3

RECEIVED

MAR - 2 2001

J.R.B.

May 11, 2000

Mr. Steven A. Ralph
President and Chief Executive Officer
Huntington Memorial Hospital
100 West California Blvd.
Post Office Box 7013
Pasadena, California 91109-7013

Re: Engagement Agreement to Provide Strategic Advisory and Investment Banking Services

Dear Steve:

We are pleased to submit to you this engagement agreement (the "Agreement") which sets forth the terms pursuant to which Shattuck Hammond Partners, a Division of PricewaterhouseCoopers Securities L.L.C. ("Shattuck Hammond") shall provide financial advisory and investment banking services Southern California Healthcare System ("SCHS") in connection with the activities described herein related to the potential divestiture of Huntington East Valley Hospital ("HEVH") (the "Transaction").

1. SCOPE OF ADVISORY SERVICES RELATED TO EVALUATION OF DIVESTITURE OPTIONS

Shattuck Hammond will assist SCHS in conducting an overall assessment of options that may exist for SCHS's potential divestiture of HVEH, and will consult with the SCHS board and management regarding the feasibility of creating a competitive offering, maximizing the financial and strategic return to SCHS. As part of this process Shattuck Hammond will provide the following advisory services:

A. Shattuck Hammond will conduct a preliminary evaluation of hospital operations and real estate interests assist in defining the financial objectives of the Transaction.

B. Shattuck Hammond will identify potential acquirers of HEVH and will conduct exploratory discussions to qualify the interest levels of such entities.

C. Shattuck Hammond will, based on the identified interest of potential buyers, construct a Transaction process to facilitate achievement of the Transaction objectives.

2. SCOPE OF ADVISORY AND INVESTMENT BANKING SERVICES RELATED TO THE TRANSACTION

A. Shattuck Hammond will assist SCHS in soliciting and evaluating proposals from organizations that are interested in a transaction involving HEVH. In addition, Shattuck Hammond will review potential non-hospital but healthcare-related uses of the site (e.g., SNF assisted living gero-services, etc) and estimated terms of a transaction. Note: We will not be undertaking a valuation of the site for non-healthcare uses. Full analysis of non-hospital uses will require a consultant's confirmation of the site's zoning status.

B. Shattuck Hammond will assist SCHS in creating a formal process that includes input from the California Attorney General's office.

C. Shattuck Hammond will assist SCHS in Transaction negotiations.

D. Shattuck Hammond will assist HEVH, in conjunction with internal and external legal counsel, in understanding relevant legal issues that would influence SCHS negotiating strategy or position.

E. Shattuck Hammond will consult with the SCHS board and management to develop final terms for the Transaction

F. Shattuck Hammond will assist SCHS and HEVH in organizing due diligence relating to a Transaction.

G. Shattuck Hammond will assist in the review of relevant Transaction documentation.

H. Shattuck Hammond shall render such other financial advisory and investment banking services related to the Transaction as may required.

I. Shattuck Hammond shall, at the request of SCHS, provide a written opinion regarding the fairness of a Transaction to SCHS, from a financial point of view, including the consideration paid pursuant to the Transaction (the "Fairness Opinion"), subject to mutual agreement by SCHS and Shattuck Hammond on the scope, content and fees for such opinion.

3. COMPENSATION

As consideration for the services provided by Shattuck Hammond hereunder, SCHS agrees to pay Shattuck Hammond as detailed below:

A. Retainer Compensation

An initial retainer fee of $50,000 shall be paid by SCHS to Shattuck Hammond for the initiation of advisory services related to the evaluation of divestiture options as defined in Section 1. ("SCOPE OF ADVISORY SERVICES RELATED TO THE EVALUATION OF DIVESTITURE OPTIONS").

B. Success Fee Compensation

(i) For services rendered under Section 2. Herein, a success fee of $250,000 shall be paid by SCHS to Shattuck Hammond. This fee is in addition to the retainer compensation such that total compensation would equal $300,000.

(ii) Above success fee compensation is contingent upon and due upon closing of the Transaction.

(iii) In the event that a separate, yet related transaction is contemplated or negotiated involving assets other than HEVH, a separate fee would apply, the amount of which would be defined by Shattuck Hammond at such time as this separate transaction were identified. SCHS is under no obligation to engage Shattuck Hammond for advisory and investment banking services for such separate, yet related transactions.

C. Expense Reimbursement

Regardless of whether or not a Transaction is completed, SCHS shall reimburse Shattuck Hammond promptly upon request on a monthly basis for its reasonable out-of-pocket expenses incurred in connection with this engagement, including without limitation the fees and disbursements of legal counsel retained by Shattuck Hammond, if any.

4. TERM AND TERMINATION

Shattuck Hammond shall be engaged as exclusive investment bankers to SCHS until the successful completion or closing of the assignment or Transaction contemplated by this Agreement.

Either party hereto may terminate this Agreement with or without cause at any time by delivering a written notice of such party's desire to terminate; provided, however, that, unless this agreement is terminated by SCHS for cause, neither termination of this Agreement nor completion of the Transaction shall affect: (i) SCHS's obligations to pay: (A) any compensation earned by Shattuck Hammond up to the date of termination or completion, as the case may be, (B) Any Success Fee compensation for any Transaction covered by this Agreement which Transaction closes within twelve months after termination of this Agreement, or (C) the reimbursement of expenses incurred by Shattuck Hammond up to the date of termination or completion, as the case may be; and (ii) the indemnification provisions contained in Section 5.

5. INDEMNIFICATION

SCHS shall indemnify Shattuck Hammond Partners, a Division of PricewaterhouseCoopers Securities L.L.C. ("PWC"), PWC, their affiliates as defined under the federal securities laws, and their respective employees, managers, directors, officers, members, partners, shareholders, legal counsel and agents (collectively the "Shattuck Hammond Indemnified Persons") against all claims, damages, liabilities and litigation expenses (including reasonable fees and expenses of Shattuck Hammond's attorney), as the same are incurred, related to or arising out of its activities hereunder, except to the extent that any claims, damages, liability or expenses are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted from Shattuck Hammond's willful misconduct or gross negligence in performing the activities described herein.

If, for any reason, the foregoing indemnity is unavailable to the Shattuck Hammond Indemnified Persons or insufficient to hold them harmless, then SCHS shall contribute to the amount paid or payable as a result of such claims, liabilities, loss or damage in such proportion as is appropriate to reflect not only the relative benefits received by SCHS on the one hand and the Shattuck Hammond Indemnified Persons on the other, but also the relative fault of SCHS on the one hand and the Shattuck Hammond Indemnified Persons on the other that resulted in such losses, claims, damages or liability as well as any relevant equitable considerations. The indemnity and contribution provisions set forth herein shall remain in full force and effect regardless of the termination of this Agreement.

6. OTHER AGREEMENTS

A. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO CONTRACTS EXECUTED IN AND TO BE FULLY PERFORMED IN THAT STATE WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

B. SCHS agrees that any information or advice (including, without limitation, any Valuation) rendered by Shattuck Hammond or its representatives in connection with this engagement is for the confidential use of SCHS's respective Boards of Trustees only in their evaluation of a Transaction and, except as otherwise required by law, SCHS will not, and will not permit any third party to, disclose or otherwise refer to such Fairness Opinion, advice or information in any manner without Shattuck Hammond's prior written consent.

C. This Agreement does not create, and shall not be construed as creating rights enforceable by any person or entity not a party hereto, except those entitled to the benefits of the indemnification and contribution provisions hereof. SCHS acknowledges and agrees that Shattuck Hammond is not and shall not be deemed to be a fiduciary of SCHS and shall have no duties or liabilities to the creditors of SCHS or any other person by virtue of this Agreement or the retention of Shattuck Hammond hereunder, all of which are hereby expressly waived.

D. This Agreement constitutes the entire understanding between the parties hereto with respect to the subject matter hereof and cannot be amended except in writing signed by both parties. The benefits of this Agreement shall inure to the respective successors and assigns of the parties hereto and of the indemnified parties hereunder and their successors, assigns and representatives, and the obligations assumed in this Agreement by the parties hereto shall be binding upon their respective successors and assigns.

SHATTUCK HAMMOND PARTNERS

If the foregoing correctly sets forth our understanding, please return signed copies of this Agreement to the undersigned.

Very truly yours,

SHATTUCK HAMMOND PARTNERS

By: _______________

Title: Managing Director

Agreed, Accepted and Approved:

SOUTHERN CALIFORNIA HEALTHCARE SYSTEM

By: _______________

Title: CFO

Date: 5-15-00

Huntington East Valley Hospital

June 2000

SHATTUCK HAMMOND PARTNERS

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Table of Contents

General Description of the Facilities

Location

- 150 West Alosta Avenue, Glendora, CA 91740.
- Located less than one mile from Freeway 210 (Grand Avenue exit), offering ready access to many other major freeways.
- 85,859 sq. ft. building, located on 6.4 acres of land.
- One story wood frame and concrete structure. Pending the outcome of proposed legislation, HEVH may be exempt from compliance with SB 1953 requirements. A 1998 seismic report will be made available in due diligence.
- Campus includes a Senior Mental Health unit (21 beds) that was opened in 1994 and a state-of-the-art Intensive Care/Coronary Care Unit (10 beds).
- A 1995 Valuation Counselor report appraised HEVH's value between $8.5M and $9.5M, based on cost approach and comparable hospitals. Base land value estimated at $4.2M. The report will be made available in due diligence.

History

- Has been in continuous operation for 42 years as an acute care hospital.
- The first hospital established in Glendora.
- Has had both for-profit and not-for-profit owners.
- Acquired in 1995 by Southern California Healthcare Systems (SCHS).

Medical Staff

- 257 Physicians / 67 Active Staff
- 62% of Active Staff are Board Certified.

Active Staff	Number of Staff	Average Age
Primary Care (Internists/GP/FP/Peds)	24	51
OB/GYN	9	56
General Surgeons	7	59
Psychiatrists	4	47
Clinical Pathologists	4	54
Orthopedic Surgeons	4	58
Other (Neurologists, Allergists, Urologists, etc.)	15	49

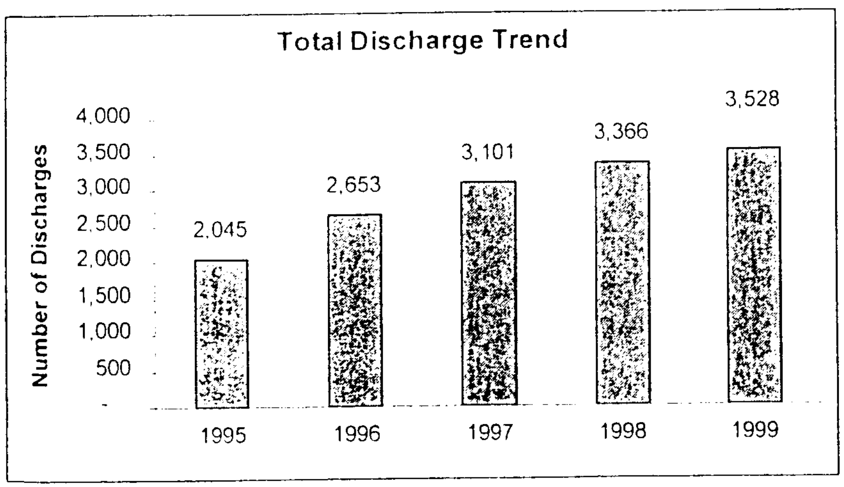
- A detailed HEVH medical staff roster (name, address, annual inpatient/outpatient activity) will be made available in due diligence material.

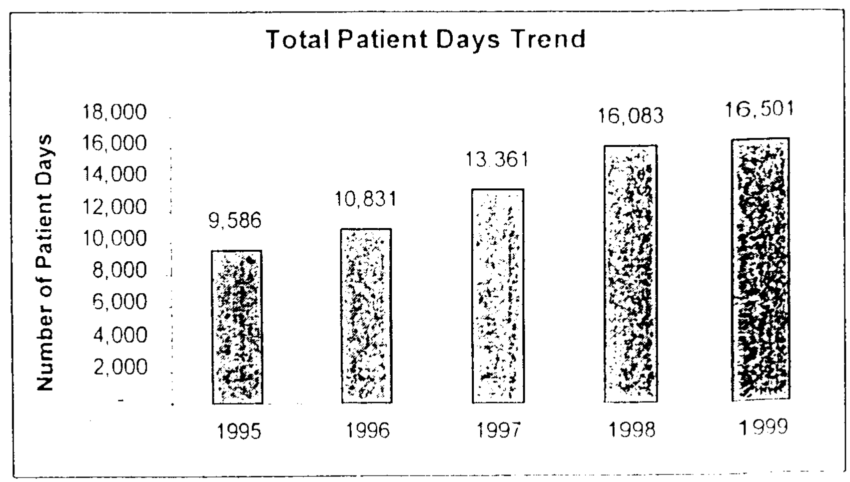
Nursing

- HEVH maintains an "RN oriented team approach" to patient care.
- Over 70% of nursing staff are RN and/or BSN certified.

Facility as of 1999

- FTEs: 210
- Licensed: 128 (67 General Acute, 10 Intensive Care, 30 Perinatal and 21 Acute Psychiatric)
- Staffed Beds: 90
- 1999 Patient Days: 16,501 (up 2.6% since 1998)
- 1999 Average Inpatient Daily Census: 45
  - Med/Surg: 17
  - Gero-Psych: 14
  - OB: 9
  - ICU: 5
- 1999 Discharges: 3,528 (up 4% since 1998)
- 1999 Outpatient Visits: 3,346
- HEVH's laboratory is accredited by the College of American Pathologists (CAP)
- 6 Surgical Suites (4 General, 1 Endoscopy, 1 OB)





Payor Mix (1999 Revenue Basis)

- Medi-Cal: 23%
- Medicare: 34%
- HMO/PPO/Indemnity: 41%
- Self pay: 2%
- HEVH is a Federal and State designated disproportionate share (DSH) hospital. The annual benefit exceeds $1.2M (SB855), including supplemental funding (SB1255). Complete historical information about disproportionate share payments will be made available in due diligence.

Management

- Jim Maki, President & CEO
- Cindy Trousdale, Vice President, Finance
- John Zimmerman, Vice President, Operations

Employees

- HEVH employees are non-union, long-serving and committed to the community.

HEVH Major Clinical and Community Programs

OB/GYN/Women's Health

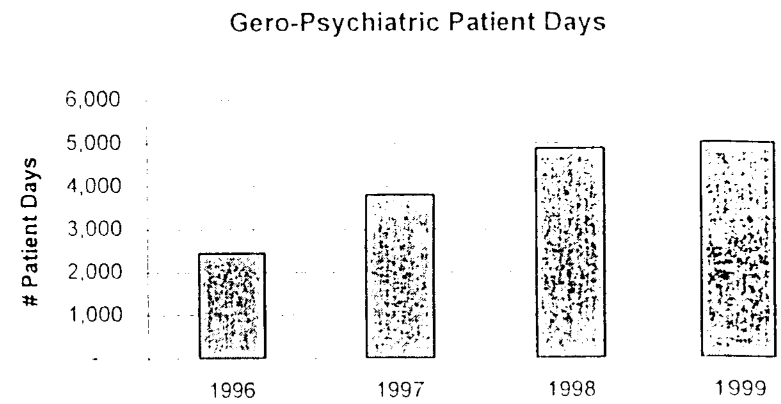
- In 1999, more than 1,100 infants were delivered at HEVH.
- HEVH's OB program, titled "Babies Are Special," provides a variety of services including bilingual (English/Spanish) instruction in pre-natal care, breastfeeding, parenting and child-safety.
- New mothers receive a free infant car seat and an umbrella stroller for the child's safety and new mother's convenience.
- Free transportation is provided at the time of delivery for patients with no other means of transportation.
- Babies Are Special staff regularly go out into schools, churches and parks, to name a few, to perform health screenings and raise awareness of the importance of pre-natal care.
- OB staff also visits local continuation high schools to teach pregnant teens about pre-natal care and parenting, in cooperation with local school districts.
- HEVH's Women's Health Department is a provider of CPSP (Comprehensive Perinatal Services Program), a Los Angeles County program. As such, HEVH links families with other health agencies and services, such as WIC, Los Angeles County comprehensive health centers, family resource centers and more.

Geriatric-Psychiatric Program

- HEVH offers the only Geriatric-psychiatric unit in an acute care, medical-surgery hospital in a more than ten-mile radius.

- HEVH provides free or low-cost mental health programs and social services programs for residents in low-income communities.

- The treatment team includes a geriatric psychiatrist, internists, psychologists, a psychiatric nurse team, as well as a variety of other mental health and social work professionals.



- HEVH offers three Senior Mental Health Programs:

  1. Inpatient Program: Comprehensive, physician-supervised inpatient program for adults age 55 and older. This program offers a structured plan of individual counseling, group therapy, planned activities and family support.

  2. The Partial Program: This program was developed for patients with less severe problems to assist their transition from the inpatient unit to either home or facilities designed for senior living.

  3. The Outpatient Program: This program was developed for seniors who require outpatient professional intervention or those who have been discharged from the Senior Mental Health Unit.

- In 1999, the average daily census in the Geriatric-psychiatric unit was approximately 14.

Cardiac Program: State-of-the-art cardiac monitors

- 10 state-of-the-art cardiac monitors were purchased in 1999.
- These monitors allow for constant patient observation and monitoring from a central nursing station.
- This equipment allows for rapid signaling to notify nurses when a patient requires immediate medical attention.

The Huntington Imaging Center and The Hill Breast Center

- Located on the campus of HEVH, this center was founded in 1997 as a result of a joint venture between HEVH, Hill Medical Corporation Radiologists and Congress Services Corporation (a subsidiary of Memorial Hospital in Pasadena).
- The center features an open-air MRI system as well as advanced screening and diagnostic mammography equipment, ultrasound technology and general diagnostic imaging.
- Breast health education is provided at The Hill Breast Center.

Community Education Programs

- Immediately adjacent to the HEVH facility is a 49,500 sq. ft. medical building, Huntington East Medical Building, majority-owned by a select group of HEVH physicians.
- The Medical Building has an auditorium and meeting room that HEVH leases for community education programs, lectures and health screenings.
- The auditorium is also used at no-charge by community organizations such as Alcoholics Anonymous, the American Heart Association, and the American Cancer Society.
- Numerous relationships have been forged through the use of this community asset.

Senior Care Network Program

- Provides programs and services to more than 23,000 seniors and disabled adults.
- Services include: caregiver support, care coordination, insurance services and social work consultation.
- This network was extended to the East San Gabriel Valley in 1997 through a partnership with Huntington Memorial Hospital in Pasadena.

Employee Volunteer Activities

- In 1998, HEVH employees donated their time to various health-related charitable organizations, valued at more than $50,000 (1999 HEVH Community Benefits Report).

Service Area and Competition

- The primary service area of HEVH includes over 300,000 residents and workers in:
  - Glendora
  - Azusa
  - Baldwin Park
  - El Monte
  - Covina

- Competing hospitals in HEVH's primary service area include:
  - Foothill Presbyterian Hospital, Glendora (Citrus Valley Health Partners)
  - San Dimas Community Hospital, San Dimas (Tenet)
  - Intercommunity Hospital, Covina (Citrus Valley Health Partners)

Patient Demographics[1]

- Patient income and ethnicity
  - 23% of patient households[2] have annual incomes less than $25,000.
  - 24% of patient households have annual incomes of over $75,000.
  - As of 1998, the median household incomes of Glendora and Azusa are $59,000 and $40,000, respectively.
  - In Glendora and Azusa, 37% of households are white, 3% are black, 8% are Asian and 52% are Hispanic.
- Resident population and age trends:
  - Overall population in Glendora and Azusa has been growing. Over the five years between 1998 and 2003, the general population in these cities is predicted to increase by more than 4%.
  - During this same time period, the population over the age of 65 is predicted to *increase* substantially. In fact, the number of men (over the age of 65) in Glendora is predicted to increase by 16% and the number of women (over the age of 65) is predicted to increase by more than 17%.
- HEVH receives Disproportionate Share funds based on Medicare, Medi-Cal and charity-care volume. More than 80% of patients receive some kind of public assistance.

[1] Demographics data according to Claritas.
[2] *Patient Households* refer to all households in both the primary and secondary service area.

Pro Forma Assumptions for Year 2000 and 2001

Revenue Assumptions

- Census of 45 from second half of 2000 forward.
- 70% of HMO patients convert from SCHS inter-company reimbursement to a full per diem by 7/31/00. All capitated contracts convert to full per diem by 1/1/01. As a result, average net service revenue (gross revenue less contractual deductions) per adjusted patient day is $966 for 2000 and $1,005 for 2001.
- $1,200,000 DSH revenue accrued in second half of each year.
- "Other Operating Revenue" declines by approximately $47,000 primarily due to cessation of fund raising.

Expense Assumptions

- Salaries increase by 2.3% annually.
- Outside service expenses decline by 8% and supplies expenses rise by almost 12% due to transition from SCHS core laboratory service to in-house laboratory services.
- Rise in rental expense of 1.2%. While inflation is factored into this assumption, the assumption of declining overall rental space is also included.
- Parent allocation and provision for bad debt unchanged.
- Other expenses rise due to increases in workers compensation effective 6/1/00 and assumes 2% inflation.

Pro Forma for Year 2000 and 2001

Pro Forma Income Statement

	Projected 2000	Forecasted 2001
ADC	43	45
Net Patient Service Revenue	$ 21,051,742	$ 22,829,790
Net Capitation Revenue	253,330	0
Total Patient Service Revenue	21,305,072	22,829,790
Total Other Operating Revenue	119,118	72,000
TOTAL OPERATING REVENUE	$ 21,424,190	$ 22,901,790
Operating Expenses :		
Salaries, Wages & Benefits	$ 11,313,301	$ 11,618,071
Outside Services	4,309,648	3,946,812
Supplies	3,067,005	3,434,981
Rental - Building & Equipment	395,883	400,713
Parent Allocation	215,880	215,880
Provision for Bad Debt	300,000	300,000
Other	1,308,185	1,446,805
TOTAL OPERATING EXPENSES	$ 20,909,902	$ 21,363,262
EBITDA	$ 514,288	$ 1,538,528
Depreciation & Amortization	911,415	915,588
Interest	530,614	535,408
Net Income	$ (927,741)	$ 87,532

EBITDA Sensitivity to Census

- The table below, which is based on the same assumptions as the 2000/2001 Pro Forma, illustrates the variation in EBITDA when the census moves from 45 to 50.
- A small change in the census would lead to significant changes in EBITDA.

