

**SCHEDULES TO  
ASSET PURCHASE AGREEMENT**

**\* \* \* \* \***

**UNIVERSAL HEALTH SERVICES, INC. (Buyer)**

**AND**

**VISTA HOSPITAL SYSTEMS, INC. and  
FRENCH HOSPITAL MEDICAL CENTER (Seller)**

**Dated: April 3, 2003**

**VOLUME II**

**SCHEDULES 1.1(g) THROUGH 5.3(a)**

## SCHEDULE 1.1(g)

### BUSINESS NAMES

#### Business Names for Each Hospital:

1. Vista Hospital Systems, Inc. dba Arroyo Grande Community Hospital
2. Vista Hospital Systems, Inc. dba Corona Regional Medical Center
3. French Hospital Medical Center, Inc.

Letterhead with Logos for each entity are attached. Please note for reference, Central Coast Health Partners (CCHP) was not a true business entity but rather a fictitious name designed to "unify" and "identify" the Central Coast hospitals after Vista acquired French. CCHP is not used in any capacity that we are aware of.



CENTRAL COAST  
HEALTH PARTNERS  
*Your Partner in Health and Healing*

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FRENCH HOSPITAL  
MEDICAL CENTER

1911 Johnson Avenue  
San Luis Obispo, CA 93401-4197  
805/543-5353

*A Nonprofit Affiliate of Central Coast Health Partners*



CENTRAL COAST  
HEALTH PARTNERS  
*Your Partner in Health and Healing*

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ARROYO GRANDE  
COMMUNITY HOSPITAL

345 South Halcyon Road  
Arroyo Grande, CA 93420  
805/489-4261 • Fax: 805/473-7603

*A Nonprofit Organization Affiliated with Central Coast Health Partners*





CORONA REGIONAL  
MEDICAL CENTER

*Partners in Health and Healing*

Main Hospital 800 South Main Street, Corona, California 92882-3400 (909) 737-4343  
Rehabilitation Hospital 730 Magnolia Avenue, Corona, California 92879-3190 (909) 736-7200

## SCHEDULE 1.1(I)

### JOINT VENTURE ENTITIES

Vista Hospital Systems, Inc. d/b/a Corona Regional Medical Center, a California nonprofit public benefit corporation (Hospital) and Comprehensive Medical Imaging Centers, Inc., a Delaware corporation, are members of Corona Regional Medical Imaging, LLC, a California limited liability company.

San Luis Recovery Inn Joint Venture between San Luis Recovery Care, LLC, a California limited liability company, and Recovery Partners, A California Limited Partnership (French Hospital Medical Center is the General Partner of the partnership). San Luis Recovery Inn leases land from the County, on a long-term land lease, on which it constructed and equipped a building. The facility was originally managed by French Hospital Medical Center. Several years back the building was leased to Compass, which now manages and operates the facility. French Hospital Medical Center's original investment was \$400,000. French Hospital received rental income in 2002 of approximately \$19,176. A mortgage of \$600,000, by the partnership pledging the assets, is currently in process. French Hospital Medical Center will receive its pro-rata share of the \$600,000 but in turn will see a reduction in its rental income.

CORONA REGIONAL MEDICAL  
IMAGING, LLC  
MRI PROJECT

OPERATING AGREEMENT OF  
Corona Regional Medical Imaging, LLC

This Operating Agreement (this "Agreement") is entered into as of January 1, 2002, by and among Comprehensive Medical Imaging Centers, Inc., a Delaware corporation, ("CMIC"), and Vista Hospital Systems, Inc. d/b/a Corona Regional Medical Center, a California nonprofit public benefit corporation ("Hospital"), with reference to the following facts:

A. The parties have agreed to organize a limited liability company in accordance with the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

Article I  
Defined Terms

The following capitalized terms shall have the respective meanings specified in this Article I. Capitalized terms not defined in this Agreement shall have the meanings specified in the Act.

1.1. "*Act*" means the Beverly-Killea Limited Liability Company Act, codified in the California Corporations Code, Section 17000 et seq., as amended from time to time.

1.2. "*Adjusted Capital Account Deficit*" means, with respect to any Interest Holder, the deficit balance, if any, in the Interest Holder's Capital Account as of the end of the relevant taxable year, after giving effect to the following adjustments:

(i) the deficit shall be decreased by the amounts which the Interest Holder is deemed obligated to restore pursuant to Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g), and 1.704-2(i)(5); and

(ii) the deficit shall be increased by the items described in Regulation Sections 1.704-1(b)(2)(ii), (d)(4), (5), and (6).

1.3. "*Adjusted Capital Balance*" means, as of any day, an Interest Holder's total Contributions less all amounts actually distributed to the Interest Holder pursuant to Sections 4.2.3.4.1 and 4.4 hereof. If any Interest is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Adjusted Capital Balance of the transferor to the extent the Adjusted Capital Balance relates to the Interest transferred.

1.4. "*Affiliate*" means, (a) a Person directly or indirectly controlling, controlled by, or under common control with another Person; (b) a Person owning or controlling 10 percent or more of the outstanding voting securities or beneficial interests of another Person; (c) an officer, director, partner, or member of the immediate family of an officer, director or partner, of another Person; and/or (d) any affiliate of any such Person.

1.5. "*Agreement*" means this Operating Agreement, as amended from time to time including each exhibit hereto.

1.6. "*Appraised Value*" has the meaning given to such term under Section 6.4 hereof.

1.7. "*Assignee*" means the Person who has acquired an Economic Interest in the Company and has either become a Member or has satisfied all conditions of Membership pending the Vote of the remaining Members admitting such Person as a Member.

1.8. "*Capital Account*" means the account to be maintained by the Company for each Interest Holder in accordance with the following provisions:

1.8.1. an Interest Holder's Capital Account shall be credited with (i) the amount of money and the fair market value of any property contributed to the Company (net of liabilities secured by such property that the Company either assumes or to which such property is subject), (ii) the amount of any Company unsecured liabilities assumed by the Interest Holder, and (iii) the Interest Holder's distributive share of Profit and any item in the nature of income or gain specially allocated to the Interest Holder pursuant to the provisions of *Section 4.3* (other than *Section 4.3.3*) hereof; and

1.8.2. an Interest Holder's Capital Account shall be debited with the amount of (i) money and the fair market value of any property of the Company distributed to the Interest Holder (net of liabilities secured by such distributed property that the Interest Holder either assumes or to which such property is subject), (ii) the amount of any unsecured liabilities of the Interest Holder assumed by the Company, and (iii) the Interest Holder's distributive share of Loss and any item in the nature of expenses or losses specially allocated to the Interest Holder pursuant to the provisions of *Section 4.3* (other than *Section 4.3.3*) hereof.

If any Interest is transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Interest. If the book value of property of the Company is adjusted pursuant to *Section 4.3.3*, the Capital Account of each Interest Holder shall be adjusted to reflect the aggregate adjustment in the same manner as if the Company had recognized gain or loss equal to the amount of such aggregate adjustment. It is intended that the Capital Accounts of all Interest Holders shall be maintained in compliance with the provisions of Regulation Section 1.704-1(b), and all provisions of this Agreement relating to the maintenance of Capital Accounts shall be interpreted and applied in a manner consistent with that Regulation.

1.9. "*Capital Proceeds*" means the gross receipts received by the Company from a Capital Transaction.

1.10. "*Capital Transaction*" means any transaction not in the ordinary course of business which results in the Company's receipt of cash or other consideration other than Contributions, including, without limitation, proceeds of sales, exchanges, or other dispositions of property not in the ordinary course of business, financings, refinancings, condemnations, recoveries of damage awards, and insurance proceeds.

1.11. "*Cash Flow*" means all cash derived from operations of the Company (including interest received on reserves), without reduction for any non-cash charges, but less cash used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, debt payments, capital improvements, and replacements as determined by the General Manager. Cash Flow shall not include Capital Proceeds but shall be increased by the reduction of any reserve previously established.

1.12. "*Code*" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding revenue law.

1.13. "*Company*" means the limited liability company formed in accordance with this Agreement.

1.14. "*Contribution*" means any money, property, or services rendered, or a promissory note or other binding obligation to contribute money or property, or to render services as permitted in this title, which a Member contributes to the capital of the Company in that Member's capacity as a Member; provided, however, that no contributions shall be permitted to be made by a Member except pursuant to a written agreement by all Members which will also state the Members' agreement as to value of such contribution(s).

1.15. "*Distribution*" means the transfer of money or property by the Company to its Members.

1.16. "*Economic Interest*" means a Person's right to share in the income, gains, losses, deductions, credit, or similar items of the Company, and to receive Distributions from the Company, but does not include any other rights of a Member including, without limitation, the right to Vote or to participate in management, or any right to information concerning the business and affairs of the Company.

1.17. "*General Manager*" means the Person designated as such in Article V.

1.18. "*Interest Holder*" means any Person who holds an Economic Interest, whether as a Member or as an Assignee of a Member.

1.19. "*Involuntary Withdrawal*" has the meaning given such term in Section 6.2.2.

1.20. "*Majority of Members*" means a Member or Members whose Percentage(s) represent more than 50% of the Percentages of all of the Members.

1.21. "*Member*" means any person who executes a counterpart of this Agreement as a Member and any Person who subsequently is admitted as a Member of the Company.

1.22. "*Member Loan Nonrecourse Deductions*" means any Company deductions that would be Nonrecourse Deductions if they were not attributable to a loan made or guaranteed by a Member within the meaning of Regulation Section 1.704-2(i).

1.23. "*Member Nonrecourse Debt Minimum Gain*" has the meaning set forth in Regulation Section 1.704-2(i)(2) (determined by substituting "Member" or "Interest Holder" for "partner").

1.24. "*Membership Interest*" means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the Company.

1.25. "*Minimum Gain*" has the meaning set forth in Regulation Section 1.704-2(d). Minimum Gain shall be computed separately for each Interest Holder in a manner consistent with the Regulations under Code Section 704(b).

1.26. "*Negative Capital Account*" means a Capital Account with a balance of less than zero.

1.27. "*Nonrecourse Deductions*" has the meaning set forth in Regulation Section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a taxable year of the Company equals the net increase, if any, in the amount of Minimum Gain during that taxable year, determined according to the provisions of Regulation Section 1.704-2(c).

1.28. "*Nonrecourse Liability*" has the meaning set forth in Regulation Section 1.704-2(b)(3).

1.29. "*Percentage*" means, as to a Member, the percentage set forth after the Member's name on *Exhibit A*, as amended from time to time, and as to an Interest Holder who is not a Member, the Percentage or part of the Percentage that corresponds to the portion of a Member's Economic Interest that the Interest Holder has acquired, to the extent the Interest Holder has succeeded to that Member's interest.

1.30. "*Person*" means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.

1.31. "*Positive Capital Account*" means a Capital Account with a balance greater than zero.

1.32. "*Profit*" and "*Loss*" means, for each taxable year of the Company (or other period for which Profit or Loss must be computed), the Company's taxable income or loss determined in accordance with Code Section 703(a), with the following adjustments:

1.32.1 all items of income, gain, loss, deduction, or credit required to be stated separately pursuant to Code Section 703(a)(1) shall be included in computing taxable income or loss;

1.32.2 any tax-exempt income of the Company, not otherwise taken into account in computing Profit or Loss, shall be included in computing taxable income or loss;

1.32.3 any expenditures of the Company described in Code Section 705(a)(2)(B) (or treated as such pursuant to Regulation Section 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profit or Loss, shall be subtracted from taxable income or loss;

1.32.4 gain or loss resulting from any taxable disposition of property of the Company shall be computed by reference to the book value as adjusted under Regulation Section 1.704-1(b) ("adjusted book value") of the property disposed of, notwithstanding the fact that the adjusted book value differs from the adjusted basis of the property for federal income tax purposes;

1.32.5 in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, there shall be taken into account the depreciation computed based upon the adjusted book value of the asset; and

1.32.6 notwithstanding any other provision of this definition, any items which are specially allocated pursuant to *Section 4.3* shall not be taken into account in computing Profit or Loss.

1.33. "*Regulation*" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

1.34. "*Secretary of State*" means the Secretary of State of the State of California.

1.35. "*Transfer*" means, when used as a noun, any sale, hypothecation, pledge, assignment, attachment, or other transfer, and, when used as a verb, to sell hypothecate, pledge, assign, or otherwise transfer.

1.36. "*Voluntary Withdrawal*" means a Member's disassociation from the Company by means other than a Transfer or an Involuntary Withdrawal.

1.37. "*Vote*" means a written consent or approval, a ballot cast at a meeting, or a voice vote.

## Article II Formation and Name; Office; Purpose; Term

2.1. *Organization.* The parties hereby organize a limited liability company pursuant to the Act and the provisions of this Agreement. The Company shall cause Articles of Organization to be prepared, executed, and filed with the Secretary of State.

2.2. *Name of the Company.* The name of the Company is Corona Regional Medical Imaging, LLC.

2.3. *Purpose.* The Company is organized solely to develop, own, and operate a diagnostic imaging center and to do any and all things necessary, convenient, or incidental to that purpose.



2.4. *Term.* The Company shall continue in existence until dissolved as provided by this Agreement or the Act.

2.5. *Principal Place of Business.* The Company's principal place of business shall be located at 800 S. Main Street, Corona, California, 91720, or at any other place within the State of California which the Members by unanimous Vote select.

2.6. *Resident Agent.* The name and address of the Company's resident agent in the State of California are Mark N. Delevie, 6464 Canoga Avenue, Woodland Hills, California 91367.

2.7. *Members.* The name, present mailing address, taxpayer identification number, and Percentage of each Member are set forth on *Exhibit A*.

### Article III Members; Capital; Capital Accounts

3.1. *Initial Contributions.* The Members shall make their respective initial Contributions of capital to the Company in the amounts specified in *Exhibit A*. If a Member fails to make the initial Capital Contributions specified in this Section within 30 days after the effective date of this Agreement, that Member's entire Membership Interest shall terminate, and that Member shall indemnify and hold the Company and the other Members harmless from any loss, cost, or expense, including reasonable attorney fees caused by the failure to make the initial Capital Contribution.

3.2. *No Interest on Contributions.* Neither Members nor Interest Holders shall be paid interest with respect to Contributions.

3.3. *Return of Contributions.* No Member nor Interest Holder shall have the right to receive the return of any Contribution or withdraw any Contribution from the Company, except upon the dissolution of the Company. Except as otherwise expressly provided in this Agreement, no Member shall have priority over any other Member with respect to the return of a Contribution or Distributions or allocations of income, gain, losses, deductions, credits, or items thereof.

3.4. *Form of Return of Capital.* If a Member or an Interest Holder is entitled to receive the return of a Contribution, the Company may distribute in lieu of money, notes, or other, property having a value equal to the amount of money distributable to such Person.

3.5. *Capital Accounts.* A separate Capital Account shall be maintained for each Member and Interest Holder.

3.6. *Loans to the Company.*

3.6.1. *Approval Required for Loans.* No Member shall lend or advance money to the Company or for the Company's benefit without the approval of the General Manager of the Company.

3.6.2. *Terms and Provisions of Loans.* If any Member, with the requisite approval of the General Manager, lends any money to the Company, the loan shall be a liability of the Company to that Member and shall be payable or collectible only out of Company assets. None of the Members shall be individually or personally liable for the payment of the loan or any promissory note evidencing the loan. The loan shall not be regarded as an increase in the lending Member's capital and shall not entitle the lending Member to any increased share of the Company's profits or to any increase in the voting rights of that Member. The loan shall bear interest at such rate as is agreed upon by the lending Member and the General Manager. All loans from Members to the Company shall be evidenced either by entries on the books of the Company or by nonnegotiable promissory notes payable on demand; however, if a lending Member makes a demand for payment, then, notwithstanding any contrary provisions of the promissory note or of any other agreement between that Member and the Company, the Company shall not be obligated to pay the loan on demand, but shall pay the loan in monthly installments, the amounts of which shall be determined pursuant to the following provisions: The total of all payments (including both principal and interest) made by the Company during any one calendar month to Members for the payment of loans shall not exceed \$25,000 (or such other amount as is determined by unanimous Vote of the Members).

If payments for loans are to be made to more than one Member during any one calendar month, then the payment for that month to a Member shall be limited to the amount determined by multiplying the total payments permitted by the preceding sentence to be made during that month by a fraction, the numerator of which is equal to the unpaid principal owed to that Member and the denominator of which is equal to the total of unpaid principal owed to all Members who have made demands on the Company for payment of loans. Monthly payments shall be applied first to accrued interest and then to principal.

3.7. *Other Business Transactions.* Members may transact other business with the Company and, in doing so, they shall have the same rights and be subject to the same obligations arising out of any such business transaction as would be enjoyed by and imposed upon any Person, not a Member, engaged in a similar business transaction with the Company.

3.8. *No Personal Liability.* A Member shall not be bound by, or be personally liable for, the expenses, liabilities, or obligations of the Company except as otherwise provided in the Act or in this Agreement.

3.9 *Working Capital Obligation.* The Members acknowledge and agree that Syncor International Corporation ("Syncor") has agreed to loan funds to the Company to be used for purposes of working capital. The loan will be evidenced by a promissory note (the "Note") between Syncor and Company. The Note will bear interest at an interest rate equal to the prime rate published in the Federal Reserve Board's H.15 Release plus 2%, and will provide for monthly payments of interest and principal to be amortized over a period not to exceed 66 months. The Note will constitute an obligation of the Company superior in priority to Distributions or other Company expenditures other than those required to pay operating expenses in the ordinary course of business. The Members hereby authorize the General Manager, on behalf of the Company, to enter into and execute the Note conforming to the terms described herein.

**Article IV**  
**Profit, Loss, and Distribution**

4.1. *Allocations of Profit or Loss and Distributions of Cash Other Than from Capital Transactions.*

4.1.1. *Profit or Loss Other Than from a Capital Transaction.* After giving effect to the special allocations set forth in *Section 4.3*, for any taxable year of the Company, Profit or Loss (other than Profit or Loss resulting from a Capital Transaction, which Profit or Loss shall be allocated in accordance with the provisions of *Sections 4.2.1* and *4.2.2*) shall be allocated to the Interest Holders in proportion to their Percentages.

4.1.2. *Cash Flow.* Cash Flow for each taxable year of the Company shall be distributed to the Interest Holders in proportion to their Percentages as soon as practicable following the close of such taxable year upon the General Manager's reasonable determination that such Cash Flow is available for distribution. The parties acknowledge that no assurances can be given with respect to when or whether Cash Flow will be available for distributions to the Interest Holders. The parties further acknowledge and agree that all Distributions, including without limitation Distributions of Cash Flow, shall be subordinated to payments required to be made by the Company on the Note pursuant to *Section 3.9* hereof.

4.2. *Allocation of Profit or Loss from a Capital Transaction.* After giving effect to the special allocations set forth in *Section 4.3*, Profit and Loss from a Capital Transaction shall be allocated as follows. For purposes of this *Section 4.2*, (a) Profit and Loss shall be allocated prior to reducing Capital Accounts by the Distribution of the Proceeds from the Capital Transaction and (b) an Interest Holder's Capital Account shall be determined by crediting to each Interest Holder's Capital Account such Interest Holder's share of Minimum Gain and Member Nonrecourse Debt Minimum Gain remaining after such Capital Transaction.

4.2.1. *Profit.* Profit from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

4.2.1.1. First, if one or more Interest Holders has a Negative Capital Account, to those Interest Holders, in proportion to their Negative Capital Accounts, until all of those Negative Capital Accounts have been reduced to zero.

4.2.1.2. Second, to the Interest Holders as necessary to cause each Interest Holder's Capital Account (after applying *Section 4.2.1.1*) to equal its respective Adjusted Capital Balance.

4.2.1.3. Third, any Profit in excess of the foregoing allocations shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.2. *Loss.* Loss from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

4.2.2.1. First, to the Interest Holders, as necessary to cause the portion of their Capital Accounts, if any, exceeding their Adjusted Capital Balances, to be in the ratio of their Percentages.

4.2.2.2. Second, to the Interest Holders in proportion to their Percentages as necessary to eliminate the excess of their respective Capital Accounts (after applying *Section 4.2.2.1*) over their respective Adjusted Capital Balances.

4.2.2.3. Third, to the Interest Holders in proportion to their Adjusted Capital Balances until all Positive Capital Accounts (after applying *Sections 4.2.2.1* and *4.2.2.2*) have been reduced to zero.

4.2.2.4. Fourth, any Loss remaining shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.3. *Capital Proceeds.* Except as provided in *Section 4.4* with respect to the Distribution of Capital Proceeds derived in connection with liquidation of the Company, Capital Proceeds shall be distributed and applied by the Company in the following order and priority:

4.2.3.1. to the payment of all expenses of the Company incident to the Capital Transaction; then

4.2.3.2. to the payment of debts and liabilities of the Company then due and outstanding (including all debts due to any Interest Holder, provided that the Company shall not make any loan to an Interest Holder or Member without the unanimous written consent thereto of all Members); then

4.2.3.3. to the establishment of any reserves which the General Manager deems necessary for liabilities or obligations of the Company; then

4.2.3.4. the balance shall be distributed as follows:

4.2.3.4.1. to the Interest Holders in proportion to their Adjusted Capital Balances, until their remaining Adjusted Capital Balances have been paid in full;

4.2.3.4.2. the balance, to the Interest Holders in proportion to their Percentages.

4.2.4. *Proportionate Allocations.* If there is insufficient Profit or Loss from a Capital Transaction to allocate to the Interest Holders pursuant to any Section of *Section 4.2* in a manner which would fully satisfy the requirements of such Section with respect to every Interest Holder, Profit or Loss from a Capital Transaction available to be allocated among the Interest Holders pursuant to said Section shall be allocated in proportion to the amounts thereof that would have been allocated to each Interest Holder pursuant to such Section if there had been sufficient amounts thereof to fully satisfy the requirements of such Section with respect to every Interest Holder.

### 4.3. *Regulatory Allocations.*

4.3.1. *Impermissible Deficit and Qualified Income Offset.* No Interest Holder shall be allocated Losses or deductions if the allocation causes the Interest Holder to have an Adjusted Capital Account Deficit; instead, such items shall be allocated to the other Interest Holders. If an Interest Holder for any reason (whether or not expected) receives (1) an allocation of Loss or deduction (or item thereof) or (2) any Distribution, which causes the Interest Holder to have an Adjusted Capital Account Deficit at the end of any taxable year, then all items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and gain) for that taxable year shall be allocated to that Interest Holder, before any other allocation is made of Company items for that taxable year (other than an allocation under *Section* 4.3.2), in the amount and in proportions required to eliminate the excess as quickly as possible. This *Section* 4.3.1 is intended to comply with, and shall be interpreted consistently with, the "alternate test for economic effect" and "qualified income offset" provisions of the Regulations promulgated under Code Section 704(b).

4.3.2. *Minimum Gain Chargebacks.* To comply with the "minimum gain chargeback" requirements of Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4), and notwithstanding any other provision of this Agreement to the contrary, in the event there is a net decrease in an Interest Holder's share of Minimum Gain and/or Member Nonrecourse Debt Minimum Gain during a Company's taxable year, such Interest Holder shall be allocated items of income and gain for that year (and if necessary, other years) as required by and in accordance with Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4) before any other allocation is made. It is the intent of the parties hereto that any allocation pursuant to this *Section* 4.3.2 shall constitute a "minimum gain chargeback" under Regulation Section 1.704-2(f) and 1.704-2(i)(4).

4.3.3. *Contributed Property and Book-Ups.* In accordance with Code Section 704(c) and the Regulations thereunder, including Regulation Section 1.704-1(b)(2)(iv)(d)(3), income, gain, loss, and deduction with respect to any property contributed (or deemed contributed) to the Company shall, solely for tax purposes, be allocated among the Interest Holders so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its fair market value at the date of Contribution (or deemed Contribution). If the adjusted book value of any Company asset is adjusted under Regulation Section 1.704-1(b)(2)(iv)(f), subsequent allocations of income, gain, loss, and deduction with respect to the asset shall take account of any variation between the adjusted basis of the asset for federal income tax purposes and its adjusted book value in the manner required under Code Section 704(c) and the Regulations thereunder. The parties hereto agree to use the traditional method with curative allocations, as described in Regulation Section 1.704-3(c), for making Code Section 704(c) allocations.

4.3.4. *Code Section 754 Adjustment.* To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of the adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases basis), and the gain or loss shall be specially allocated to the Interest Holders in a manner consistent with the

manner in which their Capital Accounts are required to be adjusted pursuant to that Section of the Regulations.

