NEW ISSUE—-BOOK-ENTRY ONLY **RATING: Moody's: A3**
(See "RATING" herein)

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds issued as Tax-Exempt Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds issued as Build America Bonds is not excluded from gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel, interest on the Bonds, whether issued as Tax-Exempt Bonds or as Build America Bonds, is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

Tulare Regional Medical Center

$8,595,000
TULARE LOCAL HEALTH CARE DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-1 (2009)
(Tax-Exempt)

$61,405,000
TULARE LOCAL HEALTH CARE DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-2 (2009)
(Federally Taxable-Direct Payment Build America Bonds)

Dated: Date of Delivery **Due: August 1 as shown below**

The issuance of general obligation bonds in an aggregate amount not to exceed $85,000,000 by the Tulare Local Health Care District (the "District") was authorized at an election of the registered voters of the District held on September 13, 2005, by approximately 83% of the persons voting on the measure. Pursuant to the laws of the State of California (the "State") and a resolution of the District, the District issued an initial series of such bonds in the amount of $15,000,000 on August 21, 2007, and the District is issuing the Bonds as its general obligation bonds in two final series authorized in the aggregate amount of $70,000,000. See "THE BONDS—Authority for Issuance" herein.

The Bonds are being issued (i) as Tax-Exempt Bonds, designated as Series B-1, the interest on which is excluded from gross income for purposes of federal income taxation and (ii) as "Direct Payment Build America Bonds," designated as Series B-2, under the provisions of the American Recovery and Reinvestment Act of 2009 ("Build America Bonds"), the interest on which is not excluded from gross income for purposes of federal income taxation. See "LEGAL MATTERS-Tax Matters" herein. With respect to the Build America Bonds, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such Bonds. See "THE BONDS-Build America Bonds." The Tax-Exempt Bonds and the Build America Bonds are referred to herein collectively as the "Bonds."

Proceeds of the Bonds will be used to pay costs related to the construction and equipping of the expansion and renovation of the District's Hospital (defined herein) located in the city of Tulare, California. See "THE PROJECT" herein.

The Bonds represent the general obligation of the District. The District is empowered and obligated to cause to be levied *ad valorem* taxes, without limitation of rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of interest on and principal of the Bonds when due. Tulare County will collect all *ad valorem* taxes due the District, and pursuant to agreement will disburse them to the Paying Agent (defined below) to be applied to the payment of principal of and interest on the Bonds.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Bonds purchased by them. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry System" herein.

The Bonds will be sold by the District to the California Municipal Finance Authority for concurrent resale to the Underwriters named below.

The Bonds will be dated the date of their delivery, and will accrue interest from such date, which interest is payable semiannually on each February 1 and August 1, commencing February 1, 2010. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

The Bonds are subject to optional and mandatory redemption prior to their respective maturity dates as described herein. See "THE BONDS—Redemption Provisions" herein.

The following firm served as financial advisor to the District on this financing:

G.L. Hicks Financial, LLC

MATURITIES, PRINCIPAL AMOUNTS, CUSIPS,
INTEREST RATE AND YIELD INFORMATION
(See Inside Cover page)

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain *information essential to the making of an informed investment decision.*

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Quint & Thimmig LLP, Bond Counsel. Certain legal matters will be passed on for the District by its counsel McDougal, Love, Eckis, Smith, Boehmer & Foley, a professional corporation, El Cajon, California. The firm of Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, has acted as disclosure counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 10, 2009.

Edward Jones

Piper Jaffray **Raymond James** **Wells Fargo Institutional Securities, LLC**

The date of this Official Statement is September 1, 2009.

MATURITY SCHEDULE

$8,595,000
TULARE LOCAL HEALTH CARE DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-1 (2009)
(Tax-Exempt)
CUSIP Prefix: 89910N†

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2014	$ 100,000	3.750%	3.410%	BY6	2023	$1,410,000	6.125%	5.190%	CH2
2015	220,000	4.125	3.750	BZ3	2024	1,585,000	6.250	5.280	CJ8
2016	330,000	4.000	4.060	CA7	2025	1,765,000	6.375	5.370	CK5
2022	1,180,000	6.000	5.080	CG4	2026	2,005,000	6.500	5.400	CL3

MATURITY SCHEDULE

$61,405,000
TULARE LOCAL HEALTH CARE DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-2 (2009)
(Federally Taxable-Direct Payment Build America Bonds)
CUSIP Prefix: 89910N†

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2017	$450,000	6.450%	6.200%	CB5	2020	$ 860,000	7.000%	6.750%	CE9
2018	575,000	6.650	6.400	CC3	2021	1,020,000	7.200	6.900	CF6
2019	715,000	6.875	6.600	CD1					

$7,635,000 7.700% Term Bonds due August 1, 2029, Yield 7.400% - CUSIP 89910N CQ2
$10,620,000 7.875% Term Bonds due August 1, 2032, Yield 7.550% - CUSIP 89910N CM1
$14,030,000 7.950% Term Bonds due August 1, 2035, Yield 7.650% - CUSIP 89910N CN9
$25,500,000 8.000% Term Bonds due August 1, 2039, Yield 8.000% - CUSIP 89910N CP4

All maturities of the Bonds (except for 2014 through 2019 and 2039) were priced to the August 1, 2019, par call date.

† CUSIP is a trademark of the Committee on Uniform Security Identification Procedures, the American Banker Association. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such numbers. CUSIP data is provided by Standard & Poor's, a division of the McGraw-Hill Companies, Inc.

TULARE LOCAL HEALTH CARE DISTRICT
TULARE COUNTY, CALIFORNIA
BOARD OF DIRECTORS

Parmod Kumar, M.D., President — Lonnie Smith, M.D., Vice President
Prem Kamboj, M.D., Treasurer — Roger McPhetridge, Secretary
Richard Torrez, Member

DISTRICT SENIOR MANAGEMENT

Shawn Bolouki, Chief Executive Officer
Fred Capozello, Jr., Chief Financial Officer
Patricia Mathewson, Chief Clinical Officer
Viktoria Meyers, Vice President of Business Development
Julie Y. Gresham, Chief Compliance Officer

PROFESSIONAL SERVICES

District Legal Counsel
McDougal, Love, Eckis, Smith, Boehmer & Foley, a professional corporation
El Cajon, California

Disclosure Counsel
Jennings, Strouss & Salmon, PLC
Phoenix, Arizona

Independent Auditors
TCA Partners, LLC
Fresno, California

Bond Counsel
Quint & Thimmig LLP
San Francisco, California

Financial Advisor
G.L. Hicks Financial, LLC
Provo, Utah

Registrar, Transfer and Paying Agent
U.S. Bank National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Resolution. Reference is made to the Resolution, copies of which are available upon request of the District.

Involvement of Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Changes. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Offer and Sale of Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

This Official Statement has been "deemed final" as of its date by the District pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The District has also undertaken to provide continuing disclosure on certain matters, including annual financial information *and specific material events, as more fully described herein under "MISCELLANEOUS - Continuing Disclosure."*

Piper Jaffray & Co., ("Piper") has entered into an agreement (the "Distribution Agreement") with Advisors Asset Management, Inc. ("AAM") for the distribution of certain municipal securities offerings allocated to Piper at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, Piper will share with AAM a portion of the fee or commission, exclusive of management fees, paid to Piper.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY A FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-1 (2009)
(Tax-Exempt)

$61,405,000
TULARE LOCAL HEALTH CARE DISTRICT
(Tulare County, California)
General Obligation Bonds, Election of 2005, Series B-2 (2009)
(Federally Taxable-Direct Payment Build America Bonds)

INTRODUCTION

This Official Statement, including the cover page, the Table of Contents and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery by the Tulare Local Health Care District (the "District") of $8,595,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009) (Tax-Exempt) (the "Tax-Exempt Bonds") and $61,405,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable-Direct Payment Build America Bonds) (the "Build America Bonds" and, collectively, with the Tax-Exempt Bonds, the "Bonds").

The Bonds are being issued (i) as Tax-Exempt Bonds, designated as Series B-1, the interest on which is excluded from gross income for purposes of federal income taxation and (ii) "Direct Payment Build America Bonds," designated as Series B-2, under the provisions of the American Recovery and Reinvestment Act of 2009, the interest on which is not excluded from gross income for purposes of federal income taxation. See "LEGAL MATTERS - Tax Matters" herein. With respect to the Build America Bonds, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on such Bonds. See "THE BONDS—Build America Bonds."

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District and the Health Facilities

The District, a local health care district formed in 1946, is a political subdivision of the State of California, organized pursuant to the Local Health Care District Law (formerly the Local Hospital District Law) as set forth in the California Health and Safety Code. The geographic area that composes the District (which includes the voting residents who elect the District's Board of Directors and passed the District's general obligation bond measure) encompasses approximately 450 square miles in the western portion of Tulare County and includes the city of Tulare and the neighboring unincorporated communities of Woodville, Tipton, Pixley and Waukena. The 2009 population of the city of Tulare and Tulare County is estimated to be approximately 58,000 and 441,000, respectively. The permanent resident population of the District is approximately 95,000. The District owns and operates Tulare Regional Medical Center (the "Hospital"), Evolutions Fitness and Rehabilitation Center, Mineral King Laboratory, Tulare's Pharmacy, three rural health clinics and Tulare Home Care (collectively referred to herein as the "Health Facilities"). See "THE DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein.

The Project

Net proceeds of the Bonds will be used to pay costs related to the construction and equipping of an expansion and renovation of the Hospital. See "THE PROJECT" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District, and the District has the power to levy, and is obligated and covenants to cause to be levied *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation of rate or amount, for the payment when due of the principal of and interest on the Bonds. Tulare County will collect all *ad valorem* taxes due the District, and pursuant to agreement will disburse them directly to the Paying Agent to be applied to the payment of principal of and interest on the Bonds. See "THE BONDS - Security for the Bonds" and "THE DISTRICT" herein.

Description of the Bonds

The Bonds will be dated the date of their delivery, will be in denominations of $5,000 each, or integral multiples thereof, and will bear interest at the rate or rates shown on the cover page hereof, with interest payable semiannually on each February 1 and August 1, commencing February 1, 2010 (each an "Interest Payment Date"), during the term of the Bonds.

The Bonds will be sold by the District to the California Municipal Finance Authority (the "Authority" for immediate re-sale to Edward D. Jones & Co., L.P., Piper Jaffray & Co., Raymond James & Associates and Wells Fargo Institutional Securities, LLC (the "Underwriters"). See "THE AUTHORITY" and "MISCELLANEOUS—Underwriting."

The Bonds will be issued in fully registered form only and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds (the "Beneficial Owners") under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein under "THE BONDS - Book-Entry System."

The Bonds maturing on or after August 1, 2020, may be redeemed prior to maturity at the option of the District beginning on August 1, 2019, and thereafter, at the redemption price of 100% of the par amount of Bonds redeemed. See "THE BONDS - Redemption Provisions" herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, interest on the Bonds issued as Tax-Exempt Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing adjusted current earnings, which is used as an adjustment in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds issued as Build America Bonds is not excluded from gross income for federal income tax purposes. In addition, in the opinion of Bond Counsel, interest on the Bonds, whether issued as Tax-Exempt Bonds or as Build America Bonds, is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Bond Counsel. Bond Counsel will supply a legal opinion approving the validity of the Bonds. See "LEGAL MATTERS - Legal Opinion" herein. U.S. Bank National Association, San Francisco, California, will act as paying agent and registrar for the Bonds (the "Paying Agent"). McDougal, Love, Eckis, Smith, Boehmer & Foley, a professional corporation, El Cajon, California, will act as the District's legal counsel ("District Counsel") and Jennings, Strouss & Salmon, PLC, Phoenix, Arizona, will act as disclosure counsel ("Disclosure Counsel") to the District in connection with the Bonds. G.L. Hicks Financial, LLC, Provo, Utah, will act as financial advisor ("Financial Advisor") to the District for the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry only form will be available for delivery through the facilities of DTC on or about September 10, 2009.

Bondholder's Risks

The Bonds are general obligations of the District and the District has the power and is obligated to cause to be levied and collected by Tulare County (the "County") annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount. For more complete information regarding the District's financial condition and taxation of property within the District, see "DISTRICT FINANCIAL MATTERS" herein.

Recent Material Event

The District has recently entered into a Settlement Agreement with the Federal government over alleged violations of Federal health care programs and has consummated the settlement with payment of the negotiated settlement amount. The Federal government has dismissed this entire action. The District has also settled claims with its former Chief Financial Officer. See "Settlement with United States of America; Settlement with Former CFO" under "THE DISTRICT" for a more complete discussion of these settlements.

Other Information; Continuing Disclosure

This Official Statement speaks only as of its date, and the information contained herein is subject to change. There follows in this Official Statement descriptions of the Bonds, the Resolution (hereinafter defined) and the District. The descriptions and summaries herein of the Official Statement, the Bonds and the Resolution do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally.

The District will undertake, pursuant to the Resolution and a continuing disclosure certificate, annually to provide certain financial information and notices of the occurrence of certain material events. See "MISCELLANEOUS - Continuing Disclosure" herein.

THE BONDS

Authority for Issuance

The Bonds are general obligation bonds issued pursuant to Chapter 4 of Division 23 (commencing with Section 32300) of the California Health and Safety Code and the provisions of a Resolution of the Board of Directors of the District adopted on July 22, 2009 (the "Resolution"). District voters authorized the issuance of $85,000,000 of general obligation bonds by approximately 83% of the votes cast by registered voters residing within the District on September 13, 2005. The Bonds represent the second and final issuance of bonds under such authorization. The District sold $15,000,000 in general obligation bonds on August 7, 2007, which bonds were delivered on August 21, 2007 (the "2007 Bonds").

Description of the Bonds

Interest on the Bonds accrues from the date of delivery and is payable on each Interest Payment Date. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Principal on the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the principal corporate trust office of the Paying Agent. Interest on the Bonds will be paid by check of the Paying Agent mailed to the person registered as the owner thereof as of the 15th day of the month preceding each

Interest Payment Date to the address listed on the registration books of the District maintained by the Paying Agent for such purpose.

See the Maturity Schedule on the cover and "THE BONDS—Debt Service Schedule."

Purpose of the Issue

Proceeds of the Bonds are to be used to pay a portion of the costs of the Project. See "THE PROJECT" herein.

Book-Entry System

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to accurately describe DTC, the method of effecting book-entry transfers of securities distributed through *DTC and certain related matters, but the District and the Underwriters take no responsibility for the accuracy of such statements.*

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such

Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Paying Agent on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, definitive bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event definitive bond certificates will be printed and delivered.

THE DISTRICT, THE UNDERWRITERS AND THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT DTC PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (I) THE BONDS; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT; (III) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION OR PURCHASE PRICE OF AND PREMIUM, IF ANY, AND INTEREST ON THE BONDS; (IV) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC, ANY DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BENEFICIAL OWNERS; (V) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE, CEDE & CO., AS THE REGISTERED OWNER OF THE BONDS.