EBITDA Sensitivity Analysis to Census for Year 2001

	Census = 45	Census = 50
Total Operating Revenues	$22,901,790	$25,305,100
Total Operating Expenses	21,363,262	22,312,605
EBITDA[3]	$ 1,538,528	$ 2,992,495

[3] Please note: these projections are based on historical experiences; however, past performance is not a guarantee of future performance.

Contents

Huntington East Valley Hospital

Focus: 1999

Audit Results

Summary of What We Agreed To Do

Our Approach

Our audit plan represented an approach responsive to the assessment of risk for the Hospital. Specifically, we designed our audits to:

- Issue an opinion on the financial statements of the Hospital.
- Express negative assurance on the Hospital's compliance with debt agreements.
- Issue a management letter to management and the Finance Committee.

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

- Accounts receivable, revenue, and allowances for uncollectibles and contractual adjustments.
- Third-party reimbursement settlement estimates.

There were no changes to our planned approach or areas of audit emphasis.

Update of Identified Business Risks

Key issues, including their business and audit implications, are outlined below along with relevant comments relating to each item.

Internal/External Factors	Business Implication	1999 Audit Consideration
Medicare Reform		
An aging population combined with increasing health care costs continue to strain the Hospital Insurance Trust Fund, the major source of funding for the Medicare program.	The Balanced Budget Act of 1997 (BBA) and health care reform challenge providers with continued erosion of payments; high dependency on Medicare reimbursement presents operating margin challenges.	Discuss with management its estimates of BBA effects on the Hospital; evaluate the Hospital's economic performance and adequacy of settlement accounts.
Fraud and Abuse		
The perception of widespread fraud and abuse combined with the federal government's expanded funding and new enforcement powers contribute to an increasing number of health care organizations under investigation.	Bad publicity, fines, exclusion, repayments to Medicare, personal accountability of Board members, and prosecution are some risks of engaging in fraudulent activity involving the Medicare program. An effective corporate compliance program is the best strategy to prevent and detect potential fraud and abuse.	Obtain an understanding of management's monitoring activities over internal controls that promote adherence to applicable law and program requirements of Medicare/Medicaid; evaluate third-party settlement accounts.
Third-Party Reserves		
Certain regulators have challenged health care entities' accounting for third-party reserves and/or the adequacy of their disclosures relating to submitted claims (such as those related to filed cost reports).	Overly detailed documentation may call into question the entity's billing and cost reporting practices. On the other hand, undocumented reserves may be inconsistent with GAAP.	Evaluate management's estimates of net revenues, including the basis for recorded reserves.
Patient Privacy Legislation		
Demands for additional patient privacy legislation stem from growing concerns over security and confidentiality of patient information.	Failure to implement data privacy requirements of the Health Insurance Portability and Accountability Act (HIPAA) may result in possible civil and criminal fines and penalties; additional legislation is on the horizon.	Remain alert for the presence of risk factors and the possibility of violations of laws or regulations.

Update of Identified Business Risks (continued)

Internal/External Factors	Business Implication	1999 Audit Consideration
Managed Care Capitation		
The percentage of patients covered by capitation contracts continues to increase and calculations of risk sharing arrangements are more complex.	Organizations assume additional risk to maintain patient volumes: profitability of capitated contracts depends on the ability to negotiate payments sufficient to cover the costs of providing care to covered individuals.	Review significant contracts for proper recording of revenues and related liabilities.
Internal Revenue Service (IRS)		
The IRS continues to scrutinize the health care industry.	Transactions, agreements, joint ventures, etc. can result in penalties, loss of exempt status, or retroactive taxation of bonds, among other unintended consequences.	Remain alert for transactions and issues that may have tax consequences and consult with tax professionals.

Required Communications

Statement on Auditing Standards No. 61 and other professional standards require the auditor to provide the Finance Committee with additional information regarding the scope and results of the audit that may assist the Committee in overseeing management's financial reporting and disclosure process. Below we summarize these required communications

Area	Comments
Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS) The financial statements are the responsibility of management. Our audits were designed in accordance with GAAS which provides for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. As a part of our audit, we obtained an understanding of internal control sufficient to plan our audits and to determine the nature, timing and extent of testing performed.	We have issued an unqualified opinion on the Hospital's financial statements for the year ending December 31, 1999.
Significant Accounting Policies Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.	No changes.
Management Judgments and Accounting Estimates The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.	*Estimated Settlements with Third-Party Payors* – Estimated amounts due Medicare primarily for unaudited cost report years. *Accounts Receivable Allowances* – The allowances relate to bad debts, discounts, and deductions for contractual allowances. *Self-insurance reserves* – Estimated cost of medical malpractice and workers' compensation claims.
Significant Audit Adjustments	See page 7 for a summary of recorded audit adjustments. There were no unrecorded audit adjustments.
Other Information in Documents Containing Audited Financial Statements	Not applicable.
Disagreements with Management on Financial Accounting and Reporting Matters	None.
Major Issues Discussed with Management Prior to Retention	None.
Consultation with Other Accountants	None.
Serious Difficulties Encountered in Performing the Audit	None.

Required Communications (continued)

Area	Comments
Material Errors, Fraud and Illegal Acts	None.
Material Weaknesses in Internal Controls	None
Independence Consistent with the report and recommendations of the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees and as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, we communicate, at least annually, the following to the audit committee or board of directors of the company subject to the rules of the Securities and Exchange Commission: 1. Disclose, in writing, all relationships between Ernst & Young and our related entities and the company and its related entities that in our professional judgment may reasonably be thought to bear on independence; 2. Confirm in writing that, in our professional judgment, we are independent of the company within the meaning of the Securities Acts; and 3. Discuss our independence with the audit committee.	1. We are not aware of any relationships between Ernst & Young and the Hospital that, in our professional judgment, may reasonably be thought to bear on our independence. 2. Relating to our audit of the financial statements of the Hospital as of December 31, 1999 and for the year ended, we are independent certified public accountants with respect to the pronouncements of the Independence Standards Board, and under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings. Our policies relating to financial interests (e.g., stock ownership, loans and other credit) generally are stricter than the requirements imposed by these regulatory and professional bodies. 3. We look forward to a productive discussion with the finance committee regarding the matters addressed above, as well as other matters relating to our independence.

Summary of Recorded Audit Adjustments

	Increase/(Decrease) Operating Income Year ended December 31, 1999
Understatement of allowance for bad debt	$ (538)
Understatement of contractual allowances	(316)
Understatement of SB855 funds (supplemental)	122
Write up investment in Hill Radiology	91
Write-off Pleasant Care receivable	(89)
Overstatement of third party settlement reserve	77
Others, net	(10)
	$ (663)

Huntington East Valley Hospital

Looking Ahead to
Next Year

Ernst & Young LLP

Continuity and Commitment of Your Team

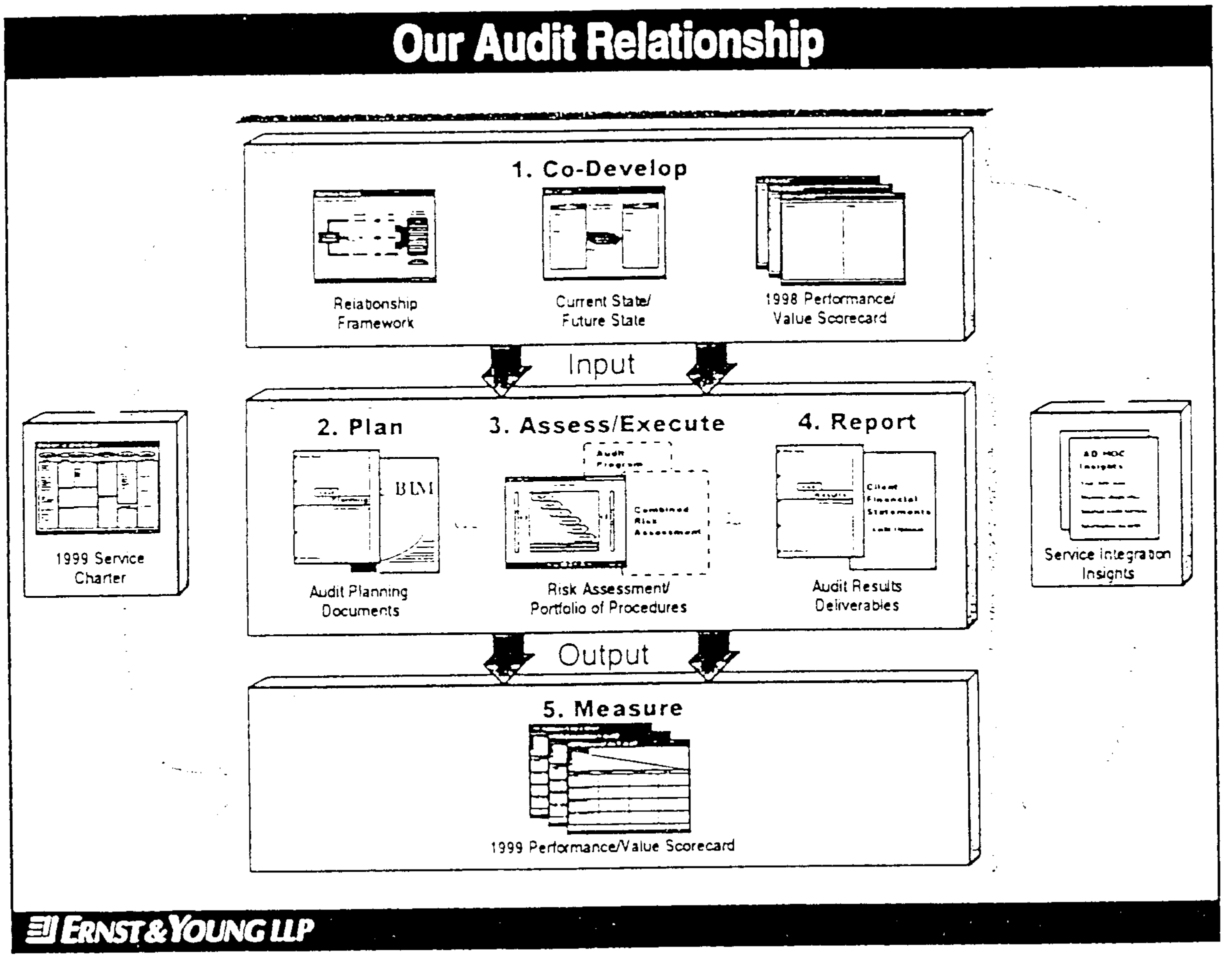
Ernst & Young continues to serve you with a multi-disciplinary team of professionals who offer both Health Care expertise and a long history of involvement with Huntington East Valley Hospital. Their enthusiasm and commitment to the Hospital result in responsive, innovative and forward looking service focused on your business issues.

Engagement Member	Responsibility	Years of Industry Experience	Years of Service to the Hospital
Dick Treinen	*Engagement Partner*	34	5
Steve James	*Independent Review Partner*	22	5
John Bishop	*Audit Senior Manager*	9	5
Patty Schell	*Information Systems Audit Manager*	6	2

Huntington East Valley Hospital

Appendix A:

Audit Process



A process focused on continuous improvement and exceeding client expectations.

Our Audit Process — Client Communications

We are continuing to challenge the quality of our communications throughout the year with our clients. Our communications are designed to align with two critical aspects of the audit: the relationship and the process. Relationship deliverables help us understand your needs and measure our progress in meeting expectations with a formal scorecard. Process deliverables relate specifically to the audit process which includes planning activities, assessing risks, and executing audit procedures.

Relationship Deliverables

Co-Develop Expectations results in a clear articulation of what is possible from the audit and the audit relationship and a commitment to measure expectations. The deliverable from the co-development process is the first draft of the Service Charter. The Service Charter is updated yearly and is presented in final form with the Performance/Value Scorecard at the conclusion of the audit. The Service Charter contains a summary of our understanding of your business including Current State/Future State and Critical Success Factors, Key Performance Indicators and Risks; a summary of expectations; and an overview of our service plan. This process facilitates a mutual understanding of the relationship and the audit process.

Process Deliverables

Audit Planning activities have been expanded in two ways. First, we consider more and higher quality industry-specific information through our proprietary Business Intelligence Memorandum (BIM). The BIM contains information on industry and economic trends, peer and competitor benchmarking, and other industry information. Second, we make a greater effort to understand your goals, critical success factors and risks. We have found this results in a clearer understanding of what the key risks are, how they relate to the audit, and what we see in the industry affecting or creating risk and opportunity for you.

Risk Assessment begins with gaining an understanding of your business processes and risks. Our industry segment-specific process models allow us to quickly look at your business key performance indicators, exposures, and typical controls by business activity. We then focus our audit procedures on important risks that affect your financial statements.

Audit Results summarizes the scope and results of our audit, the reports issued, and various analyses and observations related to your financial statements and your financial reporting and disclosure process.

Service Integration Insights provide business insight on current issues or ideas of importance to you. Insights vary and may relate to tax, regulatory, industry or operating issues affecting your business.

Going forward, we will continue to make significant investments in our assurance services. This year we will spend over $175 million on knowledge and technology and specialty assurance products and methodologies. Our goal is continuous improvement in delivering effective and efficient audits.

Audited Financial Statements

Huntington East Valley Hospital

Years ended December 31, 1999 and 1998

with Report of Independent Auditors

Huntington East Valley Hospital

Audited Financial Statements

Years ended December 31, 1999 and 1998

Contents

Ernst & Young LLP
725 South Figueroa Street
Los Angeles, California 90017-5418

Phone: (213) 977-3200
www.ey.com

Report of Independent Auditors

Board of Directors
Huntington East Valley Hospital

We have audited the accompanying balance sheets of Huntington East Valley Hospital as of December 31, 1999 and 1998, and the related statements of operations and changes in net assets (deficit), 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 generally accepted auditing standards. Those standards require that we plan and perform the audit 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 Huntington East Valley Hospital at December 31, 1999 and 1998, and the results of its operations, changes in net assets (deficit) and cash flows for the years then ended in conformity with generally accepted accounting principles.

March 14, 2000

DRAFT

Huntington East Valley Hospital

Balance Sheets

	December 31 1999	1998
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 483	$ 244
Patient accounts receivable (less allowance for uncollectible accounts of $762 in 1999 and $540 in 1998)	3,794	5,632
Inventories	506	512
Current portion of assets limited as to use	46	40
Due from third-party payors	590	–
Due from affiliate *(Note 2)*	336	–
Prepaid expenses and other current assets	709	1,332
Total current assets	6,464	7,760
Other assets:		
Property, plant and equipment, net of accumulated depreciation and amortization *(Note 3)*	9,668	9,560
Assets limited as to use, less current portion	279	688
Deferred financing costs	394	408
Other assets *(Note 2)*	302	415
Total assets	$ 17,107	$ 18,831
Liabilities and net assets (deficit)		
Current liabilities:		
Accounts payable	$ 3,503	$ 3,957
Accrued expenses and other liabilities	3,381	574
Due to third-party payors	–	532
Current portion of note payable to affiliate *(Note 2)*	–	189
Current portion of due to affiliate *(Note 2)*	–	1,790
Current maturities of long-term debt *(Note 4)*	550	859
Total current liabilities	7,434	7,901
Due to affiliate, less current portion *(Note 2)*	3,690	659
Long-term debt, less current maturities *(Note 4)*	9,183	9,645
Commitments and contingencies *(Notes 3 and 4)*		
Net assets (deficit):		
Unrestricted net assets (deficit)	(3,236)	618
Temporarily restricted net assets	36	8
Total net assets (deficit)	(3,200)	626
Total liabilities and net assets (deficit)	$ 17,107	$ 18,831

See accompanying notes.

Huntington East Valley Hospital

Statements of Operations

	Year ended December 31			
	1999		1998	
	(In Thousands)			
Unrestricted revenues, gains and other support:				
Net patient service revenue *(Note 1)*	$	20,614	$	21,135
Other operating revenue		858		3,658
Total revenues, gains and other support		21,472		24,793
Expenses:				
Salaries and benefits		10,808		11,176
Supplies		2,840		2,712
Purchased services *(Note 2)*		8,259		8,441
Insurance		285		236
Depreciation and amortization		819		714
Interest *(Note 4)*		584		735
Provision for bad debts		983		322
Total expenses		24,578		24,336
Operating (loss) income		(3,106)		457
Contributions to affiliate *(Note 2)*		(748)		(593)
Decrease in unrestricted net assets	$	(3,854)	$	(136)

See accompanying notes.

Huntington East Valley Hospital

Statements of Changes in Net Assets (Deficit)

	Year ended December 31	
	1999	1998
	(In Thousands)	
Unrestricted net assets (deficit)		
Operating (loss) income	$ (3,106)	$ 457
Contributions to affiliates, net *(Note 2)*	(748)	(593)
Decrease in unrestricted net assets	(3,854)	(136)
Temporarily restricted net assets		
Contributions	28	8
Increase in temporarily restricted assets	28	8
Decrease in net assets	(3,826)	(128)
Net assets at beginning of year	626	754
Net assets (deficit) at end of year	$ (3,200)	$ 626

See accompanying notes.

Huntington East Valley Hospital

Statements of Cash Flows

	Year ended December 31 1999	1998
	(In Thousands)	
Operating activities		
Decrease in net assets	$ (3,826)	$ (128)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	819	714
Contributions to affiliate	748	593
Changes in operating assets and liabilities:		
Patient accounts receivable	1,838	(1,570)
Due to/from third-party payors	(1,122)	(39)
Inventories	6	4
Prepaid expenses and other current assets	617	640
Accounts payable and accrued expenses	2,353	1,244
Due to affiliates	(2,126)	1,470
Net cash (used in) provided by operating activities	(693)	2,928
Investing activities		
Purchases of property, plant and equipment	(913)	(890)
Decrease (increase) in assets limited as to use	409	(31)
Decrease (increase) in other assets	113	(202)
Net cash used in investing activities	(391)	(1,123)
Financing activities		
Principal payments on long-term debt	(771)	(1,016)
Increase (decrease) due to affiliates	3,031	(87)
Payment of note payable to affiliate	(189)	(359)
Increase in deferred financing costs	–	(34)
Contributions to affiliates	(748)	(639)
Net cash provided by (used in) financing activities	1,323	(2,135)
Net increase (decrease) in cash and cash equivalents	239	(330)
Cash and cash equivalents at beginning of period	244	574
Cash and cash equivalents at end of period	$ 483	$ 244
Supplemental cash flow information		
Interest paid	$ 549	$ 658
Capital leases	$ –	$ 175
Supplemental noncash investing and financing activities		
Contribution of interest in affiliate	$ –	$ 46

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The accompanying financial statements include the accounts of Huntington East Valley Hospital (the Hospital). The Hospital is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code to operate as a nonprofit public benefit corporation. The Hospital was purchased by Southern California Healthcare Systems (SCHS or Parent), a nonprofit public benefit corporation, on March 31, 1995 (see Note 2), and was converted to nonprofit status. SCHS is the sole corporate member of the Hospital.

Mission Statement

The Hospital's primary mission is to serve the health care needs of the city of Glendora, California, and surrounding areas. In partnership, the medical staff, allied health professionals, employees, and volunteers of Huntington East Valley Hospital are dedicated to serving the people of the east San Gabriel Valley by providing high quality health care, in a caring, compassionate and friendly environment. As an affiliate of Southern California Healthcare Systems, the Hospital's programs are responsive to the health care and educational needs of the east San Gabriel Valley communities, while also offering access to a full range of services in an integrated health care delivery system.

Liquidity and Capital Resources

The Hospital incurred a significant operating loss for the year ended December 31, 1999, and has a working capital deficit of $970 and net asset deficit of $3,200 at December 31, 1999. The Hospital anticipates additional operating losses in fiscal 2000 and has estimated a fiscal 2000 operating cash flow deficiency of $900. Due to the anticipated cash flow deficiency, the Hospital has obtained commitments from Huntington Memorial Hospital and Methodist Hospital of Southern California to fund two-thirds and one-third, respectively, of the cash flow deficiency through January 1, 2001. In consideration of the funding commitments received by the Hospital, it appears that the Hospital will continue as a going concern in the year 2000.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

The administrative procedures related to the cost reimbursement programs in effect generally preclude final determination of amounts due the Hospital until cost reports are audited or otherwise reviewed and settled upon with the applicable administrative agencies. Normal estimation differences between final settlements and amounts accrued in previous years are reported as adjustments of the current year's net patient service revenue. In the opinion of management, adequate provision has been made for adjustments, if any, that might result from subsequent review.

During 1998, the Hospital adjusted its estimated obligation pertaining to the 1997 Medicare cost report. The effect of the adjustment decreased 1998 net patient service revenue by $838.

The Hospital is reimbursed for services provided to patients under certain programs administered by governmental agencies. Revenues from the Medicare and Medicaid programs accounted for approximately 43% and 24%, respectively, of the Hospital's net patient service revenue in 1999, and 46% and 18% in 1998. Laws and regulations

1. Organization and Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Hospital is eligible to receive supplemental payments (SB 855 Funds) for the provision of health care services to low-income patients under the Department of Health and Human Services Disproportionate Share Program (DSH Program). Under the DSH Program, the SB 855 Funds are distributable in a period subsequent to the year the services are provided based on DSH Program available funding. For this reason, the Hospital accounts for the SB 855 Funds when they become distributable. The Hospital recorded increases in net patient service revenue of $2,145 and $2,004 in 1999 and 1998, respectively, for services provided in earlier periods.

Charity Care

The Hospital provides care without charge to patients who meet certain criteria under its charity-care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity-care policy. Charity care provided, based on established rates, totaled approximately $805 and $1,019 for the years ended December 31, 1999 and 1998, respectively.

Cash Equivalents

The Hospital considers all highly liquid debt instruments with maturities, on acquisition date, of three months or less to be cash equivalents.