4.3.5. *Nonrecourse Deductions.* Nonrecourse Deductions for a taxable year or other period shall be specially allocated among the Interest Holders in proportion to their Percentages.

4.3.6. *Member Loan Nonrecourse Deductions.* Any Member Loan Nonrecourse Deduction for any taxable year or other period shall be specially allocated to the Interest Holder who bears the risk of loss with respect to the loan to which the Member Loan Nonrecourse Deduction is attributable in accordance with Regulation Section 1.704-2(i).

4.3.7. *Guaranteed Payments.* To the extent any compensation paid to any Interest Holder by the Company, including any fees payable to any Interest Holder pursuant to *Section 5.3* hereof, is determined by the Internal Revenue Service not to be a guaranteed payment under Code Section 707(c) or is not paid to the Interest Holder other than in the Person's capacity as a partner (Interest Holder) within the meaning of Code Section 707(a), the Interest Holder shall be specially allocated gross income of the Company in an amount equal to the amount of that compensation, and the Interest Holder's Capital Account shall be adjusted to reflect the payment of that compensation.

4.3.8. *Unrealized Receivables.* If an Interest Holder's Economic Interest is reduced (provided the reduction does not result in a complete termination of the Interest Holder's Interest), the Interest Holder's share of the Company's "unrealized receivables" and "substantially appreciated inventory" (within the meaning of Code Section 751) shall not be reduced, so that, notwithstanding any other provision of this Agreement to the contrary, that portion of the Profit otherwise allocable upon a liquidation or dissolution of the Company pursuant to *Section 4.4* hereof which is taxable as ordinary income (recaptured) for federal income tax purposes shall, to the extent possible without increasing the total gain to the Company or to any Interest Holder, be specially allocated among the Interest Holders in proportion to the deductions (or basis reductions treated as deductions) giving rise to such recapture.

4.3.9. *Withholding.* All amounts required to be withheld pursuant to Code Section 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Interest Holders for all purposes under this Agreement.

4.3.10. *Nonrecourse Liabilities.* Solely for purposes of determining an Interest Holder's proportionate share of "excess nonrecourse liabilities" of the Company within the meaning of Regulation Section 1.752-3(a)(3), the Interest Holders' interest in Company profits shall be based on their respective Percentages.

4.3.11. *Intent of Allocations.* The tax allocation provisions of this Agreement are intended to produce final Capital Account Balances of the Interest Holders that will permit liquidating Distributions that are made in accordance with such final Capital Account Balances under *Section 4.4.1* to be equal to the Distributions that would occur under *Section 4.2.3.4* (in the same order and priority) if such liquidating proceeds were distributed pursuant to *Section 4.2.3.4*. To the extent that the tax allocation provisions of this Agreement would not produce such final Capital Account Balances, (1) such provisions shall be amended by the General Manager if and to the extent

necessary to produce such result and (2) taxable income or taxable loss of the Company for prior open years (or items of gross income and deduction of the Company) shall be reallocated among the Interest Holders to the extent it is not possible to achieve such result with allocations of income (including gross income) and deduction for the current year and future years. This *Section 4.3.11* shall control notwithstanding any reallocation or adjustment of taxable income, taxable loss, or items thereof by the Internal Revenue Service or any other taxing authority.

4.3.12. *Income Tax Provisions.* The Interest Holders are aware of the income tax consequences of this Article IV and agree to be bound by these provisions in reporting their shares of Profit, Losses, and other items for federal and state income tax purposes.

#### 4.4. *Liquidation and Dissolution.*

4.4.1. Upon liquidation of the Company, the assets of the Company shall be distributed to the Interest Holders in accordance with the positive balances in their respective Capital Accounts, after giving effect to all Contributions, Distributions, and allocations for all periods. Distributions to the Interest Holders pursuant to this *Section 4.4.1* shall be made in accordance with Regulation Section 1.704-1(b)(2)(ii)(b)(2).

4.4.2. No Interest Holder shall be obligated to restore a Negative Capital Account.

#### 4.5. *General.*

4.5.1. Except as otherwise provided in this Agreement or required by applicable law or regulation, the timing and amount of all Distributions shall be determined by the General Manager.

4.5.2. If any assets of the Company are distributed in kind to the Interest Holders, those assets shall be valued on the basis of their fair market value, and any Interest Holder entitled to any interest in those assets shall receive that interest as a tenant-in-common with all other Interest Holders so entitled. Unless the Members otherwise agree, the fair market value of the assets shall be determined by an independent appraiser who shall be selected by the General Manager. The Profit or Loss for each unsold asset shall be determined as if the asset had been sold at its fair market value, and the Profit or Loss shall be allocated as provided in *Section 4.2* and shall be properly credited or charged to the Capital Accounts of the Interest Holders prior to the Distribution of the assets in liquidation pursuant to *Section 4.4*.

4.5.3. All Profit and Loss shall be allocated and all Distributions shall be made to the Persons shown on the records of the Company to have been Interest Holders as of the last day of the taxable year for which the allocation or Distribution is to be made. Notwithstanding the foregoing, unless the Company's taxable year is separated into segments, if there is a Transfer or an Involuntary Withdrawal during the taxable year, the Profit and Loss shall be allocated between the original Interest Holder and the successor on the basis of the number of days each was an Interest Holder during the taxable year; provided, however, that the Company's taxable year shall be segregated into two or more segments to account for Profit, Loss, or proceeds attributable to a Capital Transaction or to any other extraordinary non-recurring items of the Company.

4.5.4. The General Manager is hereby authorized, upon the advice of the Company's tax counsel, to amend this Article IV to comply with the Code and the Regulations promulgated under Code Section 704(b); provided, however, that no amendment shall materially affect Distributions to an Interest Holder without the prior written consent of all of the Interest Holders.

## Article V Management and Membership: Rights, Powers, and Duties

### 5.1 *Management.*

5.1.1. *General Manager.* The Company shall be managed by a General Manager, who may, but need not be, a Member. CMIC is hereby appointed by the Members to serve as the initial General Manager.

5.1.2. *General Powers.* The General Manager shall have full, exclusive, and complete discretion, power, and authority, subject in all cases to the other provisions of this Agreement and the requirements of applicable law, to manage, control, administer, and operate the business and affairs of the Company for the purposes herein stated, and to make all decisions affecting such business and affairs, including, without limitation, the power to:

5.1.2.1. acquire by purchase, lease, or otherwise, any real or personal property, tangible or intangible;

5.1.2.2. construct, operate, maintain, finance, and improve, and to own, sell, convey, assign, mortgage, or lease any real estate and any personal property;

5.1.2.3. sell, dispose, trade, or exchange Company assets in the ordinary course of the Company's business;

5.1.2.4. enter into agreements and contracts and to give receipts, releases, and discharges;

5.1.2.5. purchase liability and other insurance to protect the Company's properties and business;

5.1.2.6. borrow money for and on behalf of the Company, and, in connection therewith, execute and deliver instruments authorizing the confession of judgment against the Company;

5.1.2.7. execute or modify leases with respect to any part or all of the assets of the Company;

5.1.2.8. prepay, in whole or in part, refinance, amend, modify, or extend any mortgages or deeds of trust which may affect any asset of the Company and in connection therewith



to execute for and on behalf of the Company any extensions, renewals, or modifications of such mortgages or deeds of trust;

5.1.2.9. execute any and all other instruments and documents which may be necessary or in the opinion of the General Manager desirable to carry out the intent and purpose of this Agreement;

5.1.2.10. make any and all expenditures which the General Manager, in its sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Company and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, and operation of the Company;

5.1.2.11. enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company; and

5.1.2.12. invest and reinvest Company reserves in short-term instruments or money market funds.

5.1.3. *Extraordinary Transactions.* Notwithstanding anything to the contrary in this Agreement, without the approval by unanimous Vote of the Members, the General Manager shall not have the power and authority to take any of the following actions:

5.1.3.1. Any act that would make it impossible to carry on the ordinary business of the Company;

5.1.3.2. Any confession of a judgment against the Company;

5.1.3.3. The dissolution of the Company;

5.1.3.4. The disposition of all or a substantial part (deemed for purposes of this *Section 5.1.3.4* to be an amount greater than \$100,000) of the Company's assets not in the ordinary course of business;

5.1.3.5. The incurring of any debt not in the ordinary course of business;

5.1.3.6. A change in the nature of the principal business of the Company;

5.1.3.7. The incurring of any contractual obligation or the making of any capital expenditure with a total cost of more than \$100,000.00.

5.1.3.8. The filing of a petition in bankruptcy or the entering into of an arrangement among creditors; and

5.1.3.9. The entering into, on behalf of the Company, of any transaction constituting a "reorganization" within the meaning of Act Section 17600.

5.1.4. *Limitation on Authority of Members.*

5.1.4.1. No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member.

5.1.4.2. This *Section 5.1* supersedes any authority granted to the Members pursuant to Section 17157 of the Act. Any Member who takes any action or binds the Company in violation of this *Section 5.1* shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company and the other Members harmless with respect to the loss or expense.

5.1.5. *Removal of General Manager.* The General Manager shall be appointed by a Majority of Members for (a) a term expiring with the appointment of a successor, or (b) a term expiring at a definite time specified by a Majority of Members in connection with such an appointment. A General Manager who is not also a Member may be removed with or without cause at any time by action of a Majority of Members. A General Manager who is a Member may be removed only on the Vote of a Majority of Members and the execution and filing of a Certificate of Amendment of the Articles of Organization of the Company in conformity with Act Section 17054, if necessary, to provide that the Company is to be managed by Members.

5.2. *Membership.*

5.2.1. *Class and Voting.* There shall be only one class of membership and no Member shall have any rights or preferences in addition to or different from those possessed by any other Member except as set forth herein. Members shall have the right to Vote on all matters with respect to which this Agreement or the Act requires or permits such Member action. Each Member shall Vote in proportion to the Member's Percentage as of the governing record date, determined in accordance with *Section 5.2.3*. If a Member has assigned all or part of the Member's Economic Interest to an Assignee, the Assigning Member shall Vote in proportion to the Percentage that the Assigning Member would have had, if the assignment had not been made. Except as otherwise provided in this Agreement, the affirmative Vote of a quorum of Members shall be required to approve any matter coming before the Members.

5.2.2. *Meetings and Quorum.* A meeting of the Members may be called at any time by the General Manager or by any Member with a Percentage of 25% or greater. Meetings of Members shall be held at the Company's principal place of business or at any other place in Los Angeles or Riverside Counties, California, designated by the Person or Persons calling the meeting. On or before the governing record date determined in accordance with *Section 5.2.3*, the Person or Persons calling the meeting shall give written notice of the meeting to each Member entitled to Vote at the meeting. The notice shall state the time, place, and purpose of the meeting. Notwithstanding the foregoing provisions, each Member who is entitled to notice may waive notice, either before or after the meeting, by executing a waiver of such notice, or by appearing at and participating, in person or by proxy in the meeting. Unless this Agreement provides otherwise, at a meeting of Members, only the presence in person or by Proxy of all of the Members constitutes a quorum. A

Member may Vote either in person or by written Proxy signed by the Member or by the Member's duly authorized attorney in fact.

5.2.3. *Record Date.* The record date for determining the Members entitled to receive Notice of any meeting, to Vote, to receive any distribution, or to exercise any right in respect of any other lawful action, shall be the date set by the Manager or by a Majority of Members; provided that such record date shall not be more than 60, or less than ten calendar days prior to the date of the meeting and not more than 60 calendar days prior to any other action. In the absence of any action setting a record date, the record date shall be determined in accordance with Act Section 17104(k)

5.2.4. *Action by Written Consent.* In lieu of holding a meeting, the Members may take action by written consent specifying the action to be taken, which consents must be executed and delivered to the Company by all of the Members. Any such approved action shall be effective immediately.

5.2.5. *Unanimous Vote Required.* In addition to the matters specified in Section 5.1.3, The following matters shall require the unanimous Vote of the Members for such action to be approved by the Members:

5.2.5.1. A decision to continue the business of the Company after dissolution of the Company;

5.2.5.2. The admission of a Member to the Company or the approval of the transfer, including but not limited to an assignment, of a Membership Interest and admission of an Assignee as a Member; and

5.2.5.3. An amendment to the Articles of Organization, this Agreement, or any of the following agreements of the Company ("Material Agreements"), all of which are attached hereto: (i) Management Services Agreement between the Company and CMIC; (ii) Independent Contractor Agreement for Operating Services between the Company and the Hospital; (iii) Ancillary Care Service Agreement for Imaging Services between the Company and the Hospital; and (iv) Ground Lease between the Company as Lessee and the Hospital as Lessor.

### 5.3. *Personal Service.*

5.3.1. No Member shall be required to perform services for the Company solely by virtue of being a Member. Unless approved by the General Manager, no Member shall perform services for the Company or be entitled to compensation for services performed for the Company.

5.3.2. The General Manager shall be entitled to reasonable compensation for services performed for the Company pursuant to the Management Services Agreement by and between the Company and General Manager as referenced in *Paragraph 5.2.5.3*, above.

5.4. *Duties of Parties.*

5.4.1. The General Manager shall devote such time to the business and affairs of the Company as is necessary to carry out the General Manager's duties set forth in this Agreement.

5.4.2. The Members agree that it is in their respective best interests and the interest of the Company that no Member (nor any Affiliate of any Member) engage in or conduct any other business or activity involving any diagnostic imaging modality to be provided by the Company within a geographic radius of 15 miles of the Company's principal place of business, and each Member shall be accountable to the Company and to the other Member(s) with respect to that business or activity if and to the extent that the business or activity competes with the Company's business; provided, however, that the foregoing restriction shall not apply to (i) inpatient professional services rendered by the Hospital; and (ii) the operation of General Manager's existing medical imaging centers in the Counties of Los Angeles, Riverside, San Bernardino and Orange, California.

5.4.3. The only fiduciary duties a General Manager owes to the Company and the other Members are the duty of loyalty and the duty of care set forth in Sections 5.4.3.1 and 5.4.3.2:

5.4.3.1. A General Manager's duty of loyalty to the Company and the other Members is limited to the following:

5.4.3.1.1. To account to the Company and hold as trustee for it any property, profit, or benefit derived by the General Manager in the conduct or winding up of the Company's business or derived from a use by the General Manager of property of the Company, including the appropriation of a Company opportunity, without the consent of the other Members;

5.4.3.1.2. To refrain from dealing with the Company in the conduct or winding up of the Company business as or on behalf of a party having an interest adverse to the Company without the consent of all of the Members; and

5.4.3.2. A General Manager's duty of care to the Company and the other Members in the conduct and winding up of the Company business is that of a prudent man in the conduct of his own affairs.

5.4.4. Members who are not Managers do not have, and shall not be deemed to have, fiduciary duties to the Company or the other Members except to the extent any such fiduciary duty shall be based upon or arise out of another relationship or contract between such Member and the person or entity asserting the existence of a fiduciary duty.

5.5. *Indemnification of the General Manager.*

5.5.1. The General Manager shall not be liable, responsible, or accountable, in damages or otherwise, to any Member or to the Company for any act performed by the General Manager within the scope of the authority conferred on the General Manager by this Agreement, and within the standard of care specified in Section 5.5.2.

5.5.2. The Company shall indemnify the General Manager for any act performed by the General Manager within the scope of the authority conferred on the General Manager by this Agreement, unless such act constitutes negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

5.6. *Power of Attorney.*

5.6.1. *Grant of Power.* Each Member constitutes and appoints the General Manager as the Member's true and lawful attorney-in-fact ("Attorney-in-Fact"), and in the Member's name, place, and stead, to make, execute, sign, acknowledge, and file:

5.6.1.1. one or more Articles of Organization;

5.6.1.2. all documents (including amendments to Articles of Organization) which the Attorney-in-Fact deems appropriate to reflect any amendment, change, or modification of this Agreement or any of the Material Agreements, made pursuant to the terms and conditions of this Agreement or the applicable Material Agreement, as the case may be;

5.6.1.3. any and all other certificates or other instruments required to be filed by the Company under the laws of the State of California or of any other state or jurisdiction, including, without limitation, any certificate or other instruments necessary for the Company to continue to qualify as a limited liability company under the laws of the State of California;

5.6.1.4. one or more fictitious trade name certificates; and

5.6.1.5. all documents which may be required to dissolve and terminate the Company and to cancel its Articles of Organization.

5.6.2. *Irrevocability.* The foregoing power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death or disability of a Member. It also shall survive the Transfer of a Membership Interest, except that if the Assignee is admitted as a Member, this power of attorney shall survive the delivery of the assignment for the sole purpose of enabling the Attorney-in-Fact to execute, acknowledge, and file any documents needed to effectuate the substitution. Each Member shall be bound by any representations made by the Attorney-in-Fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defenses which may be available to contest, negate, or disaffirm the action of the Attorney-in-Fact taken in good faith under this power of attorney.

## Article VI

### Transfer of Interests and Withdrawals of Members

6.1. *Transfers.* No Member may Transfer all, or any portion of, or any interest or rights in, the Membership Interest owned by the Member except upon the unanimous Vote of the Members. Each Member hereby acknowledges the reasonableness of this prohibition in view of the purposes of the Company and the relationship of the Members. The attempted Transfer of any portion or all of a Membership Interest in violation of the prohibition contained in this *Section* 6.1 shall be deemed invalid, null and void, and of no force or effect, except any Transfer mandated by operation of law and then only to the extent necessary to give effect to such Transfer by operation of law.

#### 6.2. *Withdrawal of a Member.*

6.2.1. *Voluntary Withdrawal.* A Member may not Voluntarily Withdraw from the Company without the written consents of all remaining Members. Withdrawal shall not release a Member from any obligations and liabilities under this Agreement accrued or incurred prior to the effective date of withdrawal. A withdrawing Member shall have only the rights of an Interest Holder of an Economic Interest in the Company in respect of the Member's Membership Interest in the Company. Unless all remaining Members consent to such withdrawal, the withdrawing Member shall not be entitled to a distribution of its Economic Interest until the dissolution and liquidation of the Company. For purposes of this *Section* 6.2.1, the term "Economic Interest" shall not mean or include any right to share in the income, gains, losses, deductions, credits, or similar items of the Company attributable to any period following withdrawal, or any right to information concerning the business and affairs of the Company, except as provided in California Corporations Code section 17106.

6.2.2. "*Involuntary Withdrawal*" means, with respect to any Member, the occurrence of any of the following events:

6.2.2.1. the Member makes an assignment for the benefit of creditors;

6.2.2.2. the Member is bankrupt;

6.2.2.3. the Member files a petition seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any state law;

6.2.2.4. the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's properties;

6.2.2.5. if the Member is an individual, the Member's death or adjudication by a court of competent jurisdiction as incompetent to manage the Member's person or property;

6.2.2.6. if the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust;

6.2.2.7. if the Member is a partnership or limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

6.2.2.8. if the Member is a corporation, the dissolution of the corporation or the revocation of its charter;

6.2.2.9. if the Member is a partnership, limited liability company or corporation, a change in control of such entity;

6.2.2.10. if the Member is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

6.2.2.11. if the Member files an action seeking a decree of judicial dissolution pursuant to Section 17351 of the Act.

6.3. *Optional Buy-out in Event of Involuntary Withdrawal.*

6.3.1. If the Members elect to continue the Company after an Involuntary Withdrawal, the withdrawn Member or the successor-in-interest to such Member (the "Withdrawn Member") shall be deemed to offer for sale to the Company (the "Withdrawal Offer") all of the Membership Interest of the withdrawn Member (the "Withdrawal Interest").

6.3.2. The Withdrawal Offer shall be and remain irrevocable for a period (the "Withdrawal Offer Period") ending at 11:59 P.M. local time at the Company's principal office on the 90<sup>th</sup> day following the date the Members elect to continue the Company. At any time during the Withdrawal Offer Period, the Company may accept the Withdrawal Offer by notifying the Withdrawn Member of its acceptance (the "Withdrawal Notice"). The Withdrawn Member shall not be deemed a Member or Manager for the purpose of the Vote on whether the Company shall accept the Withdrawal Offer.

6.3.3. If the Company accepts the Withdrawal Offer, the Withdrawal Notice shall fix a closing date (the "Withdrawal Closing Date") for the purchase which shall be not earlier than 30 or later than 90 days after the expiration of the Withdrawal Period.

6.3.4. If the Company accepts the Withdrawal Offer, the Company shall purchase the Withdrawal Interest for the price equal to the amount the Withdrawn Member would receive if the Company were liquidated and the amount equal to the Appraised Value were available for Distribution to the Members pursuant to *Section 4.4* (the "Withdrawal Purchase Price"). The Withdrawal Purchase Price shall be paid in cash on the Withdrawal Closing Date.

6.3.5. If the Company fails to accept the Withdrawal Offer, then the Withdrawn Member, upon the expiration of the Withdrawal Offer Period, thereafter shall be treated as an Interest Holder.

6.4. *Appraised Value.*

6.4.1. The term "Appraised Value" means the appraised value of the Company as hereinafter provided. Within fifteen (15) days after demand by either one to the other, the Company and the Withdrawn Member shall each appoint an appraiser to determine the value of the Company. If the two appraisers agree upon such value, they shall jointly render a single written report stating that value. If the two appraisers cannot agree upon the value of the Company, they shall each render a separate written report and shall appoint a third appraiser, who shall appraise the Company, determine its value, and render a written report of his or her opinion thereon. Each party shall pay the fees and other costs of the appraiser appointed by such party, and the fees and other costs of the third appraiser shall be shared equally by both parties.

6.4.2. The value contained in the aforesaid joint written report or written report of the third appraiser, as the case may be, shall be the Appraised Value; provided, however, that if the value of the equity contained in the appraisal report of the third appraiser is more than the higher of the first two appraisals, the higher of the first two appraisals shall govern; and provided, further, that if the value of the equity contained in the appraisal report of the third appraiser is less than the lower of the first two appraisals, the lower of the first two appraisals shall govern.

6.5 *Installment Purchase.* Should the Company, pursuant to *Section 6.1.3.3*, or the Purchasers, pursuant to *Section 6.1.3.7* (both Company and Purchasers being hereafter referred to in this *Section 6.5* as the "Buyer"), elect to pay the Transfer Purchase Price in installments, the following provisions of this *Section 6.5* shall govern such installment purchase.

6.5.1. *Purchase Price and Payment.* The purchase price shall be evidenced by a non-negotiable promissory note executed by the Buyer and payable to the Transferor. The promissory note shall be delivered to the Transferor at the Transfer Closing Date. The unpaid balance of principal shall bear interest at a fluctuating rate per annum, beginning on the Effective Date, equal to the Prime Rate published in the Money Rates or comparable table of the Wall Street Journal from time to time, minus 1.5%, but in any event such interest rate shall not be less than the "applicable federal rate" as defined in Internal Revenue Code Section 1274 (as amended from time to time). Any change in such Prime Rate shall be effective on the date of the change. If at any time the Wall Street Journal publishes a range of Prime Rates, the lower rate shall be used. If for any reason publication of the Prime Rate in the Wall Street Journal ceases, then the fluctuating interest rate per annum shall be at the average of the prime rates or reference rates then published or established by the three largest banking institutions in California, and any change in the prime rates or reference rates shall be effective on and as of the date of the change. The note shall be payable in 60 equal monthly installments of principal, which shall commence 12 months after Transfer Closing Date or sooner at the election of the General Manager (or the Remaining Member(s) if the Company is not a Buyer). Accrued interest shall be payable with each principal installment. The note shall contain (a) an acceleration clause providing for acceleration of the entire unpaid balance of principal and accrued interest in the event of any default which is not cured within 30 days of the receipt by the Buyer of written notice of default, (b) a provision for attorney's fees in case suit is brought to enforce payment, and (c) a provision allowing prepayment by the Buyer in whole or in part at any time. The note shall not be secured.



6.5.2. *Limitation on Monthly Payments.* Notwithstanding the provisions of Section 6.5.1, the total of all payments (including both principal and accrued interest) made by the Buyer during any one calendar month to all Transferors on the promissory notes executed pursuant to Section 6.5.1 shall not exceed \$25,000 or such larger amount as the General Manager determines, in his sole and absolute discretion, is within the ability of the Buyer to pay during that month (the "Limitation Amount"). In the event such Limitation Amount is exceeded, the payment for that month to a Transferor shall be reduced to the amount determined by multiplying the Limitation Amount by a fraction, the numerator of which is equal to the amount of the principal installment and accrued interest payable to the Transferor for that month and the denominator of which is equal to the total amounts of the principal installments and accrued interest payable to all Transferors for that month. Such reduced monthly payment shall be applied first to accrued interest and then to principal. Any part of the accrued interest which cannot be paid in that month shall be added to principal. The total of the principal amounts which are not paid to a Transferor because of the provisions of this Section shall be payable with accrued interest on the same monthly basis as set forth in Section 6.5.1, commencing one month after the last of the 120 monthly installments, but each such monthly payment shall be subject to the same limitations as provided in this Section 6.5.2.