Investment of District Funds and Bond Proceeds

The proceeds from the sale of the Bonds will be deposited in a Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B (2009) Project Fund (the "Project Fund"), to be held by the District and kept separate and distinct from all other District funds. Bond proceeds will be used for the purpose for which the Bonds are issued. Any excess proceeds of the Bonds not needed for the purpose for which the Bonds are issued will be applied to the payment of principal of and interest on the Bonds.

Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds related to the Bonds, including the payment of Project costs and costs of issuance of the Bonds.

Estimated Sources of Funds:	
Principal Amount of Bonds	$70,000,000
Plus Net Original Issue Premium	1,355,762
Total Sources of Funds	$71,355,762
Estimated Uses of Funds:	
Deposit to Project Fund	$70,000,000
Deposit to Interest and Sinking Fund	54,093
Deposit to Costs of Issuance Fund [1]	260,000
Underwriters' Discount	1,041,669
Total Uses of Funds	$71,355,762

[1] Includes legal, financial advisory, consulting and Paying Agent fees, printing and other costs of issuance.

Build America Bonds

The Bonds designated as Series B-2 are issued as "Direct Payment Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009 (the "Recovery Act"), the District expects to receive a cash subsidy payment from the United States Treasury pursuant to the Recovery Act equal to 35% of the interest payable on such Bonds on or about each Interest Payment Date. The cash payment does not constitute a full faith and credit guarantee of the United States, but is required to be paid by the Treasury under the Recovery Act. Any cash subsidy payments received by the District will be applied as a credit towards the succeeding year's tax levy. The District is obligated to make all payments of principal of and interest on the Bonds whether or not it receives cash subsidy payments pursuant to the Recovery Act. The Build America Bonds are taxable as to the interest payments on those Bonds. See 'LEGAL MATTERS-Tax Matters" herein.

Redemption Provisions

Optional Redemption. Bonds maturing on or after August 1, 2020, are subject to redemption prior to their respective stated maturities, at the option of the District, in whole or in part, on any date on or after August 1, 2019, at redemption prices equal to the par amount of Bonds redeemed, together with accrued interest to the date fixed for redemption.

Mandatory Redemption. Bonds maturing on August 1, 2029, August 1, 2032, August 1, 2035, and August 1, 2039, are subject to mandatory sinking fund redemption prior to maturity in part, by lot or in any customary manner as determined by the Paying Agent, at 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, as shown in the table below under "Debt Service Schedule" in the column designated as "Principal Payment." In the event of any redemption, the Paying Agent will give notice thereof by mailing a copy of the redemption notice by registered mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address shown on the registration books of the District maintained by the Paying Agent, as registrar, not less than thirty (30) nor more than sixty (60) calendar days prior to the redemption date; provided, however, that failure of any owner to receive such notice, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Beneficial Owners of all outstanding Bonds all of the principal of and interest on the Bonds at the times and in the manner provided in the Resolution, or monies and securities are deposited in advance with the Paying Agent sufficient to pay or redeem all outstanding Bonds at a date certain, then such owners shall cease to be entitled to the obligation of the District to cause the County to levy and collect taxes on behalf of the District, and such obligation and all agreements and covenants of the District and of the County to such owners under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that in the event of the advance deposit of monies and securities the District shall remain liable for payment of all principal, interest and premium, if any, on the Bonds, but only out of monies or securities on deposit with the Paying Agent.

Debt Service Schedule

The following table summarizes the annual debt service requirements for the Bonds, debt service on the 2007 Bonds and the aggregate debt service for both bond issues.

Year Ending (August 1)	Bonds Principal Payment	Bonds Interest Payment[(1)]	Bonds Total Debt Service	2007 Bonds Total Debt Service	Aggregate Debt Service On Bonds and 2007 Bonds
2010	—	$3,267,401.23	$3,267,401.23	$ 733,137.50	$4,000,538.73
2011	—	3,664,375.22	3,664,375.22	733,137.50	4,397,512.72
2012	—	3,664,375.22	3,664,375.22	748,137.50	4,412,512.72
2013	—	3,664,375.22	3,664,375.22	762,537.50	4,426,912.72
2014	$ 100,000.00	3,664,375.22	3,764,375.22	776,337.50	4,540,712.72
2015	220,000.00	3,660,625.22	3,880,625.22	794,537.50	4,675,162.72
2016	330,000.00	3,651,550.22	3,981,550.22	811,937.50	4,793,487.72
2017	450,000.00	3,638,350.22	4,088,350.22	828,537.50	4,916,887.72
2018	575,000.00	3,619,483.96	4,194,483.96	844,337.50	5,038,821.46
2019	715,000.00	3,594,629.60	4,309,629.60	864,181.25	5,173,810.85
2020	860,000.00	3,562,678.02	4,422,678.02	882,806.25	5,305,484.27
2021	1,020,000.00	3,523,548.02	4,543,548.02	900,368.75	5,443,916.77
2022	1,180,000.00	3,475,812.02	4,655,812.02	916,618.75	5,572,430.77
2023	1,410,000.00	3,405,012.02	4,815,012.02	956,775.00	5,771,787.02
2024	1,585,000.00	3,318,649.52	4,903,649.52	999,400.00	5,903,049.52
2025	1,765,000.00	3,219,587.02	4,984,587.02	1,044,550.00	6,029,137.02
2026	2,005,000.00	3,107,068.26	5,112,068.26	1,087,000.00	6,199,068.26
2027	2,275,000.00*	2,976,743.26	5,251,743.26	1,136,750.00	6,388,493.26
2028	2,525,000.00*	2,862,879.50	5,387,879.50	1,185,750.00	6,573,629.50
2029	2,835,000.00	2,736,503.26	5,571,503.26	1,236,000.00	6,807,503.26
2030	3,165,000.00*	2,594,611.50	5,759,611.50	1,287,250.00	7,046,861.50
2031	3,555,000.00*	2,432,603.08	5,987,603.08	1,379,250.00	7,366,853.08
2032	3,900,000.00	2,250,631.50	6,150,631.50	1,474,750.00	7,625,381.50
2033	4,270,000.00*	2,051,000.26	6,321,000.26	1,578,250.00	7,899,250.26
2034	4,670,000.00*	1,830,348.00	6,500,348.00	1,694,000.00	8,194,348.00
2035	5,090,000.00	1,589,025.76	6,679,025.76	1,821,000.00	8,500,025.76
2036	5,575,000.00*	1,326,000.00	6,901,000.00	1,953,250.00	8,854,250.00
2037	6,070,000.00*	1,036,100.00	7,106,100.00	2,100,000.00	9,206,100.00
2038	6,615,000.00*	720,460.00	7,335,460.00	—	7,335,460.00
2039	7,240,000.00	376,480.00	7,616,480.00	—	7,616,480.00

(1) A portion of the interest payment on Build America Bonds will qualify for a cash subsidy paid by the United States Treasury to the District. The interest payment identified in this column is net of this cash subsidy.
* Mandatory sinking fund payment

Registration

The Bonds are to be issued as fully registered Bonds payable to the registered owners thereof. Transfer of ownership of a fully registered Bond or Bonds shall be made by exchanging the same for a new registered Bond or Bonds of the same maturity and in the same aggregate principal amount. All of such exchanges shall be made in such manner and upon such reasonable terms as may from time to time be determined and prescribed by the District. While the Bonds are in book-entry form, the Bonds will be registered in the name of Cede & Co., as nominee for DTC or in the name of any successor securities depository. See "THE BONDS - Book-Entry System" herein.

Security for the Bonds

The Bonds are general obligations of the District and the District has the power and is obligated to cause to be levied and collected by the County annual *ad valorem* taxes for payment when due of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates) without limitation as to rate or amount.

THE PROJECT

The District has embarked upon the development of a facility Master Plan approved by its Board of Directors in mid 2007. The facility Master Plan contemplates the construction of a new 120,000 square foot tower connecting to the southern wall of the existing Hospital building. This new tower will include a full basement, an 11,000 square foot, 24-bed emergency department, new diagnostic imaging department and associated equipment, 16-bed obstetrics unit, 5 surgery suites, 26 new private patient rooms and a helipad on the fourth floor roof (the "Project").

The construction of the planned addition to and renovation of, the existing Hospital facility will occur over a period of approximately 27 months, commencing in March of 2010. The entire Project is estimated to cost approximately $120,000,000 and is expected to be finished in June of 2012. The Project is being designed to incorporate alternative approaches to reduce its cost by approximately $17,000,000, thus reducing the total cost to $103,000,000. Included in these cost estimates is an approximate $8,500,000 owner contingency. The costs of construction will be financed through a combination of proceeds of the Bonds, proceeds from the 2007 Bonds, operating income and cash reserves of the District. The District also anticipates receiving some contributions from the community. The possibility of issuing revenue bonds or seeking voter approval for the issuance of additional general obligation bonds is also being considered by the District to meet the costs of the Project.

The Project architect is The Christiansen Group, Inc. of Visalia, California (the "Architects"). The firm was formed in 2005 and has completed other healthcare projects in California. The Architects employ 7 people. Their hospital clients include Kaiser Hospital, Fresno, California; Kaweah Delta District Hospital, Visalia, California; Sierra View District Hospital, Porterville, California and Hanford Community Medical Center, Hanford, California. Harris & Associates, a Project Management firm, has been hired by the District to work with the Architects and other consultants on the Project. Harris & Associates is charged with coordinating the Project activities while maintaining the Project on schedule, perfecting building entitlements and evaluating constructability of the Project. Cummings Corporation will provide cost estimation services relating to the Project and other preconstruction services.

STATE CONSTITUTIONAL LIMITATIONS ON DISTRICT REVENUES AND EXPENDITURES

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied and collected by the County for and at the direction of the District. See "THE BONDS – Security for the Bonds" herein. The discussion below highlights certain provisions of the State Constitution which affect the ability of the District and the County to levy and collect taxes. However, these laws do not impose any limitation on the ability of the District and the County to levy and collect taxes for payment of the Bonds, as the tax to be levied by the District and the County was approved by over two-thirds of the District's voters in compliance with the State Constitution and applicable law.

Article XIII A

Article XIII A of the State Constitution, among other things, limits *ad valorem* property taxes on all real property to 1% of the "full cash value" of the property as determined in the 1975-1976 tax year, subject to minimal annual increases and reassessment upon change of ownership and new construction. Article XIII A does, however, permit the imposition of *ad valorem* taxes on real property in excess of the 1% limitation to pay interest and redemption charges (that is, principal) on bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the voters. Principal of and interest on the Bonds will be repaid by such an *ad valorem* property tax on all taxable property within the District.

Article XIII C

Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits any local agency, including the District, from imposing, extending or increasing any special tax without a two-thirds vote of the electorate. It also prohibits any limitation on the initiative power in matters of reducing or repealing local taxes, assessments, fees and charges, and specifically provides that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments.

The initiative power, however, cannot be used to reduce or repeal the authority and obligation to levy taxes pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County with respect to such taxes, which are pledged as security for payment of the Bonds. The State Constitution and the laws of the State impose a mandatory, statutory duty on the District and the County to levy a property tax sufficient to pay debt service on the Bonds coming due in each year. In addition, legislation adopted in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security, including the Bonds, assumes the risk of, or consents to, any initiative measure which would constitute an impairment of contractual rights under the Contracts Clause of the United States Constitution.

Article XIII D

Article XIII D proscribes the imposition of property taxes, assessments, fees and charges to certain limited circumstances, one such circumstance being *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution. The *ad valorem* tax to be levied by the District and the County on all taxable property within the District in order to pay principal of and interest on the Bonds complies with Article XIII A, as described above. Article XIII D also explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

THE DISTRICT

The District is a political subdivision of the State of California, created in 1946 by the Board of Supervisors of Tulare County, California, after a vote of registered voters of the proposed District. The District is organized and operates under the Local Health Care District Law of the State of California, constituting Division 23 of the California Health and Safety Code ("District Law"). The District is located on the west side of Tulare County and covers an area of approximately 450 square miles. The population of the District is approximately 95,000 persons.

Cities and communities located within the District's boundaries include the city of Tulare, the communities of Woodville, Tipton, Pixley and Waukena. The District is a political agency and collects operating property tax revenues annually based upon the assessed value of taxable real property located within the District. The District is able to use these operating tax revenues for general operating purposes, although they are not pledged to the Paying Agent for the repayment of the Bonds.

Settlement with United States of America; Settlement with Former CFO

Effective July 20, 2009, the District entered into a Settlement Agreement with the United States of America, acting through the U.S. Department of Justice and on behalf of the Office of Inspector General of the Department of Health and Human Services and with Lucy Reimche (the "Relator"), who had filed a *qui tam* action against the District in Federal District Court in California in January 2008. The Relator was the former Chief Financial Officer of the District from May 1997 until November 2006.

The subject of the Settlement Agreement concerns conduct by the District during the period January 1, 2001, through December 31, 2007, alleged to have involved the District furnishing to physicians remuneration and financial incentives to induce referrals from those physicians to the Hospital in violation of the Federal Stark and anti-kickback statutes. As a result, the United States contended that the District submitted false claims for payment under the Medicare program for patient care following from those referrals. The specific conduct alleged to be in violation included various office and equipment leasing arrangements between the District and physicians and/or physician groups, commercial lot sales by the District to various physicians, and the forgiveness of certain physician debts to the District.

The District disputed that any of the conduct violated Federal law, and the Settlement Agreement expresses that the agreement to settle is neither an admission by the District of liability for such conduct nor a concession by the United States that its claims are not well-founded. Settlement in this case was, in the District's judgment, necessary to avoid delay, uncertainty and the expense of protracted litigation.

Pursuant to the terms of the Settlement Agreement the District paid the United States the sum of $2,411,030.14 and the United States agreed to pay Relator $506,316.33. In consideration of those payments the United States released the District and its current and former officers and directors from civil and administrative claims arising out of the conduct alleged to be in violation of Federal law. The Relator released the District and its current and former officers and directors from similar claims. The Office of Inspector General of the Department of Human Services agreed to refrain from instituting any action to exclude the District from Federal health care programs because of the subject conduct. Exceptions to the release of the District were taken for criminal liability and other matters the District believes are not a serious threat to the overall effectiveness of the settlement and conclusion of this matter. The District also agreed in the Settlement Agreement to a release of its claims against the United States and the Relator pertaining to this matter. As part of the settlement arrangement the District will review its cost reports and repay the United States and Medi-Cal any unallowable costs (as defined in the Settlement Agreement) related to the settlement for which the District has sought reimbursement. The District estimates that this repayment is not likely to be material.