1. Organization and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Hospital to concentrations of credit risk consist primarily of accounts receivable. Concentration of credit risk with respect to accounts receivable is limited due to the large number of payors comprising the Hospital's patient base.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Depreciation of property, plant and equipment is computed using the straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements and equipment under capital lease obligations are amortized using the straight-line method over the term of the lease, or over the estimated useful life of the asset, whichever is shorter. Such amortization is included in depreciation and amortization in the financial statements.

Assets Limited as to Use

Assets limited as to use are comprised of money market funds which have been designated by the board of directors for the purpose of replacing or making additions to property, plant and equipment, and cash held in trust for payment of bond principal and interest.

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of

The Hospital accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. The Hospital has determined that no long-lived assets are impaired at December 31, 1999.

1. Organization and Summary of Significant Accounting Policies (continued)

Inventories

Inventories are recorded at cost (by the first-in, first-out method) which is not in excess of market.

Fair Value of Financial Instruments

The Hospital's balance sheets include the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term obligations. The Hospital considers the carrying amounts of current assets and liabilities in the balance sheets to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The Hospital believes that the carrying value of the long-term obligations approximates the fair value of such obligations.

Deferred Financing Costs

Deferred financing costs are being amortized over the term of the related debt using the interest method.

Professional Liability Insurance

The Hospital maintains claims-made basis insurance for general liability and professional liability insurance coverage of $1,000 per incident and $10,000 in the aggregate on an annual basis. Claims-made coverage covers only those claims reported during the policy period. Accruals for claims incurred but not reported are estimated by an actuary based upon the Hospital's claims experience and are discounted at 4%.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time period or purpose.

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets (continued)

Unconditional promises to give cash and other assets are reported at fair value at the date the pledge is received, which is then treated as its cost basis. The gifts are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations.

Temporarily restricted net assets are available primarily for capital purposes.

2. Related Party Transactions

SCHS provides management and other administrative services to the Hospital. The charges for these services totaled $220 and $283 for the years ended December 31, 1999 and 1998, respectively, and are included in purchased services.

Amounts due from affiliates are as follows:

	December 31 1999	December 31 1998
Methodist Hospital of Southern California	$ 814	$ –
Huntington Medical Foundation	(453)	–
Southern California Medical Value Plan	(42)	–
Southern California Medical Management	17	–
	$ 336	$ –

(Dollars in Thousands)

2. Related Party Transactions (continued)

Amounts due to affiliates are as follows:

	December 31 1999	December 31 1998
SCHS	$ 1,215	$ 899
SoCal Clini Lab	1,161	805
Huntington Memorial Hospital	989	317
Methodist Hospital of Southern California	325	385
Medical Value Plan	–	43
	3,690	2,449
Less current portion	–	1,790
	$ 3,690	$ 659

During 1999, the Hospital transferred $628 and $120 to the Huntington Medical Foundation and Huntington Memorial Hospital, respectively, and accounted for the transfers as a decrease in unrestricted net assets.

During 1998, the Hospital transferred $325, $160, $127 and $27 to SCHS, Huntington Medical Foundation, Huntington Memorial Hospital and Southern California Medical Management, affiliates of the Hospital, respectively, and accounted for the transfers as a decrease in unrestricted net assets.

During 1998, SCHS contributed a $46 interest in SoCal Clini Lab to the Hospital. This noncash contribution increased the Hospital's equity interest in SoCal Clini Lab to $173 (6%) and is included in other assets.

The Hospital, Huntington Memorial Hospital (Huntington) and Methodist Hospital of Southern California (Methodist) have entered into separate contracts with various health plans under which each of the hospitals agreed to assume full financial liability for providing hospital services to health plan members (Capitated Members) in return for capitation payments. Effective January 1, 1999, certain Capitated Members were reassigned internally among the hospitals based on the primary care physician group to which the Capitated Members had been assigned. In addition, the hospitals that were assigned the Capitated Members also received an allocation of capitation payments. Under this arrangement, the hospitals intended that Capitated Members internally assigned to a particular hospital would look to such hospital as the primary provider of capitation services.

(Dollars in Thousands)

2. Related Party Transactions (continued)

Subsequent to the January 1, 1999, effective date, the Capitated Members allocated to the Hospital were reallocated to Huntington and Methodist because the Hospital did not have the financial capacity to assume full responsibility for the assigned Capitated Members. Under the revised arrangement, monthly capitation payments made to the Hospital are compared to the amounts owed under fixed payment terms for services actually provided to Huntington's (both allocated and reallocated) Capitated Members to arrive at a settlement. Management believes the settlement adjustment, if any, is not expected to be material.

Note Payable to Affiliate

During 1997, the Hospital entered into a $718 loan agreement with Methodist to provide for repayment of the working capital assistance. The loan requires monthly principal and interest payments of $32 through June 1999. Amounts outstanding under the loan were $0 and $189 at December 31, 1999 and 1998, respectively.

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31 1999	December 31 1998
Land	$ 4,163	$ 4.163
Buildings	4,718	4.328
Equipment	3,711	3.144
	12,592	11.635
Accumulated depreciation and amortization	(2,957)	(2.139)
Construction in progress	33	64
	$ 9,668	$ 9.560

The Hospital has four operating leases for office space. Rent expense for the leases is recognized on a straight-line basis with rental expense of $402 and $513 for the years ended December 31, 1999 and 1998, respectively.

(Dollars in Thousands)

3. Property, Plant and Equipment (continued)

At December 31, 1999 and 1998, the Hospital has capital leases for equipment totaling $584, and $931, respectively. The related accumulated amortization for the leases amounted to $387 and $604 at December 31, 1999 and 1998, respectively.

The following is a schedule, by year, of future minimum lease payments under noncancelable leases (including the present value of minimum lease payments for capital leases) as of December 31, 1999:

	Capitalized Leases	Operating Leases
2000	$ 251	$ 172
2001	81	36
2002	8	
Thereafter		
Minimum lease payments	340	$ 208
Less amount representing interest	45	
Present value of net minimum lease payments	$ 295	

(Dollars in Thousands)

4. Long-Term Borrowings

Long-term debt consists of the following:

	December 31 1999	1998
California Statewide Communities Development Authority Certificates of Participation, principal payments of $165 to $220 due annually beginning in 2001 through 2008, $500 due 2010, $2,095 due 2017, and $4,950 due 2027, interest payable annually at 4.25% to 5.40%	$ 9,100	$ 9,100
Note payable to seller, principal payments of $338 due semiannually plus interest at 6%, through 2000	338	1,013
Note payable to investment banker, principal payments of $62 due semiannually plus interest at 8%, through 1999	–	22
Capital lease obligations	295	369
	9,733	10,504
Less current maturities	550	859
	$ 9,183	$ 9,645

During 1997, the Hospital issued $9,100 principal amount of California Statewide Communities Development Authority Certificates of Participation (Certificates). Commencing December 1, 2007, the Certificates are subject to optional redemption prior to their stated maturity at redemption prices ranging from 100% to 102% of the principal amount of the Certificates being redeemed. The Hospital is required to establish a sinking fund with the trustee to pay the principal of the Certificates which mature on December 1, 2010, 2017 and 2027. Deposits with the trustee to satisfy the sinking fund requirements will be made in annual installments of $10 to $340 beginning in 2008.

The Certificates are collateralized by the revenues of the Hospital. Pursuant to the loan agreement for the Certificates, the Hospital must comply with certain restrictive financial and other covenants, including the maintenance of certain required funds, limitations on additional indebtedness and maintenance of service rates and charges so that the operating income available for debt service is at least 110% of annual debt service as

(Dollars in Thousands)

4. Long-Term Borrowings (continued)

defined in the loan agreement. At December 31, 1999, the Hospital was in violation of the operating income available for debt service covenant. The Hospital requested and received a waiver from the insurer of the Certificates through January 2, 2001. The Collis P. and Howard Huntington Trust is a guarantor of the Certificates.

The combined aggregate amounts of annual maturities of long-term debt and capital lease obligations for the years subsequent to December 31, 1998, are as follows:

2000	$	550
2001		240
2002		183
2003		180
2004		190
Thereafter		8,390
	$	9,733

5. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses related to providing these services are as follows:

	Year ended December 31	
	1999	1998
Health care services	$ 13,881	$ 14,553
General and administrative	10,697	9,783
	$ 24,578	$ 24,336

Huntington East Valley Hospital

Southern California Healthcare System
Board of Directors

December 14, 2000

SHATTUCK HAMMOND PARTNERS

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Summary of Proposed Acquisition Terms - PanPacific Health Enterprises

The following is a summary of proposed terms based on a Memorandum of Intent to Purchase submitted by PanPacific Health Enterprises. C. Joseph Chang is the principal of PanPacific Health Enterprises. Henry Quong is a co-investor in the business. Both are residents of the local community. Mr. Chang is a member of the management team at Alhambra Community Hospital.

The Memorandum of Intent was accompanied by a cashier's check for escrow deposit in the amount of $195,000 and a letter of lending commitment from California Bank and Trust.

Purchase Price

- $6.5 million total purchase price.
- $5 million payable upon close of escrow, financed in part by California Bank and Trust in the amount of $3,250,000 and the Small Business Administration in the amount of $970,000.
- $1.5 million payable not later than 12 months following the closing date, with interest payable to SCHS at the prime lending rate.
- We are seeking clarification regarding various forms of collateral that might be available to secure the $1.5 million note, including a lien on the accounts receivable (if acquired as part of the transaction), a second lien position on the deed of trust, and/or the pledge of personal property of the buyers.

Conditions Precedent

- Payment of $195,000 has been received as a deposit for the opening of escrow.
- The buyer has agreed that pending the approval of the SCHS Board of Directors, the deposit can only be refunded if a "Permitted Terminating Event" occurs. Permitted Terminating Events include only:
  1. Receipt of an adverse finding on the Environmental Report;
  2. Material omission or misstatement of financial facts; and
  3. Failure to provide an updated seismic report by an agreed upon date.
- Shattuck Hammond Partners and SCHS Counsel (Musick Peeler & Garrett, LLP) have requested that item 2 be clarified for narrow interpretation.

Other

- The transaction would require the approval of the California Attorney General.
- PanPacific has expressed its interest in employing all existing employees at HEVH.
- Specific assets to be included in the transaction are still under discussion. The $6.5 Million proposed purchase price is for the hospital's real estate assets only. Additional consideration may be paid for other assets (e.g. accounts receivable).
- Final terms have not yet been fully negotiated.

Recommendations

Shattuck Hammond Partners recommends that the Southern California Healthcare System Board of Directors **authorize management to sell Huntington East Valley Hospital based on the terms described herein, including continued negotiations regarding security of the $1.5 million dollar note.**

This recommendation is based on the following:

- HEVH will continue to experience negative cash flow for an indefinite period of time, regardless of efforts to improve performance.
- Closure of Huntington East Valley Hospital would be expensive (estimated $13 million).
- The offer from PanPacific Health Enterprises is the only bonofide offer received by Shattuck Hammond Partners after 6 months of marketing this facility.

CLOSE As of December 2000		SELL By December 2000		MINIMUM CONTINUE TO OPERATE Through December 2005	
($4,362,000)	Wind Down Expenses	$6,500,000	Sale Proceeds[1]	($4,813,000)	Discounted Cash Flow (at 8.5%)
(1,800,000)	WARN Act				
(567,000)	12 Months Upkeep				
(9,025,000)	Bond Defeasance	(9,025,000)	Bond Defeasance		
2,200,000	Land Sale Proceeds	(1,350,000)	Transaction and Wind Down Costs		
($13,554,000)	**Net Cash**	**($3,875,000)**	**Net Cash**	**($4,813,000)**	**Net Cash[2]**
($4,518,000)	Methodist	($1,292,000)	Methodist	($1,604,000)	Methodist
($9,036,000)	Huntington	($2,583,000)	Huntington	($3,209,000)	Huntington

[1] $5 million payable at close. $1.5 million payable under note to SCHS for 12 month term. There is some level of risk associated with this note
[2] Actual cash flow $5.7 million before discount. Five-year forecast only. Based on HEVH Budget for 2001 and assumes 43 ADC (see page 6) Forecasts range from $4.8 million to $7.2 million. Remaining balance due on bonds in 2005 of approximately $8 Million

Huntington East Valley Hospital
Comparison of Five-Year Financial Forecast

PROFIT/(LOSS)PER YEAR:

	AS PRESENTED 9/26/00 BY SHATTUCK HAMMOND		BUDGET
	40 ADC	43 ADC	43 ADC
2000	(1,681)	(1,681)	(2,353)
2001	(1,508)	(940)	(485)
2002	(1,557)	(972)	(646)
2003	(1,630)	(1,027)	(696)
2004	(1,707)	(1,086)	(753)
2005	(1,789)	(1,150)	(821)
TOTAL	(9,872)	(6,856)	(5,753)

PRESENT VALUE OF 5 YEAR CASH REQUIREMENTS:

	40 ADC	43 ADC	43 ADC (Budget)	
2001	2,557	2,205	2,612	see next page for detail
2002	1,325	833	627	
2003	1,190	723	558	
2004	1,115	671	519	
2005	1,056	635	497	
	7,243	5,067	4,813	

CONTRIBUTIONS TO HEV FROM HMH/MH DURING 2000:

2000 Capital Call	3,700
Increase in Due to Affiliates during 2000 thru 10/00	767
	4,467

* The September 26, 2000 Shattuck Hammond Partners financial model was updated to reflect operations as of October 2000. Inflation, fixed/variable and discount rate assumptions from September 26 were not changed in these revised projections.
* **Please note** that these projections depict fairly strict, no-frills operations for at or near a best case scenario, created simply to compare to sale and closure options. If HEV is not sold, it is probable that additional capital and marketing/business development costs would be incurred annually. Minimum estimate for these costs would be $350,000 annually, or $1,750,000 over the forecast period.

Huntington East Valley Hospital
Detail of 2001 Cash Requirements

Forecasted cash Needs for 2001 are for the following:

		Quarter Needed			
		1st QTR	2nd QTR	3rd QTR	4th QTR
Net Income (Loss)	(485)	(121)	(121)	(121)	(121)
Add back non cash Depreciation	854	214	214	214	214
(Increase) Patient Receivables and Inventories	(350)	(88)	(88)	(88)	(88)
(Decrease) in IBNR-to outside providers	(702)	(176)	(176)	(176)	(176)
(Decrease) in IBNR - funded by SCHS 2000 cap premium	(1,011)	(337)	(337)	(337)	-
Cash Used in Operations	(1,694)	(508)	(508)	(508)	(171)
Captial Expenditures	(700)	(175)	(175)	(175)	(175)
Decrease in LTD	(227)	(57)	(57)	(57)	(57)
(Decrease) in Current Portion due to Affiliates - HMF	(300)	(75)	(75)	(75)	(75)
Cash Needs	(2,921)	(815)	(815)	(815)	(478)
Present Value of Cash Needs - discounted at 8.5%	2,612				

Continued operations would result in a $2.9 Million cash shortfall in 2001 alone.

Preliminary List of Potentially Interested Parties

July 31, 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Potential Interested Parties – For-profit Organizations

Company	Contact	Comments
Community Health Systems	Ken Hawkins Vice President, Development 155 Franklin Road, Suite 400 Brentwood, TN 37024-0217 Tel: 615-373-9600	5/30/00 – Per Ken Hawkins, CHS is not interested in California hospitals at this time.
Duane Van Dyke	Duane Van Dyke 104 North Larkin Drive Covina, CA 91722 Tel: 626-331-4701 626-252-0472 Fax: 626-915-7231	7/31/00 Duane called & left message to express interest along with a group of physicians in making a proposal 7//31/00 Left Message
Essent Healthcare	Hud Connery CEO West End Avenue Nashville, TN 37203 Tel: 615-312-5100	5/31/00 - left detailed message 6/1/00 – Hud called & left message. He is traveling and will call back. 6/13/00 Fedex letter 6/23/00 left voicemail message 6/24/00 Hud called & indicated that Essent is not interested in California Hospitals at this time
Health Management, Associates (AMA)	William Schoen CEO Gary Bell VP Development 5811 Pelican Bay Blvd., Suite 500 Naples, Florida 34108 Tel: 941-598-3175	7/10/00 Left Message for Gary Bell
Healthcare Institute Medical Group	Roy Jackson President 65 N. Madison Ave., Suite 200 Pasadena, CA 91101 Tel: 626-792-4186 Ext 1208 Fax: 626-792-7358	

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Health Plus	Jaliya Gunawardane Medical Practice Specialists 2648 E. Workmen Ave, #445 West Covina, CA 91790 Tel: 626-732-3535 Fax: 626-732-9707 Mac Burt Executive Vice President 2200 Southwest Freeway, 5th Floor Houston, Texas 77098 Tel: 713-522-0481 Fax: 713-520-3162 www.health-plus.net Frank Katsuda Regional Manager 1145 West Redondo Beach Blvd. Gardenia, CA 90247 Tel: 310-532-4200 Fax: 310-538-6680	6/16/00 Fedex & Fax confidentiality agreement to Jaliya and Frank (via Jaliya) 6/16/00 Received faxed Confidentiality Agreement from Jaliya signed 6/16/00 Fedex Info Package to Jaliya 6/17/00 Received faxed Confidentiality Agreement Frank signed 6/17/00 Fedex Information Package to Frank 6/29/00 Fax extension letter to Jaliya & Frank 7/10/00 Left message for Frank Katsuda to check status. 7/11/00 Frank called and indicated that this project is "assigned" to Mac Burt 7/11/00 Left message for Mac Burt 7/17/00 Mac Burt called and indicated that Health Plus is not interested because of a lack of positive EBDITA
Iasis Healthcare	John Crawford VP & CFO 113 Seaboard Lane, Suite A200 Franklin, TN 37067 Tel: 615-844-2747	7/10/00 Left Message for John Crawford

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
HealthMont	Tim Hill CEO 5409 Maryland Way, Suite 310 Brentwood, TN 37027 Tel: 615-250-7801 Fax: 615-250-7802	Recently launched company has acquired its first four hospitals. 7/24/00 Left Message for Tim Hill
Life Point	Paul Hanna Vice President, Development Lifepoint Hospitals, Inc. 4525 Harding Road, Suite 300 Nashville, TN 37205 Tel: 615-372-8540	5/31/00 Left detailed message 6/2/00 Reported that Scott Mercy, CEO of Lifepoint, was killed in a plane crash this week. Have not heard from Paul Hanna to date. 6/13/00 Fedex letter 6/23/00 Paul was on vacation until 7/3/00. Left detailed message 7/10/00 Lifepoint has recently acquired 2 hospitals and does not have the wherewithall to take up another transaction right now. Paul indicated that they will probably not do another acquisition for 6 months.

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Medical Pathways	Mike Eberhard President Medical Pathways 12750 Center Court Drive Suite 300 Cerritos, California 90703 Tel: (562) 924-2662 x4301 Fax: (562) 924-1457 Vince Forte 1237 Rose Lane Lafayette, CA 94549 Tel: 925-299-1839 Fax: 925-284-4559 Cell: 925-202-4589	Per Bill Caswell, not interested. 6/1/00 Per Bill Caswell, Medical Pathways has reconsidered and would like to receive information package. 6/1/00 Received Confidentiality agreement 6/2/00 Confidentiality agreement sent (Fax & Fedex) 6/2/00 Received fax of signed confidentiality agreement 6/15/00 Sent Information Package We are now dealing primarily with Vince. While he seems extremely interested in the facility, he has explained that due to the upcoming holidays, he cannot meet the July 7 deadline. He wants an extra 7-10 days to submit terms. 6/23/00 Given permission to delay submission. 6/29/00 Fax extension letter to Vince 7/19/00 Fax extension letter final to Vince & Mike 7/28/00 Received LOI from Medical Pathways 8/30/00 Told Vince to send final proposal as of Sept. 6.
Mafuz Michael, MD	22835 Califa St Woodland Hilld, CA 91367 Cell: 818-266-6432 Fax: 818-888-4718	9/15/00 Faxed Confidentiality Agreement

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Pacific Health Corporation	Jim Young CEO Pacific Health Corporation 14642 Newport Avenue Suite 340 Tustin, CA 92780 Tel: 714-669-2085 Fax: 714-669-2059	Jim Young called SHP on 5/30/00 and left a message regarding PHC's interest in HEVH. 5/31/00 Left Message 5/31/00 Sent Confidentiality Agreement (Fax & Fedex) 6/14/00 Left message 6/23/00 Left Message 6/28/00 Received faxed Confidentiality Agreement signed. Fedex Information Package w/extension letter. 7/19/00 Fax extension letter final. Keith Rosenbaum will put together proposal on this organization's behalf. 7/20/00 Jim Young called to indicate that PHC will not be making a proposal 7/24/00 Called to clarify if PHC is working with Keith Rosenbaum 7/24/00 Jim Young called to say they will not be making a proposal and he is not working with Keith Rosenbaum

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Physician Service Company, LLC, et al	Keith Rosenbaum Partner Berger, Kahn, Shafton, Moss, Figler, Simon & Gladstone 2 Park Plaza, Suite 650 Irvine, California 92614 Tel: 949-474-1880 Fax: 949-474-7265	Has sent a very strong letter of interest to Jim Maki indicating an interest in having Physician Services Company, LLC, a group of local specialists organized by Keith Rosenbaum and his partners acquiring the hospital. Rosenbaum and the physician group would potentially seek financing from GE Small Business Finance Corp. 5/23/00 Wants Information Package 5/31/00 Sent Confidentiality Agreement (Fax & Fedex) 6/22/00 Received faxed Confidentiality Agreement signed. Sent Information Package 6/29/00 Faxed extension letter 7/19/00 Fax extension letter final. Keith replied that he will be sending a proposal on behalf of Pacific Health Corporation. 7/24/00 Left Message with Keith for an update
Province Health	Tom Anderson Senior Vice President, Acquisitions & Development 105 Westwood Place, Suite 400 Brentwood, TN 37027 Tel: 615-370-1377 Fax: 615-370-4710 www.prch.net	6/23/00 Tom called & indicated that they are only interested in rural facilities

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Tawainese Investment Group	C. Joseph Chang, MHA 1842 West Dr. San Marino, CA 91108 Tel: 626-458-4782 Fax: 626-281-5127 Robert Layton esq Shepard, Mullin Richter & Hampton LLP 333 South Hope St., 48th Floor Los Angeles, CA 90071 Tel: 212-617-4144 Fax: 213-620-1398 Norman Martin, CEO Riverside Parkview Hospital Tel: 909-505-0551 909-352-5400 (Assist: Jill) Fax: 909-352-5363	5/30/00 – Joe referred me to Norman Martin, CEO, Riverside Parkview Hospital (909) 505-0551 Joe indicated that he might be personally interested and would be working with Norm to possibly make an offer. 5/31/00 Left Message for Norm Martin 6/28/00 Met w/Robert Layton, Attorney for Alhambra Tawainese Investors appears to be interested. Gave him Confidential Agreement. 7/10/00 Bill Caswell spoke to Joe Chang & Joe decided that they would consider HEVH. Fax & Fedex Confidentiality Agreement to Joseph Chang 7/19/00 Fax extension letter final. Left voicemail to contact if not recieved

Potential Interested Parties – For-profit Organizations (cont'd)

Company	Contact	Comments
Tenet Healthcare	Eric Tuckman Vice President, Development Dallas, TX Tel: 949-724-4235	Tenet is a leading operator in the Los Angeles market and has a market presence in the east San Gabriel Valley with San Dimas Hospital and St. Luke's Hospital. Has shown a limited interest in acquiring additional hospitals; however, regulatory and union issues could complicate a deal. Huntington Memorial Hospital management has expressed an interest in a potential affiliation related to University Hospital and/or a St. Luke's swap. 5/17/00 Michael spoke to Eric Tuckman. He will get back to us. Initial interest was low. 5/31/00 Called Eric to solicit response. Left detailed voice message. 6/5/00 Per Eric Tuckman, Tenet is not interested.
Triad Hospitals, Inc. (Alta Systems & Management)	James Shelton CEO 13455 Noel Road, 20th Floor Dallas, Texas 75240 Tel: 972-789-2700 Jim McElhaney VP Development Tel: 972-789-2720	7/10/00 Spoke with Jim McElhaney. Triad is not interested
Vanguard Health Systems, Inc.	Keith Pitts Vice President, Development 20 Burton Hills Blvd., Suite 100 Nashville, TN 37215 Tel: 615-665-6000 Fax: 615-665-6900	Vanguard is an active acquirer of hospitals. Has shown an interest in acquiring not-for-profit hospitals. 5/23/00 Per Keith Pitts, Vangaurd is not interested at this time. 8/25/00 Micheal Hammond contacted Paul Viviano to reassess interest. Paul spoke with Keith Pitts and reconfirmed their lack of interest.