## Article VII Dissolution, Liquidation, and Termination of the Company

7.1. *Events of Dissolution.* The Company shall be dissolved upon the happening of the first to occur of an event specified in Section 17350 of the Act.

7.2. *Procedure for Winding Up and Dissolution.* If the Company is dissolved, the General Manager shall wind up its affairs. On winding up of the Company, the assets of the Company shall be distributed, first to creditors of the Company, including Interest Holders who are creditors, in satisfaction of the liabilities of the Company, and then, to the Interest Holders in accordance with Section 4.4 of this Agreement.

7.3. *Filing of Certificate of Cancellation.* Upon completion of the affairs of the Company, the General Manager shall promptly file the Certificate of Cancellation of Articles of Organization with the Secretary of State. If there is no General Manager, then the Certificate of Cancellation shall be filed by the remaining Members; if there are no remaining Members, the Certificate shall be filed by the last Person to be a Member; if there is neither a General Manager, remaining Members, nor a Person who last was a Member, the Certificate shall be filed by the legal or personal representatives of the Person who last was a Member.

7.4. *Source of Return of Investment.* Each Member shall look solely to the assets of the Company for the return of the Member's investment, and if the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the investment of each Member, such Member shall have no recourse against any other Members for indemnification, contribution, or reimbursement, except as specifically provided in this Agreement.

**Article VIII**  
**Books, Records, Accounting, and Tax Elections**

8.1. *Bank Accounts.* All funds of the Company shall be deposited in a bank account or accounts opened in the Company's name. The General Manager shall determine the financial institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

8.2. *Books and Records.*

8.2.1. The General Manager shall keep or cause to be kept complete and accurate books, records, and financial statements of the Company and supporting documentation of transactions with respect to the conduct of the Company's business. The books, records, and financial statements of the Company shall be maintained on the accrual basis of accounting in accordance with generally accepted accounting principles. Such books, records, financial statements, and documents shall include, but not be limited to, the following:

8.2.1.1. a current list of the full name and last known business or residence address of each Member and Interest Holder, in alphabetical order, with the Contribution and the share in profits and losses of each Member and Interest Holder specified in such list;

8.2.1.2. a current list of the full name and business or residence address of the General Manager;

8.2.1.3. the Articles of Organization, including all amendments; and any powers of attorney under which the Articles of Organization or amendments were executed;

8.2.1.4. federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

8.2.1.5. this Agreement and any amendments thereto; and any Powers-of-Attorney under which this Agreement or amendments were executed;

8.2.1.6. financial statements for the six most recent years;

8.2.1.7. internal books and records for the current and three most recent years; and

8.2.1.8. a true copy of relevant records indicating the amount, cost, and value of all property which the Company owns, claims, possesses, or controls.

8.2.2. Such books, records, and financial statements of the Company and supporting documentation shall be kept, maintained, and available at the Company's office within the State of California.

8.3. *Right to Inspect Books and Records; Receive Information.*

8.3.1. Upon the reasonable request of an Interest Holder for a purpose reasonably related to the interest of that Interest Holder in the Company, the General Manager shall promptly deliver to the requesting Interest Holder at the expense of the Company a copy of this Agreement, as well as the information required to be maintained by the Company under subparagraphs (1), (2), and (4) of *Section 8.2.1*.

8.3.2. Each Interest Holder and Manager has the right upon reasonable request, and for purposes reasonably related to the interest of that Member of the Company, to do the following:

8.3.2.1 to inspect and copy during normal business hours any of the records required to be maintained by the Company under *Section 8.2.1* of this Agreement; and

8.3.2.2. to obtain from the Company promptly after becoming available, a copy of the Company's federal, state, and local income tax or information returns for each year.

8.3.3. If the General Manager has executed an amendment to the Articles of Organization or this Agreement pursuant to a power-of-attorney from the Members, the General Manager must promptly furnish to the Members a copy of such amendment.

8.3.4. The General Manager shall send or shall cause to be sent to each Member within 90 days after the end of each fiscal year of the Company: (i) such information as is necessary to complete federal and state income tax or information returns, and (ii) if the Company has 35 or fewer Members, a copy of the Company's federal, state, and local income tax or information returns for the fiscal year.

8.3.5. Unless otherwise expressly provided in this Agreement, the inspecting or requesting Member or Manager as the case may be, shall reimburse the Company for all reasonable costs and expenses incurred by the Company in connection with such inspection and copying of the Company's books and records and the production and delivery of any other books or records.

8.4. *Annual Accounting Period.* The annual accounting period of the Company shall be its taxable year. The Company's taxable year shall be selected by the General Manager, subject to the requirements and limitations of the Code.

8.5. *Tax Matters Partner.* The General Manager shall be the Tax Matters Partner for purposes of Code Section 6231(a)(7), and shall have all the authority granted by the Code to the Tax Matters Partner.

8.6. *Tax Elections.* The General Manager shall have the authority to make all Company elections permitted under the Code, including, without limitation, elections of methods of depreciation and elections under Code Section 754. The decision to make or not make an election shall be at the General Manager's sole and absolute discretion.

8.7. *Title to Property of the Company.* All real and personal property acquired by the Company shall be acquired and held by the Company in the Company's name.

## Article IX General Provisions

9.1 *Confidentiality.* Unless the Members agree otherwise, each Member shall hold in strict confidence any "Proprietary Information" (as hereinafter defined) it receives regarding the Company, or any Proprietary Information regarding the business of any other Member, whether such information is received from the Company, another Member, an Affiliate of a Member, or another Person. "Proprietary Information" means any information that derives independent economic value, actual or potential, from not being generally known to the public or to other Persons who can obtain economic value from its disclosure or use, and includes information of the Company, any Member, and any Person with whom the Company or any Member does business; provided, however, that Proprietary Information shall not include (a) information that is or becomes available to the public generally without breach of this *Section 9.1*; (b) disclosures required to be made by applicable laws and regulations or stock exchange requirements or requirements of the National Association of Securities Dealers, Inc.; (c) disclosures required to be made pursuant to an order, subpoena or legal process; (d) disclosures to members, partners, officers, directors, or Affiliates of such Member (and the Members, partners, officers, or directors of such Affiliates), and to auditors, counsel, and other professional advisors to such Persons or the Company (provided, however, that such Persons have been informed of the confidential nature of the information, and, in any event, the Member disclosing such information shall be liable for any failure by such Persons to abide by the provisions of this *Section 9.1*); or (e) disclosures in connection with any litigation or dispute among the Members, or between a Member and the Company; and provided further that any disclosure pursuant to clause (b), (c), (d) or (e) of this sentence shall be made only subject to such procedures the Member making such disclosure determines in good faith are reasonable and appropriate in the circumstances, taking into account the need to maintain the confidentiality of such information and the availability, if any, of procedures under laws, regulations, subpoenas, or other legal process. Each Member acknowledges that disclosure of information in violation of the provisions of this *Section 9.1* may cause irreparable injury to the Company and the Members for which monetary damages are inadequate, difficult to compute, or both. Accordingly, each Member agrees that its obligations under this *Section 9.1* may be enforced by specific performance; that breaches or prospective breaches of this *Section 9.1* may be enforced by specific performance; and that breaches or prospective breaches of this *Section 9.1* may be enjoined.

9.2. *Assurances.* Each Member shall execute all certificates and other documents and shall do all such filing, recording, publishing, and other acts as the General Manager deems appropriate to comply with the requirements of law for the formation and operation of the Company and to comply with any laws, rules, and regulations relating to the acquisition, operation, or holding of the property of the Company.

9.3. *Notifications.* Any notice, demand, consent, election, offer, approval, request, or other communication (collectively a "notice") required or permitted under this Agreement must be in writing and either delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested. Any notice to be given hereunder by the Company shall be given by the General Manager. A notice must be addressed to an Interest Holder at the Interest Holder's last known address on the records of the Company. A notice to the Company must be addressed to the

Company's principal office. A notice delivered personally will be deemed given only when acknowledged in writing by the Person to whom it is delivered. A notice that is sent by mail will be deemed given three (3) business days after it is mailed. Any party may designate, by notice to all of the others, substitute addresses or addressees for notices; and, thereafter, notices are to be directed to those substitute addresses or addressees.

9.4. *Specific Performance.* The parties recognize that irreparable injury will result from a breach of any provision of this Agreement and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of this Agreement, any party who may be injured (in addition to any other remedies which may be available to that party) shall be entitled to one or more preliminary or permanent orders (i) restraining and enjoining any act which would constitute a breach or (ii) compelling the performance of any obligation which, if not performed, would constitute a breach.

9.5. *Complete Agreement.* This Agreement constitutes the complete and exclusive statement of the agreement among the Members. It supersedes all prior written and oral statements, including any prior representation, statement, condition, or warranty. Except as expressly provided otherwise herein, this Agreement may not be amended without the written consent of all of the Members.

9.6. *Applicable Law.* All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal law, not the law of conflicts, of the State of California.

9.7. *Article and Section Titles.* The headings herein are inserted as a matter of convenience only and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

9.8. *Binding Provisions.* This Agreement is binding upon, and to the limited extent specifically provided herein, inures to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns.

9.9. *Jurisdiction and Venue.* Any suit involving any dispute or matter arising under this Agreement may only be brought in the appropriate United States District Court in California or any California State Court having jurisdiction over the subject matter of the dispute or matter. All Members hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding.

9.10. *Terms.* Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

9.11. *Separability of Provisions.* Each provision of this Agreement shall be considered separable; and if, for any reason, any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.

9.12. *Counterparts.* This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

9.13. *Estoppel Certificate.* Each Member shall, within ten (10) days after written request by the General Manager, deliver to the requesting Person a certificate stating, to the Member's knowledge, that: (a) this Agreement is in full force and effect; (b) this Agreement has not been modified except by any instrument or instruments identified in the certificate; and (c) there is no default hereunder by the requesting Person, or if there is a default, the nature and extent thereof. If the certificate is not received within the 10-day period, the General Manager shall execute and deliver the certificate on behalf of the requested Member, without qualification, pursuant to the power of attorney granted in *Section 5.6*.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

**CORONA REGIONAL MEDICAL IMAGING, LLC  
OPERATING AGREEMENT**

*EXHIBIT A*

<b>Member Name</b>	<b>Taxpayer Identification Number</b>	<b>Mailing Address</b>	<b>Capital Contribution</b>	<b>Percentage</b>	<b>Date Admitted</b>
Comprehensive Medical Imaging Centers, Inc. (CMIC)	95-4666946	6464 Canoga Ave., Woodland Hills, CA 91367		65.00%	1/01/02
Vista Hospital Systems, Inc., d/b/a Corona Regional Medical Center		800 S. Main Street, Corona, CA 92882		35.00%	1/01/02

ORIGINAL

**GROUND LEASE**

**BETWEEN**

**VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER  
as Lessor**

**AND**

**CORONA REGIONAL MEDICAL  
IMAGING, LLC  
as Lessee**

**FEBRUARY 1, 2002**



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## GROUND LEASE

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This GROUND LEASE (this "Lease") is entered into the 1st day of February, 2002, and shall be effective the Commencement Date, by and between VISTA HOSPITAL SYSTEMS, INC. D/B/A CORONA REGIONAL MEDICAL CENTER, a California nonprofit, public benefit corporation ("Lessor") and CORONA REGIONAL MEDICAL IMAGING, LLC, a California limited liability company ("Lessee").

### RECITALS:

1. Lessor is the owner of certain real property located in Corona, Riverside County, California, more particularly described on EXHIBIT A, attached hereto and made a part hereof (the "Land").
2. The parties desire to facilitate the establishment of an imaging center to (a) provide access to imaging services and (b) expand imaging services available to the community.
3. Lessee desires to acquire the use of the Land for the purpose of locating the Building and other Improvements thereon and operating an imaging center on the Land.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Lessor and Lessee agree as follows:

### ARTICLE I

#### DEFINITIONS

Section 1.01 Definitions. Unless otherwise defined herein, capitalized terms used in this Lease shall have the following meanings:

"Building" means the initial Building, as it may be expanded by any subsequent building expansion approved by Lessor.

"Building Improvements" means, collectively, the Building, any building expansion and any alterations, replacements, rebuildings made or proposed to be made by Lessee during the Term,

excepting (a) leasehold Improvements for leased space within the Building, and (b) equipment, furnishings, furniture and decorative treatments, which Lessee may make and/or install at any time during the Term.

"Commencement Date" means the first day of the calendar month during which Lessee shall commence construction/installation of the Initial Building.

"Default Rate" means the prime rate as announced by Bank of America plus two percent (2%).

"Environmental Laws" means all applicable laws, rules, regulations, orders, judicial determinations, and decisions or determinations by any judicial, legislative or executive body of any governmental or quasi-governmental entity, as they may be amended from time to time, adopted or ordered with respect to: (a) the existence on, discharge from or to, or removal from all or any portion of the Land of any hazardous substance; and (b) the effects on the environment of all or any portion of the Land or of any activity now, previously, or hereafter conducted on the Land.

"Event of Default" means the occurrence of any one or more of the events described in Section 19.01 hereof.

"Land Improvements" mean the paved surface parking areas, vehicular accessways, pedestrian sidewalks, directional signage, lighting fixtures, landscaping, sanitary sewer and utility lines, from time to time, located on or about, and which service, the Premises.

"Loan Documents" mean any mortgage, any leasehold mortgage, loan agreement, note or any other instrument or document containing the terms of, evidencing or securing debt incurred by Lessee and secured, in whole or in part, by a mortgage and/or leasehold mortgage, including without limitation, any permanent loan.

"Payment Date" means the first date of the calendar month immediately following the Commencement Date, and the first day of each calendar month thereafter during the Term.

"Premises" means, collectively, the Land, the Land Improvements, the Building and the Building Improvements.

"Rent" has the meaning set forth in Section 4.1 herein.

"Term" means, collectively, the Primary Term (as that term is defined in Section 3.01 herein) and any exercised Option Terms (as that term is defined in Section 3.02 herein).

## ARTICLE II

### DEMISE AND DESCRIPTION: OWNERSHIP

Section 2.01 Land and Premises. Subject to the terms, conditions and covenants hereinafter set forth, Lessor leases to Lessee and Lessee leases from Lessor, the Land.

Section 2.02 Ownership. Lessee shall, during the Term, have title to all Improvements (but not the Land), and all fixtures on the Premises.

Section 2.03 Title Documents, Survey and Condition of Land. Lessee may, at its sole cost and expense, cause to be prepared title documentation and/or surveys regarding the Land. Notwithstanding the foregoing sentence, Lessee, by executing this Lease, shall be deemed to have determined that the Land is suitable for Lessee's intended use thereof and to have forever released and discharged Lessor from any liability, loss, damage or cost that Lessee may suffer by reason of the condition of the Land.

## ARTICLE III

### TERM

Section 3.01 Primary Term. The Primary Term shall commence on the Commencement Date and shall continue for a period of time equal to ten (10) years (the "Primary Term"), unless sooner terminated as provided herein.

Section 3.02 Option Terms. Lessee shall have the option to extend the Primary Term by up to two (2) additional five (5) year Option Terms, upon the same terms, conditions and covenants set forth herein (the "Option Terms"). Lessee shall exercise such option by giving Lessor written notice thereof not less than twelve (12) months prior to the expiration of the Primary Term or the first Option Term, as the case may be.

Section 3.03 Effect of Holding Over. Any "holding over" after the expiration of the Term of this Lease, with or without the consent of Lessor, shall be construed to be a tenancy from "month to month", at one hundred fifty percent (150%) of the monthly rental then being paid by Lessee, and shall otherwise be on the terms and conditions herein specified.

Section 3.04 Early Termination. This Lease shall terminate at the expiration or dissolution of Lessee as a limited liability company.

## ARTICLE IV

### RENT AND UTILITIES

**Section 4.01 Rent.** The Lessor and the Lessee have heretofore entered into the Operating Agreement of Corona Regional Medical Imaging, LLC (the "Operating Agreement"). In its capacity as a Member (as that term is defined in the Operating Agreement), the Lessor will make a Capital Contribution (as that term is defined in the Operating Agreement) in an amount equal to the present value of the Rent payments during the Primary Term (referred to herein as the "Capitalization Payment", as evidenced in SCHEDULE 4.01 herein). In consideration of its Capitalization Payment, during the Primary Term, unless the Lessee shall be in breach of this Lease, the Lessee shall not be required to pay the Rent payments otherwise due and payable pursuant to this Section 4.01 and the provisions of Section 4.01 (a) and (b) shall not require or be deemed to require the payment of such Rent. After the Primary Term, the Lessee shall pay the Rent to the Lessor pursuant to the terms and conditions of Sections 4.01 (a) and (b) herein.

- (a) Lessee shall pay Lessor annual rent for the Land in the amount set forth in SCHEDULE 4.01, attached hereto and made a part hereof (the "Rent"), pursuant to the terms and conditions of Section 4.01(b) herein. Lessor and Lessee acknowledge and agree that such Rent is the fair market value of the Land.
- (b) Lessee shall pay Lessor the Rent, in advance, first on the Commencement Date and thereafter, in equal monthly installments, on each Payment Date, without demand, notice, set-off or counterclaim, at Lessor's address set forth in Section 21.10 hereof, or at such other place as Lessor may direct by giving written notice thereof to Lessee. Such Rent, or any portion thereof, and other charges due Lessor hereunder not paid when due, shall bear interest at the Default Rate. Except as otherwise expressly provided herein, the rental provided for in this Lease shall be an absolute net rent to Lessor for the Term, free from any losses, expenses or charges with respect to the Premises, including, without limitation, maintenance, repairs, cost of replacement of any Improvement, insurance, taxes, assessments or other charges imposed upon or directly related to the Premises, or with respect to any exclusive easements or rights appurtenant thereto, if any.

#### **Section 4.02 Utilities.**

- (a) Lessee shall install and maintain all utilities, at its sole cost and expense, including, without limitation, water and sanitary sewer, for which Lessee shall pay all permit, tap-in and/or connection fees. Lessee shall fully and promptly pay for all such other public utilities of every kind furnished to the Premises throughout the Term, and all other costs and expenses of every kind whatsoever, of or in connection with the use, operation and maintenance of such utility services on the Premises, and all activities conducted thereon. Lessor shall not have any responsibility for any payment therefor.

- (b) Lessor shall not be liable, in damage or otherwise, for any maintenance, failure or interruption of any utility service being furnished to the Premises, and no such failure or interruption shall entitle Lessee to any abatement of, or set-off or reduction in, the amounts payable to Lessor hereunder, or otherwise entitle Lessee to not perform its duties and obligations hereunder or terminate this Lease.

## ARTICLE V

### BUILDING AND BUILDING IMPROVEMENTS

#### Section 5.01 Construction/Installation of Building Improvements.

- (a) Lessee shall, at its sole cost and expense, cause the Building and all Building Improvements to be constructed/installed in a good and workmanlike manner, and in accordance with the minimum building standards, and any plans and specifications relating thereto.
- (b) Lessee shall, at Lessee's sole cost and expense, procure all necessary and required approvals, permits and licenses, and make all contracts, necessary for the construction/installation of the Building and any Building Improvements. Such construction/installation shall be performed by a general contractor reasonably acceptable to Lessor, and shall fully conform to all applicable laws and regulations. Lessee shall obtain, or cause its general contractor to obtain, owner's and contractor's protective liability insurance for the benefit, and in the name of Lessor, and deliver executed certificates for such insurance to Lessor prior to commencement of construction/installation of the Building and any Building Improvements. Prior to commencing construction/installation of the Building and any Building Improvements, Lessee shall require its contractors and subcontractors to furnish Lessor with evidence of insurance coverage for liability and workers' compensation in such amounts as may be reasonably required by Lessor.
- (c) Lessee's contractors shall perform their work in constructing/installing the Building and any Building Improvements, and all other work contracted for by Lessee, only on the Land. Lessee shall be responsible for periodic removal from the Land and any such storage area of all trash, rubbish and surplus materials resulting from any construction/installation work being performed by or for Lessee on the Land. Lessor shall have no responsibility whatsoever for any equipment or other property of Lessee and/or Lessee's contractors, agents or employees.

- (d) Lessee shall give Lessor written notice of the completion of the Building and any Building Improvements. Simultaneously with such written notice, Lessee shall furnish Lessor with true and complete copies of lien waivers, properly executed by all persons performing work on, or supplying materials to, the Land in connection with such Building and Building Improvements, and a final certificate of occupancy for such Building and Building Improvements, issued by the appropriate governmental authority.

**Section 5.02 Construction/Installation of Land Improvements.**

- (a) Lessee shall, at its sole cost and expense, cause to be completed the Land Improvements. Lessee shall ensure that the paved parking areas comprising a portion of the Land Improvements are sealed and striped, and include the required number of vehicle parking spaces and that the Land Improvements are substantially complete on or before the Building's initial completion date or the completion date of any Building Improvements.
- (b) Lessee shall, at its sole cost and expense, procure all approvals, permits and licenses, and make all contracts, necessary for completion of the Land Improvements. Lessee shall cause the Land Improvements to be completed in a good and workmanlike manner and in full compliance with applicable laws and regulations.

**ARTICLE VI**

**MAINTENANCE AND REPAIR OF THE PREMISES**

**Section 6.01 Maintenance of Premises.** Lessee shall, throughout the Term, at its sole cost and expense, keep and maintain the Premises including, without limitation, all landscaping, structural, nonstructural, interior and exterior portions thereof, in good, sanitary and neat order, condition and repair. Lessor shall not be obligated to make any repairs, replacements or renewals of any kind, nature or description whatsoever to the Premises.

**Section 6.02 Land Improvements and Landscaping Capital Repair and Replacement.** In the event that Lessor determines, in the exercise of its commercially reasonable discretion, that work on all or any portion of the Land Improvements and/or the landscaping is required at any time during the Term, Lessor shall give Lessee written notice thereof and Lessor shall undertake such repair or replacement, at its expense.

## ARTICLE VII

### USE OF PREMISES

#### Section 7.01 Permitted Uses.

- (a) Lessee shall use the Land for the construction/installation, maintenance and operation of the Building, Land Improvements and Building Improvements and for the provision of imaging services in the Building.
- (b) Lessee shall not use the Land and Building for any other purpose.

Section 7.02 Permitted Lessees and Occupants. Only Lessee or its respective designees may lease, sublease or otherwise occupy any office space in the Building. All leases, subleases, agreements, contracts, instruments and other arrangements purporting to grant rights to occupy the Building shall be approved, in writing, by the Lessor, and shall be subject and subordinate to the terms and conditions of this Lease.

Section 7.03 Prohibited Uses. Lessee shall not use, or permit the Premises or any part thereof to be used, for any illegal purpose or any purposes other than those permitted under Section 7.01 hereof, and Lessee shall not make or permit to be made any use of the Premises, or acts done, which would cause a cancellation of any insurance policy covering the Premises, or any part thereof, nor shall Lessee sell or permit to be kept, used or sold in or about the Premises, any article which may be prohibited by the standard form of fire insurance policy. Lessee shall not use the Premises in any way that could result in the imposition by any governmental authority of any fine or penalty upon Lessor.

Section 7.04 Protection of Lessor's Title. Lessee shall not suffer or permit the Premises, or any portion thereof, to be used by the public, as such, without restriction or in such a manner as might impair Lessor's title to the Premises or any portion thereof, or in such a manner as may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Premises or any portion thereof. Lessee shall additionally comply with all legal requirements and any other requirements set forth in any documentation pursuant to which Lessee may finance or refinance the Building. Lessee shall not knowingly use the Premises in any way that might result in the forfeiture of Lessor's title to the Land, or result in the placement of any easement, encumbrance or restriction on or against the use thereof.

Section 7.05 Compliance with Law: Waste and Nuisance. Lessee shall comply with and abide by all laws and regulations affecting the Premises or any activity or condition on or in the Premises. Lessee shall not commit, or suffer to be committed, any waste on the Premises, or create, or permit to be created, any nuisance on the Premises.