The United States as part of its settlement with the District required the District to enter into a Corporate Integrity Agreement ("CIA") with the Office of the Inspector General. This is a requirement generally placed on health care providers who enter similar settlements with the United States. The CIA has a term of five years and is designed to ensure that the District complies with and regularly reviews, evaluates and reports on activities that implicate the Stark and anti-kickback statutes. Accordingly, the District has agreed to establish a compliance program which will include, among other items, a compliance officer; a compliance committee; a code of conduct; policies and procedures to maintain compliance; training and education of hospital personnel and physicians on Federal laws affecting the referral, provision and payment of health care services; contracting with an independent review organization to audit the District's compliance with the CIA; reporting regularly to the Office of Inspector General; and maintaining a program to allow disclosure of non-compliance to the District's compliance officer without fear of retaliation. The CIA contains daily fines for failure to comply with the various requirements of the CIA. In the event of such a failure or a material breach of the CIA by the District, the District would be exposed to substantial fines and potential exclusion from all Federal health care programs. The District intends to comply fully with the requirements of the CIA and has commenced implementation of those requirements of the CIA due within 90 days of the July 20, 2009, effective date.

All of the acts alleged by the Relator and called into question by the government took place during the prior administration of the District. No member of senior management of the District who was alleged to have been involved in any of the acts in question during the 2001 through 2007 time period is currently employed by the District.

In a separate settlement, all employment-related claims by the Relator against the District were settled by the payment of $600,000 to the Relator and the District's agreement to reimburse the Relator for the attorneys' fees in the *qui tam* action at no less than $115,000 but no greater than $400,000. The District received a general release of all Relator's claims against the District as part of this separate settlement.

Board of Directors

The District is governed by a Board of Directors (the "Board") that consists of five members, each elected to four-year staggered terms. The Board has ultimate responsibility for quality patient care, District policies, strategic planning, as well as fiduciary responsibility for protecting and enhancing District assets. The Board hires a Chief Executive Officer to manage the District's operations and appoints physicians to an organized medical staff. Regular Board meetings are held monthly and are open to the public pursuant to the Brown Act, California's open meeting law for local governmental agencies such as the District. All members of the Board are elected at large within the District**.** In 2007, a lawsuit was filed against the District, challenging the election of members of the Board on an "at large" basis, alleging that it violates the Federal Voting Rights Act (42 U.S.C. sec. 1973) and the California Voting Rights Act (California Elections Code sections 14025 *et seq.*). Should the challenge of "at large" elections be successful, the District would be required to implement elections of Board members by zones or districts. The District believes that even if members of the Board are elected by zones or districts, such a change would not have a material financial effect on operations of the District.

The current members of the Board, including their titles, occupations, dates on which their current terms expire and total years as Board members, are set forth in the following table:

Name and Title	Occupation	Term in Office Expires	Years as a Board Member
Parmod Kumar, M.D. Chairman/President	Physician	2012	17
Lonnie Smith, M.D. Vice President	Physician	2010	3
Prem Kamboj, M.D. Treasurer	Physician	2010	3
Roger McPhetridge Secretary	Registered Nurse	2012	5
Richard Torrez Member	Educator	2012	1

There are three committees of the Board, each of which consists of two Board members. The District's Chief Executive Officer is permitted to attend these meetings. Special committees may be formed for a specific task by appointment of the Board's President with full Board concurrence. The District's current committees are:

<u>Finance and Audit Committee</u>. This committee oversees the financial management and budget of the District, in consultation with an independent auditor selected by the Board. It consists of two Board members and necessary staff.

<u>Compliance Committee</u>. This committee is responsible for overseeing implementation, execution and effectiveness of the compliance program in ensuring compliance with applicable statutes, regulations and other Federal health care program requirements. It consists of two Board members, the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, general counsel, Compliance Officer and other personnel from relevant functional departments as the committee deems necessary. See also discussion under "THE DISTRICT – Settlement with the United States; Settlement with Former CFO."

<u>Building/Planning/Facilities Committee</u>. This committee oversees the compliance of all agreements related to District assets, including issues of fair market value to protect against gifts of public funds. It also sets lease/rental rates and ensures lessee/tenant compliance with lease/rental agreements and works with the District's architects on master planning and construction projects to develop the Hospital campus. It consists of two Board members and necessary staff.

Ad Hoc or Special committees may be established by the President with the approval of the Board for such special tasks as circumstances warrant. It is the duty of the President to appoint the chairperson and member of each Ad Hoc or Special committee. The Ad Hoc or Special committee shall limit its activities to the accomplishments of the task for which it is appointed and shall not have power to act, except as is specifically conferred by action of the Board. Upon completion of the task for which appointed, such Ad Hoc or Special committee shall stand discharged.

The President appoints no more than two Board members to serve as Board liaisons on the following established and existing Hospital committees: Personnel Committee, Recruitment Committee, Joint Conference Committee and Performance Improvement Committee.

The Board delegates responsibility for the grievance process, as required by the Medicare Conditions of Participation, to the Hospital. A Grievance Committee is responsible for developing/amending policies and procedures for the handling of patient grievances in accordance with legal requirements.

The Hospital and the Health Facilities

The District operates the Hospital, a 112-bed acute care facility (approximately 152,000 square feet) licensed by the State of California Department of Health Services, located in Tulare, California. The original Hospital opened with 74 beds in 1951 on its present eight acre site. In 1962, a 30-bed patient wing was constructed. In 1968, two acute beds and a six-bed intensive care unit were added. A new medical imaging center was completed in 1985. In 1988, the physical therapy department was expanded and in 1989 a two-story building was constructed to house fiscal services departments. In 1995, a third floor addition to the main Hospital building was completed, replacing existing beds with an 8-bed intensive care unit and a step-down intensive care unit.

The Hospital is located in west Tulare County, off Highway 99, between the cities of Fresno and Bakersfield, California. The present complement of licensed beds constitutes the only licensed acute care beds available in the District's primary service area. Approximately 80% of Hospital admissions originate from District residents.

The District continues to be in a growth mode and has completed the following major construction and acquisition projects in 2004 and 2005: (1) construction of a 55,000 square foot medical model health center, named Evolutions Fitness and Rehabilitation Center; (2) the acquisition of a retail pharmacy near the Hospital and (3) the addition of a cardiac catheterization lab.

The District completed the following projects during 2006 and 2007: (1) remodeling of the emergency waiting area; (2) relocation of the home health and sleep lab; (3) remodeling of the South wing into patient rooms; (4) conversion of its facility to permit an electronic medical record system and (5) implementation of the automatic drug dispensing unit to all the nursing floors.

In 2008 and 2009, the District opened three rural health clinics.

The Hospital and all additional health related facilities owned by the District are herein referred to as the "Health Facilities."

Senior Management

The day-to-day operations and management planning for the Health Facilities are handled by the following key administrative staff:

Shawn Bolouki, Chief Executive Officer -- Mr. Bolouki was appointed to the position in March 2008. Mr. Bolouki has nearly 23 years of experience in hospital administration. He was chief executive officer of CHA Hollywood Presbyterian Medical Center, a 434-bed acute care hospital, from 2005 to January 2007, and prior to that he was the Chief Operating Officer from 2001 to 2005. Prior to working at CHA Hollywood Presbyterian Medical Center, Mr. Bolouki was Chief Operating Officer/Chief Executive Officer at LAC+USC Healthcare Network in Los Angeles, California, one of the largest trauma centers in the United States, from May 2001 to November 2001. He also held senior management positions at St. Luke Medical Center in Pasadena, California, Community and Mission Hospitals in Huntington Park, California, and UCSD Health System in La Jolla, California, and San Diego, California. Mr. Bolouki received his Master of Science degree in Hospital Engineering at the University of Giessen in West Germany and an M.B.A. degree at the University of Redlands in Redlands, California. He is a member of the American College of Healthcare Executives.

Fred J. Capozello, Jr., Chief Operating Officer/Chief Financial Officer -- Mr. Capozello was made Chief Operating Officer/Chief Financial Officer in October 2008. Prior to joining the District he served in various executive positions with Fallbrook Hospital, Fallbrook, California, a 140-bed acute care hospital with skilled nursing facilities. His positions with Fallbrook Hospital included chief financial officer, assistant chief executive officer and chief executive officer. His employment at Fallbrook Hospital was from March 2001 through September 2008. From 1990 to 1998 Mr. Capozello served with various California hospitals as chief financial officer. Mr. Capozello received his Bachelor of Science degree in Business Administration from Drexel University, Philadelphia, Pennsylvania, in 1981.

He received his Master of Business Administration degree in Health Care Management from the University of Phoenix in 2006. Mr. Capozello is a certified public accountant and is a member of the American College of Healthcare Executives and the Healthcare Financial Management Association.

Patricia Mathewson, Chief Clinical Officer -- Ms. Mathewson was employed by the District for 27 years, including 22 years as Head of Nursing. She left the District in 1999 and became interim Vice President for Patient Care at Delano Regional Medical Center, where she stayed until March 2004. From January 2005 until June 2005, she served as interim Intensive Care Unit Director at Great River Medical Center in Iowa. Most recently she served as interim Emergency Department Manager at Methodist Charlton Medical Center in Dallas, Texas, a 42-bed emergency department. Ms. Mathewson rejoined the District in 2007.

Viktoria Meyers, Vice President of Business Development -- Ms. Meyers was appointed as Vice President of Business Development in April 2008. Prior to working for the District, she was at Verdugo Hills Hospital in Glendale, California, a 158-bed acute care, hospital as the Vice President of Business Development from 2007 to 2008 and at CHA Hollywood Presbyterian Medical Center in Los Angeles, California, a 434-bed acute care hospital, from 2005 to 2007. She was the Vice President of Business Development at Catholic Healthcare West, Mercy Hospital in Bakersfield, California, a 144-bed acute care hospital, from April 2003 to October 2003. From 1997 to 2003 she was the Administrator of Business Development, Marketing and Public Relations for Fallbrook Hospital in Fallbrook, California, a 140-bed acute and skilled nursing hospital.

July Y. Gresham, Chief Compliance/Quality Officer -- Ms. Gresham started her 23-year career with the Hospital in 1986 and has held several positions within the Hospital. Those positions include: Emergency Medical Technician II from 1986 to 1996; Registered Nurse in ICU from 1997 to 1999; Case Manager from 1999 to 2001; Director of Nursing Float Pool and House Supervisor from 2001 to 2007; Director Risk Management and Quality from October 2007 to May 2008. In May 2008 she was appointed as the Chief Compliance/Quality Officer. Ms. Gresham received 31 hours of education in healthcare compliance in May 2008 in connection with her appointment. Ms. Gresham received her Associates degree and Nursing degree from College of the Sequoias, Visalia, California, in 1996.

Employees

As of July 1, 2009, the District employed approximately 500 full-time equivalent employees. Included in this group are registered nurses, licensed vocational nurses, technicians, specialists, environment and food service personnel, and various management, supervisory and clerical personnel. None of the District's employees are covered by collective bargaining agreements. Management is not aware of any pending union activity at the Health Facilities and believes that relations with its employees are good.

Medical Staff

As of July 1, 2009, the medical staff at the Hospital consisted of 121 physicians (includes 59 active staff). Approximately 83% of the Hospital's active medical staff are board certified. The current medical staff includes 62 physicians who are provisional staff, emergency, courtesy staff or consulting staff members. Active medical staff members are the primary admitters to the Hospital. The Hospital's active medical staff has an average age of 54 years and, management believes, has a strong loyalty to the Hospital as evidenced by the average tenure on the medical staff of approximately 8 years.

Affiliates

Tulare Hospital Foundation. The Tulare Hospital Foundation (the "Foundation") was established in 1987 as an exempt organization under Internal Revenue Service Code Section 501(c)(3) to raise funds to support the operation of the Hospital. The Foundation's bylaws provide that all funds raised, except for funds required for operation of the Foundation, be distributed to or held for the benefit of the Hospital. The Foundation's general funds, which represent the Foundation's unrestricted resources, will be distributed to the District in amounts and in periods determined by the Foundation's Board of Trustees, who may also restrict the use of the general funds for Hospital plant replacement or expansion or other specific purposes. The Foundation has a membership of over 1,500 community members, employees, medical staff and an advisory board of approximately 75 trustees. The Foundation has raised just over $3,000,000 for the District since 1987. The Foundation is not liable with respect to the Bonds.

Tulare Hospital District Auxiliary. The Tulare Hospital District Auxiliary (the "Auxiliary") is a nonprofit organization founded in 1958 to support the charitable purposes of the District. Today, the Auxiliary primarily operates the Hospital Gift Shop and provides services to patients at the Hospital. The Auxiliary has a membership of 42 concerned community members and is governed by a 12-member governing board. The Auxiliary is not liable with respect to the Bonds.

Educational Institutions. The District has established an affiliation with the College of the Sequoias to provide clinical training for registered nurses, licensed vocational nurses and emergency medical technicians. It also provides training for students attending Porterville College's licensed vocational nursing program. These programs assist the District in maintaining a full complement of qualified health care staff.

Other Contracts. The District contracts with various other medical providers for clinical and professional services in the areas of non-invasive cardiology, cardiac catheterization, pathology, anesthesia, emergency medicine and imaging. The District has also affiliated with Broadlane to provide group purchasing services. The District plans for and evaluates potential affiliations as part of its overall strategic planning. No other affiliation agreements are in place and no discussions are occurring with other potential affiliation partners.

Service Area and Competition

The Hospital is the only acute care hospital located within the District's boundaries and within its primary service area. The Hospital's primary service area is comprised of the southwestern portion of Tulare County and includes the city of Tulare and the communities of Woodville, Waukena, Tipton and Pixley. The Hospital serves a semi-rural population with a large percentage of its admissions coming from within its service area. Tulare County is located in central California and has a current population of over 435,000. Approximately 80% of all Hospital admissions originate from residents living within the District's boundaries with only 20% from adjacent areas.

The Hospital's primary competitors include: Kaweah Delta District Hospital, located approximately 15 miles northeast of the Hospital in the city of Visalia; Hanford Community Medical Center, located approximately 25 miles northwest of the Hospital in the city of Hanford; Sierra View District Hospital, located approximately 30 miles southeast of the Hospital in the city of Porterville and Corcoran District Hospital, located approximately 20 miles southwest of the Hospital in the city of Corcoran. The District refers patients to Kaweah Delta District Hospital, Community Regional Medical Center in Fresno, and Children's Hospital of Central California in Madera, as well as other hospitals for services which are not now provided at the Hospital. Services not provided at the Hospital include heart surgery, transplants, neurosurgery and some high intensive infant and children related cases.

