolution has been paid. Said Montezuma County Clerk and Recorder may enter into agreements with the Colorado Department of Revenue for the collection of said tax.

4. That the revenue and spending limits of Art. 10, §20, Colorado Constitution, or any other law shall not apply to or limit said sales and use tax and revenue therefrom or expenditure thereof and said revenue and expenditures shall not be included in any revenue and spending limitation and shall be collected and spent without limitation or condition except as herein provided.

5. This proposal shall be submitted at the next regular general election to be held on November 5, 1996, under the following ballot title:

SHALL MONTEZUMA COUNTY TAXES BE INCREASED BY A ONE (1%) PERCENT SALES AND USE TAX BEGINNING JANUARY 1, 1997, WHICH IS ESTIMATED TO GENERATE THE FIRST FULL FISCAL YEAR MAXIMUM INCREASE OF REVENUE IN THE AMOUNT OF \$1,400,000 AND ANNUALLY THEREAFTER, MORE OR LESS, SAID SALES TAX TO BE IMPOSED ON THE SALE OF TANGIBLE PERSONAL PROPERTY AT RETAIL AND ON THE FURNISHING OF SERVICES IN MONTEZUMA COUNTY, SAID TANGIBLE PERSONAL PROPERTY AND SERVICES SHALL BE THE SAME AS THE TANGIBLE PERSONAL PROPERTY AND SERVICES TAXABLE PURSUANT TO 39-26-104, C.R.S., AND EXEMPTING THEREFROM SALES AND PURCHASES OF CERTAIN ITEMS, INCLUDING, BUT NOT LIMITED TO, FOOD, FUEL AND ENERGY FOR RESIDENTIAL LIGHT, HEAT AND POWER, AND MACHINERY AND MACHINE TOOLS, AND SAID USE TAX SHALL BE IMPOSED ON THE STORING, USING OR CONSUMING IN MONTEZUMA COUNTY ANY MOTOR AND OTHER VEHICLES PURCHASED AT RETAIL OUTSIDE MONTEZUMA COUNTY ON WHICH REGISTRATION IS REQUIRED, EXCEPT THAT SAID USE TAX SHALL NOT APPLY AS PROVIDED IN 29-2-109, C.R.S., SAID REVENUE TO BE ALLOCATED AND EXPENDED FIFTY-FIVE (55%) PERCENT FOR COUNTY ROAD AND BRIDGE CONSTRUCTION AND MAINTENANCE PURPOSES, THIRTY-SIX (36%) PERCENT FOR LAW ENFORCEMENT-CRIME PREVENTION AND JUSTICE BUILDING - JAIL AND COMMUNICATIONS-DISPATCH PURPOSES, AND NINE (9%) PERCENT FOR OTHER COUNTY PURPOSES SUCH AS THE COUNTY CLERK AND RECORDER'S OFFICE AND THE TREASURER'S OFFICE AND ADMINISTRATION GENERALLY, AND THE REVENUE AND SPENDING LIMITS OF ART. 10, §20, COLORADO CONSTITUTION, OR ANY OTHER LAW SHALL NOT APPLY TO OR LIMIT SAID TAX AND REVENUE THEREFROM OR EXPENDITURE THEREOF AND SAID REVENUE AND EXPENDITURES SHALL NOT BE INCLUDED IN ANY REVENUE AND SPENDING LIMITATION AND SHALL BE COLLECTED AND SPENT WITHOUT LIMITATION OR CONDITION EXCEPT AS HEREIN PROVIDED.

YES _____

NO _____

A voter desiring to vote for this proposal shall make a cross mark (X) in the blank space to the right and opposite the word "yes"; a voter desiring to vote against this proposal shall make a cross mark (X) in the blank space to the right and opposite the word "no".

6. Upon approval by a majority of the registered electors voting thereon at said election, this proposal for a sales tax and use tax shall be effective throughout the incorporated and unincorporated portions of Montezuma County on January 1, 1997.

7. That this resolution and the sales and use tax provided for herein shall conform to the constitutional and statutory provisions cited herein and as amended hereafter.

8. If any provision of this resolution or the application thereof is held invalid, such invalidity shall not affect other provisions or applications of this resolution that can be given effect without the invalid provision or application, and to this end the provisions of this resolution are declared to be severable.

9. The Montezuma County Clerk and Recorder shall publish the text of this proposal as provided in 29-2-104(5), C.R.S., and the Montezuma County Clerk and Recorder shall be the "designated election official" responsible for the running of said election.

This Resolution is adopted this 26 day of August, 1996, at 10:00 o'clock A m.

BOARD OF COUNTY COMMISSIONERS
OF MONTEZUMA COUNTY, COLORADO

Thomas K. Colbert
Helen M. McClellan
Eugene Story

Commissioners voting aye in favor of this Resolution were:

Thomas K. Colbert, Helen M. McClellan and
H. Eugene Story.

Commissioners voting no against this Resolution were:

_____, _____ and
_____.



Helda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF MONTEZUMA
STATE OF COLORADO

At a regular meeting of the Board of County Commissioners of Montezuma County, Colorado, duly convened and held the 12th day of August, 1995, with the following persons in attendance:

Commissioners:	Thomas K. Colbert, Helen McClellan, and G. Eugene Story
Commissioners absent:	<i>G. Eugene Story</i>
County Administrator:	Thomas J. Weaver
County Attorney:	Bob Slough
Clerk and Recorder:	Nelda Jenkins, Deputy

the following proceedings, among others, were taken:

Resolution # 1-96

WHEREAS, William Coppinger has been employed by Montezuma County for 50 years, and

WHEREAS, such a long, dedicated service to Montezuma County should be recognized officially by the County, and

WHEREAS, the Montezuma County Board of Commissioners desires to express on behalf of Montezuma County its appreciation for such loyal service.

NOW THEREFORE, BE IT RESOLVED that the Montezuma County Board of Commissioners hereby congratulates and expresses appreciation to William Coppinger for his 50 years of valuable service to the citizens of Montezuma County.

MONTEZUMA COUNTY COMMISSIONERS

Thomas K. Colbert

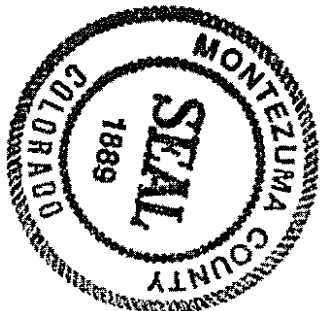
Helen McClellan

and

Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado

I certify that the above Resolution is a true and correct copy of same as it appears in the minutes of the Board of County Commissioners of Montezuma County, Colorado.

(SEAL)



Nelda Jenkins, Deputy
County Clerk and Recorder
Montezuma County, Colorado