#### Section 7.06 Surrender of Premises.

- (a) Lessee shall, at the expiration or termination of this Lease, peaceably and quietly quit and surrender to Lessor the Premises, free and clear of all liens and encumbrances (excepting the permitted title exceptions and leases, or subleases then in effect for space in the Building) and in good order and condition, subject to reasonable wear and tear and to the other terms and conditions of this Lease.
- (b) The Building, the Land Improvements and the Building Improvements shall become the property of Lessor upon the expiration or termination of this Lease and Lessee shall thereupon surrender the Premises to Lessor; provided, however, that Lessee's trade fixtures and equipment and other moveable personal property shall remain the property of Lessee and may be removed by Lessee. Lessee shall repair any damage to the Premises caused by its removal of any such equipment, machinery or trade fixtures.

**Section 7.07 Abandonment of Premises.** Lessee shall not vacate or abandon the Premises, or any part thereof, at any time during the Term. If Lessee does abandon, vacate or surrender the Premises, or any part thereof, or is dispossessed by process of law, or otherwise, or any personal property belonging to Lessee or its tenants, which property is left on the Premises or any such property, as the case may be, shall be deemed abandoned, at the option of Lessor.

**Section 7.08 Dissolution of Lessee.** This Lease shall, without any further action by Lessor or Lessee, automatically terminate, and title to the Premises shall automatically vest in Lessor, upon the voluntary or involuntary dissolution and termination of Lessee.

**Section 7.09 Lessor's Right to Enforce Terms of Leases.** In the event of a default in any of the terms of a lease of space between Lessee and the occupants of space in the Building, if any, following the expiration or termination of this Lease, Lessor reserves the right, at its sole option and without the necessity of obtaining the consent of Lessee, to take in its own name, any action and to enforce all rights of Lessee under any such lease, and all such subleases shall contain provisions with respect thereto.

**Section 7.10 Rules and Regulations.** Lessor shall have the right, from time to time, to establish such rules and regulations with respect to the Premises, and the use thereof, as Lessor deems reasonably necessary for the operation, safety and maintenance of the Premises; provided, however, that such rules and regulations shall be subject to Lessee's prior approval, which approval shall not be unreasonably withheld or delayed.



## ARTICLE VIII

### TAXES AND ASSESSMENTS

#### Section 8.01 Taxes.

- (a) Lessee shall pay and discharge, as the same become due, promptly and before delinquency, all *ad valorem* taxes, assessments, rates, charges, license fees, municipal liens, levies, excises or imposes, whether general or special or ordinary or extraordinary, of every name, nature and kind whatsoever, including, without limitation, all governmental charges of whatsoever name, nature or kind, which may be levied, assessed, charged or imposed, or which may become a lien or charge on or against the Land, or any part thereof, the leasehold interest, the Building, any other Land Improvement or Building Improvements, and the Lessee's personal property at any time located on the Premises, which may be a subject of taxation, or on or against Lessor's interest in the Land during the Term hereof. Lessee shall have no responsibility for any income taxes payable by Lessor in respect of the Rents payable by Lessee hereunder.
- (b) For purposes of (i) *ad valorem* real estate taxes, if any, imposed upon the Land and accrued for any fiscal period of the taxing authority during which the Commencement Date occurs, and (ii) real estate taxes imposed upon the Premises and accrued for any fiscal period of the taxing authority during which this Lease expires or terminates, the party in possession of the Land at the time such tax becomes due shall pay the same, Lessee and Lessor shall pro rate such taxes as of the Commencement Date or the date this Lease expires or terminates, as the case may be, using the due date method of proration, and the non-paying party shall reimburse the other party the appropriate pro-rated amount within ten (10) days after receipt of evidence of payment of the subject tax by the paying party. Lessee shall be solely responsible for any taxes assessed in respect of any Land Improvements or Building Improvements.

Section 8.02 Assessments for Land Improvements. Lessee shall be solely responsible for all taxes, special assessments and charges imposed, levied or charged by any authorized entity in respect of the Land Improvements.

#### Section 8.03 Contesting Taxes.

- (a) Lessee may, in good faith and at its sole cost and expense, contest the validity or amount of any tax, assessment, levy or other governmental charge herein agreed to be paid by Lessee pursuant to Section 8.01 hereof, and unless required otherwise by law, Lessee may defer payment of the tax or charge being contested until final determination of such contest. Lessee may not, however, initiate or maintain any such contest unless Lessee procures and maintains a stay of all proceedings to

enforce any collection of the tax being contested, together with all penalties, interest, costs and expenses, by deposit of a sufficient sum of money, or by such other undertaking, as may be required or permitted by law to accomplish such stay. Upon the termination of any such proceedings, Lessee shall pay the amount of such contested tax or part thereof, as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees (including, without limitation, reasonable attorneys' fees and disbursements), interest, penalties or other liabilities in connection therewith. If Lessee loses any such contest, Lessee shall immediately pay all contested taxes and associated charges, interest and penalties.

- (b) Lessee shall have the right, at its sole cost and expense, to seek a reduction in the valuation of the Premises, as assessed for tax purposes, and to prosecute any action or proceeding in connection therewith. Provided Lessee is not in default hereunder, Lessor hereby authorizes Lessee to collect any tax refund of any tax paid by Lessee obtained by reason thereof and to retain same.
- (c) Lessor agrees that whenever Lessor's cooperation is required in any contest brought by Lessee in accordance with this Section 8, Lessor will reasonably cooperate therein, provided same shall not entail any cost, liability or expense to Lessor. Lessee shall pay, indemnify and save Lessor harmless of and from any and all liabilities, losses, judgments, decrees, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) in connection with any such contest. No such contest shall subject Lessor to the risk of any civil liability or the risk of any criminal liability.

**Section 8.04 Disposition of Rebates.** All rebates on account of any taxes, rates, levies, charges or assessments required to be paid by Lessee hereunder, and which are paid by Lessee under the provisions hereof, shall belong to Lessee, and Lessor shall, at the written request of Lessee, execute any receipts, assignments or other acquittances that may be necessary in order to secure the recovery of any such rebates, and will pay over to Lessee any such rebates that may be received by Lessor.

## ARTICLE IX

### INSURANCE

**Section 9.01 Casualty Insurance.** Lessee shall, at all times during the Term, and at Lessee's sole cost and expense, keep the Building, Land Improvements and Building Improvements insured, with broad form fire and extended coverage insurance with an all-risk endorsement against loss or damage by fire, lightning, windstorm, hail, explosion, riot and civil commotion, damage from aircraft and vehicles, smoke damage and such other risks as are, from time to time, typically included in "all risk" forms in Riverside County, California, in an amount not less than the full

replacement value of the Premises, exclusive of the cost of foundations, excavation and footings below the lowest basement level, without deduction for depreciation, and with loss payable to Lessor and Lessee as their respective interests may appear.

**Section 9.02 Liability Insurance.** Lessee shall maintain in effect, at its sole expense, throughout the Term, and separately in the name of Lessor and Lessee, comprehensive general liability insurance covering the Premises in the amount of One Million Dollars (\$1,000,000.00) per claim and Three Million Dollars (\$3,000,000) in the annual aggregate for injury to or death of any number of persons, and for property damage.

**Section 9.03 Builder's Risk Insurance.** In connection with the construction/installation of the Building, any Building Improvements or Land Improvements, Lessee shall, at its sole cost and expense, obtain, or cause its general contractor to obtain, builder's risk insurance in an amount not less than the full replacement value of the Building or any such Building Improvements or Land Improvements, as the case may be. Such insurance shall insure both Lessor and Lessee as "named insureds".

**Section 9.04 General Requirements.**

- (a) All of the Lessee policies shall be written in form and by insurance companies reasonably satisfactory to Lessor. Lessee shall pay all of the premiums therefor, and shall deliver executed certificates thereof to Lessor and other persons or designated person, in writing, by Lessor. In the event that Lessee fails to obtain such insurance in the names herein called for, to pay the premiums therefor or to deliver the Lessee policies or certificates thereof to Lessor, Lessor, after giving Lessee prior written notice, shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor to Lessee. Each Lessee policy shall, by endorsement, or by independent instrument furnished to Lessor, provide that the insurance provider shall give to Lessor thirty (30) days' written notice before the policy or policies in question shall be canceled. Lessor shall not unreasonably withhold or delay its approval as to the forms of policies of insurance or of the insurance providers selected by Lessee.
- (b) Lessee shall comply with the requirements of any insurer necessary to maintain the insurance policies identified herein.

**Section 9.05 Revision of Full Replacement Value.** If either party hereto reasonably believes that the full replacement value of the Building, any Land Improvements or Building Improvements to be insured under this Article IX has increased or decreased, it shall have the right, but, except as provided below, only at intervals of not less than five (5) years, to have such full replacement value redetermined by an impartial appraiser. The party desiring to have such full replacement value redetermined by such impartial appraiser shall, upon submission of its request of redetermination to such impartial appraiser, give written notice to the other party hereto, and shall solely bear the expense of any such redetermination. The determination of such impartial appraiser shall be final and binding on the parties hereto, and Lessee or Lessor, as the case may be, shall

forthwith increase, or may decrease, the amount of the insurance carried pursuant to this Article IX to the amount so determined by such impartial appraiser. Such determination shall be binding until superseded by agreement between Lessor and Lessee or by a subsequent redetermination by an impartial appraiser. In the event, however, that Lessee shall complete any Building Improvements, Lessor may have the full replacement value of the Building redetermined at any time after the completion of any such Building Improvements, regardless of when the full replacement value of the Building was last determined.

**Section 9.06 Mutual Waiver of Subrogation.** Lessor and Lessee, for themselves and their respective successors and assigns (including, without limitation, any person or entity which may become subrogated to any of their respective rights), hereby waive any and all rights and claims of recovery against the other, and their respective members, directors, officers, partners, employees, agents and assigns, or any of them, on account of any loss or damage to any of their respective properties insured under any valid and collectible insurance policies, to the extent of any recovery collectible under such insurance policies. Each insurance policy carried by Lessor and Lessee and insuring all or any part of such property shall provide that the insurance company waive all right of recovery by way of subrogation against the other party hereto.

## ARTICLE X

### ENCUMBRANCE OF LEASEHOLD INTEREST AND LAND

#### **Section 10.01 Leasehold Mortgages.**

- (a) Lessee shall have the right during the Term to grant a leasehold mortgage, provided that Lessee is not then in default under any terms and conditions of this Lease. Lessee shall have the right to modify, extend, replace, refinance or otherwise change or affect any leasehold mortgage, provided that any loan secured thereby matures prior to the expiration of the Term.
- (b) Lessor and Lessee agree, for the benefit of the holder of any permitted leasehold mortgagee, which has furnished Lessor with a copy of such leasehold mortgage and which has notified Lessor of the names and addresses of all parties who are to be given notice hereunder on its behalf that, notwithstanding any provision of this Lease to the contrary:
  - (i) No cancellation, surrender, abandonment or modification of this Lease shall be made or effective as to any leasehold mortgagee unless consented to, in writing, by such leasehold mortgagee. Nevertheless, in the event Lessee abandons or surrenders the Premises, or any portion thereof, or is deemed to have abandoned or surrendered the same by operation of law, Section 7.07 hereof or otherwise, without the prior written consent of the leasehold mortgagee having first been given to Lessor, Lessor shall, upon acquiring

knowledge of such abandonment or surrender, promptly notify the leasehold mortgagee thereof in writing. Nothing in this Section 10.01(b)(i) shall be deemed to in any way abridge or limit Lessor's remedies upon the occurrence of an Event of Default.

- (ii) Lessor and Lessee shall, contemporaneously with giving each other any notice or demand or material communication required or permitted under this Lease or otherwise relating to this Lease (including, without limitation, all notices of default; but excluding any notices relating to review and approval of any Building Improvements plans and any notices relating to payments due from Lessee hereunder), give the leasehold mortgagee a copy thereof in the manner prescribed in Section 21.10 hereof. Except as provided in the preceding sentence, no such notice or communication from Lessor or Lessee to the other shall be deemed to have been duly given to the intended recipient until a copy thereof also has been given to the leasehold mortgagee. In the event that Lessor gives the leasehold mortgagee written notice of an Event of Default, the leasehold mortgagee may, at its option, during the applicable grace period granted for the benefit of Lessee under this Lease, plus twenty (20) days, cure or cause to be cured any Event of Default specified by Lessor in such notice with like effect as if such cure were made by Lessee, and the leasehold mortgagee shall be permitted to enter the Premises for such purpose after giving Lessor written notice thereof.
- (iii) The grace periods granted to Lessee upon the occurrence of an Event of Default shall be tolled for any leasehold mortgagee during any period for which such leasehold mortgagee is precluded by court order or by operation of law from taking action reasonably necessary to cure any such Event of Default, provided, in all events, that such leasehold mortgagee is proceeding in good faith and with due diligence to effect such cure.
- (iv) Section 16.01 of this Lease shall not be applicable to, and no consent from Lessor otherwise shall be required as a condition precedent to (A) the granting by Lessee of any leasehold mortgage, subject to the limitations set forth herein, (B) any transfer of the leasehold interest pursuant to foreclosure, deed in lieu of foreclosure or similar proceeding under any leasehold mortgage or (C) any transfer of the leasehold interest by a leasehold mortgagee (or its designee), which has acquired title to the leasehold interest by foreclosure, deed in lieu of foreclosure or similar proceeding. Any such transferee of the leasehold interest shall nevertheless be subject to all of the terms and conditions of this Lease.
- (v) Lessor and Lessee shall give each leasehold mortgagee written notice of the pendency of any litigation, arbitration or similar proceeding to which either is a party and which relates, directly or indirectly, to this Lease or the Premises, promptly upon the commencement thereof or their involvement

therein, and each leasehold mortgagee shall be entitled, at such leasehold mortgagee's sole option, cost and expense, to intervene therein.

- (c) Lessor agrees to execute any documents reasonably required to allow for a leasehold mortgage. Lessee agrees to promptly provide Lessor (i) with a complete copy of any leasehold mortgage upon Lessee's execution thereof and (ii) a copy of any notice received by Lessee from any leasehold mortgagee.

#### Section 10.02 Mortgage on the Land.

- (a) Provided an Event of Default shall not have occurred, Lessor hereby agrees to subject its fee simple interest in the Land to the lien of a mortgage in favor of any lender providing financing for the Building, by execution of either a mortgage or a separate subordination agreement satisfactory to Lessor, but only subject to prior satisfaction of the following conditions:
- (i) The Loan Documents shall not obligate Lessor to make any payments to the mortgagee, excepting any payment to the mortgagee in respect of indemnification for adverse environmental conditions existing on the Land prior to the Commencement Date or caused by Lessor.
  - (ii) The Loan Documents shall provide that all notices or communications to be delivered thereunder by the mortgagee and Lessee also be contemporaneously delivered to Lessor in the same manner provided in the Loan Documents. Notwithstanding the giving of such notices and communications to Lessor, and without regard to the failure of the Lessee to provide such notices and any default of Lessee under the Loan Documents triggering any such notice or communication during any grace period provided in the Loan Documents and applicable to such default, the grace periods granted under the Loan Documents for the benefit of Lessee shall only begin with respect to Lessor, and the cure rights of Lessor to be included in the Loan Documents pursuant to this Section 10.02(a)(i) shall only commence after Lessor shall have received a written notice of such default from the mortgagee.
  - (iii) In the event of the occurrence of an event of default under the Loan Documents, the Loan Documents shall provide that Lessor may, at its option, during the applicable grace period granted for the benefit of Lessee under the Loan Documents, plus thirty (30) days, cure or cause to be cured any such event of default with like effect as if such cure were timely made by Lessee.
  - (iv) The Loan Documents shall provide that the grace periods granted to Lessee upon default by Lessee under the Loan Documents shall be tolled for Lessor during any period for which Lessor is precluded by court order or operation of law from taking action reasonably necessary to cure such default,

provided, in all events, that Lessor is proceeding in good faith and with due diligence to effect such cure.

- (v) The Loan Documents shall provide that Lessor shall receive prompt written notice of any consummated temporary or permanent written modification of any of the material payment or performance terms of the Loan Documents, together with copies of all documents evidencing any such modification; provided, however, that no amendment to the Loan Documents shall be permitted, which would change the terms and conditions of this Section 10.02(a), without the written consent of the Lessor.
  - (vi) The Loan Documents shall provide that Lessor shall be entitled to assume the obligations of Lessee under the Loan Documents upon the occurrence of an event of default under the Loan Documents and such default is not cured within any grace period provided for therein and/or Lessee elects to sell, and Lessor elects to purchase, the Building in an arms-length transaction, without having to (A) pay the mortgagee any fee for such assumption, (B) provide the mortgagee with any documentation relating to the Land and its condition, including, without limitation, surveys, appraisals, environmental assessments or zoning compliance, or (C) pay any legal fees or disbursements incurred by the mortgagee in connection with such assumption, excepting reasonable legal fees and disbursements incurred by the lender in documenting any such assumption; provided, however, that Lessor shall cure any monetary defaults under the Loan Documents as a condition precedent to any such assumption.
  - (vii) The Loan Documents shall provide that the mortgagee and Lessee shall each give Lessor written notice of the pendency of any litigation, arbitration or similar proceeding to which either is a party and which relates, directly or indirectly, to this Lease or the Loan Documents, promptly upon the commencement thereof or their involvement, and Lessor shall be entitled, at Lessor's sole option, cost and expense, to intervene therein.
- (b) In the event that Lessor shall exercise its right to assume the obligations of Lessee under the Loan Documents, under Section 10.02(a)(vi) hereof, Lessee shall (i) convey to Lessor (or its designee) all of Lessee's right, title and interest in and to the Premises, subject only to any leasehold mortgage and/or mortgage then in effect, Lessor's interest in the Land and the permitted title exceptions, (ii) transfer any personal property on the Premises owned by Lessee and used in connection with the operation thereof and (iii) assign to Lessor (or its designee) all of its right, title and interest in and to the space leases and/or subleases for the Building and any contracts or rights relating to operation and/or management of the Building that Lessor may request.
  - (c) In exchange for the conveyance and assignments contemplated by Section 10.02(b) hereof, Lessor shall pay Lessee an amount equal to the Building value, which shall

mean the fair market value of the Building (exclusive of Land) as determined by a qualified MAI appraiser (or appraiser of equivalent qualifications) selected by the Lessor and reasonably acceptable to Lessee, reduced by (i) any amounts due the lender under the Loan Documents, (ii) any amounts paid by Lessor to cure any defaults of Lessee under the Loan Documents (together with any interest accrued thereon) and not reimbursed by Lessee under Section 19.03 hereof, (iii) any costs incurred by Lessor (or its designee) to assume the obligations of Lessee under the Loan Documents, (iv) the cost of the appraisal determining the Building value, (v) the cost of any transfer or other tax relating to such conveyance, (vi) the amount of any unpaid taxes on the Premises or any personal property conveyed to Lessor pursuant to Section 10.02(b)(ii) hereof, pro rated on a due date basis and (vii) the amount of any other liabilities of Lessee assumed by Lessor (or its designee). Lessor (or its designee) shall make such payment to Lessee in one hundred twenty (120) equal monthly installments of principal and interest, based upon a ten (10) year amortization and interest at the Prime Rate. Lessor (or its designee) may prepay such amount to Lessee at any time, without penalty. Lessor's payment obligation under this Section 10.02(c) shall survive the expiration or the termination of this Lease.

- (d) Notwithstanding Section 10.02(a) hereof, Lessor's obligation to subject its fee simple interest in the Land to a mortgage shall extend only to a first lien priority mortgage, and Lessor shall be under no obligation to grant a mortgage to more than one person or entity, which person or entity may act as an agent for participants in the loan secured by such mortgage.
- (e) Lessor and Lessee shall promptly provide each other with a copy of any notices received by either under the mortgage and the Loan Documents, respectively.

## ARTICLE XI

### DAMAGE AND DESTRUCTION

#### Section 11.01 Damage to and Destruction of Improvements.

- (a) Subject to the applicable provisions of any Loan Documents then in effect, Lessee shall, at its sole cost and expense, promptly restore, repair, replace or rehabilitate any Building, Building Improvements or Land Improvements, which may be destroyed or damaged by fire, casualty or any other cause whatsoever. Except as hereinafter expressly provided, the damage, destruction or partial destruction of any Building, Building Improvements or Land Improvements shall not release or diminish Lessee's monetary and non-monetary obligations hereunder. In the event of damage to or destruction of any Building, Building Improvements or Land Improvements, Lessee shall, in accordance with the procedures, requirements and conditions set forth in Article V hereof, and at its sole cost and expense, promptly repair and restore the



same to a condition as similar a condition to what existed prior to such damage or destruction as is commercially practical. Without limiting such obligations of Lessee, so long as Lessee is not then in default hereunder, the proceeds of any insurance covering such damage or destruction shall be made available to Lessee, and Lessee shall apply such proceeds for such repair or replacement.

- (b) Notwithstanding Section 11.01(a) hereof, in the event of the destruction of the Building or any substantial portion thereof, or damage thereto from any cause so as to make the Building untenable, occurring during the last two (2) years of the Term, either Lessor or Lessee may elect to terminate this Lease by giving written notice to the other within ninety (90) days after the occurrence of such damage or destruction. In the event of such termination, Lessee shall have no obligation to repair or restore the Building or any other Land Improvements or Building Improvements, or to receive any proceeds collected under any insurance policies covering the Building or such other Improvements, or any part thereof. Subject to the superior rights of any lender established in any Loan Documents then in effect, all insurance proceeds shall belong, and be assigned by Lessee, to Lessor; provided, however, that Lessee may retain any such proceeds paid in respect of the personal property, equipment and trade fixtures of Lessee or any occupant of the Building.
- (c) Upon any termination of this Lease pursuant to either Section 10.01(a) or (b) hereof, after the Primary Term, all amounts paid, in advance, hereunder by Lessee to Lessor shall be prorated as of the termination date and Lessor shall rebate any rent paid, in advance, for any period following such termination date.

## ARTICLE XII

### EMINENT DOMAIN

#### Section 12.01 Condemnation of Premises.

- (a) In the event that the entire Premises shall be subject to a taking, this Lease shall terminate as of the date of such taking.
- (b) In the event that (i) less than the entire Premises, but fifty percent (50%) or more of the gross square footage of the Building, is subject to a taking, or (ii) such taking materially interferes with the party's intended use of the Premises either Lessor or Lessee may terminate this Lease by giving written notice to the other within sixty (60) days after the date of such taking. This Lease shall terminate as of the effective date of such termination in the notice.
- (c) In the event that less than fifty percent (50%) of the gross square footage of the Building is subject to a taking and such taking would not materially interfere with the

party's intended use of the Premises, this Lease shall not terminate and Lessee shall, at its sole cost and expense, but subject to the applicable provisions of any Loan Documents then in effect, cause the Building to be promptly rebuilt as a complete architectural unit in accordance with the procedures, requirements and conditions set forth in Article V hereof, to the extent possible and in as similar a condition to the previous structure as is commercially practical. Subject to the superior rights of any lender established in any Loan Documents then in effect, Lessee shall use the proceeds of such award to pay for such rebuilding, and any excess shall be divided between Lessor and Lessee in proportion to the relative fair market values of the Land and the Building, respectively, at the time of such taking. The rent otherwise due hereunder shall be reduced during such rebuilding term or as of the date of such taking, respectively, in proportion to the area of the Land not useable or so taken, respectively.

**Section 12.02 Effect of Termination.** In the event that this Lease shall terminate pursuant to this ARTICLE XII, after the Primary Term, all amounts paid in advance hereunder by Lessee to Lessor shall be prorated as of the termination date, and Lessor shall rebate any rent paid, in advance, for any period following such date. The proceeds of any taking resulting in such termination shall be divided between Lessor and Lessee, in proportion to the relative fair market values of the Land and the Land Improvements and Building Improvements, respectively, at the time of such taking.