Services

The District presently offers a range of inpatient and outpatient care services at the Health Facilities, including basic medical, emergency, surgical and obstetrical services, in addition to its general and administrative services. Medical and surgical services currently provided at the Health Facilities include the following:

<u>Medical Services</u>		
Cardiac Cath Lab	Internal Medicine	Pediatrics
Cardiopulmonary	Laboratory, Clinical Pathology	Pharmacy
CT Scanning	Lithotripsy	Physical Therapy
Diagnostic Radiology	Low Risk Maternity	Pulmonary Testing
Family Practice	Magnetic Resonance Imaging	Respiratory Therapy
General Practice	Mammography	Sleep Lab
Gynecology	Newborn Nursery	Speech Therapy
Hematology	Nuclear Medicine Imaging	Social Services
Intensive Care	Occupational Therapy	Telemetry
		Ultrasound
<u>Surgical Services</u>		
Anesthesiology	General	Gynecology

In addition, the Hospital provides 24-hour emergency medical services with a licensed physician on duty at all times and primary care and urgent care services at its rural health clinics.

Accreditations, Designations and Memberships

The Hospital has been fully accredited since 1951. Its most recent 3-year accreditation from the Joint Commission on Accreditation of Healthcare Organizations and the California Medical Association will expire in April 2012. The Hospital qualifies as a disproportionate share hospital for both Medi-Cal and Medicare purposes. The Hospital is also located in a medically underserved area and in a primary care health professional shortage area. The District is an eligible provider under Medicare, Medi-Cal, Blue Cross and other commercial insurance programs and holds memberships in the California Association of Hospitals and Health Systems, Association of Western Hospitals, Association of California Healthcare Districts, Hospital Council of Northern and Central California, Tulare-Kings Hospital Conference and other professional health care organizations.

Bed Complement

The Hospital has a current licensed capacity of 112 beds. Following completion of the Project, the Hospital's licensed bed capacity is expected to increase to 154 beds. The current and projected future licensed bed count classified by service type is as follows:

Service	Current Licensed Beds	Project Changes to Licensed Beds Additions	Deletions	Projected Licensed Beds
Medical/Surgical	76	40	0	116
Intensive Care	8	0	0	8
Pediatrics	10	0	0	10
Perinatal/Obstetrics	14	16	14	16
Newborn Nursery Intensive Care	4	0	0	4
Total	112	56	14	154

Source: District management and State of California, Department of Public Health License.

Certain Financial Information

The following summaries of statements of revenues, expenses and changes in net assets of the District are qualified by reference to and should be read in conjunction with the District's audited financial statements, including the notes thereto, and Management's Analysis of Financial Performance included below. The statements of revenues and expenses of general funds for the fiscal years ended June 30, 2007 and 2008, are derived from audited financial statements included in APPENDIX B hereto. The statements of revenues and expenses of general funds for the fiscal years ended June 30, 2004, 2005 and 2006, are derived from audited financial statements not included herein.

The following summaries of statements of revenues, expenses and changes in net assets of the District for the twelve months ended June 30, 2009, were derived from unaudited financial statements of the District. These financial statements have been prepared in accordance with generally accepted accounting principles on a basis consistent with the accounting policies reflected in the audited financial statements summarized below. They do not, however, include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited financial statements include all adjustments, consisting primarily of normal recurring accruals, which District management considers necessary for a fair presentation of the results of such period.

	Fiscal Year Ended June 30					
(000s omitted)	**2004** (audited)	**2005** (audited)	**2006** (audited)	**2007** (audited)	**2008** (audited)	**2009** (unaudited)
Net patient service revenue	$48,288	$53,552	$54,869	$56,305	$62,628	$71,375
Other revenue	1,292	3,612	6,583	6,966	6,862	6,400
Total revenue	49,580	57,164	61,452	63,271	69,490	77,775
Total expenses	49,221	55,937	63,443	65,836	70,476	75,620
Operating income (loss)	359	1,227	(1,991)	(2,565)	(986)	2,155
Nonoperating revenues (expenses)	1,572	2,142	2,682	3,061	2,726	2,984
Capital grants and contributions	468	21	44	0	0	194
Intergovernmental transfers	(1,256)	(1,377)	(186)	0	0	0
Increase in net assets	1,143	2,013	549	496	1,740	5,333
Net assets at beginning of year	21,595	22,738	24,751	25,300	25,796	27,536
Net assets at end of the year	$22,738	$24,751	$25,300	$25,796	$27,536	$32,869

Source: Audited and unaudited financial statements of the District, as indicated above.

Total Unrestricted Funds and Days Cash on Hand

The following table provides total unrestricted funds and days cash on hand for the District as of June 30, 2004, through June 30, 2009. Marketable securities are carried at market.

(000s omitted)	As of June 30					
	2004 (audited)	**2005** (audited)	**2006** (audited)	**2007** (audited)	**2008** (audited)	**2009** (unaudited)
Cash and Cash Equivalents	$10,406	$15,262	$ 9,693	$12,357	$15,903	$24,330
Board Designated Funds	10,303	7,428	13,461	9,882	3,833	0
Total Unrestricted Funds	$20,709	$22,690	$23,154	$22,239	$19,736	$24,330
Daily Expenses	$ 128	$ 146	$ 164	$ 173	$ 183	$ 197
Days Cash on Hand(1)	162	155	141	129	107	122

Source: Audited and unaudited financial statements of the District, as indicated above.

(1) Determined by adding cash and cash equivalents plus board designated funds for capital replacement; and dividing that sum by total operating expenses minus depreciation and amortization expenses divided by 365 (daily expenses).

Management's Analysis of Financial Performance

The District's financial condition has improved based on financial statements for the fiscal years ending June 30, 2004, 2005, 2006, 2007 and 2008. Net assets as of June 30, 2004, were $22,738,000; as of June 30, 2005, were $24,751,000; as of June 30, 2006, were $25,300,000; as of June 30, 2007, were $25,796,000; as of June 30, 2008, were $27,536,000, and as of June 30, 2009, were $32,869,245, a 19.4% growth over June 30, 2008.

For the years ended June 30, 2004, 2005, 2006, 2007 and 2008, the District had a total operating revenue increase of $19,910,000, or 28%. In fiscal year 2004, total operating revenues were $49,580,000 and in fiscal year 2008, were $69,490,000. For the period ending June 30, 2009, total operating revenues were $77,775,000 compared to $69,490,000 for the period ending June 30, 2008, an increase of 11%.

The District's tax revenues have increased each year from 2003. In fiscal 2003, the District's tax revenues were $863,000 and in fiscal year 2007, were $1,224,000, an increase of $361,000, or 41%. District taxes through June 30, 2009 were $1,466,620.

The District's cash position was $27,432,000 as of June 30, 2009. The District has $24,330,000 in unrestricted cash reserves and $3,101,000 in bond project funds.

Capital assets, net of accumulated depreciation at June 30, 2003, were $22,211,000 and at June 30, 2008, were $34,933,000, an increase of $12,722,000 or 57%. As capital assets have increased, long-term debt including current maturities has increased $11,986,000 from $22,787,000 at fiscal year end 2003 to $34,773,000 at June 30, 2008.

Through the twelve months ended June 30, 2008, the District's excess of revenues over expenses was $1,741,000. The District's excess of revenues over expenses through June 30, 2009 was $5,138,000, an increase of $3,397,000 or 195% from prior year. The District's labor costs are monitored very closely as resources are focused on patient care units; accordingly, the District's number of full time equivalent employees has decreased due to improved productivity monitoring and cost containment initiatives implemented in fiscal year 2009. The District's numerous capital improvements are expected to increase revenues significantly in future years due to increased volume through better serving the community.

Hospital Utilization

The table below presents selected statistical indicators of inpatient and outpatient activity for the Hospital during the six fiscal years ended June 30, 2004, 2005, 2006, 2007, 2008 and 2009:

	Fiscal Year Ended June 30					
	2004	2005	2006	2007	2008	2009
Licensed Beds	112	112	112	116	116	112
Available Beds	112	112	112	116	116	112
Patient Days	21,527	21,861	20,945	20,020	19,067	20,881
Discharges	6,077	6,419	5,424	5,095	5,230	5,651
Occupancy Percentage (1)	53%	53%	51%	48%	46%	51%
Average Length of Stay (Days)	3.54	3.41	3.86	3.93	3.72	3.69
Emergency Room Visits	28,592	27,464	28,391	28,217	28,990	32,493
Outpatient Visits (2)	61,207	63,058	64,323	68,737	69,049	67,204
Outpatient Surgeries	2,134	2,183	2,006	1,929	1,949	2,160

Source: District records.
(1) Based on available beds.
(2) Exclusive of emergency, outpatient surgery visits and home health visits.

Sources of Patient Service Revenue

The District participates in the Medicare and Medi-Cal programs. The percentage of gross patient revenues derived from Medicare, Medi-Cal and all other sources for each of the past six fiscal years ending June 30, 2009, is set forth below. Because of varying contractual allowances to third-party payors, net patient revenues may not correspond directly to gross patient revenues.

	Fiscal Year Ended June 30					
	2004	2005	2006	2007	2008	2009
Medicare	36%	36%	36%	36%	35%	34%
Medi-Cal	28	28	33	34	33	33
Commercial HMO/PPO Insurance	26	26	22	22	24	25
Self Pay and All Other	10	10	9	8	8	8
Total	100%	100%	100%	100%	100%	100%

Source: District records.

Medicare is a federal program, administered by the Centers for Medicare and Medicaid Services, available to individuals age 65 or over and certain disabled persons. Medicaid is a federal and state program, known as Medi-Cal in California, under which the Hospital furnishes services to program eligible persons.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are generally paid under an outpatient classification system subject to certain limitations.

Medi-Cal inpatient (non-HMO) services rendered at the Hospital are reimbursed based upon reasonable costs. Outpatient services rendered are reimbursed on pre-determined charge screens. The Hospital is paid for cost reimbursement services at an interim rate with final settlement determined after submission of annual cost reports by the District and audits by the Medi-Cal fiscal intermediary. HMO Medi-Cal patient charges are reimbursed on a pre-determined rate and are not subject to cost reimbursement.

Adults who do not meet Medi-Cal eligibility criteria but who are medically indigent, as defined by California law, are eligible for medical services under the state-funded “MIA” program. The County of Tulare administers the MIA program by contracting with providers on the same basis as the Hospital receives reimbursement for Medi-Cal patients. Currently, all hospitals located in Tulare County are MIA contract providers. The MIA contract accounts for approximately 3% of gross patient revenues of the District.

The District has contracts with approximately 15 prepaid plans and preferred provider discount contracts which comprise approximately 30% of its net revenues. Blue Cross and Health Net contract with the District for Medi-Cal managed care patients. Currently, approximately 35% of the Medi-Cal population served by the District has signed up with one of the managed care plans.

Other Information

Public and Professional Liability Insurance Considerations

The District currently carries comprehensive liability insurance through a pooled self-insurance program, insuring the District and all its employees, while acting within the scope of their duties, against malpractice liability with limits of $10,000,000 per claim and annual aggregate. The District's current comprehensive liability insurance contract is in continuous effect until July 1, 2010. The District contracts such insurance through a joint powers authority ("BETA Healthcare Group") under California law authorizing governmental agencies, such as local health care districts, to join together for insurance purposes. Approximately 86 participants representing health care districts and city, county and nonprofit hospitals participate in BETA Healthcare Group. Coverage is on a claims-made basis.

BETA Healthcare Group is funded by monthly contributions paid by the health care providers participating in the program. The contributions are used to fund a reserve for expected losses to be paid by BETA Healthcare Group on a pooled, self-insured basis. The amount of the monthly contribution to be paid by a member is based on independent actuarial computations taking into account factors such as, among others, total number of beds, outpatient and inpatient visits, surgeries, deductible and loss experience of the member. The reserve for claims and claims expenses has been determined using the developed loss and loss expense method. For the fiscal year ended June 30, 2008, the District paid $533,755 in net contributions to BETA Healthcare Group.

As of June 30, 2008, BETA Healthcare Group had a reserve for claims and claims expenses relating to the Hospital of $400,720. For the fiscal year ended June 30, 2008, BETA Healthcare Group paid claims and claims expenses on behalf of the District totaling $72,972.

Except as described under "THE DISTRICT' – Settlement with the United States of America; Settlement with Former CFO," management of the District is unaware of any claim paid on its behalf, which was not covered by insurance. There are no material malpractice or professional liability claims or lawsuits now pending against the District, which exceed insurance coverage. The District does not currently have any pending malpractice or professional liability claims or lawsuits for compensatory damages not covered by insurance. In California, public agencies like the District are not subject to punitive damage awards. Property damage is covered by Alliant Insurance Services, Inc., insuring values of $71,939,834 as of July 1, 2008. The Alliant Insurance Services, Inc. policy is in effect through July 1, 2010, under its Hospital All Risk Property Program. The District does not presently carry earthquake insurance.

Employees' Retirement Plan

The District presently sponsors two tax-qualified retirement plans. In addition, the District sponsors a non-qualified deferred compensation plan and may also contribute to other nonqualified plans at the discretion of the Board.

The Tulare Local Hospital District Money Purchase Pension Plan (the "Retirement Plan") is a defined contribution money purchase pension plan established by the District to provide retirement benefits for substantially all District employees. The District's annual contribution to the Retirement Plan is determined as a percentage of compensation paid to eligible employees and is based on years of service. Covered employees must also contribute to a deferred compensation arrangement. Total amounts contributed and charged to expenses were approximately $514,000 for the year ended June 30, 2007, and $525,000 for the year ended June 30, 2008.

The District also has adopted the Tulare Local Hospital District Social Security Alternative Savings Plan to provide retirement benefits as an alternative to Social Security. This plan is available to all District employees who would otherwise have been covered by Social Security. The District's portion of the contribution was approximately $989,000 for the year ended June 30, 2007, and $1,003,000 for the year ended June 30, 2008.

In addition, the Tulare Local Hospital District Deferred Compensation Plan was created in accordance with Internal Revenue Code Section 457. This voluntary plan, available to all District employees with at least one year of service, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or during certain emergency situations.

Post Retirement Benefits

In years past, the District's Social Security Alternative Savings Plan provided for post-retirement health care benefits for employees who retire on or after age 55 and prior to July 31, 1998, with at least five years of service at the Hospital. The District has "board-designated" funds to meet these obligations. At June 30, 2007, and 2008, the Board funded post-retirement health care benefit liability, as determined by actuarial studies, was approximately $494,000 and $412,000, respectively. The discount rate used in determining the accumulated post-retirement health care benefit cost was 7% for each year. The assumed health care cost trend rate was 7.5% in 1998, grading down to 5% in 2003 and beyond. The District has amended its benefit plans to redesign future benefits to exclude post-retirement obligations.

City of Tulare and Tulare County

During the past 29 years the populations of Tulare County and the city of Tulare have increased 160% and 80%, respectively, while the population of the State of California increased 62% over the same period. Population figures as reported for the 1980, 1990 and 2000 census reports and estimates for 2009 for the city of Tulare, Tulare County and the State of California are as follows:

	1980	1990	2000	2009	Growth Rate
City of Tulare	22,526	33,249	43,994	58,506	160%
Tulare County	245,738	311,921	368,021	441,481	80%
State of California	23,667,902	29,760,021	33,871,648	38,292,687	62%

Source: California State Department of Finance. The 1980, 1990 and 2000 figures are census figures reported as of April 1, in each of those years. The 2009 figures are estimates reported by the Department of Finance as of January 1, 2009.