Potential Interested Parties- 501 (c) 3 Organizations/Public Entities

Company	Contact	Comments
Adventist Health System	Roger Rieger Vice President 2100 Douglas Blvd. Roseville, CA 95661 Tel: 916-781-4730 Fax: 916-783-9909	Has recently indicated an interest in acquiring Southern California hospitals. Roger indicated an interest in expansion East of L.A. 5/23/00 Adventist would like to receive information package. 5/31/00 Sent Confidentiality Agreement (Fax & Fedex) 6/1/00 Received Confidentiality Agreement. 6/15/00 Sent Information Package 6/29/00 Faxed extension letter 7/5/00 Called to touch base. Left message
Alhambra Hospital Medical Center, LP/ AHMC Inc.	Lee Suyenaga CEO 100 South Raymond Avenue Alhambra, CA 91801 Tel: 626-458-4770 Fax: 626-570-8825 Nedda Mitchell Citrus Century 21 1100 Via Verde San Dimas, CA 91773 Tel: 949-717-0100 Jonathan Wu, M.D. Medical Director	7/14/00 Fax and Fedex Confidentiality Agreement 7/18/00 Lee called to change company name on Confidentiality Agreement 7/19/00 Fax and Fedex Confidentiality Agreement(Revised) 719/00 Fax extension letter final. 7/20/00 Lee called and expressed tremendous interest in HEVH. He will be sending us the signed Confidentiality agreement today and he will prepare a proposal. 7/20/00 Received confidentiality agreement. Sent information package 7/29/00 Talked with Nedda Mitchell. Sent Information package to Jonathan Wu, M.D.
Azusa Pacific University	Hank Bode Vice President 901 East Alosta Ave. Azusa, CA 91702	

Sunrise Assisted Living	7902 Westpark Drive McLean, VA 22102 Tel: 703-273-7500	Left message
Vencor (Public)	Richard Lechleiter VP Finance One Vencor Place 680 S. Forth Avenue Louisville, KY 40202 Tel: 502-596-7734	Left message

	Tel: (626) 812-3001 Fax: (626) 815-3807	

Potential Interested Parties- 501 (c) 3 Organizations/Public Entities (cont'd)

Company	Contact	Comments
Barlow Hospital	Need Contact from Cindy Trusdale	Respiratory facility. Needs replacement facility and has FEMA money.
Catholic HealthCare West	Gary Conner Regional VP, CHWSC 251 South Lake Street, Suite 600 Pasadena, CA 91101-4948 Tel: 626-744-2213 Fax: 626-744-2352	Unlikely to be interested, but should be contacted to inquire. 5/23/00 Left Message, Gary will discuss w/team on 5/30 and provide an answer. 5/30/00 Per Gary Connor & Beth O'Brien. CHW is not interested.
Citrus Valley Health System	Pete Makowski Chief Executive Officer Citrus Valley Health System 210 West San Bernardino Road Covina, California 91723 Tel: 626-938-7577 Fax: 626-859-5865	Preliminary meetings have occurred and Citrus Valley has expressed an interest in acquisition. Concerns existing about bond insurance and the organization's ability to perform under a transaction proposal given their own financial struggles. 5/23/00 Left Message 5/31/00 Left Message 5/31/00 Sent Confidentiality Agreement (Fax & Fedex) 6/2/00 Scheduled phone call with Pete for 6/6 at 11:30 am 6/8/00 Conference call with Pete Makowski, Mark, and Cecilia. Scheduled meeting for 6/27 at 12noon. 6/14/00 Received Confidentiality Agreement 6/15/00 Sent Information Package 6/29/00 Faxed extension letter 7/19/00 Fax extension letter final. Left voicemail to contact if did not receive 7/21/00 Pete called and stated that Citrus will not be making a proposal

Potential Interested Parties- 501 (c) 3 Organizations/Public Entities (cont'd)

Company	Contact	Comments
County of Los Angeles	Al Compher Director, Health Facilities Planning Services LACUSC Medical Center 1200 North State Street Room 1112 Los Angeles, CA 90033 Tel: 323-226-7231 Fax: 323-226-2456 Fred Leaf Chief of Staff Department of Health Services 313 N. Figueroa, Room 903 Los Angeles, CA 90012	Had previously planned to construct a facility in Baldwin Park. HEVH has viewed as a possible substitute. Construction plans have been scraped. 5/23/00 Left Message 5/31/00 Left Message 6/1/00 Al called & indicated he would like to see information 6/1/00 Sent Confidentiality Agreement (Fax & Fedex) 6/14/00 Left Message 6/23/00 Left Voice message 7/5/00 Al indicated that he forwarded the information to the Chief of Staff. The County has indicated an interest in the possibility of a facility. Baldwin Park's area and HEVH might work. It is mixed up with LA County's difficulties with the State. Until LA County is through its negotiations, they cannot contemplate an acquisition. 11/27/00 Sent Information Package to Fred Leaf.
Pomona Valley Medical Center	Richard Yochum President and Chief Executive Officer 1798 North Gary Ave Pomona, California 91767 Tel: 909-865-9885 Fax: 909-865-9796	5/23/00 Left Message 5/31/00 Left Message 6/13/00 Fedex letter 6/23/00 Not Interested

Alternative Use Providers

Company	Contact	Comments
Alterra Healthcare Corporation	10000 Innovation Drive Milwaukee, WI 53221 Tel: 414-918-5000	Talked to Kristin Kirgy, VP Development. Alterra is not in the LA Market and is not interested in acquiring any properties.
Atria	501 S 4th Street, Suite 140 Louisville, KY 40202 Tel: 502-719-1600	Left message
Beverly Medical Enterprises (Public)	1000 Beverly Way Fort Smith, AR 72919 Tel: 501-201-2000 Dwight Koury VP Development Tel: 501-201-5614	Left message
Health South (Public)	Carol Die Corporate Development One Healthsouth Parkway Birmingham, AL 35243 Tel: 1-800-765-4772	Left message
Integrated Health Services	10065 Red Run Blvd. Owings Mills, MD 21117 Tel: 410-773-1000	Left MEssage
Manor Care, Inc.	Steve Kavanaugh Corporate Development 333 N. Summitt Street Toledo, OH 43604-2617 Tel: 419-252-5500	Left Message. Steve called back and indecated that they are not in California and not interested
Select Medical Corporation (Private)	Mr. Ken Moore 4718 Old Gettysburg Rd. P.O. Box 2034 Mechanicsburg, PA 17055 Tel: 717-972-1100	Select Medical <u>leases</u> portions of larger facilities. Not interested
Sun Healthcare Group	101 Sun Avenue, NE Albuquerque, NM 87109 Tel: 505-821-3355	Left message

«AutoMergeField» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1»
«Address2»
«City», «State» «PostalCode»

Re: Huntington East Valley Hospital

Dear «AutoMergeField» «LastName»,

Southern California Healthcare System ("SCHS") has invited you to submit a non-binding proposal regarding your interest in the potential acquisition of Huntington East Valley Hospital ("HEVH") in Glendora, California, and related operating assets. In order to facilitate your response we have enclosed a binder of relevant background materials on the hospital. We would also like to schedule a follow up meeting with you to discuss the facility and your view of a potential transaction. We will contact you to arrange this meeting during the week of June 26 if it is convenient for you.

During the next few weeks, we can also provide you access to due diligence materials. This can be arranged by contacting Cindy Trousdale, CFO of HEVH. She can be reached at (626) 335-0231.

We expect to adhere to our process and timeline as summarized below.

ACTIVITY	TIMING
Signed Confidentiality Agreement received.	First two weeks of June
Circulate Background Materials.	June 9
Schedule Meeting and Provide Limited Due Diligence access.	Week of June 26
Proposal submission deadline.	July 7
Communication of Proposal Response and Next Steps.	No later than – July 14

In to responding to this request for proposal, we ask that you also address the following in your response:

1. Purchase Consideration/Valuation and Financing Capability/Source.

- In your response please provide your proposed purchase price and describe your anticipated source of funds and/or financing source to fund the proposed acquisition.

2. Strategic Vision.
   - Please briefly describe your strategic vision for HEVH and your commitment to the East San Gabriel Valley marketplace. Describe any likely changes to the service profiles of the Hospital.

3. Community Issues.
   - Please describe your charity care policy and history of providing charity care.
   - Please describe your quality assurance programs and track record, including the accreditation status of your controlled facilities.

Please call Susan Fiorella (415-788-6900) if you have any questions regarding the enclosed materials. We will follow up with you shortly to schedule a meeting for the week of June 26, 2000.

The deadline for Proposal submissions is 5:00 p.m. on July 7, 2000. Please direct your Proposals to Shattuck Hammond at the letterhead address. Following our review of the Proposals, we expect to communicate our next steps no later than July 14, 2000.

Please refer questions or inquires to me or Susan Fiorella at 415-788-6900. I will be out of the office between June 12 and June 23. In my absence, you may also contact Michael Hammond in our New York office at (212) 314-0400. Thank you for your prompt consideration and response.

Sincerely,

Cecilia C. Montalvo
Vice President

Enclosure

Huntington East Valley Hospital

SHATTUCK HAMMOND PARTNERS

September 26, 2000

Huntington East Valley Hospital

September 2000

SHATTUCK HAMMOND PARTNERS

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

TABLE OF CONTENTS

TABLE OF EXHIBITS

Three Options Exist for the Future of Huntington East Valley Hospital

- Closure/Liquidation
- Sale
- Continued Operation

CLOSURE/LIQUIDATION OPTION
Assumptions/Risk Factors

Assumptions

- Bond Defeasance Required (Calculation of Cost of Defeasance attached as Exhibit A)
- Close by December 31, 2000 (Detailed Costs of Closure attached as Exhibit B)
- Sale of the Land and Building within 12 months
- Estimated Value of Real Estate is $2.2 million, (Appraisal by CB Richard Ellis attached as Exhibit C)

Risk Factors

- Possible Community Impact/Backlash
- Risk to "Huntington" Name
- Possibility of Protracted Land/Building Sale

CLOSURE/LIQUIDATION OPTION
Net Cash Calculation

Wind Down Expenses		($ 4,362,000)
WARN Act		(1,800,000)
Upkeep (12 Months Post Closure)		(567,000)
Bond Defeasance		(9,025,000)
Sub total		($15,754,000)
Land Sale Proceeds		2,200,000
	Net Cash	**($13,554,000)**
	Methodist	(4,518,000)
	Huntington	(9,036,000)

SALE OPTION
Assumptions/Risk Factors

Assumptions
- Sell by December 2000
- Expected Sale Proceeds of $5.5 Million
- Cash Offers are Between $4-6 million (Contingent on Buyer Financing)
- Other Costs of Sale (Includes Malpractice Tail Insurance, Some Wind Down, etc.)
- Only LT Assets Sold; SCHS Retains Current Assets and Liabilities (Assumes Assets = Liabilities)
- Bond Defeasance Required

Risk Factors
- Attorney General Process May Impact Timing and Conditions
- Risk to "Huntington" Name
- Possible Aggregation of Market Presence if Sold to Medical Pathways
- Warrants and Conditions

SALE OPTION
Net Cash Calculation

Expected Proceeds of Sale		$ 5,500,000
Other Costs (Transaction and Wind Down)		(1,350,000)
Bond Defeasance		(9,025,000)
	Net Cash	**($ 4,875,000)**
	Methodist	($ 1,625,000)
	Huntington	($ 3,250,000)

SALE OPTION
Expressions of Interest

Some form of expression of interest has been expressed by following individuals/organizations:

Duane Van Dyke

Roy Jackson, MD (d.b.a., Healthcare Institute Medical Group)

Medical Pathways

Mafuz Michael, MD

Keith Rosenbaum, Greg Engel (d.b.a. Physician Services Company, LLC)

Joseph C. Chang

Profiles of these possible buyers are attached as Exhibit E.

CONTINUED OPERATION OPTION
Assumptions/Risk Factors

Assumptions

- 5 Year "Base Case" forecast – actual cash flow could vary +/-
- Net revenue inflation 3%; operating expenses 1.5%-6%
- Capital expenditures of $700,000/year (average current)
- Per diem based managed care contracts (no capitation)
- Disproportionate share funding (DSH) remains at same level
- 10% increase in outpatient visits over 1999 levels (flat within forecast period 2001-2005)
- Average Daily Census of 40 (current 2000 YTD is 41)
- No allowance for sale, disposition or further operation after forecast period
- Discount Rate = 8.5%

Risk Factors

- Maintaining/growing inpatient census (e.g. Medical Pathways, current support)
- Managing expenses within budget guidelines/ inflation assumptions
- Capital expenditures may exceed forecast
- Continued funding levels for disproportionate share and no new State/Federally mandated regulations and/or reimbursement reductions
- SB 1953 outcome
- Market conditions for California hospitals do not materially improve during forecast period, *leaving SCHS with same issues and costs as currently faced*

Five-Year Financial Forecast: Summary of Paid in Capital

Sensitivity Analysis

	PV Paid in Capital
35	$ 10,870
37	$ 9,419
Base (40)	$ 7,243
43	$ 5,067
45	$ 3,616

Derivation of PV Paid in Capital (Base Case "40 ADC Scenario")

Cash Flow Summary	2001	2002	2003	2004	2005	Totals	
Net Income	(1,508)	(1,557)	(1,630)	(1,707)	(1,789)	(8,191)	
Depreciation and Amortization	955	1,005	1,055	1,105	1,155	5,274	
(Increase) Decrease in Current Assets	(240)	(188)	(183)	(189)	(194)	(994)	
Increase (Decrease) in Current Liabilities	(839)	120	121	126	131	(343)	
Capital Expenditures	(700)	(700)	(700)	(700)	(700)	(3,500)	
(Increase) Decrease in Other Assets	-	-	-	-	-	0	
Increase (Decrease) in Long Term Debt	(228)	(240)	(183)	(180)	(190)	(1,021)	
Increase (Decrease) in Due to Affiliates	(342)	-	-	-	-	(342)	
Cash and Equivalents Beginning	130	0	0	0	0	131	PV Rate
Periods	1	2	3	4	5	Totals	8.5%
PV Net Income	(1,390)	(1,323)	(1,276)	(1,232)	(1,190)	(6,410)	
PV Depreciation and Amortization	880	854	826	797	768	4,124	
PV (Increase) Decrease in Current Assets	(221)	(159)	(143)	(136)	(129)	(789)	
PV Increase (Decrease) in Current Liabilities	(774)	102	95	91	87	(400)	
PV Capital Expenditures	(645)	(595)	(548)	(505)	(466)	(2,758)	
PV (Increase) Decrease in Other Assets	-	-	-	-	-	0	
PV Increase (Decrease) in Long Term Debt	(211)	(204)	(143)	(130)	(126)	(814)	
PV Increase (Decrease) in Due to Affiliates	(315)	-	-	-	-	(315)	
PV Cash and Cash Equivalents (Beginning)	119	0	0	0	0	120	

PV Paid in Capital (Base) = (7,243)

CLOSE As of December 2000		SELL By December 2000		CONTINUE TO OPERATE Through December 2005	
($4,362,000)	Wind Down Expenses	$5,500,000	Sale Proceeds	($7,243,000)	Discounted Cash Flow (at 8.5%)
(1,800,000)	WARN Act				
(567,000)	12 Months Upkeep				
(9,025,000)	Bond Defeasance	(9,025,000)	Bond Defeasance		
2,200,000	Land Sale Proceeds	(1,350,000)	Transaction and Wind Down Costs		
($13,554,000)	**Net Cash**	**($4,875,000)**	**Net Cash**	**($7,243,000)**	**Net Cash[1]**
($4,518,000)	Methodist	($1,625,000)	Methodist	($2,414,000)	Methodist
($9,036,000)	Huntington	($3,250,000)	Huntington	($4,829,000)	Huntington

[1] Actual cash flow $9 million before discount. Five-year forecast only. Remaining balance due on bonds in 2005 of approximately $8 Million.

RECOMMENDATION

Shattuck Hammond and SCHS senior management have carefully considered the three options and their respective implications within the multifaceted construct of mission versus strategic value, financial risk versus investment opportunity, as well as the clinical and political elements. We continue to believe that Huntington East Valley does not, and will not achieve the objectives that were considered at the time of its acquisition by SCHS, particularly in light of the strategic shift that SCHS has made to focus on the West San Gabriel Valley. We believe Methodist and Huntington hospitals would not accrue benefit from a small hospital in the East portion of the Valley.

Huntington East Valley continues to experience a negative cash flow, and is projected to continue to do so into the future. When viewed as an investment, we believe the funds are better spent on our respective hospital priorities. Further, without dedicated resources, East Valley will continue to require the attention of Methodist and Huntington staff and Board members.

To this end, in spite of the cash required to consummate a sale, **our recommendation is to aggressively and quickly move forward to identify a buyer to acquire the Hospital.**

Simultaneously, because the possibility exists that a sale cannot be quickly consummated, it is imperative that the organization focus on efforts to improve the operating results at HEVH. This should include the identification of performance benchmarks and evaluation of key operating indicators.

STATUS OF SALE
Sale Process to Date

Shattuck Hammond Partners prepared an informational package to market the facility to the following:

- 14 For-Profit Hospital Management Companies
- 6 Not-for-Profit Hospital Organizations
- 4 Individuals with Personal Interest in Acquiring the Facility
- 10 Large Operators/Developers of Long Term Care Facilities, SNF's or Assisted Living Organizations
- 1 IPA (Medical Pathways)

The solicitation resulted in a very limited response from the hospital companies. There was no interest from any alternative use vendors. Commercial appraisers established a relatively nominal real estate value (estimated $2.2M to $2.5M sales price, See Exhibit C). A detailed list of contacted organizations is attached as Exhibit G.

The work did yield four written proposals; three from local entrepreneurs who are looking to establish a strategic and/or niche position. Each of these preliminary offers is contingent upon obtaining some level of bank or related financing; the remaining proposal is from Medical Pathways, a local IPA. Shattuck Hammond is diligently working with each suitor to ascertain their viability.

STATUS OF SALE
Process and Timetable to Complete

We expect potential buyers to finalize their due diligence and secure financing, where necessary, within the next 2-3 weeks. We have also encouraged each buyer to improve the terms of their offers.

Once bonofide offers have been received, we will work toward a definitive agreement.

Review and approval by the Attorney General's Office would be required for all possible transactions except Medical Pathways.

Possible Date to Close Transaction: December 31, 2000.