## ARTICLE XIII

### LIENS

#### **Section 13.01 No Liens.**

- (a) Except as expressly permitted under and pursuant to this Lease, Lessee shall keep the Premises, and the leasehold interest, free and clear of any and all construction/installation or other liens and encumbrances for, or arising out of, or in connection with, (i) work or construction/installation by or for Lessee on or about the Premises, (ii) any work, labor, services or materials supplied or claimed to have been supplied to Lessee and (iii) any obligations of any kind incurred by Lessee. Lessee shall save, hold harmless and indemnify Lessor against any claim, loss or damage arising out of or in any way relating to Lessor's failure to comply with the preceding sentence.
- (b) If any lien or encumbrance shall, at any time, be filed against the Premises, or any portion thereof, Lessee shall either cause same to be discharged of record within thirty (30) days after the date of filing of same or Lessor's notice of same, or if Lessee, in good faith, determines that such lien should be contested, Lessee shall furnish such security as Lessor shall determine to be necessary and/or required to prevent any foreclosure proceedings against the Premises, or any portion thereof,

during the pendency of such contest, and Lessee shall remove such lien or encumbrance as a matter affecting title to the Premises. If Lessee shall fail to discharge any such lien or encumbrance within such thirty (30) day period or shall fail to furnish such security, then, in addition to any other right or remedy of Lessor resulting from such failure, Lessor, after giving Lessee prior written notice, shall be entitled, but shall not be obligated, to discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien or encumbrance by giving security or in such other manner as is, or may be, prescribed by law. Lessee agrees to reimburse Lessor promptly upon demand of all actual costs, expenses and other sums of money paid or incurred by Lessor in so procuring such discharge, together with interest thereon at the lesser of the default rate or the Prime Rate, accruing from the date of any such payment.

**Section 13.02 Lessor's Nonresponsibility.** All materialmen, contractors, artisans, mechanics, laborers and any other persons or entities now or hereafter contracting with Lessee for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Premises, are hereby charged with notice that they must look exclusively to Lessee to obtain payment for the same. Lessee shall give Lessor notice of the commencement of any such activity prior thereto, and Lessor shall have the opportunity, and the right, to post and maintain on the Premises such notices, including notices of nonresponsibility and other similar notices, evidencing Lessee's obligations with respect to any of the matters covered by this Article XIII.

## ARTICLE XIV

### OTHER RIGHTS

**Section 14.01 Utility Easements.** This Lease is subject to all utility easements pertaining to the Premises, whether or not of record. Lessor may, upon written notice to, but without the consent of, Lessee, grant any other easements for public or private utilities, provided that such easements do not unreasonably restrict the operation, maintenance or repair of any Building, Land Improvements, or Building Improvements or the use of the Premises for the purposes permitted by Section 7.01 hereof.

**Section 14.02 Right of First Offer.** In the event that, at any time during the Term, Lessee shall elect to sell or otherwise transfer ownership of all or any portion of the Building, any Land Improvements or Building Improvements (excepting any leasehold mortgages and ordinary course leases or subleases for space in the Building), Lessee shall give Lessor written notice indicating its intention to make such sale or transfer (the "Offer Notice"), which notice shall be accompanied by a detailed proposal for the purchase by Lessor, including, without limitation, a sales price (the "Offer Price"). For a period of ninety (90) days after receipt of such Offer Notice, Lessor shall have the exclusive right (the "Right of First Offer"), exercisable by giving written notice thereof to Lessee, to elect to make such purchase at the Offer Price, and on the other terms set forth in the Offer Notice. In the event that Lessor elects to exercise the Right of First Offer, Lessor and Lessee agree to

negotiate, in good faith, a written agreement to consummate such purchase and sale at the Offer Price, and other terms set forth in the Offer Notice. In the event that Lessor and Lessee are unable, after a good faith effort, to enter into such written agreement within sixty (60) days after Lessee's receipt of notice of Lessor's election to exercise the Right of First Offer, Lessee may offer the same Building, Land Improvements and/or Building Improvements to any other person or entity at the Offer Price and on the other material terms set forth in the Offer Notice. In the event, however, that Lessee shall be unable to consummate any such sale or transfer at the Offer Price and on the other terms set forth in the Offer Notice, Lessee may not offer such same Building, Land Improvements and/or Building Improvements to any person or entity at either a new price or new terms without first offering the same to Lessor at such new price and on such new terms. Any such new offer shall be subject to another Right of First Offer. Any failure of Lessee to allow Lessor to exercise the Right of First Offer in the event of such a change in the Offer Price or other material terms set forth in the Offer Notice shall constitute an Event of Default not subject to cure. Notwithstanding any term or condition herein to the contrary, any person or entity, other than Lessor, purchasing the Building, Building Improvements and Land Improvements pursuant to this Section 14.02, shall agree, in writing, to assume the Lessee's duties and obligations hereunder.

## ARTICLE XV

### PROHIBITION OF INVOLUNTARY ASSIGNMENT: EFFECT OF BANKRUPTCY OR INSOLVENCY

Section 15.01 Prohibition of Involuntary Assignment Neither this Lease nor the leasehold interest, nor any interest of Lessee hereunder in the Premises, shall be subject to involuntary assignment, transfer or sale by operation of law in any manner whatsoever, and any such attempt at involuntary assignment, transfer or sale shall be void and of no effect.

Section 15.02 Effect of Bankruptcy, Insolvency, Etc. Without limiting the generality of the provisions of Section 15.01 hereof, Lessee agrees that in the event:

- (a) a petition for relief is filed by or against Lessee under Chapter 7 of the Bankruptcy Code and is not dismissed within thirty (30) days thereafter;
- (b) a petition for relief is filed by or against Lessor under Chapter 11 of the Bankruptcy Code and is not dismissed within sixty (60) days thereafter;
- (c) Lessee is generally unable to pay its debts as they become due, or is otherwise insolvent;
- (d) Lessee makes an assignment for the benefit of its creditors;
- (e) a receiver is appointed in any proceeding or action to which Lessee is a party, with authority to take possession or control of all or any part of the Premises or the

business conducted thereon by Lessee, and such receiver is not discharged within a period of forty-five (45) days after his or her appointment; or

- (f) any involuntary assignment prohibited by the provisions of Section 15.01 hereof shall occur;

then such event or occurrence shall be deemed to constitute an Event of Default and shall, at the election of Lessor, but not otherwise, without notice of entry or other action of Lessor, terminate this Lease and also all rights of Lessee under this Lease and in and to the Premises and also all rights of any and all persons claiming under the Lessee.

## ARTICLE XVI

### SUBLETTING AND ASSIGNMENT

**Section 16.01 Prior Consent by Lessor to Assignment and Transfer of Lease.** Except as provided in Section 10.01(b)(iv) hereof, and excepting ordinary course leases and subleases for space in the Building and for uses permitted under Section 7 hereof, Lessee shall not assign, sublet or transfer this Lease, the leasehold interest, or any interest therein, without the prior written consent of Lessor. Lessee shall provide Lessor with any documentation proposed to evidence any such assignment, sublet or transfer. Lessor's consent to an assignment, sublet, or transfer shall not be deemed to be a consent to any subsequent assignment, sublet or transfer. Excluding any transfers as to which Lessor has previously consented, a change in more than fifty percent (50%) of the ownership of Lessee shall constitute a transfer of this Lease. Any such assignment, sublet or transfer without the Landlord's written consent shall be void, and shall, at the option of Lessor, terminate this Lease. Such documents shall restrict the assignment, sublet or transfer of the ownership or beneficial interest therein in the same way as the ownership or beneficial interest in Lessee are restricted by this Lease. In connection with any approved assignment or transfer (but not sublet) of this Lease, Lessor shall release Lessee from its obligations under this Lease to the extent of such assignment or transfer.

## ARTICLE XVII

### INDEMNIFICATION

**Section 17.01 Indemnification of Lessor.** Lessor, in its capacity as the Lessor under this Lease, shall not be liable for any loss, injury, death or damage to persons or property, including, without limitation, claims made for professional or general liability, which, at any time, may be suffered or sustained by Lessee, any tenant of Lessee, or by any persons who may at any time be working on, using, occupying or visiting the Premises, or may be in, on or about the same, if such loss, injury, death or damage shall be caused by or in any way result from or arise out of any act,

omission or negligence of Lessee, its members, owners, partners, employees, agents and contractors, or any lessee affiliate (the "Lessee Indemnifying Parties"). Lessee shall indemnify and defend Lessor, and Lessor's members, directors, officers, agents and employees (collectively, the "Lessor Indemnified Parties") from and against all claims, liabilities, losses or damages whatsoever, including, without limitation, reasonable attorneys' fees and disbursements, on account of any such loss, injury, death or damage. Lessee hereby waives all claims against Lessor and the Lessor Indemnified Parties for damages to the Building, the Land Improvements and Building Improvements and to the property of Lessee in, on, or about the Premises, from any cause arising at any time. The foregoing provisions of this Section 17.01 shall not apply to any loss, injury, death or damage arising caused solely by the gross negligence or willful misconduct of Lessor. Lessee agrees that Lessor shall in no way be liable or responsible for any loss, liability or damage of any nature that may be sustained or incurred by any Lessee Indemnifying Party.

## ARTICLE XVIII

### COVENANT OF AUTHORITY AND QUIET POSSESSION

Section 18.01 Covenant of Authority. Lessor covenants that it has full right, authority and power to make this Lease and perform its duties and obligations herein.

Section 18.02 Quiet Possession. So long as Lessee is not in default hereunder, Lessor covenants that Lessee shall have quiet and peaceable possession of the Premises during the Term, in accordance with the terms and conditions hereof.

## ARTICLE XIX

### DEFAULT

Section 19.01 Events of Default. (i) Lessee shall be in default hereunder upon the occurrence of any of the following events:

- (a) Lessee fails to timely make any payment of money required hereunder and fails to cure such delinquency within ten (10) days after written notice thereof has been given by Lessor to Lessee.
- (b) Lessee breaches any non-monetary covenant of this Lease and fails to cure such breach within sixty (60) days after written notice thereof has been given by Lessor to Lessee; provided, however, if such breach cannot reasonably be cured within such sixty (60) days period, such breach shall not constitute an Event of Default so long as Lessee continually and diligently pursues a cure thereof, provided that such cure period shall not exceed one hundred twenty (120) days.

- (c) Lessee becomes involved in a legal proceeding which results in the levy of execution on or the acquisition of the leasehold interest by any bankruptcy trustee, receiver, assignee or other legal officer appointed in any insolvency or creditors' proceedings, and such proceeding is not dismissed within forty-five (45) days after commencement of such proceeding.
  - (d) Any one or more of the events described in Section 15.02 hereof shall occur.
  - (e) Lessee fails to timely make the payments required under, or otherwise defaults under the provisions of, the Loan Documents, any mortgage or leasehold mortgage or other security document affecting all or any part of the Premises, or the leasehold interest, and such default is not cured within any grace period provided for therein.
- (ii) In addition to the Events of Default identified in Section 19.01(i) herein, it shall be considered an "Event of Default" hereunder if either the Lessee or the Lessor shall cease to be a Member under the terms and conditions of the Operating Agreement, unless both parties shall have consented, in writing, thereto.

**Section 19.02 Remedies.** Upon the occurrence of an Event of Default, Lessor may, without formal demand or further notice of any kind, and in addition to all other rights and remedies available at law or in equity or otherwise provided herein, exercise any one or more of the following remedies:

- (a) Terminate this Lease, repossess the Premises and be entitled to recover immediately, as liquidated agreed final damages, in lieu of any further deficiencies, the total amount due to be paid by Lessee during the balance of the Term (excluding any Option Terms as to which Lessee has not yet exercised its option), together with any other sum of money owed by Lessee to Lessor under this Lease, less the fair rental value of the Premises for such period.
- (b) Terminate Lessee's right of possession and repossess the Premises without demand or notice of any kind to Lessee and without terminating this Lease, in which case Lessor may, but need not, relet all or any part of the Premises for such Rent and upon such terms as shall be satisfactory to Lessor, in its sole discretion. For the purposes of such reletting, Lessor may make such repairs, alterations, additions or physical changes in or to the Premises as may be necessary or prudent. If the Premises are relet and a sufficient sum shall not be realized from the reletting, after payments of all costs and expenses of such repairs, alterations, additions or physical changes and the expense of such reletting and the collection of Rent occurring therefrom, to satisfy the Rent herein provided to be paid during the remainder of the Term, Lessee shall satisfy and pay any such deficiency upon demand. Lessee agrees that Lessor may file suit to recover any sums falling due under the terms of this Section 19.02, from time to time, and that any suit or recovery of any portion due Lessor hereunder

shall be no defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Lessor.

Notwithstanding any provision in this Lease to the contrary, any person or entity who or whom has entered into a lease agreement with the Lessee, for the lease to the Lessee of fixtures and/or personal property, to be located in the Premises, may, upon the exercise by the Lessor of its remedies in this Section 19.02, upon reasonable written notice to the Lessor, enter the Premises to remove such fixtures or personal property. The written notice to the Lessor shall contain provisions, reasonably acceptable to the Lessor, providing for the payment of (i) all damages to the Premises as a result of the removal of such fixtures and personal property and (ii) all expenses to return the Premises to its condition immediately prior to the removal of such fixtures and personal property.

**Section 19.03 Lessor's Right to Perform.** In the event that (a) Lessee shall be in default under any of the Loan Documents, Lessee and Lessor shall have received any required notice thereof, and any applicable cure period benefiting Lessee under such Loan Documents shall have expired; or (b) Lessee, by failing or neglecting to do or perform any act or thing herein provided by it to be done or performed, shall be in default hereunder and such failure shall continue sixty (60) days after written notice from Lessor specifying the nature of the act or thing to be done or performed, Lessor may, but shall not be required to, exercise its right to cure such Loan Document default, or do or perform or cause to be done or performed such act or thing under this Lease, entering upon the Premises for such purposes, if Lessor shall so elect. Lessor shall not be or be held liable or in any way responsible for any resultant loss, inconvenience, annoyance or damage resulting to Lessee on account thereof. Lessee shall repay to Lessor the entire amount expended by Lessor to effect such cure under the Loan Documents or this Lease, including, without limitation, reasonable compensation to the agents and employees of Lessor, within ten (10) days after receipt of an invoice therefor, which invoice shall itemize such expense. Any act or thing done by Lessor pursuant to the provisions of this Section 19.03 shall not be or be construed as a waiver of any such default by Lessee, or as a waiver of any covenant, term or condition herein contained, or of the requirement of performance thereof, or of any other right or remedy of Lessor, hereunder or otherwise; provided, however, if Lessor shall have fully cured any such failure or neglect under this Lease, the default resulting therefrom shall not constitute an Event of Default hereunder.

**Section 19.04 Late Payments; Other Defaults.** All amounts payable by Lessee to Lessor under any of the provisions of this Lease, if not paid when the same become due as in this Lease provided, shall bear interest from the date they become due until paid, at the Default Rate, and shall be immediately payable upon written demand from Lessor to Lessee. Lessee shall promptly advise Lessor of any default by Lessee under (a) any construction/installation contract for the Building, any Building Improvements or Land Improvements, and (b) any Loan Document, or other security document or Loan Document relating to the financing of the Building, or any successor or related documents; and Lessor shall have the right to cure any such default.

**Section 19.05 Waiver.** The waiver by Lessor of, or the failure of Lessor to take action with respect to, any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition, or of any subsequent breach of the same, or of any other term, covenant or condition herein contained. The subsequent acceptance of Rent or any other



payment due hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition of this Lease, other than the failure of Lessee to pay the particular amount so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such amount.

**Section 19.06 Lessee's Right to Perform.** In the event that (a) Lessor shall be in default under any mortgage then in effect, Lessor and Lessee shall have received any required written notice thereof, and any applicable cure period benefiting Lessor under such mortgage shall have expired, or (b) Lessor, by failing or neglecting to do or perform any act or thing herein provided by it to be done or performed, shall be in default hereunder, and Lessor shall not cure such default within sixty (60) days after receipt of written notice from Lessee specifying the nature of the act or thing to be done or performed, Lessee may, but shall not be required to, exercise any right it may have under the mortgage to cure such default thereunder, or do or perform or cause to be done or performed such act or thing under this Lease; provided, however, if such default by Lessee under this Lease cannot reasonably be cured within such sixty (60) day period, Lessee's right to perform on behalf of Lessor shall be suspended so long as Lessor continually and diligently pursues such cure. Lessee shall not be or be held liable or in any way responsible for any resultant loss, inconvenience, annoyance or damage resulting to Lessor on account thereof. Lessor shall repay to Lessee the entire amount expended by Lessee to effect such cure under the mortgage or this Lease, including, without limitation, reasonable compensation to the agents and employees of Lessee, within ten (10) days after receipt of an invoice therefor, which invoice shall itemize such expense. Any act or thing done by Lessee pursuant to the provisions of this Section 19.06 shall not be or be construed as a waiver of any such default by Lessor, or as a waiver of any covenant, term or condition herein contained, or of the requirement of performance thereof, or of any other right or remedy of Lessee; provided, however, if Lessee shall have fully cured any such failure or neglect by Lessor under this Lease, Lessor shall not be in default hereunder with respect to the matter cured. All amounts payable by Lessor to Lessee under this Section 19.06, if not paid when the same become due, shall bear interest from the date they become due until paid, at the Default Rate.

## ARTICLE XX

### ENVIRONMENTAL MATTERS

**Section 20.01 Compliance with Environmental Laws.** Lessee hereby agrees that:

- (a) Lessee shall, at its sole cost and expense, at all times during the Term, comply in all respects with the Environmental Laws in its use and operation of the Premises.
- (b) Lessee shall not use the Premises for the purpose of storing any hazardous substance, except in full compliance with the Environmental Laws, and shall not cause the release of any hazardous substance onto the Land.

- (c) Lessee shall notify Lessor promptly and in reasonable detail in the event that Lessee becomes aware of or suspects (i) the presence of any hazardous substance on the Premises, (ii) the presence of asbestos on the Premises or (iii) a violation of the Environmental Laws on the Premises.
- (d) If the Premises are used or maintained so as to subject Lessee, Lessor or any occupant of the Premises to a claim of violation of the Environmental Laws (unless contested in good faith by appropriate proceedings), Lessee shall immediately cease or cause cessation of such use or operations and shall remedy and fully cure any conditions arising therefrom, at its sole cost and expense.
- (e) At its sole cost and expense, Lessee shall (i) immediately pay, when due, the cost of compliance with the Environmental Laws, required in connection with this Lease, and (ii) keep the Land free of any liens and encumbrances imposed pursuant to the Environmental Laws. Lessee shall, at all times, use, handle and dispose of any permitted hazardous substance in a commercially reasonable manner and in compliance with the Environmental Laws and applicable industry standards.
- (f) Lessee shall indemnify, save and hold Lessor and the Lessor Indemnified Parties harmless from and against any claim, liability, loss, damage or expense (including, without limitation, reasonable attorneys' fees and disbursements) arising out of any violation of the covenants of Lessee contained in this Section 20.01 by Lessee, or out of any violation of the Environmental Laws by Lessee or the Lessee Indemnifying Parties.

#### Section 20.02 Failure to Comply.

- (a) In the event that Lessee fails to comply with the requirements of Section 20.01 hereof, after the expiration of the cure period permitted under the Environmental Laws, if any, Lessor may, but shall not be obligated to, exercise its right to do one or more of the following: (i) elect that such failure constitutes an Event of Default; and (ii) take any and all actions, at Lessee's sole cost and expense, that Lessor deems necessary or desirable to cure any such noncompliance or breach.
- (b) Any costs incurred by Lessor pursuant to this Section 20.02 shall become immediately due and payable by Lessee without notice and with interest thereon, from the date incurred, at the Default Rate.

#### Section 20.03 Existing Conditions.

- (a) Lessor hereby represents to Lessee that, to the best of Lessor's knowledge and as of the date hereof except as heretofore disclosed, in writing, to the Lessee, there have never been, nor are there existing as of the date hereof, any hazardous substances on the Land, and Lessor has not received notice of any violation of the Environmental Laws with respect to the Land as of the date hereof.

- (b) Lessor shall indemnify, save and hold Lessee harmless from and against any claim, liability, loss, damage or expense (including, without limitation, reasonable attorney's fees and disbursements) arising out of the existence of any hazardous substance on the Land, not disclosed, in writing, to the Lessee, or which results from an act or omission of Lessor, its employees, officers, directors, agents and contractors. Lessor shall comply with the Environmental Laws with respect to the Land for so long as its obligations herein remain in effect; provided, however, that Lessee shall not interfere with any negotiations or settlement between Lessor and any regulatory body enforcing compliance with the Environmental Laws arising out of Lessor's violation thereof or undertake any clean-up of any hazardous substance not located on the Land, without Lessor's prior written consent. Any costs incurred by Lessee pursuant to this Section 20.03(b) shall become immediately due and payable by Lessor without notice and with interest thereon, from the date incurred, at the Default Rate.

## ARTICLE XXI

### MISCELLANEOUS

**Section 21.01 Transfer of Title.** Upon the expiration of this Lease, or upon earlier termination for any of the reasons which entitle Lessor to terminate this Lease, title to the Building, the Building Improvements and the Land Improvements shall automatically, without action on the part of either of the parties hereto, vest in Lessor, and its successors and assigns. Lessee covenants and agrees that, upon expiration of this Lease, or upon such termination, Lessee shall execute and deliver to Lessor such evidence of title to the Building, the Building Improvements and the Land Improvements, as Lessor may reasonably request. If, for any reason, Lessor takes title to the Building by reason of the termination or expiration of this Lease, such act shall constitute an automatic assignment by Lessee to Lessor of Lessee's right to receive any Rents or payments for office space and parking from any tenants, subtenants or other occupants of the Building, and Lessee shall cooperate with Lessor in notifying such tenants, subtenants, sublessees and occupants of Lessor's right to receive same.

**Section 21.02 Signage.** Lessee may, at its sole cost and expense, install signage on the Premises showing Lessee's name or assumed name(s) and relating to the business conducted within the Building. All such signage, however, shall be subject to Lessor's prior written approval, which approval shall not be unreasonably withheld or delayed. Lessee shall be solely responsible for the costs to maintain and light any signs located on the Premises, and Lessor shall have no obligation to install any electric lines to provide power to light any sign located on the Land or any portion thereof. Upon the expiration or the termination of this Lease, the Lessee shall, at its sole cost and expense, remove all such signage and shall be responsible to pay for any damage to the Building, the Building Improvements and the Land Improvements in connection therewith.

**Section 21.03 Waste Removal.** Lessee shall, at its sole cost and expense, cause all waste generated on the Premises to be removed therefrom and disposed in accordance with all applicable laws and regulations, including, without limitation, the Environmental Laws.

**Section 21.04 Estoppel Certificates.** Each party hereto (a "Responding Party") shall, at any time, upon not less than twenty (20) days prior written notice from the other party (a "Requesting Party"), execute, acknowledge and deliver to the Requesting Party a written statement certifying and acknowledging (a) that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges due hereunder are paid in advance, if any, and (b) that there are not, to the Responding Party's knowledge, any uncured defaults on the part of the Requesting Party, and specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of the business of the Requesting Party.

**Section 21.05 Definition of Rent.** All payments required by this Lease to be made by Lessee to Lessor shall be deemed to be "Rent" hereunder.

**Section 21.06 No Merger.** There shall be no merger of this Lease or the leasehold interest with any other estate or interest in the Premises, or any part thereof, by reason of the fact that the same person or other entity may acquire or own or hold, directly or indirectly, (a) this Lease or the leasehold interest or any interest in this Lease or in the leasehold interest, and (b) any other estate or interest in the Premises or any part thereof. No such merger shall occur unless and until all persons and entities having an interest (including a security interest) in this Lease or the leasehold interest and any such other estate or interest in the Premises, or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

**Section 21.07 Surrender of Lease.** The voluntary or other surrender of this Lease by Lessee, or by a mutual cancellation thereof, shall not work a merger, and may, at the option of Lessor, terminate all existing subleases and leases for space in the Building, or may, at the option of Lessor, operate as an assignment to it of any or all such subleases or leases.

**Section 21.08 Attorneys' Fees.** Should either party hereto institute any court action or proceeding to enforce any provision hereof or for a declaration of such party's rights or obligations hereunder, the prevailing party shall be entitled to receive from the losing party such amounts as the court or the alternative decision making person or entity may adjudge to be reasonable attorneys' fees and disbursements for services rendered to the party prevailing in any such action or proceeding, and such fees shall be deemed to have accrued upon the commencement of such action or proceeding and shall be enforceable whether or not such action or proceeding is prosecuted to judgment. Lessee shall, upon written demand, pay Lessor all reasonable attorneys' fees and expenses incurred by Lessor in enforcing any provision of this Lease, as additional Rent, together with interest thereon, from the date paid, at the Default Rate.

**Section 21.09 Remedies Cumulative.** All remedies available to Lessor shall be deemed cumulative, and no one remedy shall be exclusive of another or of any other remedy.