Although the area served by the District is known primarily for agriculture, other industries such as government, retail and manufacturing industries play a significant role in the local economy. Unemployment in the city of Tulare and Tulare County during May 2009, was 12.4% and 14.3%, respectively, while unemployment for the State of California for the same period was 11.2%.

	City of Tulare	Tulare County	State of California
Civilian Labor Force	25,100	216,800	18,441,400
Employment	22,000	185,800	16,374,500
Unemployment	3,100	31,000	2,066,900
Percentage Unemployment	12.4%	14.3%	11.2%

Source: State Employment Development Department, May 2009.

Capital Expenditures

Aside from construction and equipping costs related to the Project, total capital expenditures of approximately $7,500,000 are expected to occur over the next five years beginning in fiscal year ended June 30, 2010. The Project is expected to provide a net increase of 42 beds to the Hospital. See "THE PROJECT" herein. The Project will help the District meet the growing demands of an increasing population as well as meet all of the regulatory seismic requirements of California's Senate Bill 1953. Funding for the Project will include a combination of $15,000,000 in proceeds from the 2007 Bonds, proceeds from the issuance of revenue bonds, operating cash flows, District reserves, community donations and proceeds from the Bonds. The $7,500,000 of planned capital expenditures over the next five years represents regular annual expenditures made in connection with the normal routine maintenance and equipment replacement for the Health Facilities. These annual recurring capital expenditures are planned to be funded from cash reserves, operating cash flows and community based contributions.

DISTRICT FINANCIAL MATTERS

The Tulare County Assessor assesses all real property in the District for tax purposes except public utility property, which is assessed countywide by the State Board of Equalization. The Board of Equalization's Utility Roll is comprised of State assessed properties of regulated public utilities and companies such as telephone and gas companies.

Property Tax Collection Procedures

In California, property that is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state-assessed public utilities' property and locally assessed property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax placed on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax, which becomes a lien on secured property, has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured properties are entered separately on the assessment roll maintained by the County Assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sent to collection on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County tax collector. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes to the State for the amount of taxes, which are delinquent.

Generally, property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. California Revenue and Taxation Code Sections 75.10 *et seq.*, however, provide for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency of record in the County recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Unitary Taxation for Utility Property

Revenue and Taxation Code section 100 requires the establishment in each county of one county-wide tax rate area with the assessed value of all unitary and operating non-unitary property being assigned to this tax rate area. The result is a single assessed valuation figure for most utility property (nonoperating, non-unitary property is still broken down by revenue district) owned by each utility within the County without any breakdown for individual taxing jurisdictions.

Assessed Valuations

California law exempts from taxation $7,000 of the assessed valuation of an owner-occupied dwelling. State law exempts 100% of the value of business inventories from taxation. State law also provides for reimbursements to local agencies based on their share of the revenues derived from the application of the maximum tax rate applied to business inventories, with adjustments to reflect increases in population and the consumer price index.

Revenue estimates to be lost to local taxing agencies due to such exemptions is reimbursed from State sources. Such reimbursements are based upon total taxes due upon such exempt values and are not reduced by any amount for estimated delinquencies.

The District has a 2008-09 assessed valuation of $5,732,471,795, which accounts for approximately 20% of the County's assessed valuation of $28,197,352,484, as of the same period. Assessed values of property within the District have increased by approximately 106% over the ten-year period ended 2008-09, while assessed values for the County have increased by approximately 87% over the same period. The summary below shows a ten-year history of the total secured, utility and unsecured assessed property valuations for the District and the last column shows the total assessed valuation for Tulare County, both before redevelopment increment adjustments.

Tulare Local Health Care District and Tulare County
Assessed Valuations

	Local Secured	Utility	Unsecured	District Assessed Valuation [(1)]	Tulare County Assessed Valuation [(1)]
1999-00	$2,600,721,567	$7,924,885	$164,489,589	$2,773,136,041	$15,059,810,305
2000-01	2,805,025,228	8,047,571	172,044,768	2,985,117,567	15,747,957,503
2001-02	2,933,341,090	8,163,078	184,445,249	3,125,949,417	16,247,710,146
2002-03	3,178,772,040	8,002,455	204,448,760	3,391,223,255	17,105,471,905
2003-04	3,388,053,115	7,888,876	199,705,761	3,595,647,752	17,984,909,006
2004-05	3,538,877,462	8,579,641	210,163,227	3,757,620,330	19,016,907,121
2005-06	3,888,772,345	8,360,234	221,163,851	4,118,296,430	20,838,858,787
2006-07	4,471,764,281	8,085,413	251,587,547	4,731,437,241	23,711,083,476
2007-08	5,045,665,286	5,060,405	284,808,220	5,335,533,911	26,649,618,024
2008-09	5,423,497,546	4,569,184	304,405,065	5,732,471,795	28,197,352,484

Source: California Municipal Statistics, Inc.
(1) Before redevelopment increment adjustment. Includes unitary utility valuation.

Tax Levies and Delinquencies

Taxes are collected by the Tulare County Tax Collector for property falling within the District's taxing boundaries. Taxes and assessments on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are assessed and payable as of the January lien date and become delinquent the following August 31.

The following table shows a seven-year history (ending with the fiscal year 2007-08) of the secured tax charge, the tax amount delinquent and percentage of taxes delinquent each year as of June 30, for the County. Similar information was not available for the District.

Tulare Local Health Care District
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge [1]	Delinquent as of June 30 Amount	Delinquent as of June 30 Percent
Prior years are not available			
2001-02	$ 749,776.40	$22,703.64	3.03%
2002-03	784,634.65	24,783.31	3.16
2003-04	828,579.79	23,294.21	2.81
2004-05	870,070.34	23,593.23	2.71
2005-06	957,455.16	30,679.33	3.20
2006-07	1,091,790.10	45,415.08	4.16
2007-08	1,235,720.80	72,070.17	5.83

Source: California Municipal Statistics, Inc.

(1) Represents all taxes collected within the County. The property tax method employed in the County in the past for some special districts allocates taxes based on total property tax billed under California Revenue and Taxation Code Sections 4701-4717 (commonly referred to as the "Teeter Plan"). The Teeter Plan provides an alternate procedure for the collection and distribution of tax levies on the secured tax roll made by a county on behalf of itself and political subdivisions for which the county serves as tax collecting agency. The Teeter Plan allocates property taxes based on total property tax billed. At year end, the County would advance cash to each taxing jurisdiction in an amount equal to their current year delinquent taxes when collected. The District does not participate in the Teeter Plan.

Tax Rates

The base tax rate for all taxing entities within a particular tax code area is $1 per $100 (1%) of assessed valuation in accordance with the State Constitution. To this may be added whatever tax rates are necessary to meet debt service on indebtedness approved by voters. The Board of the District conveys to the County Tax Collector annually in July the rate to be levied for the debt service on the Bonds. Typical tax rates are shown below for Tulare County for representative tax rates areas ("TRA") located within the District.

Tulare County
Typical Tax Rate per $100 Assessed Valuation

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Within City of Tulare -TRA 5-17 [1]										
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Tulare Joint Union High School District	-	-	-	-	-	.0531	.0600	.0437	.0428	.0200
Tulare Local Health Care District	-	-	-	-	-	-	-	-	.0194	.0393
Total All Property Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0531	1.0600	1.0473	1.0622	1.0593
Kaweah Delta Water District	.0009	.0011	.0012	.0004	.0009	.0009	.0005	.0005	.0004	.0004
Total Land and Improvement Tax Rate	.0009	.0011	.0012	.0004	.0009	.0009	.0005	.0005	.0004	.0004
Within Unincorporated Portion of Tulare County - TRA 147-1 [2]										
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Tulare Joint Union High School District	-	-	-	-	-	.0531	.0600	.0437	.0428	.0200
Tulare Local Health Care District	-	-	-	-	-	-	-	-	.0194	.0393
Total All Property Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0531	1.0600	1.0473	1.0622	1.0593

Source: California Municipal Statistics, Inc.
[1] 2008-09 Assessed Valuation of Tax Rate Area 5-17 is $607,805,503
[2] 2008-09 Assessed Valuation of Tax Rate Area 147-1 is $230,689,155

District Budget

The fiscal year of the District begins on July 1 of each year and ends on June 30 of the following year. The District prepares and adopts a final budget on or before June 30 for each fiscal year. Operating and capital budgets are adopted each year to reflect estimated revenues, expenditures and capital investments. At the close of each fiscal year, the District engages certified public accountants to audit the District's financial statements.

Direct and Overlapping Bonded Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., and dated August 12, 2009. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from future revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

2008-09 Assessed Valuation:	$5,732,471,795	
Redevelopment Incremental Valuation:	606,699,165	
Adjusted Assessed Valuation:	$5,125,772,630	

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/15/09
College of Sequoias Hanford Campus School Facilities Improvement District	0.373%	$ 80,833
College of Sequoias Tulare School Facilities Improvement District	80.371	16,072,769
Kern Community College District Safety, Repair & Improvement District	0.100	115,381
Hanford Joint Union High School District	0.373	171,003
Tulare Joint Union High School District	97.735	42,290,728
Buena Vista School District	100.	180,000
Liberty School District	44.687	464,745
Sundale Union School District	98.839	869,783
Tulare Local Health Care District	**100.**	**15,000,000** (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$75,245,242
OVERLAPPING GENERAL FUND DEBT:		
Tulare County General Fund Obligations	20.877%	$15,196,368
Tulare County Pension Obligations	20.877	2,495,845
College of Sequoias Certificates of Participation	21.821	1,534,143
Kern Community College District Certificates of Participation	0.088	74,774
Kern Community College District Other Post Employment Benefit Obligations	0.088	74,892
Porterville Unified School District Certificates of Participation	1.487	120,219
Hanford Joint Union High School District Certificates of Participation	0.373	56,342
Tulare Joint Union High School District Certificates of Participation	97.735	1,138,859
Tulare School District Certificates of Participation	100.	3,940,067
City of Tulare General Fund Obligations	100.	35,755,000
TOTAL OVERLAPPING GENERAL FUND DEBT		$60,386,509
COMBINED TOTAL DEBT		$135,631,751 (2)

(1) Excludes general obligation bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:

Direct Debt ($15,000,000).. 0.26%

Total Direct and Overlapping Tax and Assessment Debt 1.31%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt.. 2.65%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

Source: California Municipal Statistics, Inc.

Assessment Appeals

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the County Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value. Historically, these appeals have not resulted in material reductions in the assessed value; however, this year there may be a material reduction in the assessed value as a result of these appeals.

Largest Taxpayers

The twenty largest taxpayers in the District as shown on the 2008-09 secured tax roll, and the approximate amounts of their aggregate level for all taxing jurisdictions within the District are shown below. These twenty largest taxpayers had a total tax levy value of $934,100,418 or approximately 17% of the District's 2008-09 secured assessed value.

Tulare Local Health Care District
Largest 2008-09 Local Secured Taxpayers

	Property Owner	Primary Land Use	2008-09 Assessed Valuation	% of Total [1]
1.	Saputo Cheese and Protein LLC	Food Processing	$252,544,873	4.66%
2.	Land O Lakes Inc.	Food Processing	96,599,515	1.78
3.	Oscar Mayer Foods corp.	Food Processing	89,915,008	1.66
4.	California Milk Producers	Food Processing	71,390,085	1.32
5.	Dreyers Grand Ice Cream Inc.	Food Processing	46,128,588	0.85
6.	United States Cold Storage of Calif.	Food Processing	43,945,789	0.81
7.	Pre/Tulare	Commercial	39,067,770	0.72
8.	Individual	Agricultural	28,978,399	0.53
9.	Calgren Renewable Fuels LLC	Industrial	27,797,137	0.51
10.	J.D. Heiskell Holdings LLC	Manufacturing	26,058,507	0.48
11.	Mozzarella Fresca Inc.	Industrial	23,719,079	0.44
12.	Paul & Vickie Daley LP	Residential Properties	23,717,563	0.44
13.	Target Corporation	Commercial	23,127,150	0.43
14.	Individual	Agricultural	22,048,868	0.41
15.	Sunkist Growers Inc.	Food Processing	22,026,300	0.41
16.	Ennis Land Development LLC	Residential Properties	21,810,138	0.40
17.	Reynen & Bardis Comm. Inc.	Residential Properties	19,591,639	0.36
18.	Landsource Holding Company LLC	Residential Properties	18,951,000	0.35
19.	Individual	Agricultural	18,538,270	0.34
20.	Lowes HIW Inc.	Commercial	18,144,740	0.33
	Total		$934,100,418	17.22%

[1] 2008-09 Local Secured Assessed Valuation: $5,423,497,546.

Largest Employers

The city of Tulare and Tulare County enjoy a diverse labor pool as a result of their role as a regional manufacturing, service and retail center. Tulare County's agriculturally dominated employment distribution affects the area's job market and unemployment rates. Because of the need to retrain workers as the economy evolves, the city of Tulare and Tulare County utilize a network of job training providers to ensure the maintenance of an abundant and qualified work force. Tulare County is a growing regional manufacturing center that provides ample land zoned for industrial use that is governed by an industrial development policy that promotes growth in industrial expansion and employment opportunities. The following table summarizes the ten largest public/private employers in Tulare County.

Tulare County
Largest Employers

Company	Product/Service	Employees
County of Tulare	Government	4,320
Porterville Development Center	Health Care	2,014
Kaweah Delta Health Care District	Health Care	2,000
Ruiz Food Products	Frozen/Food Manufacturing	1,800
Wal-Mart Distribution Center	Distributing	1,692
College of the Sequoias	Education	1,160
CIGNA Health Care	Customer/Claims Center	900
Sierra View District Hospital	Healthcare	724
Jostens	Printing/Publishing	720
Dairyman's/Land O' Lakes	Dairy Products Processor	600

Source: Tulare County Economic Development Corporation.

Commercial Activity

The city of Tulare is the retail center for the District and experienced a 44% growth in retail sales from 2003 to 2007, while the County experienced a 34% growth in retail sales over the same period. The following table summarizes the total number of sales tax permits and total taxable sales in the city of Tulare and Tulare County for the calendar years 2003, 2004, 2005, 2006 and 2007. Information is not yet available for the full year of 2008.

City of Tulare and Tulare County
Sales Tax Permits and Taxable Sales
2003-2007

	2003	2004	2005	2006	2007
City of Tulare					
Sales Tax Permits	1,083	1,091	1,115	1,116	1,130
Taxable Sales	$484,684,000	$563,982,000	$615,670,000	$668,121,000	$699,461,000
Tulare County					
Sales Tax Permits	8,536	8,716	8,901	8,839	8,855
Taxable Sales	$3,641,577,000	$4,001,207,000	$4,486,607,000	$4,844,476,000	$4,897,164,000

Source: State Board of Equalization.