EXHIBIT A

EXHIBIT A

Calculation of Bond Defeasance

$9,025,000

California Statewide Communities Development Authority
Certificates of Participation
Huntington Valley East Hospital, Series 2000

ESCROW FUND CASHFLOW

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
10/01/2000	-	-	-	969.96	-	969.96
11/15/2000	-	-	35,504.38	35,504.38	-	36,474.34
11/30/2000	166,000.00	5.940%	35,667.50	201,667.50	-	238,141.84
12/01/2000	-	-	-	-	237,982.50	159.34
5/15/2001	-	-	35,504.38	35,504.38	-	35,663.72
5/31/2001	167,000.00	5.250%	35,667.50	202,667.50	-	238,331.22
6/01/2001	-	-	-	-	237,982.50	348.72
11/15/2001	-	-	35,504.38	35,504.38	-	35,853.10
11/30/2001	336,000.00	5.875%	31,283.75	367,283.75	-	403,136.85
12/01/2001	-	-	-	-	402,982.50	154.35
5/15/2002	-	-	35,504.38	35,504.38	-	35,658.73
5/31/2002	178,000.00	6.625%	21,413.75	199,413.75	-	235,072.48
6/01/2002	-	-	-	-	234,476.25	596.23
11/15/2002	-	-	35,504.38	35,504.38	-	36,100.61
11/30/2002	358,000.00	5.750%	15,517.50	373,517.50	-	409,618.11
12/01/2002	-	-	-	-	409,476.25	141.86
5/15/2003	-	-	35,504.38	35,504.38	-	35,646.24
5/31/2003	190,000.00	5.500%	5,225.00	195,225.00	-	230,871.24
6/01/2003	-	-	-	-	230,670.00	201.24
11/15/2003	376,000.00	11.875%	35,504.38	411,504.38	-	411,705.62
12/01/2003	-	-	-	-	410,670.00	1,035.62
5/15/2004	213,000.00	12.375%	13,179.38	226,179.38	-	227,215.00
6/01/2004	-	-	-	-	226,665.00	550.00
11/15/2004	417,000.00	-	-	417,000.00	-	417,550.00
12/01/2004	-	-	-	-	416,665.00	885.00
5/15/2005	222,000.00	-	-	222,000.00	-	222,885.00
6/01/2005	-	-	-	-	222,342.50	542.50
11/15/2005	422,000.00	-	-	422,000.00	-	422,542.50
12/01/2005	-	-	-	-	422,342.50	200.00
5/15/2006	218,000.00	-	-	218,000.00	-	218,200.00
6/01/2006	-	-	-	-	217,692.50	507.50
11/15/2006	428,000.00	-	-	428,000.00	-	428,507.50
12/01/2006	-	-	-	-	427,692.50	815.00
5/15/2007	212,000.00	-	-	212,000.00	-	212,815.00
6/01/2007	-	-	-	-	212,757.50	57.50
11/15/2007	8,348,000.00	-	-	8,348,000.00	-	8,348,057.50
12/01/2007	-	-	-	-	8,348,057.50	-
Total	12,251,000.00	-	406,485.04	12,658,455.00	12,658,455.00	-

INVESTMENT PARAMETERS

Investment Model [PV, GIC, or Securities] .... Securities
Default investment yield target .... User Defined

Cash Deposit 969.96
Cost of Investments Purchased with Bond Proceeds 9,020,620.59
Total Cost of Investments $9,021,590.55

Target Cost of Investments at bond yield $8,882,830.34
Actual positive or (negative) arbitrage .... (138,760.21)

Yield to Receipt 5.9975261%
Yield for Arbitrage Purposes 6.2406015%

EXHIBIT B

EXHIBIT B

Detailed Calculation of Closure Costs

COSTS OF CLOSING HEVH AS OF JAN 1, 2001

WIND DOWN EXPENSES	
MALPRACTICE TAIL (MMI quote)	440,000
MANAGEMENT SEVERANCE (HMH policy)	272,000
EMPLOYEE SEVERANCE (HMH policy)	2,017,000
COBRA INSURANCE COSTS (HMH policy)	56,000
UNEMPLOYMENT (33% of empl's at max unemployment)	298,000
BOND DEFEASANCE FEES	45,000
LEGAL AND NOTICE FEES	20,000
PAYOUT OF MOB LEASES	93,000
COLLECTION OF PATIENT A/R - 6 MONTHS	180,000
LABOR TO PROCESS A/P - 3 MONTHS	16,000
COST REPORT FEES ON OPEN YEARS	25,000
SUB-TOTAL	3,462,000
45 DAY WIND-DOWN (Med Recs, TAR's, Equip disp, acctg)	900,000
WARN ACT - 60 DAYS IN LIEU OF NOTICE TO EMP	1,800,000
SUB-TOTAL	6,162,000
PROPERTY UPKEEP FOR 1 YEAR AWAITING SALE	
UTILITIES/GARDENING	189,000
PROPERTY INSURANCE (existing policy)	180,000
SECURITY (current contract around the clock)	108,000
REPAIRS/MAINTENANCE	90,000
SUB-TOTAL	567,000
97 BOND PAYMENT/FUNDING FOR DEFEASANCE	9,025,000
TOTAL COSTS OF CLOSURE	15,754,000
NET LAND SALE PROCEEDS	(2,200,000)
TOTAL COSTS LESS SALE OF PROPERTY	13,554,000

**Assumes liquidation of the balance sheet is cash neutral.

EXHIBIT C

EXHIBIT C

Land Appraisal from CB/Richard Ellis

BROKERAGE SERVICES
Acreage

CB Richard Ellis

CB Richard Ellis, Inc.
4141 Inland Empire Boulevard
Suite 100
Ontario, CA 91764
T 909 418 2129
F 909 418 2100
kbowman@cbrichardellis.com

Kenneth M. Bowman
Vice President

July 14, 2000

Ms. Celelia C. Montalvo
Vice President
Shattuck Hammond Partner
601 California Street, Ste. 2001
San Francisco, CA 94108

RE: Huntington East Valley Hospital

Dear Cecilia:

Thank you for the opportunity to provide you with our Broker's Opinion of Value of the land on the 6.4± acres of land located at 130 W. Alosta Avenue.

As you know I have asked my two most astute associates, Natalie Bazarevitsch and John Oien to assist me in placing a proper current value on "just the dirt" at this location. Natalie and John are Office specialists and especially active and conversant in the Glendora area.

Cecelia, without going into detail (which we will be happy to do at your request), it is our opinion that the subject land is worth around $2,200,000.00 to $2,500,000.00 now as-is.

Please let me know if you wish more detail and/or if we can be of any further assistance to you. We are very much interested in marketing this land for you.

Sincerely,

CB Richard Ellis

Kenneth M. Bowman
Vice President, Acreage
(909) 418-2129

c: Natalie Bazarevitsch
John Oien

S:\KMBOWMAN\LETTER\Montalvo.doc

EXHIBIT D

EXHIBIT D

Letter of Intent Received as of September 25, 2000

C. J. Chang
1842 West Drive
San Marino, California 91108

Telephone: (626) 289-3743 Facsimile: (626) 281-5127

August 10, 2000

Mr. Timothy W. Carmack
Chief Financial Officer
Huntington Hospital
100 West California Boulevard
Pasadena, California 91109

Re: PURCHASE OF HUNTINGTON EAST VALLEY HOSPITAL

Dear Mr. Carmack:

The purpose of this letter of intent to purchase (this "Letter") is to set forth certain understandings between my organization (the "Purchaser") and the owner (the "Owner") of Huntington East Valley Hospital (the "Hospital"), relating to the transactions described herein.

1. **SUMMARY OF THE TRANSACTIONS.**

The Purchaser proposes to purchase from the Owner the real property, building, improvements, fixtures and equipment constituting and comprising the Hospital's property (collectively, the "Property"). The Purchase Agreement will constitute the definitive agreement between the parties relating to the proposed transactions.

- **Purchase Agreement**. On or prior to the Closing Date, the Purchaser and the Owner will enter into a purchase agreement (the "Purchase Agreement"), which will contain the terms and conditions relating to the purchase by the Purchaser of the Property. Subject to the Purchaser's due diligence review, a sufficient appraisal value and a "clean" environmental report, the Purchaser anticipates a purchase price of $5,000,000, subject to negotiations with the Owner. "**Closing**" or "**Closing Date**" refers to the date when all of the conditions precedent for the transactions have occurred, and which is anticipated to be on or before December 31, 2000, or otherwise agreed to, in writing, by the Purchaser and the Owner.

2. **DUE DILIGENCE AND ACCESS.**

The Purchaser, and the Purchaser's agents, will be permitted to reasonably investigate the Property and review documents relating to or affecting the Property in connection with the Purchaser's due diligence review.

3. **CONDITIONS PRECEDENT TO THE TRANSACTIONS.**

The following issues will be addressed in the Purchase Agreement and will be, among the other related items in the Purchase Agreement, conditions precedent to the Closing of the proposed purchase transactions:

(i) the Purchaser and the Owner shall have, respectively, obtained all necessary consents and approvals of lenders, lessors, lessees, governmental entities and other required third parties;

(ii) there shall be no pending or, to the best knowledge of the parties, threatened litigation regarding this Letter, the Purchase Agreement or the transactions contemplated hereby or thereby;

(iii) the Purchaser shall have completed its due diligence review; and

(iv) the Purchaser shall have obtained, on or before the Closing Date, bank financing for not less than 70% of the Purchase Price.

4. **AGENCY.**

The Purchaser and the Owner acknowledge and agree that Norm Martin, The Mardel Group, Inc. is acting as the agent of the Purchaser in connection with the transactions described in this Letter and has full power and authority to negotiate for the Purchaser with respect thereto. Norm Martin may be reached at 909-352-5400, 909-308-4107 pgr., and 909-698-0568 FAX. All fees due from the Purchaser to The Mardel Group, Inc. in connection with the services provided by The Mardel Group, Inc. shall be the responsibility of the Purchaser.

5. **DISCLOSURE.**

Except as and to the extent required by law, or with the prior written consent of the other party, neither the Purchaser nor the Owner shall, and each shall direct its

Mr. Timothy Carmack
August 10, 2000
Page 3

respective representatives not to, make any comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding the proposed transactions or any other terms, conditions or other aspects of the proposed transactions.

6. **COSTS.**

The Purchaser and the Owner shall each be responsible for and bear their own costs and expenses incurred in connection with the transactions.

7. **COUNTERPARTS.**

This Letter may be executed in one or more counterparts, each of which shall be deemed to be an original, and all such counterparts, when taken together, shall constitute but one instrument.

8. **PRIOR AGREEMENTS.**

This Letter constitutes the entire agreement of the parties relating to the subject matter described herein, and supersedes all verbal or written agreements relating thereto.

Very truly yours,

C. J. Chang

HUA NAN COMMERCIAL BANK, LTD.
LOS ANGELES BRANCH

707 WILSHIRE BOULEVARD
SUITE 3100
LOS ANGELES, CA 90017 USA

TEL: (213) 362-6666
FAX (213) 362-6617
TELEX: 683-1405 HUA NAN
SWIFT: HNBKUS6L

Mr. Mike Hammond
Managing Director
Shattuck Hammond Partners
601 California Street, #2001
San Francisco, Ca. 94108

Sept. 1, 2000

Dear Mr Hammond: Re C. Joseph Chang

At the request of Mr. Joseph Chang, we are pleased to inform you that:

(1) Currently Mr. and Mrs. Chang have maintained Time Deposit accounts with our Ta Chia Branch in Taiwan in the approximate amount equivalent to US$474,500. Accounts have been maintained since October, 1999.

(2) Mr. Chang is the owner of the premises of our Ta Chia Branch. According to our Ta Chia Branch, The current market value of property is approximately in the amount equivalent to US$1,175,459 and the value for the loan can be up to US$1,000,000.

According to Mr. Chang, he is currently evaluating an investment project and intends to apply for a loan from our bank to finance a part of his purchase of the project. If the Bank's assessment of the project is viable, the Bank will be willing to consider a loan in the amount ranging from US$2,000,000 to $4,000,000 with mutually acceptable terms and conditions under the guidelines of our Bank's policy.

Incidentally, we would also be pleased to inform you that Mr. Chang and his family have been known to our Bank's officers in Taiwan and they have banked with our Bank in Taiwan for many years. Mr. Chang and his family have been the valuable source of many customer referrals to our Bank in Taiwan and our Bank's relationship with Mr. Chang has been satisfactory.

Should you need any additional information on subject, please feel free to contact the undersigned at 213-362-6666 Ex. 203.

Thank you for your attention.

Truly yours,

Kemp Chen
VP & General Manager

September 7, 2000

Ms. Cecilia Montalvo
Vice President
Shattuck Hammond PWCS
601 California Street, Suite 2001
San Francisco, CA 94103

CONFIDENTIAL

Re: Huntington East Valley Hospital
Proposed Letter of Intent

Dear Cecilia:

This Letter of Intent outlines our proposal to restructure Huntington East Valley Hospital as a separate freestanding health facility. This Letter of Intent ("LOI") is a statement of our mutual interest to enter into a transaction whereby Huntington East Valley Hospital, a California nonprofit corporation ("HEVH") with financial assistance from Medical Pathways Management Corporation, a California corporation, or its affiliates (collectively, "MPMC"), will deposit $4,000,000 into a defeasance escrow account, the "Transaction." Southern California Healthcare Systems, a California nonprofit corporation ("SCHS") will simultaneously deposit an amount sufficient to defease the existing debt, all as more fully described below.

Exclusive Negotiations and Confidentiality. For the purpose of completing the contemplated Transaction on a timely basis, it is essential that SCHS and HEVH be solely committed to negotiating this Transaction and not be distracted by any alternate transaction or negotiations with other parties. Accordingly, for the period up to November 1, 2000, the parties agree that SCHS and HEVH shall not discuss, negotiate or enter into any arrangement that would interfere with the contemplated Transaction among the parties, including any arrangement out of the ordinary course of business. In addition, SCHS and HEVH agree to keep confidential the contents and existence of this Letter of Intent and shall not duplicate this Letter of Intent except as authorized by MPMC. In the event SCHS and HEVH decide not to pursue the Transaction with MPMC, SCHS and HEVH shall delete any electronic versions and return to MPMC the original and all duplicates of this Letter of Intent.

Nature of Letter of Intent. The parties shall use their best efforts to close the Transaction contemplated herein no later than 120 days following the date of SCHS's acceptance of this Letter of Intent (the "Closing"), and the execution of this Letter of Intent is a good faith expression of such intention. The parties also recognize, however, that there are many issues which need to be discussed and resolved, and, therefore, *with the exception of the commitments outlined in the previous paragraph, nothing in this Letter of Intent is intended to or will obligate* *any party to proceed with or enter into any transaction or agreement, or will serve as the basis for any action by one party against the other.*

The following outlines the terms and conditions under which MPMC is willing to enter into the Transaction.

I. Background/Strategic Realignment:

We understand that SCHS's objectives are to:

1. Maintain physician and community goodwill.

2. Immediately eliminate ongoing managerial involvement and financial risk due to operations and capitation contracts, since HEVH does not now fit within the SCHS strategic plan.

3. Immediately eliminate ongoing financial commitment to fund any cash flow shortage.

4. Eliminate the guarantee on the existing debt issued by the California Statewide Community Development Authority ("COPs") by the Huntington Trust ("Trust").

We believe that at the Closing these objectives will all be achieved.

II. General Terms:

1. HEVH will remain in existence as a 501(c)(3) corporation, but its name will be changed. (For purposes of this Letter of Intent, we will call it "EVH.")

2. EVH will issue refunding bonds ("Refunding Bonds") based upon its own credit and guaranty from MPMC. Four million dollars ($4,000,000) of the net proceeds will be deposited in an escrow account to defease a portion of the 1997 COPs of HEVH. SCHS will deposit or cause to be deposited an amount sufficient to defease the entire issue. The amount, structure and form of the MPMC guaranty will be determined in the Business Plan and subject to capital market conditions. Medical Pathways will guaranty up to $1,000,000 of the Refunding Bonds. Costs of issuance, transaction fees, debt service reserve funds, credit enhancement fees, original discount, working capital and other related financing costs would be included in the gross amount of the Refunding Bonds.

   Refunding Bonds should be construed to mean any and all forms of debt, taxable and tax exempt, senior and subordinated.

3. SCHS will withdraw as EVH's sole member and EVH's organizational documents will be modified to eliminate members generally. The EVH Board will include individuals representing the community and active physicians. EVH would anticipate a continued strategic relationship with SCHS. Otherwise, SCHS would have no involvement in the affairs of EVH.

4. EVH will enter into a Management Contract with Medical Pathways Facilities Management Company ("MPFM"), which will be formed for the purpose of managing EVH. The CEO, COO and CFO of EVH will be employees of MPFM.

5. SCHS would enter into rates as detailed in Attachment A with Medical Pathways and its affiliated IPAs. The rate schedules and footnotes should be read in their entirety.

6. Medical Pathways Management Corporation and the IPAs currently associated with Medical Pathways Management Corporation and EVH (the "California Coast IPAs") contemplate entering into a Risk Sharing Agreement with EVH in connection with dual capitation contracts with health plans.

7. SCHS will either represent and warrant that certain liabilities of HEVH do not exist or assume such liabilities as of the Closing as follows:

   a. Accounts Payable in excess of $3,600,000.

   b. Accrued Expenses in excess of $415,000.

   c. Long Term Debt (including current portion) will be zero, excluding debt to be issued as part of the transaction.

8. HEVH will have at least the following assets as of the Closing:

   a. Cash of not less than $500,000.

   b. Net Accounts Receivable aged 120 days or less of at least $3,600,000.

   c. Inventories and Supplies of not less than $500,000.

9. Additional Covenants

   a. EVH will indemnify SCHS from events occurring subsequent to the Closing, except as listed.

b. SCHS will indemnify EVH for events occurring prior to the Closing, except as listed.

c. Up to 50% of Management Fees under the Management Agreement will be deferred and accrued in the event that EBITDA is less than 1.25 times debt service.

10. Management Contract. The initial term of the contract will be 5 years with two (2) 5 year renewals at the option of MPFM. Additionally:

a. The management fee will be the sum of (1) two times the costs of the CEO, COO and CFO (salaries, bonuses and benefits) and (2) any other costs incurred by MPFM. MPFM will also be eligible for certain to be negotiated bonuses.

b. Up to 50% of the management fee will be subordinated to the debt service on the Refunding Bonds.

c. Medical Pathways Management Corporation will provide or facilitate a working capital line of credit ("LOC") for EVH of not less than $600,000.

d. In the event that the Management Contract is terminated or not renewed, the LOC will be automatically terminated, and EVH must repay any advances under the LOC and pay any amounts accrued under the subordination provision above.

11. It is our intent to structure and implement this Transaction in compliance with all legal requirements applicable to the parties and also Revenue Procedure 97-13 and other requirements, contractual and otherwise, applicable to EVH's tax exempt financing. Further, it is our intent to structure this Transaction so as to avoid the delays associated with any requirement that the California Attorney General review and approve the Transaction so that a continuity of care can be achieved. We believe, given our current understanding, that we can accomplish these goals pursuant to the Transaction as outlined. However, the Transaction may change during negotiations and such revised transaction will need to be further reviewed.

MPMC believes that it is important to proceed quickly to solidify the support of the Medical Staff of HEVH and the community to avoid defections and uncertainty. As noted above, we are prepared to complete the Closing within 120 days of acceptance of this Letter of Intent.

III. Other Terms.

1. Due Diligence and other Conditions. Closing of this transaction is contingent upon the completion of legal and business due diligence by MPMC, satisfactory negotiation of the Definitive Documents as described below, and approval of the Board of Directors or other appropriate governing body of each of the respective parties.

2. Expenses/Preparation of Documents. Each party shall bear its own legal and other expenses. MPMC legal counsel shall prepare the initial drafts of the Definitive Documents and all subsequent drafts of such documents. Such Definitive Documents shall include (1) Transaction Agreement among SCHS, EVH, MPMC and MPFM, (2) Management Contract between EVH and MPFM, (3) Risk Sharing Agreement among EVH, California Coast IPAs, MPMC and MPFM, and (4) Line of Credit Agreement between MPMC and EVH.

If this Letter of Intent is acceptable, please sign the enclosed copy and return it to me by September 12, 2000, via facsimile or other means. We both agree that a facsimile of this letter, including signatures of the parties, is the equivalent of an original signed copy of this letter. This letter will then form the basis for development of Definitive Documents by our legal counsel.

Sincerely,

MEDICAL PATHWAYS MANAGEMENT CORPORATION

By:____________________________________
Name:_________________________________
Its:____________________________________

The foregoing proposal is acknowledged and accepted as of this ___ day of _____, 2000.

SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

By:____________________________________
Name:_________________________________
Its:____________________________________

cc: Mr. William Caswell

Berger, Kahn, Shafton, Moss, Figler, Simon & Gladstone

A Professional Law Corporation

Orange County

2 Park Plaza, Suite 650
Irvine, California 92614-8516

P.O. Box 19694
Irvine, California 92623-9694

Telephone: (949) 474-1880
Telecopier: (949) 474-7265

Firm Email:
lawyers@bergerkahn.com

10 August 2000

VIA FACSIMILE (415) 788-0822 & U.S. MAIL

Ms. Cecilia C. Montalvo
SHATTUCK HAMMOND PARTNERS
601California Street
San Francisco, California 94108

Re: Huntington East Valley Hospital

Dear Cecilia:

Being cognizant of the time deadlines under which you are working and your need to receive definitive letters of interest in regard to a proposed acquisition of Huntington East Valley Hospital (the "Hospital"), this letter shall serve as a non-binding letter of intent in regard to a proposed purchase of the Hospital. While it is likely that MIchael Hammond and others may find this letter to be lacking in certain areas, based upon reasons outlined below, it is all that I can provide to you for the time being. As we continue to progress in this process, I anticipate providing you with additional information within the next two weeks.

This letter of intent shall set forth the basic terms and conditions of the proposed acquisition. The entire letter is nonbinding on all parties. I would anticipate providing you with a follow-up letter of intent within the next two weeks which would be much more comprehensive and provide therein for certain binding obligations.

With this in mind, please be advised as follows:

1. **Basic Proposal**: The Acquisition Group will purchase substantially all of the assets associated with the Hospital, including all inventories and supplies, all intellectual property, all accounts receivable, all contracts and agreements, all equipment, all legally assignable government permits and contracts, all real estate, and certain documents, files and records related to the business of the Hospital, including medical records, to the extent same are legally able to be transferred and assigned.

2. **Identity of Purchaser**: It is anticipated that the purchaser will actually be two newly formed California corporations, both of which will cumulatively be referred to herein as the "Acquisition Group". One of these corporations will acquire the real estate and all other "hard" assets of the Hospital. The other corporation will operate and run the Hospital. The ownership of each respective corporation is still being negotiated, and will be disclosed in the subsequent letter of intent. I also will not disclose the identities of the involved parties until the Hospital has executed a non-circumvention agreement in our favor. This is prudent and reasonable under the circumstances.

3. **Purchase Terms**: We propose a cash purchase in the amount of Four Million Dollars ($4,000,000), due in full at Closing. All assets would be acquired free and clear, and the Acquisition Group will assume none of the liabilities of the Hospital.

4. **Financing Sources**: We have two commitments to fund the acquisition of the assets, subject to standard contingencies. Upon execution of the subsequent letter of intent and the non-circumvention agreement noted above, I will disclose these sources. The corporation which will run and operate the Hospital will be funded with a minimum of One Million Dollars ($1,000,000) of investment capital contributed by the founders, separate and apart from the financing for the acquisition.