**Section 21.10 Notices.**

- (a) All notices, demands or other writings in this Lease provided to be given or made or sent shall be deemed to have been fully given or made or sent when made in writing and delivered to the principal office of, and acknowledged by, the party to whom notice is given, or deposited in the United States mail, certified, return receipt requested and postage prepaid, and addressed as follows:

To Lessor: Vista Hospital Systems, Inc. d/b/a  
Corona Regional Medical Center  
800 South Main Street  
Corona, California 92882  
Attention: John A. Calderone, Ph.D.  
Chief Executive Officer

To Lessee: Comprehensive Medical Imaging Center  
6464 Canoga Avenue  
Woodland Hills, California 91367  
Attention General Counsel

- (b) The address to which any notice, demand or other writing shall be given or made or sent to either party, as provided in the preceding subsection, may be changed by written notice given by such party in accordance with this Section 21.10.

**Section 21.11 Captions.** The captions appearing under the article and section number designations of this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms and provisions of this Lease.

**Section 21.12 Construction/Installation.** This Lease shall be construed and interpreted according to the laws of the State of California that are applied to leases made and to be performed there.

**Section 21.13 Recording Memorandum of Lease.** The parties hereto have, simultaneously with the execution and delivery of this Lease, executed and delivered a memorandum of this Lease, which either party shall have the right to record.

**Section 21.14 Parties Bound.** The covenants and conditions herein contained shall, subject to the provisions of this Lease as to assignment, transfer and subletting, apply to and bind the heirs, successors, executors, administrators and assigns of all the parties hereto, and all of such persons and entities shall be jointly and severally liable hereunder.

**Section 21.15 Payment Disputes.** In the event of any dispute between Lessor and Lessee with respect to the amount of any payment due hereunder from Lessee to Lessor, other than the amounts payable under Section 4.01 hereof, Lessor and Lessee agree to cause their representatives to meet and exchange pertinent information towards the end of resolving such dispute and, if necessary, modifying the amount of the disputed payment. If Lessor and Lessee are unable to resolve such dispute within thirty (30) days after the date upon which such disputed payment became due, Lessor and Lessee shall submit their dispute to a mutually acceptable and independent alternative dispute resolution process. In the event Lessee shall have made the disputed payment required hereunder and such resolution process shall result in a determination that such payment was excessive, Lessee shall be entitled to a credit towards any other payment due from Lessor to Lessee hereunder to the extent of any such excess.

**Section 21.16 Late Invoices.** Excepting any payments which may be due hereunder on other than a Payment Date, in the event Lessee shall receive any invoice from Lessor for any payment or reimbursement due hereunder less than thirty (30) days prior to a Payment Date, the Lessee may postpone making such payment or reimbursement to the following Payment Date.

**Section 21.17 Covenants and Conditions.** All covenants and conditions contained in this Lease are independent of one another. All of the covenants of Lessee contained herein shall, at the option of Lessor, be construed as both covenants and conditions.

**Section 21.18 Sale or Transfer of Land.** Upon any sale or transfer, including any transfer by operation of law, of the Land, Lessor shall be relieved of all subsequent obligations and liabilities under this Lease, provided the transferee agrees to assume the duties and obligations of Lessor hereunder.

**Section 21.19 Authority to Execute.** Lessor and Lessee hereby represent to each other that each has the power and authority to execute and deliver this Lease, and that the individuals executing this Lease on behalf of Lessor and Lessee, respectively, have been authorized and directed to do so.

**Section 21.20 Accord and Satisfaction.** No payment by Lessee or receipt by Lessor of a lesser amount than the Rent or other payment obligation herein stipulated shall be deemed to be other than on account of the earliest stipulated Rent or other payment obligation, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such Rent or other payment obligation, or to pursue any other remedy provided in this Lease.

**Section 21.21 Entire Agreement: Amendment.** This Lease and the operative exhibits hereto represent the entire agreement between the parties with respect to the matters explicitly set forth herein. Except as expressly referenced herein, no verbal or written, prior or contemporaneous agreements shall have any force or effect, and the Lease may not be amended, altered or modified unless done so by means of a written instrument signed by both parties.

Section 21.22 No Commissions. Lessor and Lessee hereby represent and warrant to each other that neither has employed the services of a real estate broker in connection with this Lease and neither owes any commissions as a result hereof.

Section 21.23 Patient Referrals. The parties hereto acknowledge and agree that this Lease has not been entered into for the purpose, or with the intent, of influencing the judgment of any physician or other person or entity to refer or admit patients to any hospital facilities in any way affiliated with Lessor or Lessee. Lessor further acknowledges and agrees that the physician occupants of the Building, if any, are under no obligation whatsoever to perform procedures at, or otherwise utilize, any such facilities.

Section 21.24 Severability. If any one or more of the provisions of this Lease shall be held to be invalid, illegal or unenforceable in any respect, then (a) such provision shall be severable from this Lease, (b) such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, and (c) this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been part of this Lease.

IN WITNESS WHEREOF, the parties hereby have caused their duly authorized representatives to execute this Lease as of the day and year first written above.

LESSOR:

VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER

LESSEE:

CORONA REGIONAL MEDICAL IMAGING, LLC.

EXHIBIT A

DESCRIPTION OF THE LAND

A portion of the Northwest corner of the Lessor's parking lot, consisting of approximately  
2,000 square feet



SCHEDULE 4.01

RENT

**CORONA REGIONAL MEDICAL IMAGING  
HOSPITAL EQUITY CONTRIBUTION**

2/28/02

Equity Amount	\$ 491,098.53	=Present Value of 10-year Rental Stream (below)
Discount Rate	6.75%	(Prime + 2%)
Monthly Rent	\$5,000	= one month's rent, adjusted by annual CPI
	3.00%	Annual CPI

Rental Stream

Total Amount

Present Value

\$687,833

\$491,098.53

**YEAR 1**

MONTH 1	1	5,000
MONTH 2	2	5,000
MONTH 3	3	5,000
MONTH 4	4	5,000
MONTH 5	5	5,000
MONTH 6	6	5,000
MONTH 7	7	5,000
MONTH 8	8	5,000
MONTH 9	9	5,000
MONTH 1	10	5,000
MONTH 1	11	5,000
MONTH 1	12	5,000

**YEAR 2**

MONTH 1	13	5,150
MONTH 2	14	5,150
MONTH 3	15	5,150
MONTH 4	16	5,150
MONTH 5	17	5,150
MONTH 6	18	5,150
MONTH 7	19	5,150
MONTH 8	20	5,150
MONTH 9	21	5,150
MONTH 1	22	5,150
MONTH 1	23	5,150
MONTH 1	24	5,150

SCHEDULE 5.5

PROOF OF INSURANCE

To be provided by Lessee

ORIGINAL

MANAGEMENT SERVICES AGREEMENT

Between

Comprehensive Medical Imaging Centers, Inc.

And

Corona Regional Medical Imaging, LLC  
a California limited liability company

## MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (this "Agreement") is made and entered into as of the 1<sup>st</sup> day of February, 2002, and effective the 1<sup>st</sup> day of July, 2002 (the "Effective Date"), by and between Comprehensive Medical Imaging Centers, Inc. ("Manager") and Corona Regional Medical Imaging, LLC, a California limited liability company ("Company").

### RECITALS

A. Company owns and operates an imaging center (the "Imaging Center") that will begin operations during July, 2002.

B. Company is in need of certain management and administrative services in order to operate the Imaging Center.

C. Company desires to engage the services of Manager to provide its experience, skills, supervision and personnel (the "Management Services") in the management and operation of the Imaging Center on behalf of Company, and Manager desires to provide such Management Services under the terms and conditions set forth in this Agreement, subject to the recognition and acceptance by Manager that the ultimate control of the operation of the Imaging Center shall at all times remain exclusively with Company.

NOW, THEREFORE, in consideration of the above promises and the mutual terms, covenants and conditions set forth below, the parties agree as follows:

1. **Management Services.** During the Term of this Agreement, Company engages Manager to serve as the manager and administrator of the business and operation of the Imaging Center. Such services shall include the following services and items:

1.1 **Administrative Services.** Providing or arranging for, at the expense of Company, bookkeeping and accounting services, including maintenance, custody and supervision of all of Company's and the Imaging Center's business records, papers and documents, ledgers, journals and reports, and the preparation, distribution and recordation of all bills and statements for professional services rendered at the Imaging Center, including the billing of and completion of reports and forms required by insurance companies, governmental agencies or other third party payors (except as otherwise provided in Section 1.2 with regard to Hospital inpatients).

1.2 **Billing and Collection.** Providing or arranging for, at the expense of Company, the preparation, mailing and collection of all bills and statements, in the name and for the benefit of Company, with respect to all accounts receivable of whatever kind and nature arising from or in connection with the Imaging Center; provided, however, that with regard to services rendered by Company to inpatients (the "Hospital inpatients") of Corona Regional Medical Center (the "Hospital"), Manager shall have no authority or responsibility to bill or collect charges to or from any party (including without limitation any patient or third-party payor) other than the Hospital for such services. All collections made and received by Manager

on behalf of Company and checks, drafts and other forms of payment made payable to Company which are received by Manager shall be deposited in the name of Company into a bank account designated for such purpose by Manager. Manager does not guarantee collection of Company's fees and charges and shall not be held responsible for any loss to Company as a result of inability to collect such fees and charges.

1.3 Supplies. Ordering and providing, at the expense of Company, all medical and office supplies reasonably required by Company in connection with the operation of the Imaging Center.

1.4 Maintenance. Providing and arranging for proper maintenance, repair, cleanliness and security of the Imaging Center, and of the equipment, furniture and furnishings located at the Imaging Center, all at the expense of Company.

1.5 Financial Reporting and Budgets. Preparing and submitting to Company annual and quarterly budgets and other periodic reports reflecting the fiscal status of the Imaging Center as the parties may agree upon, which reports are set forth on Schedule 1.5 attached hereto.

1.6 General Services. Arranging, at the expense of Company, for all reasonably necessary utilities, laundry, linen, uniforms, printing, stationery, forms, telephones, postage and duplication services reasonably required in connection with the day-to-day operations of the Imaging Center.

1.7 Employment-Related Services. Preparing and filing all forms, reports and returns required by law and applicable accrediting agencies in connection with unemployment insurance, workers' compensation insurance, disability benefits, social security and other similar laws now in effect or hereinafter imposed for the employees of Company, all at the expense of Company.

1.8 Support Personnel. Except as otherwise provided in that certain Independent Contractor Agreement for Operating Services dated as of even date herewith by and between Company and Vista Hospital Systems, Inc. d/b/a Corona Regional Medical Center with respect to the services which are provided for therein, Manager shall supervise all non-medical functions of Company's non-physician personnel, including all non-physician technical personnel (but excluding nursing), receptionists, secretaries, clerks, purchasing and marketing personnel, and certain maintenance personnel (but excluding janitorial staff), security personnel and non-physician supervisory personnel (collectively, the "Support Personnel"), which are now or may hereafter be needed to effectively and efficiently conduct and operate the Imaging Center, all at the expense of Company.

1.9 Insurance. Obtaining and maintaining in full force and effect during the Term of this Agreement, and all extensions and renewals thereof, at the expense of Company, comprehensive general liability insurance covering the Imaging Center in the amount of One Million Dollars (\$1,000,000.00) per claim and Three Million Dollars (\$3,000,000) in the annual aggregate for injury to or death of any number of persons, and for property damage.

1.10 Professional Staff. Arranging for the retention of sufficient physician staffing to provide those professional radiology services and medical supervision necessary for the proper operation of the Imaging Center, including the negotiation and execution on behalf of the Company of contracts providing for such services.

1.11 Standards of Performance. Company acknowledges that, while Manager shall expend reasonable efforts in performing its obligations under this Agreement, Manager does not guarantee any particular results. Manager shall act in good faith and with professionalism to assist Company in the management of the business operations at the Imaging Center.

1.12 Excluded Services. Notwithstanding anything to the contrary in this Agreement, Manager shall not make any decisions or take any actions that reflect a decision as to which the unanimous consent of the Members of Company is required, as set forth in the Operating Agreement of Company, without first obtaining the consent of Company.

2. Personnel. During the Term of this Agreement, Company authorizes Manager to recruit, hire, train, promote, discipline, assign, supervise, manage, compensate and discharge all Support Personnel necessary for the proper operation and maintenance of the Imaging Center; provided, however, that Company shall retain such authority over such Support Personnel as may be required by law in order for Company to maintain its license to operate the Imaging Center. Such Support Personnel shall be employees of Company, and Company shall be responsible for the payment to all such persons of all compensation, including reasonable base salary, fringe benefits, bonuses, health and disability insurance, workers' compensation insurance and any other benefits that Manager recommends be made available to such Support Personnel.

2.1 Confidentiality. Manager shall maintain as confidential and shall instruct all Support Personnel to maintain as confidential all financial, statistical and patient information obtained or encountered by the Support Personnel relating to this Agreement and the Imaging Center.

3. Term. The Term of this Agreement shall commence on the date first set forth above, and shall continue for five (5) years, at which time it will renew, upon the same terms and conditions for successive five (5) year terms automatically (the initial Term and any renewal terms being referred to herein as the "Term"), unless terminated subject to the terms set forth in Sections 4 of this Agreement.

4. Termination. This Agreement may be terminated only for the following reasons:

4.1 Automatic Termination. This Agreement shall terminate automatically upon dissolution or termination of Company or Manager.

4.2 Mutual Termination. This Agreement shall terminate upon the mutual written agreement of the parties.

4.3 Termination for Cause by Company. Subject to the notice and cure rights set forth at Section 4.5 of this Agreement, Company shall have the right to terminate this Agreement for cause on the occurrence of any of the following events:

(a) In the event of a breach of a material term or condition of this Agreement by Manager; or

(b) In the event Manager shall (A) apply for or consent to the appointment of a receiver, trustee or liquidator of Manager or of all or a substantial part of Manager's assets; (B) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they become due; (C) make a general assignment for the benefit of creditors, or file a petition or an answer seeking reorganization or an arrangement with creditors; (D) take advantage of any insolvency law; or (E) if an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating Manager bankrupt or insolvent or approving a petition seeking reorganization of Manager or appointing a receiver, trustee or liquidator of Manager of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) consecutive days.

4.4 Termination for Cause by Manager. Subject to the notice and cure rights set forth at Section 3.5 of this Agreement, Manager shall have the right to terminate this Agreement for cause on the occurrence of either of the following events:

(a) In the event of a breach of a material term or condition of this Agreement by Company; or

(b) In the event Company shall (A) apply for or consent to the appointment of a receiver, trustee or liquidator of Company or of all or a substantial part of Company's assets; (B) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they become due; (C) make a general assignment for the benefit of creditors, or file a petition or an answer seeking reorganization or an arrangement with creditors; (D) take advantage of any insolvency law; or (E) if an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating Company bankrupt or insolvent or approving a petition seeking reorganization of Company or appointing a receiver, trustee or liquidator of Company of all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) consecutive days.

4.5 Notice and Cure Rights in the Event of a Asserted Termination for Cause. In the event that an event occurs that gives the other party the right to terminate this Agreement for cause, such other party (the "Nondefaulting Party") shall provide written notice upon the defaulting party (the "Default Notice") specifying the nature of such event (a "Terminating Event"). In the event such Terminating Event is not cured to the reasonable satisfaction of the Nondefaulting Party within thirty (30) days after service of the Default Notice, this Agreement shall automatically terminate at the election of the Nondefaulting Party upon the giving of a written notice of termination to the defaulting party not later than sixty (60) days after service of the Default Notice.



4.6. No Further Obligations. Upon termination of this Agreement, whether by expiration of its Term or otherwise, no party shall have any further obligation to perform hereunder. Notwithstanding the foregoing, the termination or expiration of this Agreement shall not release or discharge any party from any obligation, debt or liability which shall have previously accrued and remain to be performed upon the date of termination, including, without limitation, the right of Manager to any payments accruing prior to and through the date of such expiration or termination.

## 5. Representations, Warranties and Covenants of Company.

5.1 Authorization. Manager is expressly authorized by Company to perform all services required of Manager pursuant to this Agreement in the manner Manager deems reasonable and appropriate in order to satisfy the day-to-day requirements of the Imaging Center, and Manager may, with the prior written consent of Company (which shall not unreasonably be withheld), subcontract with other persons or entities to perform any portion or all of the services required of Manager pursuant to this Agreement.

5.2 Collection Authority. With respect to the billing and collection of Company's accounts receivable, Company grants to Manager the right and power to administer and collect such accounts in the manner Manager deems appropriate, including without limitation extending the time of payment of any such accounts for cash, credit or otherwise, discharging or releasing the obligors of any such accounts, suing, assigning accounts to collection agencies, or taking other measures to require the payment of any such accounts.

5.3 Power of Attorney. Except to the extent otherwise prohibited by law, Company irrevocably appoints Manager, during the Term of this Agreement, as its true and lawful attorney-in-fact with full power to take possession of, endorse in the name of Company, and deposit into the bank account designated by Manager for such purpose pursuant to Section 1.2 hereof, all notes, checks, money orders, insurance payments and other documents received in payment for any of the services rendered at the Imaging Center; provided, however, that the foregoing power shall not confer any rights upon Manager with respect to any payment received by Manager for services rendered by Company to Hospital inpatients except for payments made by Hospital for such services. The foregoing power of attorney shall include full power of substitution in Manager with respect to the matters contained in this Section 5.3. Manager may deduct all costs of suit and attorneys' fees and all fees and costs of collection agencies in the enforcement of the collection of monies owed to Company from the gross recoveries thereon before crediting the balance to the account of Company.

6. Representations, Warranties and Covenants of Manager. Manager acknowledges that the ultimate control of the operation of the Imaging Center shall at all times remain exclusively with Company.

## 7. Management Fee.

7.1 Management and Billing Fees. On or before the twentieth (20th) day of each month of the Term, Company shall pay to Manager both the Management Fee and the Billing Fee. The Management Fee represents compensation to Manager for the provision of the

Management Services pursuant to this Agreement, and shall be in an amount equal to the greater of (i) 5 % of "net collected revenue" for the preceding month, where "net collected revenue" is defined as total actual collections from billings, less refunds, credits or overpayments if any, or (ii) \$5,000.00. The Billing Fee represents compensation to Manager for the provision of billing and collections services rendered on behalf of Company, and shall be in an amount equal to 5% of "net collected revenue" for the preceding month. The parties hereby acknowledge that both the Management Fee and the Billing Fee are consistent with fair market value arrived at through arm's length negotiations.

7.2 Reimbursement of Costs of Other Personnel. In addition to the Management Fee and the Billing Fee, Company shall reimburse Manager for all reasonable and appropriately documented out-of-pocket costs incurred by or on behalf of Manager in connection with the provision of Management Services on behalf of Company at the Imaging Center pursuant to this Agreement. Manager shall invoice Company monthly for such costs, and each invoice shall be due and payable in full within 10 days of the invoice date. The Manager shall provide reasonable advance written notice (but not less than 10 days) of any such expenditure exceeding \$2,500, which is not identified in the annual or quarterly budget provided by the Manager to the Company. If the Company so requests, the Manager shall meet with the Company to discuss the proposed expenditure.

8. Relationship of Parties. Manager and Company are independent parties, and, except as otherwise provided in this Agreement, neither party shall have any authority to bind the other party without such party's express written consent, and then only insofar as such authority is conferred by such express written consent. Nothing contained in this Agreement shall be construed to permit Manager to engage in the practice of medicine, it being the sole intention of the parties that the services to be rendered to Company by Manager under this Agreement are solely for the purpose of providing non-physician personnel and non-medical management and administrative services on behalf of Company at the Imaging Center.

9. Rights of Entry and Inspection. Manager shall have the right during the Term to enter the Imaging Center at all times for the purposes of inspection, making repairs, cleaning the Imaging Center or for any other reasonable purpose, as well as for the purpose of carrying out its duties pursuant to this Agreement. Each party shall have the right of access and inspection to the records of the other party to perform their respective duties and obligations herein and to comply with applicable laws and regulations.

#### 10. General Provisions.

10.1 Dispute Resolution Procedures. In the event any disagreement, dispute or claim (collectively, a "Dispute") arises between the parties hereto with respect to the enforcement or interpretation of this Agreement or any specific terms and provisions set forth in this Agreement or with respect to whether an alleged breach hereof has or has not occurred, such Dispute shall be settled in accordance with the following procedures:

(a) Meet and Confer. In the event of a Dispute between the parties, either party may give written notice to the other party setting forth the nature of such Dispute ("Dispute Notice"). The parties shall meet and confer to discuss the Dispute in

good faith within thirty (30) days of the other party's receipt of a Dispute Notice in an attempt to resolve the Dispute ("Meet and Confer Discussions"). All representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each party within the Meet and Confer Period (as defined below).

(b) Mediation. Except as set forth below in Section 10.1(e), if the parties are unable to resolve the Dispute within thirty (30) days following the date of receipt of the Dispute Notice by the other party ("Meet and Confer Period"), then the parties agree to try in good faith to settle the Dispute through non-binding mediation under the Rules of Practice and Procedures (the "Rules") of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). A single disinterested third-party mediator shall be selected by JAMS in accordance with its then current Rules. The parties to the Dispute shall share the expenses of the mediator and the other costs of mediation on an equal basis.

(c) Arbitration of Disputes. Except as set forth below in Section 10.1(e), any Dispute which cannot be resolved by the parties within sixty (60) days following the end of the Meet and Confer Period may be submitted at the option of either party to binding arbitration, which arbitration shall be conducted in accordance with the following provisions:

(i) Venue. The arbitration shall be conducted in Riverside County, California.

(ii) Law. The governing law shall be the law of the State of California.

(iii) Selection. A single disinterested third-party arbitrator shall be selected by JAMS in accordance with its then current Rules.

(iv) Administration. The arbitration shall be administered by JAMS.

(v) Award. The decision of the arbitrator(s) shall be final and binding upon the parties hereto, and judgment upon the award may be entered in any court of competent jurisdiction in the United States, if applicable. The arbitrator(s) may decide the dispute in accordance with the applicable substantive law of California. The award shall include written findings of fact, a summary of the evidence and reasons underlying the decision and conclusions of law. As part of the award, the arbitrator may award reasonable and necessary costs actually incurred by the prevailing party, including that party's share of the arbitrators' fees, costs and expenses, as well as any administration fees and reasonable attorneys' fees. However, the arbitrator shall not have the right to award punitive damages.

**NOTICE:** By initialing the space below the parties to this Agreement are agreeing to have any Dispute arising out of the matters included in this "arbitration of disputes" provision decided by neutral arbitration as provided by California law

(provided that such Dispute has not been resolved through the meet and confer and mediation procedures described above) and the parties are giving up any rights they might possess to have the Dispute litigated in a court or jury trial. By initialing the space below the parties to this Agreement are giving up their judicial rights to discovery and appeal, unless those rights are specifically included in this "arbitration of disputes" provision. If a party to this Agreement refuses to submit to arbitration after agreeing to this provision, such party may be compelled to arbitrate under the authority of the California Code of Civil Procedure.

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Company

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Manager

(d) Injunctive Relief. Nothing in this Agreement shall be interpreted to limit any party's right to pursue equitable relief, including, without limitation, specific performance, from a court of competent jurisdiction at any time. By way of example, the foregoing provisions of this Section 10.1 shall not be interpreted to require any party to submit to mediation and arbitration prior to exercising such party's right to pursue equitable relief.

(e) Selection of Mediator/Arbitrator. In the event that JAMS is not in existence at the time of commencement of the mediation or arbitration proceeding, as applicable, then the Commercial Panel of the American Arbitration Association ("AAA") shall administer such proceeding. In such case, all references to JAMS in this Agreement shall be substituted for the AAA, and all references to the Rules of JAMS in this Agreement shall be substituted with a reference to the current rules of the AAA and the applicable local rules of civil procedure. Further, if the AAA is to administer the mediation/arbitration proceeding, then the parties will have the right to select a single disinterested third party (i) mediator within ten (10) days following the end of the Meet and Confer Period, or (ii) arbitrator within ten (10) days after initiating an arbitration proceeding, as applicable. If the parties are unable to agree upon a mediator or arbitrator within such time periods, then a mediator or arbitrator, as applicable, shall be appointed by the nearest chapter of the AAA in accordance with its then current rules.