Construction Activity

The city of Tulare's housing prices, construction costs and industrial/commercial rental and lease rates are lower than most other areas of the State. For 2008, the city of Tulare experienced a decline in new construction from 2007, with building permit valuations totaling just over $116,000,000, while 2007 totaled over $125,000,000. The following table summarizes historical building permit valuations for the city of Tulare for the calendar years 2005, 2006, 2007 and 2008.

City of Tulare
Building Permit Valuation
2005-2008

	2005	2006	2007	2008
Valuation:				
Residential	$88,144,046	$113,913,058	$75,323,593	$59,324,953
Commercial	39,873,711	30,243,334	49,762,870	57,105,500
Total	$128,017,757	$144,156,392	$125,086,463	$116,430,453

Source: City of Tulare, Planning & Building Department.

Agriculture

The Tulare County region is one of the most agriculturally diverse and productive in the United States. Livestock, poultry, apples, oranges, grapes, hay, corn, tangerines, silage, pistachios and almonds are a few of the agricultural products grown in the region which form the basis of Tulare County's economy. Tulare County grows over 120 commercial crops, exports to more than 80 countries and ranks as the second most productive agricultural county in the United States. Tulare County is the leading producer of milk and creamery products in the nation and its farmers rank high in many other products. The following table summarizes historical agricultural production within Tulare County for the years 2005 through 2008.

Tulare County
Estimated Value Agricultural Production
(000s Omitted)

	2005	2006	2007	2008
Fruit and Nut Crops	$1,745,966	$1,591,539	$1,776,094	$1,835,198
Livestock & Poultry Products	1,489,997	1,194,403	1,911,766	1,806,178
Livestock & Poultry	583,457	581,118	591,359	602,761
Field Crops	404,130	357,796	459,014	630,631
Nursery Products	82,260	88,253	90,184	85,413
Apiary Products	25,420	31,893	27,171	36,503
Vegetable Crops	26,942	23,333	15,487	16,115
Industrial Crops	3,069	2,260	2,496	1,852
Seed Crops	1,497	1,474	1,389	3,372
Totals	$4,362,738	$3,872,069	$4,874,960	$5,018,023

Source: Tulare County Agricultural Commissioner.

THE AUTHORITY

Under Title 1, Division 7, Chapter 5 of the California Government Code (the "JPA Act"), certain California cities, counties and special districts have entered into a joint exercise of powers agreement (the "JPA Agreement") forming the Authority for the purpose of exercising powers common to the members and to exercise the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled "MISCELLANEOUS—No Material Litigation—The Authority." The Authority does not and will not in the future monitor the financial condition of the District or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds or the District has been undertaken solely by the District. See "MISCELLANEOUS—Continuing Disclosure" herein.

LEGAL MATTERS

No Material Litigation

The Authority. To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the purchase or resale thereof.

The District. There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization nor existence of the District is being contested.

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

Tax Matters

Bonds Issued as Tax-Exempt Bonds (Series B-1). Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, and (iii) is not taken into account in computing "adjusted current earnings" as described below.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest on the Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of authorized representatives of the District with respect to certain material facts within their respective knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering, should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "IRS") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the IRS, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W 9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX A—"Forms of Final Opinions of Bond Counsel."

Bonds Issued as Build America Bonds (Series B-2). In the opinion of Bond Counsel, interest on the Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes,

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX A—"Forms of Final Opinions of Bond Counsel."

Approval of Legality

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, as Bond Counsel.

MISCELLANEOUS

Underwriting

The Bonds are being purchased by the Authority for immediate re-sale to the Underwriters. The Underwriters have agreed to purchase the Bonds at a price of $70,314,092.85 (being the initial principal amount of the Bonds of $70,000,000.00, less an Underwriters' discount of $1,041,668.75, plus a net original issue premium of $1,355,761.60. The bond purchase agreement pursuant to which the Underwriters have agreed to purchase the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such bond purchase agreement, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriters intend to offer the Bonds to the public at the offering prices or yields set forth on the cover page of this Official Statement. The Underwriters may offer and sell to certain dealers and others at prices or yields lower than the offering prices or yields stated on the cover page hereof. The offering prices or yields may be changed from time to time by the Underwriters.

Continuing Disclosure

The District has covenanted for the benefit of bondholders and Beneficial Owners of the Bonds to disseminate certain financial information and operating data relating to the District, and to provide notices of the occurrence of certain enumerated events, if material. See APPENDIX C - "Form Of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission. The District reports that it is currently in material compliance with its continuing disclosure obligations with respect to its refunding revenue bonds issued in 2007 and its general obligation bonds issued in 2007.

Rating

Moody's Investors Service ("Moody's") has assigned a rating of "A3" to the Bonds, based upon the District's own credit and the source of payment for the Bonds. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds.

Such rating reflects only the views of such organization, and any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. The District furnished to the rating agency certain information and materials that have not been included in this Official Statement.

There is no assurance that the rating mentioned above will remain in effect for any given period of time or that the rating might not be lowered or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Bonds.

Additional Information

The summaries or descriptions of provisions of the Bonds, the Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Resolution may be obtained during the offering period upon request to the Financial Advisor at (801) 225-0731 and thereafter upon request to the principal corporate trust office of the Paying Agent.

The District has authorized and consented to the execution and distribution of this Official Statement. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

TULARE LOCAL HEALTH CARE DISTRICT

By: /s/ Shawn Bolouki

Title: Chief Executive Officer

APPENDIX A

FORMS OF FINAL OPINIONS OF BOND COUNSEL

FORM OF OPINION RELATING TO THE SERIES B-1 TAX-EXEMPT BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors
Tulare Local Health Care District
869 Cherry Street
Tulare, California 93274

OPINION: $8,595,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009) (Tax-Exempt)

Members of the Board of Directors:

We have acted as bond counsel to the Tulare Local Health Care District (the "District") in connection with the issuance by the District of $8,595,000 principal amount of Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-1 (2009) (Tax-Exempt) (the "Bonds"), pursuant to Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), and a resolution adopted by the Board of Directors of the District on July 22, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a local health care district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and (iii) interest on the Bonds is not taken into account in computing adjusted current earnings, which is used as an adjustment in

determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

FORM OF OPINION RELATING TO THE SERIES B-2 FEDERALLY TAXABLE—DIRECT PAYMENT BUILD AMERICA BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors
Tulare Local Health Care District
869 Cherry Street
Tulare, California 93274

OPINION: $61,405,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable—Direct Payment Build America Bonds)

Members of the Board of Directors:

We have acted as bond counsel to the Tulare Local Health Care District (the "District") in connection with the issuance by the District of $61,405,000 principal amount of Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B-2 (2009) (Federally Taxable—Direct Payment Build America Bonds) (the "Bonds"), pursuant to Chapter 4 of Division 23 (commencing with section 32300) of the California Health and Safety Code (the "Act"), and a resolution adopted by the Board of Directors of the District on July 22, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a local health care district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Interest on the Bonds is not excludable from gross income of the owners thereof for federal income tax purposes.

5. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX B

Audited Financial Statements of the District June 30, 2008

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Audited Financial Statements

TULARE LOCAL HEALTH CARE DISTRICT

June 30, 2008

TCA Partners, LLP
Certified Public Accountants

Audited Financial Statements

TULARE LOCAL HEALTH CARE DISTRICT

June 30, 2008

Management's Discussion and Analysis

TULARE LOCAL HEALTH CARE DISTRICT

June 30, 2008

The management of the Tulare District Hospital (the Hospital) has prepared this annual discussion and analysis in order to provide an overview of the Hospital's performance for the fiscal year ended June 30, 2008 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments.* The intent of this document is to provide additional information on the Hospital's historical financial performance as a whole in addition to providing a prospective look at revenue growth, operating expenses, and capital development plans. This discussion should be reviewed in conjunction with the audited financial statements for the fiscal year ended June 30, 2008 and accompanying notes to the financial statements to enhance one's understanding of the Hospital's financial performance.

Financial Highlights

- Total assets increased by $14.3 million over the prior fiscal year end due to the issuance of new bonds.

- Total operating cash and cash equivalents increased by $3.5 million over the prior year due to certain reclassifications of specific assets on the balance sheet.

- Total assets limited as to use were $16.9 million compared to $11.3 million in the prior year, again due mainly to the issuance of the new bonds.

- Gross patient accounts receivable increased by $3.2 million and net patient accounts receivable increased by $3.0 millions. Gross days revenue in patient accounts receivable was 67.68 and net days revenue in patient accounts receivable was 37.70 for the current fiscal year.

- Current liabilities decreased by $636,000 over the prior fiscal year.

- Long-term liabilities increased by $13.2 million over the prior fiscal year due mainly to restructuring of old bonds and issuance of new bonds for a net increase of $15.4 million.

- Excess of revenues over expenses was $1,741,000 for the current fiscal year as compared to $496,000 for the prior fiscal year.

Cash and Investments

For the fiscal year ended June 30, 2008, the Hospital's total operating and board designated cash and investments totaled $30.5 million as compared to $20.7 million for the prior fiscal year. At June 30, 2008, days cash on hand was 165 compared to the prior year of 120. The Hospital maintains sufficient cash and cash equivalent balances to pay all short-term liabilities and the majority of the long-term debt. The majority of the Hospital's surplus cash is deposited with the Local Agency Investment Fund (LAIF) and in other short-term instruments.

Current Liabilities

As previously noted, current liabilities of the Hospital decreased by $636,000. The changes related to slight increases in self insured areas, deferred revenues and accrued payroll and decreases in current maturities of debt, trade payables and current third party payor settlements.

Capital Assets

During the year, the Hospital reinvested into the facility $7.4 million. Of this amount, $5.9 million was invested in projects for hospital expansion and $1.5 million in new medical equipment and other minor improvements and purchases. The Hospital continues to be in a very aggressive growth mode as it continues its plans for future expansion and seismic refurbishings according to strategic plans. Bond funding is partially in place for this expansion and new bond funding will become available in the near future.

Volumes

- Acute patient days were 19,067 for the current fiscal year as compared to 20,020 for the prior year. The 0.3% decrease was due primarily to the Hospital's inability to increase patient volumes caused by a variety of issues which occurred during the year.

- The Emergency Department experienced a slight increase in volume for the fiscal year 2008. There were 28,990 visits as compared to 28,217 for the prior year.

- Generally, the outpatient areas have seen slight increases over the year as compared to the year before. The only areas which experienced decreases were surgery, pharmacy and the Mineral King lab.

- Generally, inpatient routine services were down, a trend which has been happening for the past three years while ancillary services are generally climbing.

- The Home Health Department visits were down 19%, from 5,898 to 4,766.

- Retail pharmacy was down 12%, from 54,352 prescriptions to 48,039

Gross Patient Charges

The Hospital charges all its patients equally based on its established pricing structure for the services rendered. The Hospital does not increase pricing annually like other providers, instead the charge master is evaluated to ensure that all allowable charges are billed to comply with Medicare and Medi-cal.

Inpatient gross patient service charges increased by $14.6 million or 19% due primarily to rate changes and volume changes as previously described.

Outpatient gross patient service charges increased by $8.1 million or 11% again due primarily to volume changes and rate increases.

Deductions From Revenue

Deductions from revenue comprise both contractual allowances and provisions for bad debts. Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare and Medi-Cal and other third party payors such as Blue Cross.

Deductions from revenue (as a percentage of gross patient service charges) were 63.3% for fiscal year 2008 as compared to 61.9% for fiscal year 2007. The 17.9% increase was due primarily to the contractual affect of rate increases coupled with changes in third party payor reimbursement.

Net Patient Service Revenues

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenues increased by $6.4 million or 11.2% in fiscal year 2008 over the prior year. This was primarily due to volumes, rate increases, better reimbursement and slight changes in payor mix.

Operating Expenses

Total operating expenses were $70.5 million for fiscal year 2008 compared to $65.8 million for fiscal year 2007. The 7% increase was due primarily to:

- A $1.7 million or 6.6% increase in salaries and wages as compared to a 6% increase in 2007. The increase is directly related to staff adjustments in order to maintain market share, even though staffing decreased by approximately 10 full time equivalents.

- A $418,000 reduction in employee benefits due primarily to improved reductions in employee benefit areas such as self-insured health insurance.

- Professional fees increased by $1.6 million due primarily to increases in medical and registry due to volume changes and consulting and legal areas. Other areas of professional fees were either level or decreased slightly.

- A $1.2 million increase in purchased services due mainly to volume increases and inflationary factors.

- A $178,000 increase in insurance costs due to the increase in the costs of malpractice coverage, coupled with the increases in patient volumes. The prior year showed similar increases.

Economic Factors and Next Fiscal Year's Budget

The Hospital has prepared a budget for the fiscal year ending June 30, 2009. For fiscal year 2009, the Hospital is budgeted to increase its net revenue due to several assumptions:

- A conservative increase in volumes for fiscal year 2009 was budgeted, with respect to the past trends in both the inpatient and outpatient volumes in fiscal year 2008 as compared to fiscal year 2007. The increase is directly related to the expanded service lines that will be added in the 2009 fiscal year.

- Operating expenses are expected to increase at a higher percent than revenues, The nursing shortage will continue to drive up labor and benefits costs and pharmaceutical costs for inpatients are expected to increase at higher rates than the gross charges.

- The corresponding cost related to the new services was also added in the coming year.

Fiscal year 2009 will be a time for the Hospital to continue to implement the strategic plan for future operations. The effort by the Tulare community to pass the general obligation measure shows their faith in the growth of the Hospital and their desires to support health care in this community. Efforts will be made to become more efficient at operating the day-to-day needs of a growing Hospital. In addition, added efforts will be made in helping to realize the building projects planned for expansion and refurbishing so that healthcare can continue to improve and grow in the Tulare healthcare service area.

TCA Partners, LLP
A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon, Suite 211
Fresno, California 93720
Voice: (559) 431-7708 Fax:(559) 431-7685

Report of Independent Auditors

The Board of Directors
Tulare Local Health Care District
Tulare, California

We have audited the accompanying balance sheets of Tulare Local Health Care District (the Hospital) as of June 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tulare Local Health Care District at June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, effective July 1, 2002, the Hospital adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement 38, *Certain Financial Statement Note Disclosures*.