5. **Intended Plans for Use and Operation**: It is intended that the Hospital would continue to be operated as an acute care facility, with expanded specialty areas. The doctors comprising part of the Acquisition Group would significantly increase the census. We are also structuring certain strategic alliances with other doctors and a large IPA to increase the census, as well as to provide a capitated arrangement to ensure positive cash flow.

6. **Additional Deal Points**: Certain additional deal points would necessarily include, but not be limited to the following:

a. Ability to conduct additional due diligence.

b. Full and complete indemnification afforded by the Hospital and its corporate parent for all actions up to the Closing.

c. Obtaining all necessary consents and approvals.

d. The Hospital agreeing not to make any use of the information we supply to it in connection with this transaction and which we designate as confidential. Said information would include but not be limited to the identity of the member of the Acquisition Group and the identity of our funding sources.

e. Ability to speak with employees, and specifically key management personnel, of the Hospital. We would agree to not solicit or recruit said individuals in the event an acquisition is not effected.

7. **Proposed Timetable**: We would propose the following general timetable:

	ACTION:	TARGET DATE:
a.	Definitive Letter of Intent	30 August 2000
b.	Additional Due Diligence	September, 2000
c.	Enter Into Exclusive Period	01 October 2000
d.	Delivery of Draft Documents	01 November 2000
e.	Work to Finalize Approvals and Consents	01 November 2000
f.	Closing	01 December 2000

In light of the nonbonding and general summary nature of this letter, there is no need for your client or you to execute any type of consent or acknowledgment. For now, I would merely request that I hear back from you at your earliest convenience with any comments or questions which you might have. At that time we should also discuss how to best proceed. I look forward to hearing back from you.

Very truly yours,

KEITH A. ROSENBAUM
Partner

KAR:mj

HEALTH CARE INSTITUTE MEDICAL GROUP
65 N. Madison Avenue - Suite 200
Pasadena, California 91101

August 23, 2000

Subject: Huntington East Valley Hospital
Purchase Price: $5,000,000 / Cash
Purpose: To be a HUD, full-service medical campus community that would serve as a prototype for future facilities in the 21st Century.

A. The goal is to have a nearly 100 percent occupancy of the hospital at all times.

B. Develop a subacute-transitional care unit facility across the street.

C. Develop and build a full-service, senior citizen complex on the grounds across the street. This would consist of unassisted skilled nursing and locked facility as well.

D. Develop a large complex for the developmentally disabled and in cooperation with the Regional Center (I will visit a similar facility in Eldridge, California).

E. Establish a unique partnering relationship between senior citizens and developmentally disabled (I find this as a unique opportunity that will be one of its kind and I see nothing but good coming as a result of this. The bonding of relationships and the benefit to both segments of this population are far-reaching and very positive).

F. Develop a relationship with the Rite-Aid Pharmacy (that is already on the grounds) to have them as an exclusive pharmacy for all of the needs of the clients at the facilities (by having a relationship of this nature, because certainly it would decrease the cost of drugs and therefore transfer these costs to the patients).

G. We will certainly look into other types of facilities (such as a restaurant) that would be added benefit for developing a full-service community on that land across from the hospital.

PURPOSE:

BENEFITS TO THE COMMUNITY:

A. Increase of prestige.

B. Increase in economy of the Glendale community.

C. It would provide a unique prototype for other hospitals for 21st Century medicine and the need for large hospitals (300-400 beds is a dying breed and has gone by way of the dinosaur). Small hospitals or smaller hospitals with surrounding communities will have a unique and a bonafiable relationship with the community hospital that is located on the same campus would be of great benefit to the community and to the hospital and add to the security of the clients and the family to know that if an acute emergency or hospitalization were required, the hospital is right on the same campus.

D. The ability to sponsor community events. This type of program would serve as a very positive marketing tool for all phases of the facilities located on the campus. It would increase marketability and will give an overall positive and unique aura to this community.

E. This would be a training facility for the medical as well as paramedical personnel (doctors, nurses, physical therapists, etc. and the like). The next would be the medical office building offers a great advantage:

   a. It would be in proximity to all of the complexes.
   b. All different types of specialities could be in the medical complex, thus serving all of the needs in the surrounding locales.
   c. Any specialities that are not presently there would certainly be willing to occupy the facility if they know they have a newer captive audience (with the senior citizen complex, with the sub-acute unit and the complex for the developmentally disabled as well).

SENIOR CARE NETWORK AND ELDER CARE FOR L.A. COUNTY

It would be more than interested in helping to make sure that such a campus reaches its full potential.

Clients from all over Southern California and other parts of the United States will hear about this community and certainly in this physician's opinion we want to live in such a unique environment.

I propose this campus to be the headquarters for our mobile docs organization. This organization, of which I am the owner and the CEO, primary mission is to provide house calls to the elderly, the homebound and to seniors who find it difficult to come to the doctor's office. This is thus far, and will continue to be a far-reaching and a very successful and a unique program. We would like the Huntington East Valley Hospital to be the primary hospital for all patients with a mobile doc and for all the patients in our medical institute as well.

I think this is a great and a wonderful opportunity to develop a unique community for individuals who require this kind of care. One of the exciting things about this is the establishing of close relationships between the elderly (who are oftentimes lonely) and individuals who are developmentally disabled (such as Down's Syndrome).

The possibilities of such a vision are limitless and I think it is worth pursuing.

Thank you very much.

Respectfully submitted,

ROY H. JACKSON, M.D.
Internal Medicine
RJHEVHOSP

EXHIBIT E

EXHIBIT E

Profile of Interested Buyers

Profile of Interested Buyers

Duane Van Dyke – Mr. Van Dyke is a local entrepreneur and former investor in Covina Hospital. He currently owns a nursing home in Covina that is managed by Royal Crest, Inc. He has a banking relationship with Network Bank, a representative of which has been in contact with HEVH management. Mr. Van Dyke would like to purchase the facility with bank financing, his own personal investment, and investment from local physicians.

Roy Jackson, M.D. – Dr. Jackson is a part of a large, multi-site medical group called Healthcare Institute Medical Group, Inc. His group practices at both Huntington Memorial Hospital and at HEVH (among others) and has approximately 15 patients in an acute care facility on any given day. Dr. Jackson's group has also developed a mobile physician service, which makes house calls to home-bound patients. Dr. Jackson believes that with physician support, he could increase the census at HEVH. He would like to purchase HEVH with financing with bank financing, his own personal investment, and investment from other local physicians.

Medical Pathways – Medical Pathways Management Corporation (MPMC) was formed in 1988 as a consulting firm specializing in advisory services for IPA formation. As the nature of the healthcare industry changed, MPMC evolved into an IPA "turnaround" advisory firm. Two years ago, MPMC switched focus and began managing IPAs. The company has acquired 19 IPAs located in California and Texas, including a number of former MedPartners IPAs and the APPA IPA formerly affiliated with SCHS. The Medical Pathways IPAs provide physician services to over 500,000 members, including 200,000 members located within a 30 mile radius of HEVH.

Mafuz Michael, M.D. – Dr. Michael surfaced as a potential buyer two weeks ago. He has signed a confidentiality agreement and has received informational materials regarding HEVH. He has indicated through phone contact that he is interested in the facility but has not yet begun his due diligence and Shattuck Hammond Partners has not yet had the opportunity to meet with Dr. Michael. He leads a large medical group practice based in Los Angeles.

Keith Rosenbam, esq.. Greg Engel & Frank Lopez, C.P.A. (d.b.a., Physician Service Company) – These three individuals have been active consultants to the physician practice management sector in Southern California. They have indicated that they have a plan to consummate a two part transaction, where one set of investors would acquire the physical assets of HEVH (real estate) and a group of physicians would acquire the business. While they have indicated that they have the support of a lender, Shattuck Hammond has not received documentation identifying that financial institution.

Joseph C. Chang – Mr. Chang is a native Taiwanese immigrant, currently employed as an Assistant Administrator at Alhambra Community Hospital. His family has substantial assets, a fact that has been verified by the Bank of Taiwan, Los Angeles. He has a background in hospital administration and would like the opportunity to own and operate a hospital. He has partnered with Norm Martin, the C.E.O. of Riverside Parkview, who has recently formed a hospital management company called The Mardel Group. The Mardel Group recently assumed management of a former HCA facility in Chino. Mr. Chang would like to purchase HEVH with bank financing, his own personal investment and investment from local leaders of the Chinese community. Shattuck Hammond has met with one of these investors, who confirmed his interest in contributing capital to this transaction.

EXHIBIT F

EXHIBIT F

Baseline Discounted Cashflow Forecast
With Census Sensitivities of ADC at40 (Baseline), 35,37, 43 and 45

Five-Year Financial Forecast: Summary of Paid in Capital

Sensitivity Analysis

	PV Paid in Capital
35	$ 10,870
37	$ 9,419
Base (40)	$ 7,243
43	$ 5,067
45	$ 3,616

Derivation of PV Paid in Capital (Base Case "40 ADC Scenario")

Cash Flow Summary	2001	2002	2003	2004	2005	Totals	
Net Income	(1,508)	(1,557)	(1,630)	(1,707)	(1,789)	(8,191)	
Depreciation and Amortization	955	1,005	1,055	1,105	1,155	5,274	
(Increase) Decrease in Current Assets	(240)	(188)	(183)	(189)	(194)	(994)	
Increase (Decrease) in Current Liabilities	(839)	120	121	126	131	(343)	
Capital Expenditures	(700)	(700)	(700)	(700)	(700)	(3,500)	
(Increase) Decrease in Other Assets	-	-	-	-	-	0	
Increase (Decrease) in Long Term Debt	(228)	(240)	(183)	(180)	(190)	(1,021)	
Increase (Decrease) in Due to Affiliates	(342)	-	-	-	-	(342)	
Cash and Equivalents Beginning	130	0	0	0	0	131	PV Rate
Periods	1	2	3	4	5	Totals	8.5%
PV Net Income	(1,390)	(1,323)	(1,276)	(1,232)	(1,190)	(6,410)	
PV Depreciation and Amortization	880	854	826	797	768	4,124	
PV (Increase) Decrease in Current Assets	(221)	(159)	(143)	(136)	(129)	(789)	
PV Increase (Decrease) in Current Liabilities	(774)	102	95	91	87	(400)	
PV Capital Expenditures	(645)	(595)	(548)	(505)	(466)	(2,758)	
PV (Increase) Decrease in Other Assets	-	-	-	-	-	0	
PV Increase (Decrease) in Long Term Debt	(211)	(204)	(143)	(130)	(126)	(814)	
PV Increase (Decrease) in Due to Affiliates	(315)	-	-	-	-	(315)	
PV Cash and Cash Equivalents (Beginning)	119	0	0	0	0	120	

PV Paid in Capital (Base) = (7,243)

Base Case Scenario

40 ADC

Huntington East Valley Hospital

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Volume Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Discharges								
Total	3,366	3,528	3,279	3,191	3,191	3,191	3,191	3,191
% Increase (Decrease)	NA	4.8%	-7.1%	-2.7%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	14,600	14,600	14,600	14,600	14,600
% Increase (Decrease)	NA	2.6%	-9.1%	-2.7%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.50	1.50	1.50	1.50	1.50
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 44,017,997	$ 45,338,536	$ 46,698,693	$ 48,099,653	$ 49,542,643
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 66,028,164	$ 68,122,361	$ 70,166,032	$ 72,271,013	$ 74,439,143
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	14,600	14,600	14,600	14,600	14,600
Adjusted Patient Days	21,621	22,156	21,641	21,900	21,937	21,937	21,937	21,937
Average Daily Census	44.1	45.2	41.0	40.0	40.0	40.0	40.0	40.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	60.0	60.1	60.1	60.1	60.1

Huntington East Valley Hospital

Base Case Scenario
40 ADC

Five-Year Financial Forecast

Revenue Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	3,191	3,191	3,191	3,191	3,191
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$44,017,997	$45,338,536	$46,698,693	$48,099,653	$49,542,643
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$66,028,164	$68,122,361	$70,166,032	$72,271,013	$74,439,143
% Increase (Decrease)	NA	8.0%	-1.2%	4.2%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$44,582,889	$45,996,912	$47,376,820	$48,798,124	$50,262,068
Charity Care (000's)	1,019,389	774,824	586,490	611,319	630,708	649,629	669,118	689,191
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 45,194,208	$ 46,627,620	$ 48,026,449	$ 49,467,242	$ 50,951,259
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 20,833,956	$ 21,494,741	$ 22,139,583	$ 22,803,771	$ 23,487,884
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	269	277	286	294	303
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Huntington East Valley Hospital

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Expense Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Expense Drivers								
Adjusted Patient Days	21,621	22,156	21,641	21,900	21,937	21,937	21,937	21,937
Salaries & Employee Benefits								
Salaries, Wages & Benefits/FTE	$ 48	$ 47	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59
% Increase in Salaries, Wages & Benefits	NA	-1.6%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
FTEs	232	228	222	222	222	222	222	222
Supplies								
Supplies Per Adjusted Patient Day	$ 125	$ 128	$ 141	$ 150	$ 159	$ 168	$ 178	$ 189
% Increase in Supplies	NA	2.2%	10.2%	6.0%	6.0%	6.0%	6.0%	6.0%
% Fixed						10%		
% Variable						90%		
Purchased Services								
Purchased Services Per Adjusted Patient Day	$ 367	$ 355	$ 253	$ 256	$ 258	$ 261	$ 263	$ 266
% Increase in Purchased Services	NA	-3.3%	-28.6%	1.0%	1.0%	1.0%	1.0%	1.0%
% Fixed						90%		
% Variable						10%		
Rental Expense								
Inflation Rate	NA	-21.6%	8.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Insurance Expense								
Insurance Expense Per Adjusted Patient Day	$ 11	$ 13	$ 13	$ 13	$ 14	$ 14	$ 14	$ 15
% Increase in Insurance Expense	NA	17.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
% Fixed						100%		
% Variable						0%		
Bad Debt Expense								
Bad Debt Expense	$ 322	$ 983	$ 373	$ 389	$ 401	$ 414	$ 426	$ 439
as a % of Net Patient Revenues	1.5%	4.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Balance Sheet Assumptions	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Assets								
Days Patient Accounts Receivable	97	67	93	93	93	93	93	93
Days Inventories	9	9	11	11	11	11	11	11
Property, Plant & Equipment								
Gross PP&E	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Total Capital Expenditures	NA	926	375	700	700	700	700	700
Depreciation Period	16	15	14	14	14	14	14	14
Total Depreciation Expense	714	819	905	955	1,005	1,055	1,105	1,155
Increase (Decrease) Current Portion Assets Lim Use	NA	6	130	0	0	0	0	0
Increase (Decrease) Due from Affiliate	NA	336	(285)	0	0	0	0	0
Increase (Decrease) Due from Third Pty Payor	NA	590	(10)	0	0	0	0	0
Increase (Decrease) in Prepaid Expenses	NA	(748)	37	0	0	0	0	0
Increase (Decrease) Assets Limited to Use	NA	(409)	253	0	0	0	0	0
Increase (Decrease) Deferred Financing Costs	NA	(14)	(9)	0	0	0	0	0
Increase (Decrease) Other Assets	NA	12	(126)	0	0	0	0	0
Liabilities and Fund Balance								
Days Accounts Payable (AP/Total Op Exp)	63	55	53	53	53	53	53	53
Change to Days in Accounts Payable				0				
Days Accured Expenses and other Liabilities	18	108	66	30	30	30	30	30
Increase (Decrease) Due to Third Party Payors	NA	(532)	226	0	0	0	0	0
Increase (Decrease) Due to Affiliate	NA	3,031	703	0	0	0	0	0
Increase (Decrease) in Long Term Debt	NA	(462)	(17)	(240)	(183)	(180)	(190)	(190)
Assumed Interest Rate on Debt	7.6%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Working Capital								
Working Capital (Excluding Cash, Short Term Debt, and Current Portion Long-Term Debt)	2,453	(1,028)	2,041	3,121	3,189	3,251	3,314	3,378
(Increase)/Decrease in Working Capital	NA	3,481	(3,069)	(1,080)	(68)	(62)	(63)	(64)

Huntington East Valley Hospital

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Income Statement (000)	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 20,834	$ 21,495	$ 22,140	$ 22,804	$ 23,488
Disproportionate Share Payment	-	-	800	776	753	730	708	687
Other Operating Revenue	3,658	858	258	269	277	286	294	303
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 21,879	$ 22,525	$ 23,155	$ 23,806	$ 24,478
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,455	3,669	3,889	4,122	4,370
Purchased Services	7,928	7,857	5,803	5,605	5,671	5,727	5,785	5,843
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	302	310	317	325	333
Provision for Bad Debts	322	983	373	389	401	414	426	439
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 21,885	$ 22,542	$ 23,206	$ 23,896	$ 24,611
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ (7)	$ (17)	$ (51)	$ (89)	$ (133)
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (961)	$ (1,022)	$ (1,105)	$ (1,194)	$ (1,288)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (1,508)	$ (1,557)	$ (1,630)	$ (1,707)	$ (1,789)
Average Daily Census	44.1	45.2	41.0	40.0	40.0	40.0	40.0	40.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	60.0	60.1	60.1	60.1	60.1

Base Case Scenario
40 ADC

Five-Year Financial Forecast

Balance Sheet (000)	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	5,291	5,458	5,622	5,791	5,964
Inventories	512	506	398	623	643	663	682	703
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 7,342	$ 7,530	$ 7,713	$ 7,902	$ 8,096
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,598**	**$ 17,481**	**$ 17,309**	**$ 17,093**	**$ 16,832**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,189	$ 3,285	$ 3,382	$ 3,482	$ 3,587
Accrued Epenses and other Liabilities	574	3,381	1,736	806	830	854	879	905
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,461	$ 4,524	$ 4,642	$ 4,777	$ 4,908
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	(182)	(179)	(288)	(450)	(652)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,598**	**$ 17,481**	**$ 17,309**	**$ 17,093**	**$ 16,832**
Check:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Huntington East Valley Hospital

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Cash Flow Statement (000)	Totals	Forecast 2001	2002	2003	2004	2005
Net Income	(8,191)	$ (1,508)	$ (1,557)	$ (1,630)	$ (1,707)	$ (1,789)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(904)	(240)	(188)	(183)	(189)	(194)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(343)	(839)	120	121	126	131
Cash from Operations		(1,633)	(620)	(637)	(665)	(698)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	8,987	2,774	1,560	1,521	1,545	1,588
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	(0)
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	(0)	0	0	(0)
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

Present Value of Paid-in Capital		2001	2002	2003	2004	2005
Present Value of Paid-in Capital	$ 7,243	$ 2,557	$ 1,325	$ 1,190	$ 1,115	$ 1,056
Periods (1)		1	2	3	4	5
Discount Rate	8.5%					

Notes

(1) Assumes PV target date of January 1, 2001

	Totals	2001	2002	2003	2004	2005
Average Daily Census	41.0	40.0	40.0	40.0	40.0	40.0

Five-Year Financial Forecast

Base Case Scenario
40 ADC

Statistical Analysis	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Utilization Statistics								
Total Discharges	3,366	3,528	3,279	3,191	3,191	3,191	3,191	3,191
Total Patient Days	16,083	16,499	15,005	14,600	14,600	14,600	14,600	14,600
Adjusted Patient Days	21,621	22,156	21,641	21,900	21,937	21,937	21,937	21,937
Average Length of Stay	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Average Daily Census	44	45	41	40	40	40	40	40
Paid FTEs	232	228	222	222	222	222	222	222
Unit Revenue and Expense Data								
Total Operating Revenues Per Discharge	$ 7,366	$ 6,086	$ 6,418	$ 6,857	$ 7,060	$ 7,257	$ 7,461	$ 7,672
Total Operating Expenses Per Discharge	$ 6,799	$ 6,569	$ 6,484	$ 6,859	$ 7,065	$ 7,273	$ 7,489	$ 7,714
Contribution Per Discharge	$ 566	$ (483)	$ (66)	$ (2)	$ (5)	$ (16)	$ (28)	$ (42)
Total Operating Revenues Adjusted Per Patient Day	$ 1,147	$ 969	$ 972	$ 999	$ 1,027	$ 1,056	$ 1,085	$ 1,116
Total Operating Expenses Per Adjusted Patient Day	$ 1,059	$ 1,046	$ 982	$ 999	$ 1,028	$ 1,058	$ 1,089	$ 1,122
Contribution Per Patient Day	$ 88	$ (77)	$ (10)	$ (0)	$ (1)	$ (2)	$ (4)	$ (6)
Paid FTEs per Adjusted Occupied Bed	5.3	5.0	5.4	5.6	5.6	5.6	5.6	5.6
Salaries, Wages and Benefits Per FTE	$ 48,172	$ 47,404	$ 51,125	$ 52,659	$ 54,239	$ 55,866	$ 57,542	$ 59,268
Ratio Analysis								
EBITDA Margin	7.7%	-7.9%	-1.0%	0.0%	-0.1%	-0.2%	-0.4%	-0.5%
EBIT Margin	4.8%	-11.7%	-5.3%	-4.4%	-4.5%	-4.8%	-5.0%	-5.3%
Pre-Tax Income Margin	1.8%	-14.5%	-8.0%	-6.9%	-6.9%	-7.0%	-7.2%	-7.3%
Revenue/Net Property, Plant and Equipment	2.6	2.2	2.3	2.4	2.6	2.8	3.0	3.3
Days Cash on Hand (Excludes Limited Use Assets)	4	8	2	0	0	0	0	0
Days in Accounts Receivable	97	67	93	93	93	93	93	93
Days Accounts Payable	63	55	53	53	53	53	53	53

Scenario

35 ADC

Huntington East Valley Hospital

Scenario
35 ADC

Five-Year Financial Forecast

Volume Assumptions	FYE December 31, 1998	1999	Ann. 8/31 2000	Forecast 2001	2002	2003	2004	2005
Discharges								
Total	3,366	3,528	3,279	2,792	2,792	2,792	2,792	2,792
% Increase (Decrease)	NA	4.8%	-7.1%	-14.9%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	12,775	12,775	12,775	12,775	12,775
% Increase (Decrease)	NA	2.6%	-9.1%	-14.9%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.57	1.57	1.57	1.57	1.57
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 38,515,747	$ 39,671,219	$ 40,861,356	$ 42,087,197	$ 43,349,813
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 60,525,914	$ 62,455,044	$ 64,328,695	$ 66,258,556	$ 68,246,313
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	12,775	12,775	12,775	12,775	12,775
Adjusted Patient Days	21,621	22,156	21,641	20,075	20,112	20,112	20,112	20,112
Average Daily Census	44.1	45.2	41.0	35.0	35.0	35.0	35.0	35.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	55.0	55.1	55.1	55.1	55.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
35 ADC