10.2 Assignment. Except as otherwise provided in this Agreement, neither party may assign or delegate any of its rights or obligations under this Agreement without the prior written consent of the other party, which consent shall not unreasonably be withheld. Notwithstanding the foregoing to the contrary, Manager may, without the prior written consent of Company, assign its interest or delegate the performance of its obligations to a wholly-owned subsidiary of Manager or to any affiliate of Manager that qualifies as a wholly-owned subsidiary (either directly or indirectly) of Syncor International Corporation, a Delaware corporation.

10.3 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter set forth in this Agreement and supersedes all prior and contemporaneous negotiations, understandings and agreements. This Agreement may not be modified or amended by the parties except by a written instrument executed by both parties.

10.4 California Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

10.5 Notices. All notices, demands, requests, consents, reports, approvals, or other communications ("Communications") which may be or are required to be given, served or sent pursuant to this Agreement shall be in writing and shall be mailed by first-class, registered or certified mail, return receipt requested, postage prepaid, transmitted by telegram or facsimile, hand delivered or delivered by overnight carrier, addressed as follows:

If to Company:                   Attn.: Center Manager  
Corona Regional Medical Imaging, LLC  
800 S. Main Street  
Corona, CA 91720

If to Manager:                   Attn.: General Counsel  
Comprehensive Medical Imaging Centers, Inc.  
6464 Canoga Avenue  
Woodland Hills, CA 91367

Each Communication which shall be mailed or transmitted in the manner described above shall be deemed sufficiently given, served, sent or received for all purposes at such time as it is delivered to the addressee (with the return receipt or the delivery receipt being deemed conclusive evidence of such delivery) or at such time as delivery is refused by the addressee upon presentation.

10.6 Headings. Section headings are inserted in this Agreement solely for the purpose of convenience or reference and shall not be construed as part of this Agreement.

10.7 Further Assurances. The parties agree to execute such other documents and to take such further actions as may be necessary or appropriate in order to carry out the purposes of this Agreement.

10.8 Severability. If any one or more of the terms, provisions, promises, covenants or conditions of this Agreement or the application thereof to any person or circumstance shall be adjudged to any extent invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, such provision shall be construed as narrowly as possible, and each and all of the remaining terms, provisions, promises, covenants and conditions of this Agreement and their application to other persons or circumstances shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law. To the extent this Agreement is in violation of applicable law, then the parties agree to negotiate in good faith to amend this Agreement, to the extent possible consistent with its purposes, to conform to law.

10.9 Waiver. Any waiver of any Term, covenant or condition of this Agreement by any party shall not be effective unless set forth in a writing signed by the party granting such waiver, and in no event shall any such waiver be deemed to be a continuing waiver or a waiver of any other Term, covenant or condition of this Agreement.

10.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute but one and the same agreement.

10.11 Binding Nature. Subject to the provisions contained in this Agreement regarding assignment, this Agreement shall be binding upon and inure to the benefit of the parties and upon their respective successors.

10.12 Additional Documents. Each of the parties agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement and to otherwise cooperate fully with such other party in connection with the performance of such party's obligations under this Agreement.

10.13 Use of Name. Neither party shall publish or use, without the other party's prior written consent, the other party's name, logo or likeness or other language, pictures or symbols, in any advertising, promotion or other publicity matter relating, directly or indirectly, to this Agreement.

10.14 Termination Based on Legal Event. Notwithstanding any other provision of this Agreement, if the governmental agencies which administer the Medicare, Medicaid or other federally funded Programs, or any other federal, state or local governmental or quasi-governmental agency, or any court or administrative tribunal passes or promulgates any law, rule, regulation, standard, interpretation, order, decision or judgment, including but not limited to those relating to any regulations pursuant to the federal or state anti-kickback or self-referral statutes (collectively and individually, the "Legal Event"), which, in the good faith judgment of their respective counsel, materially and adversely affects either party's licensure, accreditation, certification or ability to refer, to accept any referral, to bill, to claim, to present a bill or claim for reimbursement or a risk of prosecution or civil monetary penalty (collectively and individually, an "Adverse Result"), the adversely affected party shall have the right, in good faith, to notify the other party of its intent either to amend or terminate this Agreement upon 60 days' prior written notice (or such shorter period of time if mandated by the Legal Event). During said 60-day period, the parties shall negotiate in good faith to amend this Agreement to eliminate the Adverse Result. In the event that the parties are unable to renegotiate this Agreement to eliminate the Adverse Result, this Agreement shall terminate upon the expiration of said 60-day period (or such shorter period of time if mandated by the Legal Event).

10.15 Maintenance of Tax-Exempt Status. The parties hereto understand that one of the Members of Company is a non-profit public benefit corporation (the "hospital") that has outstanding tax-exempt financing. The hospital is bound by federal and state laws, regulations and the interpretations thereof pertaining to such financing. The parties acknowledge and agree that this Agreement shall be interpreted and construed to be in compliance with the foregoing as the same may be adopted, amended or interpreted from time to time and as they may affect the hospital, its licensure, non-profit status and tax-exempt financing. In the event that this Agreement, or one or more of its terms or conditions is reasonably interpreted by counsel for the hospital to pose a risk of violation of any of the foregoing laws, regulations or interpretations thereof, or the hospital's bond covenants or other terms and conditions of its tax-exempt

financing, the parties agree to treat such event as an Adverse Result under Section 10.14 hereof and to proceed in accordance with the terms of said Section 10.14 with respect to such event.

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

COMPANY:

CORONA REGIONAL MEDICAL  
IMAGING, LLC

MANAGER:

COMPREHENSIVE MEDICAL IMAGING  
CENTERS, INC.

ORIGINAL

**ANCILLARY CARE SERVICE  
AGREEMENT FOR IMAGING  
SERVICES**

**BETWEEN**

**VISTA HOSPITAL SYSTEMS, INC.  
D/B/A CORONA REGIONAL  
MEDICAL CENTER**

**AND**

**CORONA REGIONAL MEDICAL  
IMAGING, LLC**



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“Capitation” or “Capitation payment” means a predetermined periodic payment (commonly referred to as a “per member per month payment”), if any, paid to the Provider hereunder in consideration for the Provider’s provision of the Covered Services.

“COB” or “Coordination of Benefits” means the determination of which two or more Plans will apply, either as primary or secondary coverage, for the rendition and payment of health care services to an Enrollee. When the primary and secondary benefits are coordinated, the determination of liability will be made in accordance with Applicable Laws and, to the extent not inconsistent with Applicable Laws, the Hospital Policy.

“Copayment” means those charges for Covered Services which shall be collected directly by the Provider from an Enrollee, as payment, in accordance with the Enrollee’s Evidence of Coverage. For purposes of this Agreement, the term “Copayment” shall be deemed to include copayments, deductible payments and coinsurance payments, as applicable.

“Covered Services” means authorized health care services and supplies which an Enrollee is entitled to receive under a Plan’s benefit program and which are described and defined in the Enrollee’s Plan’s Evidence of Coverage and related disclosure forms, subscriber documents and group agreements and this Agreement. For purposes of this Agreement, the Covered Services to be provided by the Provider shall include, unless excluded pursuant to SCHEDULE 2.1, attached hereto and made a part hereof, Covered Services, which are Medically Necessary, and provided pursuant to this Agreement, Applicable Laws, the Hospital Policy and the Plan Agreements, and which are identified in SCHEDULE 2.1 hereto.

“Emergency Services” means services required by an Enrollee as the result of a medical condition manifesting itself by the sudden onset of symptoms of sufficient severity, which may include severe pain, such that a reasonable person would expect the absence of immediate medical attention to result in: (i) placing the health of the Enrollee (or if the Enrollee is pregnant, the health of the unborn baby) in serious jeopardy, (ii) serious impairment to bodily function or (iii) serious dysfunction of any bodily part.

“Enrollee” means a person who is eligible to receive Covered Services hereunder, under the Plan Agreements or under any agreement between the Provider and a Plan.

“Evidence of Coverage” means the information and documents, including the Plan Agreements, issued by a Plan to an Enrollee that describes the Plan and the Covered Services.

“Hospital Policy” means the Hospital’s bylaws, operating manuals, rules, regulations, policies, procedures, protocols and standards, as amended from time to time.

“Medical Director” means the physician authorized to be responsible for administering the Hospital’s medical affairs and for serving as the Hospital’s medical liaison to Plans and Participating Providers.

) )  
“Medical Policy Committee” means the committee, if any, constituted or directed by the Hospital to make determinations regarding medical necessity and claims processing procedures.

“Medically Necessary” means medical, surgical or related services, which an Enrollee requires, determined by a Participating Provider in accordance with generally accepted medical and surgical practices and standards prevailing at the time of the treatment.

“Non-Covered Services” means health care services which are not Covered Services under a Plan’s Evidence of Coverage.

“Participating Provider” means a hospital, physician or other health care provider, who or which has entered into an agreement with a Plan or the Hospital to provide Covered Services to the Enrollees.

“Plan” or “Plans” means health care service plans, hospital service plans, health maintenance organizations and other payors and purchasers of Covered Services, which pay the Hospital on a fee for service, capitated, case rate and/or risk basis and are appropriately licensed and/or qualified under Applicable Laws.

“Plan Agreements” means the agreements entered into between the Hospital and the Plans, pursuant to which an Enrollee is eligible to receive Covered Services hereunder, as amended from time to time.

“Primary Physician” or “Primary Care Physician” means a physician responsible to render, coordinate or arrange first contact medical care to an Enrollee, and to provide “primary care” to an Enrollee, as that term is defined by the Hospital and the Plans.

“Urgently Needed Services” means services which are required, without delay, in order to prevent the serious deterioration of an Enrollee’s health (or if the Enrollee is pregnant, the health of the unborn baby), as a result of an unforeseen illness or injury and it was not reasonable give the circumstances to obtain the services in accordance with the terms of applicable contractual requirements.

## ARTICLE II

### SERVICES TO BE PERFORMED BY THE PROVIDER

Section 2.1 Covered Services and Reports. The Provider agrees to provide Covered Services, or arrange for the provision of Covered Services (consistent with the terms hereof), to all Enrollees of the Plans identified in SCHEDULE 2.1 hereto. Consistent with the Hospital Policy, this Agreement, Applicable Laws, the applicable Plans and the Plan Agreements, the Provider shall coordinate with Participating Providers regarding the provision of Covered Services to the Enrollees under this Agreement. The Provider shall provide information and reports regarding the Covered Services in accordance with, and as required by, the Hospital Policy, Applicable Laws, the Plans and the Plan Agreements.

**Section 2.2 Authorization of Covered Services.** The Provider shall only provide Covered Services for which the Provider has received appropriate authorization pursuant to the provision of **SCHEDULE 2.2**, attached hereto and made a part hereof. The Provider acknowledges and agrees that the Provider shall not, except with respect to Emergency Services or Urgently Needed Services, provide Covered Services which exceed the scope of such authorization, without obtaining additional authorization for such Covered Services. Failure by the Provider to obtain the required authorization shall result in the nonpayment by the Hospital, and any other person or entity, for such services provided by the Provider.

**Section 2.3 Provider's Services.** The Provider shall be responsible for determining the method, details and means of performing Covered Services. The Provider shall not contract with any other person or entity for the provision of Covered Services without the Hospital's prior written consent. Nothing in this Agreement, or any Plan Agreement, shall be interpreted to interfere with the Provider's relationship with the Enrollees. Without limiting the foregoing, this Agreement does not discourage or prohibit, and shall not be interpreted to discourage or prohibit, the Provider from discussing treatment options or providing other medical advice or treatment deemed appropriate by the Participating Providers and/or the Provider. The parties unconditionally acknowledge that any financial or other benefit which the Provider receives hereunder is not intended to induce, does not require and is not contingent upon, the admission, recommendation or referral of any patient, directly or indirectly, to the Hospital or any Participating Provider, nor is it intended as an incentive to reduce or limit the Covered Services to any Enrollee. The Provider represents, warrants and covenants that the Covered Services provided to the Enrollees shall be provided in a manner which is consistent with community and professionally recognized standards of health care.

**Section 2.4 Termination and Transfer of Membership.** The Provider shall not seek, request or demand, directly or indirectly, to have an Enrollee terminated or transferred to another Plan because of an Enrollee's medical condition or the amount, variety or cost of services required by the Enrollee.

**Section 2.5 Information Systems.** The Provider further covenants, represents and warrants that the Provider is in compliance with all electronic transmission requirements for transmitting electronic and billing data to governmental entities and the Plans.

**Section 2.6 Conflicts of Interest.** The Hospital and the Provider each represent that it has a program, and related policies and procedures, relating to the identification and resolution of conflicts of interest relating to the actions and services of their respective employees, agents, contractors, directors, officers and/or owners, as applicable. Each party acknowledges and agrees that no such conflict of interest exists as of the Effective Date. If a conflict of interest shall arise, subsequent to the Effective Date, each party acknowledges and agrees that it shall provide immediate written notice to the other party, identifying the conflict of interest. The party reporting the conflict of interest shall, within three business days of providing such written notice of the conflict of interest to the other party, eliminate such conflict of interest. In the event that the party reporting the conflict of interest is unable to eliminate the conflict of interest within the required three business days, the other party may treat the conflict of interest as a breach of a

material term of this Agreement and, pursuant to the provisions of Section 8.1 herein, terminate this Agreement.

### ARTICLE III

#### REPRESENTATIONS

Section 3.1 Representations by the Hospital. The Hospital warrants and represents that it is an acute care hospital, and that it possesses all necessary licenses, certifications and permits to perform its duties and obligations hereunder.

Section 3.2 Representations and Warranties by the Provider. The Provider represents and warrants that it (i) is a California limited liability company, (ii) has the necessary and required power and authority to enter into this Agreement and to perform its duties and obligations hereunder and (iii) possesses, and will maintain during the term hereof, as applicable, all necessary and required credentialing, proctoring, medical staff privileges, licenses, permits and certifications to perform its duties and obligations hereunder, including the provision, or arranging for the provision, of Covered Services. The Provider further represents that it shall cooperate, and shall cause its employees, agents and contractors to cooperate, with the Hospital and the Plans, and their respective authorized representatives and designees, regarding all applicable credentialing procedures and requirements.

### ARTICLE IV

#### COMPENSATION

Section 4.1 Compensation. In consideration of the provision by the Provider of Covered Services pursuant to the terms and conditions of this Agreement, the Hospital shall pay to the Provider the amounts set forth in SCHEDULE 4.1, attached hereto and made a part hereof, less the applicable Copayments. To the extent required by Applicable Laws and/or Plan Agreements, the Provider acknowledges and agrees that no Plan, except to the extent set forth in the applicable Plan Agreement, shall be obligated to make any payment, under or pursuant to the terms of this Agreement, to the Provider. The Provider further acknowledges and agrees that, except for Copayments and Non-Covered Services, the payments to the Provider, made pursuant to this Agreement, for Covered Services provided to Enrollees, shall constitute payment, in full, to the Provider for such Covered Services. The Provider acknowledges and agrees that the compensation paid to the Provider hereunder may constitute "Federal funds" and the Provider agrees to comply with the applicable Plan Agreements and Applicable Laws relating thereto. In addition to the foregoing, the Provider covenants to provide access to Covered Services, and/or to pay for such Covered Services, consistent with Applicable Laws, if such Covered Services are the payment responsibility of the Provider or as otherwise required by Applicable Laws.

Section 4.2 Timing of Payment of Compensation. The Hospital shall promptly pay to, or cause to be paid to, the Provider the amounts set forth in Section 4.1 herein and



SCHEDULE 4.1 hereto, following the Hospital's receipt from the Provider of all required billing and invoice documents, which shall be fully completed to the satisfaction of the Hospital according to the terms and conditions set forth in SCHEDULE 4.1 hereto.

**Section 4.3 Submission, Billing, Claims, Encounter and Patient Satisfaction Data.**  
The Provider shall submit claims, billing, encounter and patient satisfaction information and documents to the Hospital, either electronically or in a Health Care Financing Administration approved format, as required by Hospital Policy, the applicable Plans and Plan Agreements and Applicable Laws. The Provider agrees to take all actions, and to provide information and documents, necessary or required to identify and characterize the scope, purpose and content of Covered Services provided to Enrollees and to comply with appeals and expedited appeals programs and procedures, as required by the (i) Hospital Policy, (ii) applicable Plans and Plan Agreements, (iii) Accreditation Organizations and (iv) Applicable Laws. The Provider agrees to verify and certify as to the completeness and truthfulness of all such information and documentation. All such claims must be submitted within one hundred twenty (120) days of the date of the provision of the Covered Services.

**Section 4.4 Patient Billing.** The Provider shall not, under any circumstances, including, without limitation, the nonpayment or insolvency of a Plan or the Hospital or the breach, the expiration or the termination of this Agreement, seek compensation from, have any recourse against, or impose any additional charge on any Enrollee or Plan. Neither the Provider, nor any agent, employee, representative, trustee or assignee thereof, may maintain any action at law or in equity against any Enrollee, Plan or Participating Provider to collect sums owed to the Provider under, pursuant to or in connection with this Agreement. The Provider agrees to look solely to this Agreement for payment for Covered Services provided by the Provider hereunder. The Provider further agrees that the provisions of this Section 4.4 shall: (i) survive the expiration or the termination of this Agreement, regardless of the cause giving rise to such termination, (ii) be construed for the benefit of the Enrollee, the Plans and the Hospital and (iii) supersede any verbal or written agreement to the contrary, now existing or hereafter entered into, between or among the Provider and any Enrollee, patient or persons acting on such Enrollee's or patient's behalf. No surcharge to any Enrollee shall be permitted. A "surcharge" shall, for purposes of this Agreement, be deemed to be any additional fee not expressly provided for in an Enrollee's Plan and Evidence of Coverage.

**Section 4.5 Patient Responsibility.** The Provider shall bill and collect from an Enrollee all Copayments specifically permitted under the Enrollee's Plan and Evidence of Coverage. The Provider may also bill and collect from an Enrollee all charges for Non-Covered Services provided to an Enrollee; provided, however, that the Provider shall provide prior written notice to the Enrollee that the Enrollee will be billed and responsible for the payment of such Non-Covered Services and shall obtain the written consent of the Enrollee as to such payment prior to the provision of such Non-Covered Services.

**Section 4.6 COB and Third-Party Liability Obligations.** The Provider agrees to cooperate with the Hospital for proper determination of COB and third-party liability and to bill and collect from other payors charges for which the other payor is responsible. The Provider shall report (in the reports required by Section 4.3 herein) to the Hospital, in writing, all collections received by the Provider in accordance with Section 4.5 herein and this Section 4.6. The Hospital shall reduce the amounts paid to the Provider by the Hospital, pursuant to Section

4.1 herein and SCHEDULE 4.1 hereto, by the amount collected (or which should have been collected) by the Provider (including, but not limited to, Copayments) under Section 4.5 herein and this Section 4.6; provided, however, that such reduction shall not exceed 50% of the total amount paid or to be paid to the Provider by the Hospital with respect to any Enrollee. All other amounts collected shall belong to the Hospital and, if received by the Provider, shall be promptly paid by the Provider to the Hospital.

## ARTICLE V

### OBLIGATIONS OF THE PROVIDER

**Section 5.1 Hours.** The Provider agrees to be available to provide Covered Services, or to arrange coverage for Covered Services, during the term of this Agreement, pursuant to the terms and conditions of this Agreement, to Enrollees.

**Section 5.2 Personnel, Equipment and Supplies.** The Provider shall supply, at the Provider's sole cost and expense, all necessary personnel, equipment and supplies required or necessary for the Provider to provide Covered Services hereunder.

**Section 5.3 General and Professional Liability Insurance.** The Provider shall provide, at the Provider's sole cost and expense, throughout the term of this Agreement, a policy of general and professional liability insurance, with an insurance company authorized to do business in the State of California, in a minimum amount of One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the annual aggregate.

**Section 5.4 Comprehensive Insurance.** The Provider shall provide, at the Provider's sole cost and expense, throughout the term of this Agreement, a policy or policies of insurance covering the Provider's principal place of business, insuring the Provider against any claim of loss, liability or damage committed or arising out of the alleged condition of said premises, or the furniture, fixtures, appliances or equipment located therein, together with standard liability protection against any loss, liability or damage as a result of the Provider's or the Provider's agent's, servant's or employee's operation of a motor vehicle for business purposes, in a minimum amount of One Million Dollars (\$1,000,000) per claim and Two Million Dollars (\$2,000,000) in the annual aggregate.

**Section 5.5 Proof of Insurance.** The Provider shall, on the Effective Date and thereafter, at the request of the Hospital, furnish to the Hospital the policies of insurance required under Sections 5.3 and 5.4 herein. Said policies shall be attached hereto and made a part hereof as SCHEDULE 5.5, and shall be updated annually by the Provider in compliance with the terms of this ARTICLE V. Said policies shall not be materially amended or cancelled without thirty (30) days prior written notice thereof to the Hospital. Upon the expiration or the termination, for any reason, of this Agreement, the Provider shall, at the Provider's sole cost and expense, maintain general and professional liability insurance, or shall procure and maintain prior acts (i.e., "tail") coverage, in the amounts set forth in Section 5.3 herein, to assure continuation of the general and professional liability coverage described in Section 5.3 herein. The Provider agrees

to provide the Hospital with written evidence of said insurance coverage, on the effective date of the expiration or the termination of this Agreement.

**Section 5.6 Compliance.** The Provider agrees that it shall perform its duties and obligations hereunder, including, but not limited to, providing access to, providing, or arranging for the provision of, Covered Services, in compliance with, and at facilities that are in compliance with (i) Applicable Laws, (ii) Hospital Policy, (iii) the rules and regulations of Accreditation Organizations and (iv) the applicable Plans and Plan Agreements. The Provider further agrees that, as of the Effective Date, it is, and at all times during the term of this Agreement, shall remain, eligible to participate, as a provider, in the Medicare Program and the Medi-Cal Program.

**Section 5.7 Claims, Incidents, Suits and Disciplinary Actions.** The Provider warrants that it shall promptly (not later than forty-eight (48) hours after obtaining knowledge thereof) report, in writing, to the Hospital any claim made, suit filed or disciplinary action commenced against the Provider, which could adversely effect the Provider's ability to provide Covered Services hereunder. The Provider shall also promptly advise the Hospital of any incident in which an Enrollee expresses dissatisfaction with any services provided by the Provider hereunder.

**Section 5.8 Continuing Education.** During the term of this Agreement, the Provider shall maintain professional competence and skills commensurate with the standards of the community and as required by Accreditation Organizations and Applicable Laws.

**Section 5.9 Professional Roster.** The Provider agrees that the Hospital and, upon a Plan's request, the Plan, may use the Provider's name, office, address, telephone number and type of service and willingness to accept new patients in their respective rosters for professional participants. The Provider shall provide such information, in writing, to the Hospital and, upon a Plan's request, the Plan, on or before the Effective Date and thereafter whenever such information is amended or supplemented.

**Section 5.10 Access and Retention of Records.** The Provider agrees to permit access to and inspection by the Hospital, the Plans, the California Departments of Corporations Health and Managed Care, the United States Department of Health and Human Services, the General Accounting Office, the Comptroller General of the United States, and other governmental agencies or Accreditation Organizations, and their respective authorized representatives, at all reasonable times and upon demand, of all facilities, books, records and documents maintained or utilized by the Provider in the provision of Covered Services under, pursuant to and in connection with this Agreement. The Provider agrees to maintain such books, records and documents for a period of time equal to the later of (i) four years, (ii) the period of time necessary for the foregoing entities to conduct an audit or (iii) the period of time required by Applicable Laws, starting with the date of the provision of the subject Covered Services. The Provider agrees to maintain such books, records and documents as personal and confidential, consistent with Hospital Policy, the applicable Plans and the Plan Agreements and Applicable Laws.

**Section 5.11 Nondiscrimination.** In performing services hereunder, the Provider agrees: (i) not to differentiate or discriminate in the provision of Covered Services to the Enrollees because of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, disability, financial status, health status or age and (ii) to render Covered Services to the Enrollees in the same manner, in accordance with the same standards and within the same time availability as offered to non-Plan patients.

**Section 5.12 Responsibility for Own Acts.** Each party shall be responsible for its own acts or omissions and for any and all claims, liabilities, injuries, suits, demands and expenses which result or arise out of any alleged misfeasance or malfeasance or neglect caused or alleged to have been caused by that party or its employees, agents or representatives in the performance or omission of any act or responsibility of that party under this Agreement. In the event that a claim is made against both parties, it is the intent of both parties to cooperate in the defense of said claim and to cause their insurers to do likewise. However, both parties shall have the right to take any and all actions they believe necessary to protect their respective interests.