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

TCA Partners, LLP

November 5, 2008

Balance Sheets

TULARE LOCAL HEALTH CARE DISTRICT

	June 30 2008	June 30 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 15,902,707	$ 12,356,672
Assets limited as to use available for current debt service	856,929	669,642
Patient accounts receivable, net of allowances	7,197,109	4,214,448
Other receivables and physician advances	470,685	1,484,918
Inventories	1,437,917	1,608,370
Prepaid expenses and deposits	579,425	632,022
Total current assets	26,444,772	20,966,072
Assets limited as to use	16,032,063	10,657,694
Capital assets, net of accumulated depreciation	34,933,467	32,227,073
Bond issue costs, net of accumulated amortization	1,975,415	1,150,957
Total assets	$ 79,385,717	$ 65,001,796
Liabilities and Net Assets		
Current liabilities:		
Current maturities of debt borrowings	$ 1,068,431	$ 1,598,038
Accounts payable and accrued expenses	2,168,407	2,586,199
Accrued payroll and related liabilities	5,121,296	5,105,112
Estimated current third party payor settlements	1,338,412	1,484,723
Self-insured program liabilities and deferred revenues	2,569,133	2,127,209
Total current liabilities	12,265,679	12,901,281
Post retirement benefits and other long-term liabilities	5,879,348	7,372,515
Debt borrowings, net of current maturities	33,704,552	18,932,478
Total liabilities	51,849,579	39,206,274
Net assets:		
Invested in capital assets, net of related debt	10,954,484	11,696,557
Restricted, by bond indenture	2,260,466	2,973,407
Unrestricted	14,321,188	11,125,558
Total net assets	27,536,138	25,795,522
Total liabilities and net assets	$ 79,385,717	$ 65,001,796

See accompanying notes and auditor's report

Statements of Revenues, Expenses and Changes in Net Assets

TULARE LOCAL HEALTH CARE DISTRICT

	Year Ended June 30 2008	2007
Operating revenues		
Net patient service revenue	$ 62,628,451	$ 56,304,985
Other operating revenue	6,862,317	6,966,493
Total operating revenues	69,490,768	63,271,478
Operating expenses		
Salaries and wages	27,754,209	26,032,273
Employee benefits	9,668,402	10,086,479
Professional fees	7,077,749	5,455,669
Supplies	12,388,551	12,222,660
Purchased services	6,248,758	5,041,464
Repairs and maintenance	557,138	482,453
Utilities and phone	1,144,380	1,190,066
Building and equipment rent	293,763	286,250
Insurance	817,399	638,832
Depreciation and amortization	3,707,803	3,721,145
Other operating expenses	818,107	679,061
Total operating expenses	70,476,259	65,836,352
Operating loss	(985,491)	(2,564,874)
Nonoperating revenues (expenses)		
District tax revenues	1,703,823	1,224,371
Investment income	1,331,302	1,459,711
Interest expense	(963,408)	(1,039,861)
Grants and contributions	654,390	1,416,329
Total nonoperating net revenues	2,726,107	3,060,550
Increase in net assets	1,740,616	495,676
Net assets at beginning of the year	25,795,522	25,299,846
Net assets at end of the year	$ 27,536,138	$ 25,795,522

See accompanying notes and auditor's report

Statements of Cash Flows

TULARE LOCAL HEALTH CARE DISTRICT

	Year Ended June 30	
	2008	2007
Cash flows from operating activities:		
Cash received from patients and third-parties on behalf of patients	$ 59,009,778	$ 59,930,476
Cash received from operations, other than patient services	7,876,550	6,572,805
Cash payments to suppliers and contractors	(30,102,129)	(28,612,704)
Cash payments to employees and benefit programs	(37,406,427)	(35,756,676)
Net cash provided by (used in) operating activities	(622,228)	2,133,901
Cash flows from noncapital financing activities:		
District tax revenues	1,377,984	1,224,371
Non-capital grants and contributions	501,243	1,144,881
Net cash provided by noncapital financing activities	1,879,227	2,369,252
Cash flows from capital and related financing activities:		
Net purchase of capital and other assets	(7,238,655)	(5,033,717)
District tax revenues for debt service	325,839	
Proceeds from debt borrowings	32,850,000	1,056,016
Principal payments on debt borrowings	(18,607,533)	(2,121,571)
Interest payments on debt borrowings	(963,408)	(1,039,861)
Net cash (used in) capital financing activities	6,366,243	(7,139,133)
Cash flows from investing activities:		
Net (purchase) or sale of investments	(5,561,656)	3,568,852
Capital grants and contributions	153,147	271,448
Interest and dividends received from investments	1,331,302	1,459,711
Net cash provided by (used in) investing activities	(4,077,207)	5,300,011
Net increase (decrease) in cash and cash equivalents	3,546,035	2,664,031
Cash and cash equivalents at beginning of year	12,356,672	9,692,641
Cash and cash equivalents at end of year	$ 15,902,707	$ 12,356,672

See accompanying notes and auditor's report

	Year Ended June 30	
	2008	2007
Reconciliation of operating income to net cash provided by operating activities:		
Operating loss	$ (985,491)	$ (2,564,874)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	3,707,803	3,721,145
Provision for uncollectible accounts	7,243,196	5,798,507
Changes in operating assets and liabilities:		
Patient accounts receivables	(10,225,857)	(4,733,251)
Other receivables	1,014,233	(393,688)
Inventories	170,453	(235,504)
Prepaid expenses and deposits	52,597	55,504
Accounts payable and accrued expenses	(417,792)	136,973
Accrued payroll and related liabilities	16,184	362,076
Estimated third party payor settlements	(636,012)	2,560,235
Self-insured program reserves and refundable advances	441,924	(108,487)
Post retirement benefits and other long-term liabilities	(1,003,466)	(2,464,735)
Net cash provided by (used in) operating activities	$ (622,228)	$ 2,133,901

See accompanying notes and auditor's report

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Tulare Local Health Care District, (the Hospital) is a public entity organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The Hospital is a political subdivision of the State of California and is generally not subject to federal or state income taxes. The Hospital is governed by a five-member Board of Directors, elected from within the district to specified terms of office. The Hospital is located in Tulare, California and operates a 116-bed acute care facility, a home health agency, and other patient services. The Hospital provides health care services primarily to individuals who reside in the local geographic area.

Basis of Preparation: The accounting policies and financial statements of the Hospital generally conform with the recommendations of the audit and accounting guide, *Health Care Organizations*, published by the American Institute of Certified Public Accountants. The financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operational revenues and expenses.

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements as the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Changes in Financial Statement Presentation: Effective July 1, 2002, the Hospital adopted the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method. The application of these accounting standards had no impact on the total net assets.

Management's Discussion and Analysis: Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the Hospital's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of organizations in the private sector.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments: The Hospital considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of a short-term nature or subject to withdrawal upon request. Exceptions are for those investments which are intended to be continuously invested. Investments in debt securities are reported at market value. Interest, dividends and both unrealized and realized gains and losses on investments are included as investment income in nonoperating revenues when earned.

Patient Accounts Receivable: Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The Hospital manages its receivables by regularly reviewing the accounts, inquiring with respective payors as to collectibility and providing for allowances on their accounting records for estimated contractual adjustments and uncollectible accounts. Significant concentrations of patient accounts receivable are discussed further in the footnotes.

Inventories: Inventories are consistently reported from year to year at cost determined by average costs and replacement values which are not in excess of market. The Hospital does not maintain levels of inventory values such as those under a first-in, first out or last-in, first out method.

Assets Limited as to Use: Assets limited as to use include contributor restricted funds, amounts designated by the Board of Directors for replacement or purchases of capital assets, and other specific purposes, and amounts held by trustees under specified agreements. Assets limited as to use consist primarily of deposits on hand with local banking and investment institutions, and bond trustees.

Capital Assets: Capital assets consist of property and equipment and are reported on the basis of cost, or in the case of donated items, on the basis of fair market value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation of property and equipment and amortization of property under capital leases are computed by the straight-line method for both financial reporting and cost reimbursement purposes over the estimated useful lives of the assets, which range from 10 to 30 years for buildings and improvements, and 3 to 10 years for equipment. The Hospital periodically reviews its capital assets for value impairment. As of June 30, 2008 and 2007, the Hospital has determined that no capital assets are significantly impaired.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Issue Costs: Bond issue costs are comprised of deferred financing cost of the issuance of revenue and general obligation bonds. Amortization of these issuance costs is computed by the straight-line method over the life of the repayment agreements. For current and advance refundings which result in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt, together with any unamortized deferred financing costs, is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, in accordance with GASB 23. Amortization expense was $99,888 and $79,178 for the years ended June 30, 2008 and 2007, respectively.

Compensated Absences: The Hospital's employees earn vacation benefits at varying rates depending on years of service. Employees also earn sick leave benefits. Vacation benefits accumulate up to a specified maximum level. Employees are paid for both accumulated vacation and accumulated sick leave if they leave either upon termination or before retirement. Accrued vacation and sick leave liabilities as of June 30, 2008 and 2007 were $3,466,674 and $3,467,884, respectively.

Risk Management: The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. In the case of employee health coverage, the Hospital is self-insured for those claims and is discussed further in the footnotes.

Net Assets: Net assets are presented in three categories. The first category is net assets "invested in capital assets, net of related debt". This category of net assets consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding principal balances of any debt borrowings that were attributable to the acquisition, construction, or improvement of those capital assets.

The second category is "restricted" net assets. This category consists of externally designated constraints placed on those net assets by creditors (such as through debt covenants), grantors, contributors, law or regulations of other governments or government agencies, or law or constitutional provisions or enabling legislation.

The third category is "unrestricted" net assets. This category consists of net assets that do not meet the definition or criteria of the previous two categories

Net Patient Service Revenues: Net patient service revenues are reported in the period at the estimated net realized amounts from patients, third-party payors and others including estimated retroactive adjustments under reimbursement agreements with third-party programs. Normal estimation differences between final reimbursement and amounts accrued in previous years are reported as adjustments of current year's net patient service revenues.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Charity Care: The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenues. Services provided are recorded as gross patient service revenues and then written off entirely as an adjustment to net patient service revenues.

District Tax Revenues: The Hospital receives approximately 2% of its financial support from property taxes. These funds are used to support operations and meet required debt service agreements. They are classified as non-operating revenue as the revenue is not directly linked to patient care. Property taxes are levied by the County on the Hospital's behalf during the year, and are intended to help finance the Hospital's activities during the same year. Amounts are levied on the basis of the most current property values on record with the County. The County has established certain dates to levy, lien, mail bills, and receive payments from property owners during the year. Property taxes are considered delinquent on the day following each payment due date.

Grants and Contributions: From time to time, the Hospital receives grants from various governmental agencies and private organizations. The Hospital also receives contributions from related foundation and auxiliary organizations, as well as from individuals and other private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or capital acquisitions. These amounts, when recognized upon meeting all requirements, are reported as components of the statement of revenues, expenses and changes in net assets.

Operating Revenues and Expenses: The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the Hospital's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonoperating revenues and expenses are those transactions not considered directly linked to providing health care services.

Reclassifications: Certain financial statement amounts as presented in the prior year financial statements have been reclassified in these, the current year financial statements, in order to conform to the current year financial statement presentation.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2008 and 2007, the Hospital had deposits invested in various financial institutions in the form of operating cash and cash equivalents amounted to $15,901,104 and $12,354,042. All of these funds were held in deposits, which are collateralized in accordance with the California Government Code (CGC), except for $250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the Hospital’s deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Hospital’s deposits. California law also allows financial institutions to secure Hospital deposits by pledging first trust deed mortgage notes having a value of 150% of the Hospital’s total deposits. The pledged securities are held by the pledging financial institution’s trust department in the name of the Hospital.

Investments consist of U.S. Government securities and state and local agency funds invested in U. S. Government securities and are stated at quoted market values. Changes in market value between years are reflected as a component of investment income in the accompanying statement of revenues, expenses and changes in net assets.

NOTE C - NET PATIENT SERVICE REVENUES

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Payments for inpatient acute care services rendered to Medicare program beneficiaries are based on prospectively determined rates, which vary accordingly to the patient diagnostic classification system. Outpatient services are generally paid under an outpatient classification system subject to certain limitations. The Hospital is, generally, no longer subject to cost reimbursable services. Certain reimbursement areas are still subject to final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. At June 30, 2008, cost reports through June 30, 2007 have been final settled.

Medi-Cal: For traditional Medi-Cal (non-HMO) services, payments for inpatient services rendered to patients are made based on reasonable costs while outpatient payments are based on pre-determined charge screens. The Hospital is paid for cost reimbursement services at an interim rate with final settlement determined after submission of annual cost reports and audits thereof by Medi-Cal. At June 30, 2008, cost reports through June 30, 2005, have been final settled. Medi-Cal HMO services are paid on a pre-determined rate and are not subject to cost reimbursement.

Other: Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or on agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations which provide for various discounts from established rates.

NOTE C - NET PATIENT SERVICE REVENUES (continued)

Net patient service revenues summarized by payor are as follows:

	2008	2007
Daily hospital services	$ 30,584,612	$ 24,016,199
Inpatient ancillary services	60,581,514	52,505,976
Outpatient services	79,468,142	71,410,996
Gross patient service revenues	170,634,268	147,933,171
Less deductions from revenue	(108,005,817)	(91,628,186)
Net patient service revenues	$ 62,628,451	$ 56,304,985

Medicare and Medi-Cal revenue accounts for over 60% of the Hospital's gross patient revenues for each year. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

NOTE D - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients and third-party payors. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Contracted and other patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions and do not represent any concentrated credit risks to the Hospital. Concentration of patient accounts receivable at June 30, 2008 and 2007 were as follows:

	2008	2007
Medicare	$ 6,649,172	$ 6,605,753
Medi-Cal and Medi-Cal managed care	12,201,558	10,371,810
Other third party payors	9,728,040	8,659,600
Self pay and other	2,975,702	2,669,353
Gross patient accounts receivable	31,554,472	28,306,516
Less allowances for contractual adjustments and bad debts	(24,357,363)	(24,092,068)
Net patient accounts receivable	$ 7,197,109	$ 4,214,448

NOTE E - OTHER RECEIVABLES

Other receivables as of June 30, 2008 and 2007 were comprised of the following:

	2008	2007
Advances to physicians, notes and related rent receivable	$ 3,114,575	$ 1,655,305
Interest receivable from various investments	213,440	205,052
Tulare County property taxes	53,321	67,342
Receivable from State disproportionate share and other programs	68,934	133,284
Bond funds (reimbursement) due to the Hospital		950,150
Other various receivables	313,944	107,456
Less allowances for doubtful accounts	(3,293,529)	(1,633,671)
	$ 470,685	$ 1,484,918

Advances to physicians are comprised of physician income guarantees and/or business loans to those physicians requiring assistance to begin a local practice. The Hospital has entered into agreements with certain physicians whereby the Hospital guarantees their income for a specified period of time. These agreements are structured so that if a physician maintains a practice in the area for a specified period of time, the income guarantee in excess of collections may be forgiven in compliance with all federal and State laws and regulations.