Revenue Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	2,792	2,792	2,792	2,792	2,792
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$38,515,747	$39,671,219	$40,861,356	$42,087,197	$43,349,813
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,130	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$60,525,914	$62,455,044	$64,328,695	$66,258,556	$68,246,313
% Increase (Decrease)	NA	8.0%	-1.2%	-4.5%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$40,867,714	$42,170,282	$43,435,391	$44,738,452	$46,080,606
Charity Care (000's)	1,019,389	774,824	586,490	560,376	578,237	595,584	613,452	631,855
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 41,428,090	$ 42,748,519	$ 44,030,975	$ 45,351,904	$ 46,712,461
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 19,097,824	$ 19,706,525	$ 20,297,721	$ 20,906,652	$ 21,533,852
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	246	254	262	270	278
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
35 ADC

Expense Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Expense Drivers								
Adjusted Patient Days	21,621	22,156	21,641	20,075	20,112	20,112	20,112	20,112
Salaries & Employee Benefits								
Salaries, Wages & Benefits/FTE	$ 48	$ 47	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59
% Increase in Salaries, Wages & Benefits	NA	-1.6%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
FTEs	232	228	222	222	222	222	222	222
Supplies								
Supplies Per Adjusted Patient Day	$ 125	$ 128	$ 141	$ 150	$ 159	$ 168	$ 178	$ 189
% Increase in Supplies	NA	2.2%	10.2%	6.0%	6.0%	6.0%	6.0%	6.0%
% Fixed						10%		
% Variable						90%		
Purchased Services								
Purchased Services Per Adjusted Patient Day	$ 367	$ 355	$ 253	$ 256	$ 258	$ 261	$ 263	$ 266
% Increase in Purchased Services	NA	-3.3%	-28.6%	1.0%	1.0%	1.0%	1.0%	1.0%
% Fixed						90%		
% Variable						10%		
Rental Expense								
Inflation Rate	NA	-21.6%	8.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Insurance Expense								
Insurance Expense Per Adjusted Patient Day	$ 11	$ 13	$ 13	$ 13	$ 14	$ 14	$ 14	$ 15
% Increase in Insurance Expense	NA	17.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
% Fixed						100%		
% Variable						0%		
Bad Debt Expense								
Bad Debt Expense	$ 322	$ 983	$ 373	$ 357	$ 368	$ 379	$ 391	$ 402
as a % of Net Patient Revenues	1.5%	4.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Base Case DCF (version 15)

Scenario
35 ADC

Five-Year Financial Forecast

Balance Sheet Assumptions	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Assets								
Days Patient Accounts Receivable	97	67	93	93	93	93	93	93
Days Inventories	9	9	11	11	11	11	11	11
Property, Plant & Equipment								
Gross PP&E	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Total Capital Expenditures	NA	926	375	700	700	700	700	700
Depreciation Period	16	15	14	14	14	14	14	14
Total Depreciation Expense	714	819	905	955	1,005	1,055	1,105	1,155
Increase (Decrease) Current Portion Assets Lim Use	NA	6	130	0	0	0	0	0
Increase (Decrease) Due from Affiliate	NA	336	(285)	0	0	0	0	0
Increase (Decrease) Due from Third Pty Payor	NA	590	(10)	0	0	0	0	0
Increase (Decrease) in Prepaid Expenses	NA	(748)	37	0	0	0	0	0
Increase (Decrease) Assets Limited to Use	NA	(409)	253	0	0	0	0	0
Increase (Decrease) Deferred Financing Costs	NA	(14)	(9)	0	0	0	0	0
Increase (Decrease) Other Assets	NA	12	(126)	0	0	0	0	0
Liabilities and Fund Balance								
Days Accounts Payable (AP/Total Op Exp)	63	55	53	53	53	53	53	53
Change to Days in Accounts Payable				0				
Days Accured Expenses and other Liabilities	18	108	66	30	30	30	30	30
Increase (Decrease) Due to Third Party Payors	NA	(532)	226	0	0	0	0	0
Increase (Decrease) Due to Affiliate	NA	3,031	703	0	0	0	0	0
Increase (Decrease) in Long Term Debt	NA	(462)	(17)	(240)	(183)	(180)	(190)	(190)
Assumed Interest Rate on Debt	7.6%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Working Capital								
Working Capital (Excluding Cash, Short Term Debt, and Current Portion Long-Term Debt)	2,453	(1,028)	2,041	2,811	2,869	2,922	2,975	3,028
(Increase)/Decrease in Working Capital	NA	3,481	(3,069)	(769)	(58)	(53)	(53)	(54)

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
35 ADC

Income Statement (000)	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 19,098	$ 19,707	$ 20,298	$ 20,907	$ 21,534
Disproportionate Share Payment	-	-	800	776	753	730	708	687
Other Operating Revenue	3,658	858	258	246	254	262	270	278
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 20,120	$ 20,714	$ 21,290	$ 21,885	$ 22,499
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,167	3,364	3,565	3,779	4,006
Purchased Services	7,928	7,857	5,803	5,138	5,199	5,251	5,303	5,357
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	277	284	291	298	305
Provision for Bad Debts	322	983	373	357	368	379	391	402
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 21,073	$ 21,706	$ 22,345	$ 23,009	$ 23,698
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ (953)	$ (992)	$ (1,055)	$ (1,124)	$ (1,199)
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (1,907)	$ (1,997)	$ (2,110)	$ (2,229)	$ (2,354)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (2,454)	$ (2,532)	$ (2,635)	$ (2,742)	$ (2,855)
Average Daily Census	44.1	45.2	41.0	35.0	35.0	35.0	35.0	35.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	55.0	55.1	55.1	55.1	55.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
35 ADC

Balance Sheet (000)	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	4,850	5,004	5,154	5,309	5,468
Inventories	512	506	598	571	590	607	626	644
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 6,849	$ 7,022	$ 7,190	$ 7,363	$ 7,541
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,105**	**$ 16,973**	**$ 16,786**	**$ 16,554**	**$ 16,277**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,071	$ 3,163	$ 3,256	$ 3,353	$ 3,454
Accrued Epenses and other Liabilities	574	3,381	1,736	742	764	786	809	833
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,279	$ 4,336	$ 4,448	$ 4,578	$ 4,703
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	(492)	(499)	(618)	(790)	(1,001)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,105**	**$ 16,973**	**$ 16,786**	**$ 16,554**	**$ 16,277**
Check:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
35 ADC

Five-Year Financial Forecast

Cash Flow Statement (000)	Totals	2001	2002	2003	2004	2005
		Forecast				
Net Income	(13,217)	$ (2,454)	$ (2,532)	$ (2,635)	$ (2,742)	$ (2,855)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(439)	253	(173)	(168)	(173)	(178)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(548)	(1,022)	114	115	120	125
Cash from Operations		(2,268)	(1,586)	(1,632)	(1,690)	(1,753)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	13,664	3,410	2,526	2,515	2,570	2,644
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	0	(0)	0	0
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

Present Value of Paid-in Capital			2001	2002	2003	2004	2005
Present Value of Paid-in Capital	$ 10,870		$ 3,142	$ 2,146	$ 1,969	$ 1,854	$ 1,758
	Periods (1)		1	2	3	4	5
	Discount Rate	8.5%					

Notes
(1) Assumes PV target date of January 1, 2001

		2001	2002	2003	2004	2005
Average Daily Census	41.0	35.0	35.0	35.0	35.0	35.0

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
35 ADC

Statistical Analysis	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Utilization Statistics								
Total Discharges	3,366	3,528	3,279	2,792	2,792	2,792	2,792	2,792
Total Patient Days	16,083	16,499	15,005	12,775	12,775	12,775	12,775	12,775
Adjusted Patient Days	21,621	22,156	21,641	20,075	20,112	20,112	20,112	20,112
Average Length of Stay	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Average Daily Census	44	45	41	35	35	35	35	35
Paid FTEs	232	228	222	222	222	222	222	222
Unit Revenue and Expense Data								
Total Operating Revenues Per Discharge	$ 7,366	$ 6,086	$ 6,418	$ 7,207	$ 7,419	$ 7,626	$ 7,839	$ 8,059
Total Operating Expenses Per Discharge	$ 6,799	$ 6,569	$ 6,484	$ 7,548	$ 7,775	$ 8,004	$ 8,242	$ 8,488
Contribution Per Discharge	$ 566	$ (483)	$ (66)	$ (341)	$ (355)	$ (378)	$ (403)	$ (429)
Total Operating Revenues Adjusted Per Patient Day	$ 1,147	$ 969	$ 972	$ 1,002	$ 1,030	$ 1,059	$ 1,088	$ 1,119
Total Operating Expenses Per Adjusted Patient Day	$ 1,059	$ 1,046	$ 982	$ 1,050	$ 1,079	$ 1,111	$ 1,144	$ 1,178
Contribution Per Patient Day	$ 88	$ (77)	$ (10)	$ (47)	$ (49)	$ (52)	$ (56)	$ (60)
Paid FTEs per Adjusted Occupied Bed	5.3	5.0	5.4	6.3	6.3	6.3	6.3	6.3
Salaries, Wages and Benefits Per FTE	$ 48,172	$ 47,404	$ 51,125	$ 52,659	$ 54,239	$ 55,866	$ 57,542	$ 59,268
Ratio Analysis								
EBITDA Margin	7.7%	-7.9%	-1.0%	-4.7%	-4.8%	-5.0%	-5.1%	-5.3%
EBIT Margin	4.8%	-11.7%	-5.3%	-9.5%	-9.6%	-9.9%	-10.2%	-10.5%
Pre-Tax Income Margin	1.8%	-14.5%	-8.0%	-12.2%	-12.2%	-12.4%	-12.5%	-12.7%
Revenue/Net Property, Plant and Equipment	2.6	2.2	2.3	2.2	2.4	2.5	2.7	3.0
Days Cash on Hand (Excludes Limited Use Assets)	4	8	2	0	0	0	0	0
Days in Accounts Receivable	97	67	93	93	93	93	93	93
Days Accounts Payable	63	55	53	53	53	53	53	53

Base Case DCF (version 15)

Scenario

37 ADC

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
37 ADC

Volume Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Discharges								
Total	3,366	3,528	3,279	2,951	2,951	2,951	2,951	2,951
% Increase (Decrease)	NA	4.8%	-7.1%	-10.0%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	13,505	13,505	13,505	13,505	13,505
% Increase (Decrease)	NA	2.6%	-9.1%	-10.0%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.54	1.54	1.54	1.54	1.54
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 40,716,647	$ 41,938,146	$ 43,196,291	$ 44,492,179	$ 45,826,945
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 62,726,814	$ 64,721,971	$ 66,663,630	$ 68,663,539	$ 70,723,445
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	13,505	13,505	13,505	13,505	13,505
Adjusted Patient Days	21,621	22,156	21,641	20,805	20,842	20,842	20,842	20,842
Average Daily Census	44.1	45.2	41.0	37.0	37.0	37.0	37.0	37.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	57.0	57.1	57.1	57.1	57.1

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Revenue Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	2,951	2,951	2,951	2,951	2,951
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$40,716,647	$41,938,146	$43,196,291	$44,492,179	$45,826,945
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$62,726,814	$64,721,971	$66,663,630	$68,663,539	$70,723,445
% Increase (Decrease)	NA	8.0%	-1.2%	-1.0%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$42,353,784	$43,700,934	$45,011,962	$46,362,321	$47,753,191
Charity Care (000's)	1,019,389	774,824	586,490	580,753	599,225	617,202	635,718	654,790
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 42,934,537	$ 44,300,160	$ 45,629,164	$ 46,998,039	$ 48,407,981
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 19,792,277	$ 20,421,811	$ 21,034,466	$ 21,665,500	$ 22,315,465
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	255	264	271	280	288
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Expense Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Expense Drivers								
Adjusted Patient Days	21,621	22,156	21,641	20,805	20,842	20,842	20,842	20,842
Salaries & Employee Benefits								
Salaries, Wages & Benefits/FTE	$ 48	$ 47	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59
% Increase in Salaries, Wages & Benefits	NA	-1.6%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
FTEs	232	228	222	222	222	222	222	222
Supplies								
Supplies Per Adjusted Patient Day	$ 125	$ 128	$ 141	$ 150	$ 159	$ 168	$ 178	$ 189
% Increase in Supplies	NA	2.2%	10.2%	6.0%	6.0%	6.0%	6.0%	6.0%
% Fixed						10%		
% Variable						90%		
Purchased Services								
Purchased Services Per Adjusted Patient Day	$ 367	$ 355	$ 253	$ 256	$ 258	$ 261	$ 263	$ 266
% Increase in Purchased Services	NA	-3.3%	-28.6%	1.0%	1.0%	1.0%	1.0%	1.0%
% Fixed						90%		
% Variable						10%		
Rental Expense								
Inflation Rate	NA	-21.6%	8.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Insurance Expense								
Insurance Expense Per Adjusted Patient Day	$ 11	$ 13	$ 13	$ 13	$ 14	$ 14	$ 14	$ 15
% Increase in Insurance Expense	NA	17.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
% Fixed						100%		
% Variable						0%		
Bad Debt Expense								
Bad Debt Expense	$ 322	$ 983	$ 373	$ 370	$ 381	$ 393	$ 405	$ 417
as a % of Net Patient Revenues	1.5%	4.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Balance Sheet Assumptions	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Assets								
Days Patient Accounts Receivable	97	67	93	93	93	93	93	93
Days Inventories	9	9	11	11	11	11	11	11
Property, Plant & Equipment								
Gross PP&E	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Total Capital Expenditures	NA	926	375	700	700	700	700	700
Depreciation Period	16	15	14	14	14	14	14	14
Total Depreciation Expense	714	819	905	955	1,005	1,055	1,105	1,155
Increase (Decrease) Current Portion Assets Lim Use	NA	6	130	0	0	0	0	0
Increase (Decrease) Due from Affiliate	NA	336	(285)	0	0	0	0	0
Increase (Decrease) Due from Third Pty Payor	NA	590	(10)	0	0	0	0	0
Increase (Decrease) in Prepaid Expenses	NA	(748)	37	0	0	0	0	0
Increase (Decrease) Assets Limited to Use	NA	(409)	253	0	0	0	0	0
Increase (Decrease) Deferred Financing Costs	NA	(14)	(9)	0	0	0	0	0
Increase (Decrease) Other Assets	NA	12	(126)	0	0	0	0	0
Liabilities and Fund Balance								
Days Accounts Payable (AP/Total Op Exp)	63	55	53	53	53	53	53	53
Change to Days in Accounts Payable				0				
Days Accured Expenses and other Liabilities	18	108	66	30	30	30	30	30
Increase (Decrease) Due to Third Party Payors	NA	(532)	226	0	0	0	0	0
Increase (Decrease) Due to Affiliate	NA	3,031	703	0	0	0	0	0
Increase (Decrease) in Long Term Debt	NA	(462)	(17)	(240)	(183)	(180)	(190)	(190)
Assumed Interest Rate on Debt	7.6%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Working Capital								
Working Capital (Excluding Cash, Short Term Debt, and Current Portion Long-Term Debt)	2,453	(1,028)	2,041	2,935	2,997	3,053	3,110	3,168
(Increase)/Decrease in Working Capital	NA	3,481	(3,069)	(893)	(62)	(57)	(57)	(58)

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
37 ADC

Income Statement (000)	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 19,792	$ 20,422	$ 21,034	$ 21,665	$ 22,315
Disproportionate Share Payment	-	-	800	776	753	730	708	687
Other Operating Revenue	3,658	858	258	255	264	271	280	288
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 20,824	$ 21,438	$ 22,036	$ 22,653	$ 23,290
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,283	3,486	3,695	3,916	4,151
Purchased Services	7,928	7,857	5,803	5,325	5,388	5,442	5,496	5,551
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	287	295	302	309	316
Provision for Bad Debts	322	983	373	370	381	393	405	417
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 21,398	$ 22,040	$ 22,690	$ 23,364	$ 24,063
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ (574)	$ (602)	$ (653)	$ (710)	$ (773)
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (1,529)	$ (1,607)	$ (1,708)	$ (1,815)	$ (1,928)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (2,076)	$ (2,142)	$ (2,233)	$ (2,328)	$ (2,429)
Average Daily Census	44.1	45.2	41.0	37.0	37.0	37.0	37.0	37.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	57.0	57.1	57.1	57.1	57.1

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Balance Sheet (000)	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	5,026	5,186	5,341	5,502	5,667
Inventories	512	506	598	592	611	629	648	668
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 7,047	$ 7,226	$ 7,399	$ 7,578	$ 7,763
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,303**	**$ 17,176**	**$ 16,995**	**$ 16,770**	**$ 16,500**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,118	$ 3,212	$ 3,307	$ 3,405	$ 3,507
Accrued Epenses and other Liabilities	574	3,381	1,736	767	790	813	837	862
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,352	$ 4,411	$ 4,526	$ 4,658	$ 4,785
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	(368)	(371)	(486)	(654)	(861)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,303**	**$ 17,176**	**$ 16,995**	**$ 16,770**	**$ 16,500**
Check:	0	0	0	0	0	0	0	0

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Cash Flow Statement (000)	Totals	2001	2002	2003	2004	2005
		Forecast				
Net Income	(11,207)	$ (2,076)	$ (2,142)	$ (2,233)	$ (2,328)	$ (2,429)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(661)	53	(179)	(174)	(179)	(185)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(466)	(949)	117	117	122	127
Cash from Operations		(2,014)	(1,199)	(1,234)	(1,280)	(1,331)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	11,794	3,156	2,140	2,117	2,160	2,222
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	0	(0)	0	0
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

			2001	2002	2003	2004	2005
Present Value of Paid-in Capital	$ 9,419		$ 2,908	$ 1,817	$ 1,657	$ 1,559	$ 1,477
	Periods (1)		1	2	3	4	5
	Discount Rate	8.5%					

Notes

(1) Assumes PV target date of January 1, 2001

	Totals	2001	2002	2003	2004	2005
Average Daily Census	41.0	37.0	37.0	37.0	37.0	37.0

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
37 ADC

Statistical Analysis	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Utilization Statistics								
Total Discharges	3,366	3,528	3,279	2,951	2,951	2,951	2,951	2,951
Total Patient Days	16,083	16,499	15,005	13,505	13,505	13,505	13,505	13,505
Adjusted Patient Days	21,621	22,156	21,641	20,805	20,842	20,842	20,842	20,842
Average Length of Stay	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Average Daily Census	44	45	41	37	37	37	37	37
Paid FTEs	232	228	222	222	222	222	222	222
Unit Revenue and Expense Data								
Total Operating Revenues Per Discharge	$ 7,366	$ 6,086	$ 6,418	$ 7,056	$ 7,264	$ 7,467	$ 7,676	$ 7,892
Total Operating Expenses Per Discharge	$ 6,799	$ 6,569	$ 6,484	$ 7,250	$ 7,468	$ 7,688	$ 7,916	$ 8,153
Contribution Per Discharge	$ 566	$ (483)	$ (66)	$ (195)	$ (204)	$ (221)	$ (241)	$ (262)
Total Operating Revenues Adjusted Per Patient Day	$ 1,147	$ 969	$ 972	$ 1,001	$ 1,029	$ 1,057	$ 1,087	$ 1,117
Total Operating Expenses Per Adjusted Patient Day	$ 1,059	$ 1,046	$ 982	$ 1,028	$ 1,057	$ 1,089	$ 1,121	$ 1,155
Contribution Per Patient Day	$ 88	$ (77)	$ (10)	$ (28)	$ (29)	$ (31)	$ (34)	$ (37)
Paid FTEs per Adjusted Occupied Bed	5.3	5.0	5.4	6.0	6.0	6.0	6.0	6.0
Salaries, Wages and Benefits Per FTE	$ 48,172	$ 47,404	$ 51,125	$ 52,659	$ 54,239	$ 55,866	$ 57,542	$ 59,268
Ratio Analysis								
EBITDA Margin	7.7%	-7.9%	-1.0%	-2.8%	-2.8%	-3.0%	-3.1%	-3.3%
EBIT Margin	4.8%	-11.7%	-5.3%	-7.3%	-7.5%	-7.8%	-8.0%	-8.3%
Pre-Tax Income Margin	1.8%	-14.5%	-8.0%	-10.0%	-10.0%	-10.1%	-10.3%	-10.4%
Revenue/Net Property, Plant and Equipment	2.6	2.2	2.3	2.3	2.5	2.6	2.8	3.1
Days Cash on Hand (Excludes Limited Use Assets)	4	8	2	0	0	0	0	0
Days in Accounts Receivable	97	67	93	93	93	93	93	93
Days Accounts Payable	63	55	53	53	53	53	53	53

Base Case DCF (version 15)

Scenario

43 ADC

Scenario
43 ADC

Five-Year Financial Forecast

Volume Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Discharges								
Total	3,366	3,528	3,279	3,430	3,430	3,430	3,430	3,430
% Increase (Decrease)	NA	4.8%	-7.1%	4.6%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	15,695	15,695	15,695	15,695	15,695
% Increase (Decrease)	NA	2.6%	-9.1%	4.6%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.47	1.47	1.47	1.47	1.47
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 47,319,346	$ 48,738,927	$ 50,201,095	$ 51,707,127	$ 53,258,341
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 69,329,514	$ 71,522,751	$ 73,668,434	$ 75,878,487	$ 78,154,842
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	15,695	15,695	15,695	15,695	15,695
Adjusted Patient Days	21,621	22,156	21,641	22,995	23,032	23,032	23,032	23,032
Average Daily Census	44.1	45.2	41.0	43.0	43.0	43.0	43.0	43.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	63.0	63.1	63.1	63.1	63.1

Base Case DCF (version 15)

Scenario
43 ADC

Five-Year Financial Forecast

Revenue Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	3,430	3,430	3,430	3,430	3,430
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$47,319,346	$48,738,927	$50,201,095	$51,707,127	$53,258,341
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$69,329,514	$71,522,751	$73,668,434	$75,878,487	$78,154,842
% Increase (Decrease)	NA	8.0%	-1.2%	9.4%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$46,811,994	$48,292,891	$49,741,677	$51,233,928	$52,770,945
Charity Care (000's)	1,019,389	774,824	586,490	641,884	662,190	682,056	702,517	723,593
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 47,453,878	$ 48,955,081	$ 50,423,733	$ 51,936,445	$ 53,494,538
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 21,875,636	$ 22,567,671	$ 23,244,701	$ 23,942,042	$ 24,660,303
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	282	291	300	309	318
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
43 ADC

Expense Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Expense Drivers								
Adjusted Patient Days	21,621	22,156	21,641	22,995	23,032	23,032	23,032	23,032
Salaries & Employee Benefits								
Salaries, Wages & Benefits/FTE	$ 48	$ 47	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59
% Increase in Salaries, Wages & Benefits	NA	-1.6%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
FTEs	232	228	222	222	222	222	222	222
Supplies								
Supplies Per Adjusted Patient Day	$ 125	$ 128	$ 141	$ 150	$ 159	$ 168	$ 178	$ 189
% Increase in Supplies	NA	2.2%	10.2%	6.0%	6.0%	6.0%	6.0%	6.0%
% Fixed						10%		
% Variable						90%		
Purchased Services								
Purchased Services Per Adjusted Patient Day	$ 367	$ 355	$ 253	$ 256	$ 258	$ 261	$ 263	$ 266
% Increase in Purchased Services	NA	-3.3%	-28.6%	1.0%	1.0%	1.0%	1.0%	1.0%
% Fixed						90%		
% Variable						10%		
Rental Expense								
Inflation Rate	NA	-21.6%	8.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Insurance Expense								
Insurance Expense Per Adjusted Patient Day	$ 11	$ 13	$ 13	$ 13	$ 14	$ 14	$ 14	$ 15
% Increase in Insurance Expense	NA	17.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
% Fixed						100%		
% Variable						0%		
Bad Debt Expense								
Bad Debt Expense	$ 322	$ 983	$ 373	$ 409	$ 422	$ 434	$ 447	$ 461
as a % of Net Patient Revenues	1.5%	4.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
43 ADC

Balance Sheet Assumptions	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Assets								
Days Patient Accounts Receivable	97	67	93	93	93	93	93	93
Days Inventories	9	9	11	11	11	11	11	11
Property, Plant & Equipment								
Gross PP&E	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Total Capital Expenditures	NA	926	375	700	700	700	700	700
Depreciation Period	16	15	14	14	14	14	14	14
Total Depreciation Expense	714	819	905	955	1,005	1,055	1,105	1,155
Increase (Decrease) Current Portion Assets Lim Use	NA	6	130	0	0	0	0	0
Increase (Decrease) Due from Affiliate	NA	336	(285)	0	0	0	0	0
Increase (Decrease) Due from Third Pty Payor	NA	590	(10)	0	0	0	0	0
Increase (Decrease) in Prepaid Expenses	NA	(748)	37	0	0	0	0	0
Increase (Decrease) Assets Limited to Use	NA	(409)	253	0	0	0	0	0
Increase (Decrease) Deferred Financing Costs	NA	(14)	(9)	0	0	0	0	0
Increase (Decrease) Other Assets	NA	12	(126)	0	0	0	0	0
Liabilities and Fund Balance								
Days Accounts Payable (AP/Total Op Exp)	63	55	53	53	53	53	53	53
Change to Days in Accounts Payable				0				
Days Accured Expenses and other Liabilities	18	108	66	30	30	30	30	30
Increase (Decrease) Due to Third Party Payors	NA	(532)	226	0	0	0	0	0
Increase (Decrease) Due to Affiliate	NA	3,031	703	0	0	0	0	0
Increase (Decrease) in Long Term Debt	NA	(462)	(17)	(240)	(183)	(180)	(190)	(190)
Assumed Interest Rate on Debt	7.6%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Working Capital								
Working Capital (Excluding Cash, Short Term Debt, and Current Portion Long-Term Debt)	2,453	(1,028)	2,041	3,307	3,381	3,449	3,518	3,587
(Increase)/Decrease in Working Capital	NA	3,481	(3,069)	(1,266)	(74)	(68)	(69)	(70)

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
43 ADC

Income Statement (000)	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 21,876	$ 22,568	$ 23,245	$ 23,942	$ 24,660
Disproportionate Share Payment	-	-	800	776	753	730	708	687
Other Operating Revenue	3,658	858	258	282	291	300	309	318
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 22,934	$ 23,612	$ 24,275	$ 24,959	$ 25,666
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,628	3,852	4,083	4,328	4,588
Purchased Services	7,928	7,857	5,803	5,886	5,954	6,013	6,073	6,134
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	317	325	333	341	349
Provision for Bad Debts	322	983	373	409	422	434	447	461
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 22,373	$ 23,044	$ 23,723	$ 24,428	$ 25,160
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ 561	$ 568	$ 552	$ 532	$ 506
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (394)	$ (437)	$ (503)	$ (573)	$ (649)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (940)	$ (972)	$ (1,027)	$ (1,086)	$ (1,150)
Average Daily Census	44.1	45.2	41.0	43.0	43.0	43.0	43.0	43.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	63.0	63.1	63.1	63.1	63.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
43 ADC

Balance Sheet (000)	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	5,555	5,731	5,903	6,080	6,262
Inventories	512	506	598	655	673	696	716	738
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 7,638	$ 7,835	$ 8,027	$ 8,225	$ 8,428
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,894**	**$ 17,786**	**$ 17,623**	**$ 17,416**	**$ 17,165**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,261	$ 3,358	$ 3,457	$ 3,560	$ 3,667
Accrued Epenses and other Liabilities	574	3,381	1,736	844	870	895	921	949
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,571	$ 4,637	$ 4,758	$ 4,897	$ 5,031
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	4	13	(91)	(247)	(442)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,894**	**$ 17,786**	**$ 17,623**	**$ 17,416**	**$ 17,165**
Check:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
43 ADC

Cash Flow Statement (000)

Cash Flow Statement (000)	Totals	2001	2002	2003	2004	2005
		Forecast				
Net Income	(5,175)	$ (940)	$ (972)	$ (1,027)	$ (1,086)	$ (1,150)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(1,326)	(536)	(196)	(192)	(198)	(204)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(220)	(730)	123	124	129	134
Cash from Operations		(1,251)	(41)	(40)	(50)	(65)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	6,181	2,393	981	923	930	955
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	0	-
Increase (Decrease) in Cash and Cash Equivalents	–	(129)	0	(0)	0	(0)
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

Present Value of Paid-in Capital			2001	2002	2003	2004	2005
	$ 5,067		$ 2,205	$ 833	$ 723	$ 671	$ 635
	Periods (1)		1	2	3	4	5
	Discount Rate	8.5%					

Notes

(1) Assumes PV target date of January 1, 2001

	Totals	2001	2002	2003	2004	2005
Average Daily Census	41.0	43.0	43.0	43.0	43.0	43.0

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
43 ADC

Statistical Analysis

	FYE December 31,		Ann. 8/31	Forecast				
	1998	1999	2000	2001	2002	2003	2004	2005
Utilization Statistics								
Total Discharges	3,366	3,528	3,279	3,430	3,430	3,430	3,430	3,430
Total Patient Days	16,083	16,499	15,005	15,695	15,695	15,695	15,695	15,695
Adjusted Patient Days	21,621	22,156	21,641	22,995	23,032	23,032	23,032	23,032
Average Length of Stay	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Average Daily Census	44	45	41	43	43	43	43	43
Paid FTEs	232	228	222	222	222	222	222	222
Unit Revenue and Expense Data								
Total Operating Revenues Per Discharge	$ 7,366	$ 6,086	$ 6,418	$ 6,686	$ 6,884	$ 7,077	$ 7,277	$ 7,483
Total Operating Expenses Per Discharge	$ 6,799	$ 6,569	$ 6,484	$ 6,523	$ 6,718	$ 6,916	$ 7,122	$ 7,335
Contribution Per Discharge	$ 566	$ (483)	$ (66)	$ 164	$ 166	$ 161	$ 155	$ 148
Total Operating Revenues Adjusted Per Patient Day	$ 1,147	$ 969	$ 972	$ 997	$ 1,025	$ 1,054	$ 1,084	$ 1,114
Total Operating Expenses Per Adjusted Patient Day	$ 1,059	$ 1,046	$ 982	$ 973	$ 1,001	$ 1,030	$ 1,061	$ 1,092
Contribution Per Patient Day	$ 88	$ (77)	$ (10)	$ 24	$ 25	$ 24	$ 23	$ 22
Paid FTEs per Adjusted Occupied Bed	5.3	5.0	5.4	5.2	5.2	5.2	5.2	5.2
Salaries, Wages and Benefits Per FTE	$ 48,172	$ 47,404	$ 51,125	$ 52,659	$ 54,239	$ 55,866	$ 57,542	$ 59,268
Ratio Analysis								
EBITDA Margin	7.7%	-7.9%	-1.0%	2.4%	2.4%	2.3%	2.1%	2.0%
EBIT Margin	4.8%	-11.7%	-5.3%	-1.7%	-1.8%	-2.1%	-2.3%	-2.5%
Pre-Tax Income Margin	1.8%	-14.5%	-8.0%	-4.1%	-4.1%	-4.2%	-4.4%	-4.5%
Revenue/Net Property, Plant and Equipment	2.6	2.2	2.3	2.5	2.7	2.9	3.1	3.4
Days Cash on Hand (Excludes Limited Use Assets)	4	8	2	0	0	0	0	0
Days in Accounts Receivable	97	67	93	93	93	93	93	93
Days Accounts Payable	63	55	53	53	53	53	53	53

Base Case DCF (version 15)

Scenario

45 ADC

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

Volume Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Discharges								
Total	3,366	3,528	3,279	3,589	3,589	3,589	3,589	3,589
% Increase (Decrease)	NA	4.8%	-7.1%	9.5%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	16,425	16,425	16,425	16,425	16,425
% Increase (Decrease)	NA	2.6%	-9.1%	9.5%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.44	1.45	1.45	1.45	1.45
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 49,520,246	$ 51,005,854	$ 52,536,029	$ 54,112,110	$ 55,735,473
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 71,530,413	$ 73,789,678	$ 76,003,369	$ 78,283,470	$ 80,631,974
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	16,425	16,425	16,425	16,425	16,425
Adjusted Patient Days	21,621	22,156	21,641	23,725	23,762	23,762	23,762	23,762
Average Daily Census	44.1	45.2	41.0	45.0	45.0	45.0	45.0	45.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	65.0	65.1	65.1	65.1	65.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

Revenue Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	3,589	3,589	3,589	3,589	3,589
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$49,520,246	$51,005,854	$52,536,029	$54,112,110	$55,735,473
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$71,530,413	$73,789,678	$76,003,369	$78,283,470	$80,631,974
% Increase (Decrease)	NA	8.0%	-1.2%	12.9%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$48,298,064	$49,823,543	$51,318,249	$52,857,796	$54,443,530
Charity Care (000's)	1,019,389	774,824	586,490	662,261	683,178	703,674	724,784	746,527
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 48,960,325	$ 50,506,721	$ 52,021,923	$ 53,582,580	$ 55,190,058
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 22,570,088	$ 23,282,957	$ 23,981,446	$ 24,700,889	$ 25,441,916
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	291	300	309	319	328
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Base Case DCF (version 15)

Scenario
45 ADC

Five-Year Financial Forecast

Expense Assumptions	FYE December 31, 1998	1999	Ann. 8/31 2000	Forecast 2001	2002	2003	2004	2005
Expense Drivers								
Adjusted Patient Days	21,621	22,156	21,641	23,725	23,762	23,762	23,762	23,762
Salaries & Employee Benefits								
Salaries, Wages & Benefits/FTE	$ 48	$ 47	$ 51	$ 53	$ 54	$ 56	$ 58	$ 59
% Increase in Salaries, Wages & Benefits	NA	-1.6%	7.9%	3.0%	3.0%	3.0%	3.0%	3.0%
FTEs	232	228	222	222	222	222	222	222
Supplies								
Supplies Per Adjusted Patient Day	$ 125	$ 128	$ 141	$ 150	$ 159	$ 168	$ 178	$ 189
% Increase in Supplies	NA	2.2%	10.2%	6.0%	6.0%	6.0%	6.0%	6.0%
% Fixed						10%		
% Variable						90%		
Purchased Services								
Purchased Services Per Adjusted Patient Day	$ 367	$ 355	$ 253	$ 256	$ 258	$ 261	$ 263	$ 266
% Increase in Purchased Services	NA	-3.3%	-28.6%	1.0%	1.0%	1.0%	1.0%	1.0%
% Fixed						90%		
% Variable						10%		
Rental Expense								
Inflation Rate	NA	-21.6%	8.6%	1.5%	1.5%	1.5%	1.5%	1.5%
Insurance Expense								
Insurance Expense Per Adjusted Patient Day	$ 11	$ 13	$ 13	$ 13	$ 14	$ 14	$ 14	$ 15
% Increase in Insurance Expense	NA	17.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
% Fixed						100%		
% Variable						0%		
Bad Debt Expense								
Bad Debt Expense	$ 322	$ 983	$ 373	$ 422	$ 435	$ 448	$ 461	$ 475
as a % of Net Patient Revenues	1.5%	4.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

Balance Sheet Assumptions	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Assets								
Days Patient Accounts Receivable	97	67	93	93	93	93	93	93
Days Inventories	9	9	11	11	11	11	11	11
Property, Plant & Equipment								
Gross PP&E	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Total Capital Expenditures	NA	926	375	700	700	700	700	700
Depreciation Period	16	15	14	14	14	14	14	14
Total Depreciation Expense	714	819	905	955	1,005	1,055	1,105	1,155
Increase (Decrease) Current Portion Assets Lim Use	NA	6	130	0	0	0	0	0
Increase (Decrease) Due from Affiliate	NA	336	(285)	0	0	0	0	0
Increase (Decrease) Due from Third Pty Payor	NA	590	(10)	0	0	0	0	0
Increase (Decrease) in Prepaid Expenses	NA	(748)	37	0	0	0	0	0
Increase (Decrease) Assets Limited to Use	NA	(409)	253	0	0	0	0	0
Increase (Decrease) Deferred Financing Costs	NA	(14)	(9)	0	0	0	0	0
Increase (Decrease) Other Assets	NA	12	(126)	0	0	0	0	0
Liabilities and Fund Balance								
Days Accounts Payable (AP/Total Op Exp)	63	55	53	53	53	53	53	53
Change to Days in Accounts Payable				0				
Days Accured Expenses and other Liabilities	18	108	66	30	30	30	30	30
Increase (Decrease) Due to Third Party Payors	NA	(532)	226	0	0	0	0	0
Increase (Decrease) Due to Affiliate	NA	3,031	703	0	0	0	0	0
Increase (Decrease) in Long Term Debt	NA	(462)	(17)	(240)	(183)	(180)	(190)	(190)
Assumed Interest Rate on Debt	7.6%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Working Capital								
Working Capital (Excluding Cash, Short Term Debt, and Current Portion Long-Term Debt)	2,453	(1,028)	2,041	3,431	3,509	3,581	3,653	3,727
(Increase)/Decrease in Working Capital	NA	3,481	(3,069)	(1,390)	(77)	(72)	(73)	(74)

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

Income Statement (000)	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 22,570	$ 23,283	$ 23,981	$ 24,701	$ 25,442
Disproportionate Share Payment	-	-	800	776	753	730	708	687
Other Operating Revenue	3,658	858	258	291	300	309	319	328
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 23,637	$ 24,336	$ 25,021	$ 25,728	$ 26,457
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,743	3,974	4,212	4,465	4,733
Purchased Services	7,928	7,857	5,803	6,072	6,143	6,204	6,266	6,329
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	327	336	344	352	360
Provision for Bad Debts	322	983	373	422	435	448	461	475
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 22,698	$ 23,378	$ 24,067	$ 24,782	$ 25,525
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ 939	$ 958	$ 954	$ 946	$ 932
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (16)	$ (47)	$ (101)	$ (159)	$ (223)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (562)	$ (582)	$ (625)	$ (672)	$ (724)
Average Daily Census	44.1	45.2	41.0	45.0	45.0	45.0	45.0	45.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	65.0	65.1	65.1	65.1	65.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
45 ADC

Balance Sheet (000)	FYE December 31, 1998	FYE December 31, 1999	August 31, 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	5,731	5,912	6,090	6,273	6,461
Inventories	512	506	598	675	697	718	739	761
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 7,835	$ 8,038	$ 8,236	$ 8,440	$ 8,651
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 18,091**	**$ 17,989**	**$ 17,832**	**$ 17,632**	**$ 17,387**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,308	$ 3,407	$ 3,507	$ 3,612	$ 3,720
Accrued Epenses and other Liabilities	574	3,381	1,736	870	896	922	949	977
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,644	$ 4,712	$ 4,835	$ 4,976	$ 5,113
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	128	141	41	(111)	(302)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 18,091**	**$ 17,989**	**$ 17,832**	**$ 17,632**	**$ 17,387**
Check:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
45 ADC

Cash Flow Statement (000)

	Totals	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Net Income	(3,165)	$ (562)	$ (582)	$ (625)	$ (672)	$ (724)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(1,548)	(733)	(202)	(198)	(204)	(210)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(137)	(657)	125	126	131	137
Cash from Operations		(997)	346	358	360	357
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	4,311	2,139	595	525	520	533
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	0	(0)	0	(0)
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

			2001	2002	2003	2004	2005
Present Value of Paid-in Capital	$ 3,616		$ 1,971	$ 505	$ 411	$ 375	$ 354
	Periods (1)		1	2	3	4	5
	Discount Rate	8.5%					

Notes

(1) Assumes PV target date of January 1, 2001

		2001	2002	2003	2004	2005
Average Daily Census	41.0	45.0	45.0	45.0	45.0	45.0

Base Case DCF (version 15)

Five-Year Financial Forecast

Scenario
45 ADC

Statistical Analysis	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Utilization Statistics								
Total Discharges	3,366	3,528	3,279	3,589	3,589	3,589	3,589	3,589
Total Patient Days	16,083	16,499	15,005	16,425	16,425	16,425	16,425	16,425
Adjusted Patient Days	21,621	22,156	21,641	23,725	23,762	23,762	23,762	23,762
Average Length of Stay	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Average Daily Census	44	45	41	45	45	45	45	45
Paid FTEs	232	228	222	222	222	222	222	222
Unit Revenue and Expense Data								
Total Operating Revenues Per Discharge	$ 7,366	$ 6,086	$ 6,418	$ 6,585	$ 6,780	$ 6,971	$ 7,168	$ 7,371
Total Operating Expenses Per Discharge	$ 6,799	$ 6,569	$ 6,484	$ 6,324	$ 6,513	$ 6,705	$ 6,904	$ 7,111
Contribution Per Discharge	$ 566	$ (483)	$ (66)	$ 262	$ 267	$ 266	$ 263	$ 260
Total Operating Revenues Adjusted Per Patient Day	$ 1,147	$ 969	$ 972	$ 996	$ 1,024	$ 1,053	$ 1,083	$ 1,113
Total Operating Expenses Per Adjusted Patient Day	$ 1,059	$ 1,046	$ 982	$ 957	$ 984	$ 1,013	$ 1,043	$ 1,074
Contribution Per Patient Day	$ 88	$ (77)	$ (10)	$ 40	$ 40	$ 40	$ 40	$ 39
Paid FTEs per Adjusted Occupied Bed	5.3	5.0	5.4	4.9	4.9	4.9	4.9	4.9
Salaries, Wages and Benefits Per FTE	$ 48,172	$ 47,404	$ 51,125	$ 52,659	$ 54,239	$ 55,866	$ 57,542	$ 59,268
Ratio Analysis								
EBITDA Margin	7.7%	-7.9%	-1.0%	4.0%	3.9%	3.8%	3.7%	3.5%
EBIT Margin	4.8%	-11.7%	-5.3%	-0.1%	-0.2%	-0.4%	-0.6%	-0.8%
Pre-Tax Income Margin	1.8%	-14.5%	-8.0%	-2.4%	-2.4%	-2.5%	-2.6%	-2.7%
Revenue/Net Property, Plant and Equipment	2.6	2.2	2.3	2.6	2.8	3.0	3.2	3.5
Days Cash on Hand (Excludes Limited Use Assets)	4	8	2	0	0	0	0	0
Days in Accounts Receivable	97	67	93	93	93	93	93	93
Days Accounts Payable	63	55	53	53	53	53	53	53

Base Case DCF (version 15)

EXHIBIT G

EXHIBIT G

List of Contacted Organizations

List of Contacted Organizations – For-profit Organizations

Company

Community Health Systems

✓ Duane Van Dyke (Individual Investor)

Essent Healthcare

Health Management Associates (AMA)

HealthMont

Health Plus

Iasis Healthcare

✓ Roy Jackson, M.D. (Individual Investor)

Life Point

✓ Medical Pathways

✓ Mafuz Michael, MD (Individual Investor)

Pacific Health Corporation

✓ Keith Rosenbaum (d.b.a. Physician Service Company, LLC, et, al.)

Province Health

✓ Joseph C. Chang (Individual Investor), Represented by the The Mardel Group (Norm Martin)

Tenet Healthcare

Triad Hospitals, Inc. (Alta Systems & Management)

Vanguard Health Systems, Inc.

✓ = Discussions Still in Process

List of Contacted Organizations - 501 (c) 3 Organizations/Public Entities

Company

Adventist Health System

Alhambra Hospital Medical Center, LP/ AHMC Inc.

Azusa Pacific University

Barlow Hospital

Catholic HealthCare West

Citrus Valley Health System

County of Los Angeles

Pomona Valley Medical Center

✓ City of Glendora

✓ = Discussions Still in Process

List of Contacted Organizations - Alternative Use Providers

Company

Alterra Healthcare Corporation

Atria

Beverly Medical Enterprises (Public)

Health South (Public)

Integrated Health Services

Manor Care, Inc.

Select Medical Corporation (Private)

Sun Healthcare Group

Sunrise Assisted Living

Vencor (Public)

✓ = Discussions Still in Process