NOTE F - ASSETS LIMITED AS TO USE

Assets limited as to use as of June 30, 2008 and 2007 were comprised of the following:

	2008	2007
Cash designated by the board for specific purposes	$ 3,833,399	$ 9,881,581
Cash and cash equivalents and debt securities held under bond indenture agreements for specific requirements	13,055,593	1,445,755
	16,888,992	11,327,336
Less restricted trust funds available for current debt service	(856,929)	(669,642)
	$ 16,032,063	$ 10,657,694

NOTE G - CAPITAL ASSETS

Capital assets as of June 30, 2008 and 2007 were comprised of the following:

	Balance at June 30, 2007	Additions	Transfers & Retirements	Balance at June 30, 2008
Land and land improvements	$ 3,222,398	$ 38,719	$ 4,795	$ 3,265,912
Buildings and improvements	39,574,861	25,379	(301,737)	39,298,503
Equipment	22,724,773	1,397,189	569,978	24,691,940
Construction-in-progress	2,531,348	5,944,468	(2,194,310)	6,281,506
Totals at historical cost	68,053,380	7,405,755	(1,921,274)	73,537,861
Less accumulated depreciation for:				
Land and land improvements	(682,762)	(47,464)		(730,226)
Buildings and improvements	(18,542,919)	(1,425,764)	672,451	(19,296,232)
Equipment	(16,600,626)	(2,154,614)	177,304	(18,577,936)
Total accumulated depreciation	(35,826,307)	(3,627,842)	849,755	(38,604,394)
Capital assets, net	$ 32,227,073	$ 3,777,913	$ (1,071,519)	$ 34,933,467

	Balance at June 30, 2006	Additions	Transfers & Retirements	Balance at June 30, 2007
Land and land improvements	$ 3,156,449	$ 170,812	$ (104,863)	$ 3,222,398
Buildings and improvements	38,810,564	305,714	458,583	39,574,861
Equipment	22,411,188	1,397,189	(1,083,604)	22,724,773
Construction-in-progress	941,397	3,185,787	(1,595,836)	2,531,348
Totals at historical cost	65,319,598	5,059,502	(2,325,720)	68,053,380
Less accumulated depreciation for:				
Land and land improvements	(697,245)	(47,108)	61,591	(682,762)
Buildings and improvements	(17,626,493)	(1,363,553)	447,127	(18,542,919)
Equipment	(16,160,536)	(2,130,884)	1,690,794	(16,600,626)
Total accumulated depreciation	(34,484,274)	(3,541,545)	2,199,512	(35,826,307)
Capital assets, net	$ 30,835,324	$ 1,517,957	$ (126,208)	$ 32,227,073

NOTE H - DEBT BORROWINGS

As of June 30, 2008 and 2007, debt borrowings were as follows:

	2008	2007
Series 1998 revenue bonds; interest at 3.2% to 5.2% due semiannually; principal due in annual amounts ranging from $455,000 on December 1, 2007 to $910,000 on December 1, 2021; collateralized by Hospital revenues:		$ 9,840,000
Series 2002 revenue bonds; interest at variable rates from 0.45% to 3.71% due semiannually; principal due in annual amounts ranging from $150,000 on December 1, 2007 to $505,000 on December 1, 2032; collateralized by Hospital revenues:		7,595,000
General obligation bonds, election of 2005, series A (2007); interest at 4.00% to 4.65% due semiannually; principal due in annual amounts ranging from$15,000 on August 1, 2012 to $2,000,000 due on August 1, 2037; collateralized by tax revenues:	$ 15,000,000	
Series 2007 refunding revenue bonds; interest at 3.75% to 5.20% due semiannually; principal due in annual amounts ranging from $405,000 due on November 1, 2008 to $1,210,000 due on November 1, 2032; collateralized by Hospital revenues:	17,850,000	
Note payable to a financial institution; interest at 4%; principal and interest payments of $138,000 payable quarterly through April, 2011; collateralized by equipment:	1,437,831	1,805,950
Note payable to a financial institution; interest at 3.19%; principal and interest payments of $58,298 payable through November, 2007; collateralized by equipment:		231,651
Other various debt borrowings	485,152	1,057,915
	34,772,983	20,530,516
Less current maturities of debt borrowings	(1,068,431)	(1,598,038)
	$ 33,704,552	$ 18,932,478

Future principal maturities for debt borrowings for the next succeeding years are: $1,068,431 in 2009; $1,100,840 in 2010; $993,712 in 2011; $440,000 in 2012; and $475,000 in 2013.

NOTE I - EMPLOYEES' RETIREMENT PLANS

The "Tulare Local Hospital District Money Purchase Pension Plan" (the Retirement Plan) is a defined contribution money purchase pension plan established by the Hospital to provide retirement benefits for substantially all Hospital employees. The annual contribution to the Retirement Plan by the Hospital is determined based on a percentage of the compensation paid to eligible employees and varies for each participant based on their respective years of employment at the Hospital. In order to be eligible to participate, the Hospital has required that employees agree to contribute to a deferred compensation arrangement. Total amounts contributed by the Hospital to the Retirement Plan for the years ended June 30, 2008 and 2007, were approximately $525,000 and $514,000, respectively. The required employee contributions have been treated as contributed under a deferred compensation arrangement under the Internal Revenue Code Section 457.

The Hospital has also established the "Tulare Local Hospital District Social Security Alternative Savings Plan" (the SSA Plan) to provide retirement benefits to employees as an alternate method of pension and other benefit opportunities similar to those provided by Social Security. The SSA Plan is available to all employees of the Hospital who would otherwise have been covered by Social Security. The Hospital and employee level of contributions to the SSA Plan depend on the employees' most recent date of employment and differentiate between those employed prior to 1987 and later years, based on certain regulations.

Originally, the employee contributions to the SSA Plan were treated as contributions to a deferred compensation arrangement under the Internal Revenue Code Section 457. Effective January 1, 1987, the employee contributions have been treated as "pick-up" contributions under the Internal Revenue Code Section 414(h)(2). The Hospital's contributions to the SSA Plan for the years ended June 30, 2008 and 2007, were approximately $1,003,000 and $989,000, respectively.

NOTE J - POST RETIREMENT BENEFITS

In years past, the Hospital's SSA Plan provided for post retirement health care benefits for employees who retire on or after age 55 and prior to July 31, 1998, with at least five years of service at the Hospital. Under this program, the Hospital reimburses eligible health care expenses for the retirees. Health care benefits are provided until the retiree is eligible for the Medicare program.

The Hospital was also required to purchase Part A coverage under the Medicare Program for those eligible retirees who were hired between January 1, 1983 and April 1, 1986. During that period, and under the conditions of the SSA Plan, the Hospital was not required to withhold social security payroll taxes from its employees in order to fund their respective Medicare future benefit. Regulations changed effective April 1, 1986, which required the funding to commence again for any new hire after the effective date. As a result of this "three-year"period, the SSA Plan requires the Hospital provide Part A coverage for these employees upon acceptance into the Medicare Program. The

NOTE J - POST RETIREMENT BENEFITS (continued)

Hospital is not required to purchase Part A coverage if the retiree is eligible for the Medicare Program either through credits gained before January 1, 1983, employment credits at another place of employment, or eligibility through the retiree’s current or former spouse.

The Hospital has “board-designated” funds to meet these obligations. At June 30, 2008 and 2007, the board funded post retirement health care benefit liability, as determined by actuarial studies, approximated $412,000 and $494,000, respectively. The discount rate used in determining the accumulated post retirement health care benefit cost was 7% for each year. The assumed health care cost trend rate was 7.5% in 1998, grading down to 5% in 2003 and beyond. The Hospital has amended their benefit plans to redesign future benefits to exclude post retirement obligations.

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Hospital uses certain methods and assumptions in estimating its fair value disclosures for financial instruments. For cash and cash equivalents, the Hospital uses the carrying amounts which approximate fair value due to the short maturity of any financial instrument considered as a cash equivalent. For debt borrowings (including capital lease obligations), the fair values are estimated using discounted cash flow analysis, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements. As of June 30, 2008 and 2007, the fair values of debt borrowings were not considered to be materially different from the carrying values.

NOTE L - COMMITMENTS AND CONTINGENCIES

Construction-in-Progress: As of June 30, 2008 and 2007, the Hospital had recorded $6,281,506 and $2,531,348, respectively, as construction-in-progress representing cost capitalized for various remodeling, major repair, and expansion projects on the Hospital’s premises. Interest expense capitalized related to these projects amounted to $631,313 during the year ended June 30, 2008. Estimated cost to complete all projects as of June 30, 2008 are approximately $115 million.

Operating Leases: The Hospital leases various equipment and facilities under operating leases expiring at various dates. Total building and equipment rent expense for the years ended June 30, 2008 and 2007, were $294,992 and $286,250, respectively. Future minimum lease payments for the succeeding years under operating leases as of June 30, 2008, that have initial or remaining lease terms in excess of one year are not considered material.

Litigation: The Hospital is involved in certain litigation issues including, but not limited to, former employees, redistricting, third-party contract disputes and others. After consultation with legal counsel, management has recorded estimates for potential losses for these matters existing as of June 30, 2008. It is management’s expectations that these matters will be resolved without an increased material adverse effect on the Hospital’s future financial position and results from operations from what has already been recorded.

NOTE L - COMMITMENTS AND CONTINGENCIES (continued)

Employee Health Insurance: The Hospital provides health benefits to employees through a self-funded plan financed by the Hospital operations. Estimated liabilities are recorded for claims which most likely have been incurred but are not yet reported for claims processing and payment (IBNR). As of June 30, 2008 and 2007, the IBNR was estimated at $1,246,000 and $1,610,000, respectively. Commercial insurance is provided for "stop-loss" coverage.

Workers Compensation Program: The Hospital is a participant in the Association of California Hospital District's ALPHA Fund (the Fund) which administers a self-insured worker's compensation plan for participating hospital employees of its member hospitals. The Hospital pays premiums to the Fund which are adjusted annually. If participation in the Fund is terminated by the Hospital, the Hospital would be liable for its share of any additional premiums necessary for final disposition of all claims and losses covered by the Fund. The Hospital has been notified that the Fund is no longer in a deficit position as of June 30, 2008 and 2007. The ALPHA management believes that the Fund will continue to operate with its current level of profitability

Health Insurance Portability and Accountability Act: The Health Insurance Portability and Accountability Act (HIPPA) was enacted August 21, 1996, to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. The Hospital has designated a Privacy and Security Officer, has implemented the HIPAA regulations within the organization and has complied with all required deadlines.

Health Care Reform: The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statues and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Seismic Retrofit: The California Hospital Facilities Seismic Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that a California hospital can maintain uninterrupted operations following a major earthquake. By January 1, 2013, all general acute care buildings must be life-safe. Management is in process of developing a plan to bring the Hospital into compliance by the required deadlines.

NOTE M - RELATED PARTY TRANSACTIONS

The Tulare Hospital Foundation (the Foundation), has been established as a nonprofit public benefit corporation under the Internal Revenue Code Section 501(c)(3) to solicit contributions on behalf of the Hospital. Substantially all funds raised except for funds required for operation of the Foundation, are distributed to the Hospital or held for the benefit of the Hospital. The Foundation's funds, which represent the Foundation's unrestricted resources, are distributed to the Hospital in amounts and in period determined by the Foundation's Board of Trustees, who may also restrict the use of funds for Hospital property and equipment replacement or expansion or other specific purposes. Donations by the Foundation were approximately $133,000 and $109,000 for the years ended June 30, 2008 and 2007, respectively.

The Tulare District Hospital Auxiliary (the Auxiliary) is a similar non-profit organization established to help solicit contributions for the Hospital. The Auxiliary also donates funds towards the operations of the Hospital.

NOTE N - CHARITY CARE AND COMMUNITY BENEFIT EXPENSE

The Hospital maintains records to identify and monitor the level of charity care and community service it provides. These records include: the amount of charges foregone, (based on established rates), for services and supplies furnished under its charity care and community service policies, the estimated cost of those services and supplies, and statistics quantifying the level of charity care as a percentage of expenses of the Hospital as a whole. The following is a summary of the Hospital's charity care and community benefit expense for the years ended June 30, 2008 and 2007, in terms of services to the poor and benefits to the broader community:

	2008	2007
Benefits for the poor:		
Traditional charity care	$ 756,537	$ 452,409
Unpaid Medi-Cal and County indigent program charges	39,108,001	32,089,449
Total quantifiable benefits for the poor	39,864,538	32,541,858
Benefits for the broader community:		
Unpaid Medicare program charges	36,236,203	31,570,832
Total quantifiable benefits for the broader community	36,236,203	31,570,832
Total quantifiable community benefits	$ 76,100,741	$ 64,112,690

NOTE O - SUBSEQUENT EVENTS

Subsequent to year end, the Department of Health and Human Services, Office of the Inspector General (the OIG), began conducting an administrative investigation at the Hospital regarding certain issues brought to their attention by a third party. The Hospital is responding to documentation requests and cooperating fully with the OIG in this matter. At this time, the Hospital does not know the likely outcome, if any, of the investigation. No provision has been made in the financial statements for any adverse outcome that might ultimately result from this matter, as the amount of any such loss is not reasonably estimable. These types of investigations can take a substantial period of time to complete and it is too early in the investigation to evaluate the likelihood of the outcome or estimate any potential loss associated with this matter.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the TULARE LOCAL HEALTH CARE DISTRICT (the "District") in connection with the issuance by the District of $70,000,000 Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B (2009) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the District on July 22, 2009 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean G.L. Hicks Financial, LLC or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Authority under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report to MSRB*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2008-2009 Fiscal Year, which is due not later than April 1, 2010, provide to the Participating Underwriter and to file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is unable to provide an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to EMMA in substantially the form attached as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited final statement of the District, the Annual Report shall also include operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) Assessed value of taxable property in the District as shown on the recent equalized assessment role; and
(ii) Property tax levies, collections and delinquencies for the District, for the most recent completed fiscal year.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) *Listed Events*. Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.
(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

(b) *Determination of Materiality of Listed Events*. Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) *Notice to Dissemination Agent*. If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d).

(d) *Notice of Listed Events*. The District shall file, or cause the Dissemination Agent to file, a notice of the occurrence of a Listed Event, if material, with EMMA, in a readable PDF or other electronic format as prescribed by EMMA, with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) (defeasances) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The initial Dissemination Agent shall be G.L. Hicks Financial, LLC. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, Holders or Beneficial Owners, or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the

District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

TULARE LOCAL HEALTH CARE DISTRICT

By ____

Chief Executive Officer

ACKNOWLEDGED:

G.L. HICKS FINANCIAL, LLC, as
Dissemination Agent

By ____

Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Tulare Local Health Care District
Name of Issue:	Tulare Local Health Care District (Tulare County, California) General Obligation Bonds, Election of 2005, Series B (2009)
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Tulare Local Health Care District (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated [Closing Date], furnished by the District in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: __________________

G.L. HICKS FINANCIAL, LLC, as
Dissemination Agent

By ____
Name ______________________________________
Title _______________________________________