## ARTICLE VI

### MEDICAL RECORDS

**Section 6.1 Medical Records.** The Provider shall maintain, for each Enrollee receiving Covered Services hereunder, medical records in such form, containing such information and preserved for such time period(s) (but not less than four years) following the provision of the subject Covered Services, as are required by the Applicable Laws and the applicable Plans and Plan Agreements. Subject to Applicable Laws, and upon receipt of twenty-four (24) hours prior written notice from the Hospital or a Plan, the Provider shall permit an authorized representative of the entities identified in Section 5.10 herein to inspect and make copies of said records, at such entities' expense, which shall be without charge if required pursuant to Sections 4.3, 5.7, 8.3(ii) or 9.1 herein or Applicable Laws and, in all other circumstances, shall not exceed five cents (\$.05) per page.

## ARTICLE VII

### TERM OF THIS AGREEMENT

**Section 7.1 Term.** Subject to each party's right of termination set forth in ARTICLE VIII herein, this Agreement shall be for the term set forth in SCHEDULE 4.1, commencing on the Effective Date. This Agreement shall be automatically renewed for additional terms, as set forth in SCHEDULE 4.1, each renewal to be on the same terms and conditions contained herein.

## ARTICLE VIII

### TERMINATION OF THIS AGREEMENT

**Section 8.1 Termination for Breach.** Either party may terminate this Agreement because of a breach by the other party in the performance of any term, covenant or condition of this Agreement; provided, however, that the non-breaching party shall provide written notice in the manner specified in Section 12.3 herein, specifying the facts constituting the breach, and thereafter, the breaching party shall have 45 days after the date of the receipt of the foregoing notice to cure said breach; provided, further, that if the nature of the breach is such that it cannot reasonably be cured within the 45 day period, the breaching party shall have an additional, reasonable period of time to cure such breach (but, in no event, to exceed a total of 90 days), provided such party immediately commences and diligently pursues the cure to completion; and provided further, that if the nature of such breach is such that, in the reasonable opinion of the nonbreaching party, it jeopardizes the health, safety or well-being of the nonbreaching party's patients, employees, or visitors, then the breaching party shall immediately take action which eliminates the foregoing risk and, if such breaching party fails to remedy such breach to the satisfaction of the nonbreaching party, the nonbreaching party may immediately terminate this Agreement, with no further notice required.

**Section 8.2 Responsibility for the Enrollees Upon the Expiration or the Termination of this Agreement.** Except as otherwise provided in this Agreement, the obligations of each party hereunder shall terminate upon the expiration or the termination of this Agreement, regardless of the reason for such termination; provided, however, that such termination or expiration shall not release the Hospital or the Provider from obligations imposed by Applicable Laws, applicable Plan Agreements or the obligation of the Provider to the Enrollee then receiving Covered Services. In the event that this Agreement expires or is terminated, regardless of the reason for such termination, the Provider agrees to continue to provide Covered Services to each Enrollees until the later of (such date being referred to herein as the "Covered Services Termination Date") (i) the date that the Enrollee is discharged, (ii) the date that the Enrollee is transferred to and the Enrollee's care is assumed by another Participating Provider and the Enrollee is so notified, in writing, of such change or (iii) the final day of the period of time that the policy premium, during which the subject Enrollee is entitled to receive Covered Services, has been paid. The Hospital will use its best efforts so that this process does not exceed ninety (90) days from the effective date of such expiration or termination. The Hospital agrees to continue to compensate the Provider under the terms in effect on the date of the written notice of such expiration or termination, until the Covered Services Termination Date. Upon the expiration or the termination, regardless of the reason for such termination, of this Agreement:

- (a) the Provider shall provide to the Hospital such information as may be requested by the Hospital, and which is necessary for the Hospital to comply with this Agreement, Applicable Laws and the Plan Agreements, and to provide, or arrange for the provision of, medical, health care and related services to the Enrollees.

- (b) the Provider shall transfer copies of the Enrollees' records to the subsequent treating Participating Provider or such Participating Physician identified by the Hospital at no cost to the Hospital.
- (c) the Provider shall remain obligated to provide Covered Services to any Enrollee who is, at the time of said expiration or termination, a registered inpatient at the Hospital (or any other Participating Provider), until such Enrollee is discharged from the Hospital (or any other Participating Provider), and the Hospital will reimburse the Provider for such Covered Services in accordance with Section 4.1 herein and SCHEDULE 4.1 hereto.
- (d) if the Provider is receiving Capitation payments hereunder, the Provider's final month capitation payment shall be withheld for ninety (90) days, for the purpose of offsetting any retroactive capitation activity or for any other necessary adjustments. The Hospital agrees to pay to the Provider, within thirty (30) days of such final adjudication, any underpayment to the Provider. The Provider agrees to repay to the Hospital, within thirty (30) days of written notice thereof, any overpayment made to the Provider by the Hospital.

## ARTICLE IX

### UTILIZATION REVIEW, QUALITY ASSURANCE AND GRIEVANCE PROCEDURE

Section 9.1 Utilization and Quality Review and Grievance Procedures. The Provider shall cooperate and comply with, and be bound by, the Plan's and the Hospital's utilization review, quality assurance and grievance procedures and programs, and all other policies and procedures, as required by the Hospital Policy, Applicable Laws, Accreditation Organizations and the applicable Plans and Plan Agreements. Such programs may be administered by the Plans and/or the Hospital, and copies of all such policies and procedures received by the Hospital shall be promptly provided by the Hospital to the Provider. In addition to the foregoing, the Provider agrees to cooperate and comply with the requests for information, documents and review by any independent quality review and improvement organization or entity relating to the provision of Covered Services by the Provider to Enrollees.

## ARTICLE X

### CONFIDENTIALITY

Section 10.1 Confidentiality. The Provider acknowledges and agrees that, during the term of this Agreement, the Provider will be making use of, acquiring and adding to confidential information of a special and unique nature relating to, but not necessarily limited to, such matters as the Hospital's and the Plans' policies, trade secrets, medical records, patient records, systems, procedures, manuals, marketing methodologies, future plans, business transactions and

negotiations relating to the Hospital's and the Plans' businesses, computer programs, confidential reports, client lists, patient lists, as well as the amount, nature and type of services, equipment and methods used and preferred by the Hospital and the Plans (collectively, the "Confidential Information and Trade Secrets"). The Provider recognizes the interest which the Hospital and the Plans have in the operation of their respective businesses and acknowledges the fact that the information and documents described in this ARTICLE X constitutes Confidential Information and Trade Secrets of the Hospital and the Plans, as applicable, and the Provider hereby waives any and all right, title and interest in and to such Confidential Information and Trade Secrets and agrees to (i) timely and accurately prepare and (ii) maintain such Confidential Information and Trade Secrets as personal and confidential, consistent with Hospital Policy, the applicable Plan Agreements and Applicable Laws.

## ARTICLE XI

### EXCLUSIVITY/NONSOLICITATION

Section 11.1 Exclusivity. The Hospital and the Provider agree that:

- (i) During the term of this Agreement, the Provider shall not be a party to any agreement with any other person or entity under, pursuant to or in connection with which the Provider agrees to or is obligated to provide imaging services to any person or entity that competes with the Hospital.
- (ii) in rendering services to the Provider's other patients or to the patients of other physicians, medical groups or health care providers, the Provider shall neither represent nor imply, in any manner, that such services are being rendered by the Provider for or on behalf of the Hospital.
- (iii) any services rendered by the Provider outside the scope of this Agreement shall not be billed to or through the Hospital.

Section 11.2 Nonsolicitation. The Provider shall not, directly or indirectly, engage in any solicitation of Enrollees or any other patient of the Hospital. For purposes of this Agreement, "solicitation" shall mean conduct by the Provider or any officer, agent or employee of the Provider, during the term of this Agreement, and continuing for a period of one (1) year after the effective date of its expiration or termination, which may be interpreted as intended to persuade an Enrollee or other patient of the Hospital to disenroll from the Hospital, any Plan or Plan Agreement, or otherwise discontinue their relationship with the Hospital or any Plan. The parties acknowledge and agree that, for purposes of this Section 11.2 and Section 10.1 herein, the activities described in this Section 11.2 shall constitute "unfair competition" and the wrongful use and appropriation of Confidential Information and Trade Secrets.

Section 11.3 Reformation of the Covenant. If a court of competent jurisdiction should declare any provision set forth in this ARTICLE XI unenforceable, then the parties each acknowledge and agree that the court shall have the express authority to reform such provisions, and to grant to the parties other relief, at law or in equity, as may be necessary to protect the parties' respective interests.

Section 11.4 Equitable Remedies and Injunctive Relief. The Hospital and the Provider acknowledge and agree that the Hospital's remedy for a breach or threatened breach of any of the provisions set forth in this ARTICLE XI would be inadequate and, in recognition of that fact, in the event of a breach or threatened breach of any such provisions, the Hospital shall be entitled to any and all remedies (legal and equitable) available to it, including an injunction (temporary and permanent), restraining the Provider from (i) disclosing or using, in any manner, Confidential Information and Trade Secrets, in whole or in part, directly or indirectly, and from rendering any services to any person, firm, corporation, association, organization or other entity to which such Confidential Information and Trade Secrets has been disclosed or threatened to be disclosed and (ii) taking any action prohibited by this ARTICLE XI. The prevailing party in any such action shall be entitled to recoup the costs of such action, including reasonable attorney's fees and expenses.

## ARTICLE XII

### GENERAL PROVISIONS

Section 12.1 Documentation. The Hospital shall provide the Provider with a copy of any document which has been provided to the Hospital by a Plan, Accreditation Organization or governmental body for execution by the Provider. The Provider agrees to execute any such documents and verifications and that it shall be the responsibility of the Provider to promptly return said documents to the applicable person or entity and that the Hospital shall have no duty or obligation with respect thereto.

Section 12.2 Amendments. No amendment hereto shall be effective unless it shall be mutually agreed to, in writing, by the Hospital and the Provider.

Section 12.3 Notices. Any notices required or permitted to be given hereunder by either party to the other party may only be given by personal delivery with a signed receipt acknowledgment or by registered or certified mail, postage prepaid, with return receipt requested. Notices shall be addressed to the parties at the addresses appearing beneath their respective signatures, but each party may change such party's address by written notice, given in accordance with this Section 12.3. Mailed notices will be deemed communicated as of the earlier of the date that the notice is received by the party or three (3) business days after the date of mailing.

Section 12.4 Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or verbal, between the parties, with respect to the subject matter contained herein.

Section 12.5 Partial Invalidity. Subject to the provisions of Sections 12.11 and 12.12 herein, if any provision of this Agreement is found to be invalid or unenforceable by any court, such provision shall be ineffective only to the extent that it is in contravention of Applicable Laws and shall not invalidate the remaining provisions hereof.



**Section 12.6 Assignment.** The Provider shall have no right to assign, delegate or in any manner transfer all, or any portion, of its interest, obligations or duties under this Agreement, without first obtaining the written consent of the Hospital. In addition, the Provider agrees that it shall make no assignment or delegation to any person or entity which, at the time of the proposed assignment or delegation, is excluded from participation in the Medicare Program or the Medi-Cal Program. Any attempted or purported assignment by the Provider in violation of this Section 12.6 shall be void. The Hospital shall have the right, at any time, to assign, delegate or in any manner transfer all, or any portion, of its interests, obligations or duties under this Agreement, without the consent of the Provider, to any entity which purchases all or substantially all of the assets of the Hospital, that is the surviving entity in a merger with the Hospital or is an affiliate or a subsidiary of the Hospital. The Hospital agrees that it shall not assign, delegate, sell its assets or merge with any entity which is, at the time of the proposed transaction, excluded from participation in the Medicare Program or the Medi-Cal Program.

**Section 12.7 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 12.8 Independent Contractor.** At all times relevant and pursuant to the terms and conditions of this Agreement, the Provider is and shall be construed to be an independent contractor practicing the Provider's profession and shall not hold itself out to be, nor shall it be deemed to be or construed to be, for any purpose, an agent or an employee of the Hospital. The Provider shall be responsible for communicating to the Enrollee that it is an independent contractor of the Hospital and that it is not acting as the Hospital's employee or agent in providing Covered Services hereunder.

**Section 12.9 Waiver.** To be effective, the waiver of any provision, or of the breach of any provision, of this Agreement must be set forth specifically, in writing, and signed by the waiving party. Any such waiver shall not operate or be deemed to be a waiver of any prior or future breach of such provision or of any other provision.

**Section 12.10 Headings.** The subject headings of the articles and sections of this Agreement are included for purposes of convenience only and shall not affect the construction or the interpretation of any of the provisions herein.

**Section 12.11 Termination Based on Legal Event.** Notwithstanding any other provision of this Agreement, if the governmental agencies which administer the Medicare, Medi-Cal or other federally funded programs, or any other federal, state or local governmental or non-governmental agency, or any court or administrative tribunal passes or promulgates any law, rule, regulation, standard, interpretation, order, decision or judgment, including, but not limited to, those relating to any regulations pursuant to federal or state anti-kickback or self-referral statutes (collectively and individually, the "Legal Event"), which, in the good faith judgment of their respective counsel, materially and adversely affects either the Provider's or the Hospital's licensure, accreditation, certification or ability to refer, to accept any referral, to bill, to claim, to present a bill or claim for reimbursement or a risk of prosecution or civil monetary penalty (collectively and individually, the "Adverse Result"), the adversely affected person or entity shall have the right, in good faith, to notify the other party of its intent to either amend or

terminate this Agreement upon thirty (30) days prior written notice (or such shorter period of time if mandated by the Legal Event). During said thirty (30) day period (or such shorter period of time if mandated by the Legal Event), the parties shall negotiate in good faith to amend this Agreement to eliminate the Adverse Result. In the event that the parties are unable to renegotiate this Agreement to eliminate the Adverse Result, this Agreement shall terminate upon the expiration of said thirty (30) day period (or such shorter period of time if mandated by the Legal Event).

**Section 12.12 Maintenance of Tax-Exempt Status.** The parties hereto understand that the Hospital is a nonprofit, public benefit corporation that has outstanding tax-exempt financing and participates in the Medicare and Medi-Cal Programs. The parties acknowledge and agree that this Agreement shall be interpreted and construed to be in compliance with Applicable Laws. In the event that this Agreement, or one or more of its terms or provisions, is reasonably interpreted by the Hospital's counsel to pose a risk of violation of Applicable Laws, the Hospital's debt covenants, the conditions or restrictions pertinent to providers who participate in the Medicare or Medi-Cal Programs, or to adversely affect the Hospital's reimbursement thereunder, the parties agree (i) to continue to perform their respective obligations hereunder, except for the offending provisions, and (ii) to negotiate diligently, but not to exceed thirty (30) days (or such shorter period of time if required by Applicable Laws), and in good faith to amend this Agreement without the offending provisions. In the event that the parties are unable to perform their respective duties and obligations hereunder, without performing the offending provisions, or are unable to delete the offending provisions, then this Agreement shall terminate immediately upon written notice served by the Hospital in accordance with Section 12.3 herein.

**Section 12.13 Solicitation, Gifts and Referrals.** The Provider shall not, nor shall it permit any of its agents, directors, shareholders, officers, employees or contractors, or any other person or entity providing services for, on behalf of or in the name of the Provider under, pursuant to or in connection with this Agreement, directly or indirectly, offer, deliver, receive, provide or accept any rebate, payment, refund, commission, gift, gratuity or other compensation, consideration or inducement for referring or causing any other person, organization or entity, directly or indirectly, to refer patients, clients or customers to the Hospital or any Participating Provider.

**Section 12.14 Counsel.** The parties each acknowledge and agree that they had the opportunity to consult with independent legal counsel of their own choosing relative to the subject matter of this Agreement. The parties each further acknowledge and agree that they are not relying on any advice or statements of counsel for the other party hereto in entering into this Agreement.

**Section 12.15 Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the authorized officers of the parties executed this Agreement as of the Effective Date.

VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER

CORONA REGIONAL MEDICAL  
IMAGING, LLC

Address for Notice:

800 South Main Street  
Corona, California 92882  
Attention: Chief Executive Officer

Address for Notice:

Comprehensive Medical Imaging Centers  
6464 Canoga Avenue  
Woodland Hills, California 91367  
Attention: General Counsel

With a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SCHEDULE 2.1

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COVERED SERVICES

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1. The Covered Services that the Provider is responsible to provide to the Enrollees shall include the following:

MRI Imaging Services

2. Identified below are the Plans which have contracted with the Hospital for the provision of the Covered Services to the Enrollees:

All Plans under which the Hospital is responsible to provide Covered Services to Enrollees

3. Other than as set forth below (a blank space being confirmation that there are no special conditions, limitations or exclusions), there are no special conditions, limitations or exclusions to the Provider's responsibilities to provide Covered Services to the Enrollees.

None

SCHEDULE 4.1

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COMPENSATION/TERM OF THE AGREEMENT

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CAPITATION PAYMENTS            N/A

On or before the twenty-fifth (25th) day of each month during the term hereof, commencing on N/A, the Hospital shall pay to the Provider, the Capitation payments set forth below, for each Enrollee of the Plans for that subject month, except that, with respect to Medi-Cal Enrollees for which a Capitation payment is due to the Provider, such Medi-Cal Capitation payment shall be paid to the Provider on or before the twenty-fifth (25th) day of the succeeding month:

<u>COMMERCIAL HMO ENROLLEES</u>	<u>COMMERCIAL POINT OF SERVICE ENROLLEES</u>	<u>MEDICARE HMO ENROLLEES</u>	<u>MEDICARE POINT OF SERVICE ENROLLEES</u>	<u>MEDI-CAL HMO ENROLLEES</u>	<u>MEDI-CAL POINT OF SERVICE ENROLLEES</u>
<u>PMPM</u>	<u>PMPM</u>	<u>PMPM</u>	<u>PMPM</u>	<u>PMPM</u>	<u>PMPM</u>

N/A

B. Other than as set forth below (a blank space being confirmation that no exclusions exist), drugs and equipment required by the Enrollees, relating to the Covered Services required to be provided by the Provider, shall be provided by, and are the financial responsibility of, the Provider:

None

II. CASE RATE PAYMENTS

The Provider agrees to accept the following case rate payments for the Covered Services provided to the Enrollees:

N/A

## II. FEE SCHEDULE

The Provider agrees to accept the following fee schedule as payment for Covered Services provided to the Enrollees:

### A. PAYMENT.

All Rates for global MRI exam services including contrast and sedation as needed. Rates are for Corona Regional Medical Center's capitated out patients and all in patients that require MRI services. The rate varies for years 1 through 4 and levels from years 5 through 10.

Year 1 - \$275

Year 2 - \$305

Year 3 - \$310

Year 4 - \$310

Year 5 through 10 - \$300

B. TIMING OF PAYMENT. Uncontested claims that have been submitted in compliance with this Agreement, the Hospital Policy and Applicable Laws, will be paid within forty-five (45) days of the submission date. If the Provider has submitted claims via "batch billing", the date of receipt shall be the date that the Hospital receives the "batch billing", not the date of service or other date indicated on individual claims. In the event of a contested claim (including claims not made in compliance with the terms of this Agreement, the Hospital Policy and Applicable Laws), the Provider will be notified of the reason for such contest within forty-five (45) days of the submission date.

## IV. HEALTH PLAN PARTICIPATION

The Provider hereby approves and directs the Hospital to submit the Provider's credentials, which the Hospital has received, in writing, from or with the approval of the Provider, to Plans and Participating Providers requesting such information from the Hospital.

## V. TERM

- (i) This Agreement shall continue in effect from the Effective Date until the Hospital is no longer a "Member" (as that term is defined in the Operating Agreement of Corona Regional Medical Imaging, LLC, dated January 1, 2002).
- (ii) Effective Date: February 1, 2002

VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER

CORONA REGIONAL MEDICAL  
IMAGING, LLC

SCHEDULE 5.5

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INSURANCE

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F:\MEOPC\CRM\Forms\Ancillary Care Agreement\PROVIDER\_ ANCILLARY CARE SERVICE AGREEMENT.wpd March 7, 2000  
(5:13pm)

**INDEPENDENT CONTRACTOR  
AGREEMENT**

**FOR**

**OPERATING SERVICES**

**BETWEEN**

**CORONA REGIONAL MEDICAL  
IMAGING, LLC**

**AND**

**VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER**



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**INDEPENDENT CONTRACTOR AGREEMENT  
FOR OPERATING SERVICES**

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This **INDEPENDENT CONTRACTOR AGREEMENT FOR OPERATING SERVICES** (this "Agreement") is dated the 1<sup>st</sup> day of February, 2002, and will become effective the 1st day of July, 2002 (the "Effective Date"), between **CORONA REGIONAL MEDICAL IMAGING, LLC** (the "Company") and **VISTA HOSPITAL SYSTEMS, INC. D/B/A CORONA REGIONAL MEDICAL CENTER** (the "Contractor"). For purposes of this Agreement, the term "Contractor" shall be deemed to include all agents, employees and independent contractors or other persons or entities providing services for, or on behalf of, or at the direction of the Contractor.

**RECITALS**

1. The Company is a California limited liability company, which provides and/or arranges for the provision of imaging services, for persons requiring such services (collectively, the "Company Participants").
2. The Company and the Contractor have entered into agreements, pursuant to which the Company will purchase certain imaging equipment, to be located in a building, which will be purchased and owned by the Company, on the Contractor's campus.
3. The Company has requested that the Contractor provide certain operating services to, for and on behalf of, the Company, pursuant to the terms and conditions of this Agreement.
4. The Contractor provides hospital acute care and related services and desires to provide the Services (as that term is defined in SCHEDULE 1.2 hereto).
5. It is the desire of the parties to enter into an independent contractor agreement for the purpose of establishing the terms and conditions under which the Contractor will provide the Services hereunder.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree, as follows:

## ARTICLE I

### CONTRACTOR SERVICES

Section 1.1 Offer and Acceptance. The Company hereby offers to utilize the Contractor's services, and the Contractor hereby agrees to provide such services, subject to and in accordance with the terms and conditions set forth herein.

Section 1.2 Contractor's Duties. The Contractor's principal duties hereunder are to provide the Operating Services described herein and in SCHEDULE 1.2, attached hereto and made a part hereof (collectively, the "Operating Services").

Section 1.3 Conduct. The Contractor agrees to perform the Operating Services pursuant to the terms and conditions set forth herein.

Section 1.4 Nondiscrimination. In performing their respective duties and obligations herein, the parties agree not to discriminate in a manner prohibited by applicable laws and regulations.

## ARTICLE II

### LICENSURE

Section 2.1 Licensure and Certification. As of the Effective Date, the Contractor shall be and, during the term of this Agreement remain, duly licensed and/or maintain certifications by all applicable agencies, boards and other entities required or necessary for the Contractor to provide the Operating Services.

## ARTICLE III

### COMPENSATION AND SUPPORT

Section 3.1 Compensation. In consideration of the Contractor providing the Operating Services, the Company agrees to pay the Contractor the amounts set forth in SCHEDULE 3.1, attached hereto and made a part hereof. The Contractor shall provide to Company an itemized invoice and monthly statement of Operating Services rendered to the Company Participants. The Company shall make payment to the Contractor pursuant to the terms and conditions of SCHEDULE 3.1 hereto.

## ARTICLE IV

### OBLIGATIONS OF THE PARTIES

Section 4.1 Standard of Performance. The Contractor shall provide the Operating Services at a generally recognized professional level of quality. The Contractor shall observe and comply with applicable laws and regulations in the provision of the Operating Services.

Section 4.2 Records. Each party shall prepare and cause to be submitted to the other party, on a timely basis, a legible record of their respective services, as reasonably necessary and required for such other party's billing, collection, management, recordkeeping, compliance and compensation purposes.

Section 4.3 Relationship of the Parties. The services of the parties hereunder are those of independent contractors, and neither party, nor such party's agents or employees, shall be deemed to be agents or employees of the other party. Each party shall be solely responsible for compliance with, and the payment of, all taxes of whatever kind including, but not limited to, income, social security, unemployment compensation and worker's compensation, and any penalties and/or fines relating thereto. Neither party shall be obligated to provide to the other party, or to such party's agents or employees, vacation pay, sick leave, retirement benefits, health or disability insurance or other benefits of any kind.

Section 4.4 Authority Each party represents and warrants that it has the power and authority to enter into this Agreement and perform their respective duties and obligations hereunder.

## ARTICLE V

### INSURANCE

Section 5.1 Workers' Compensation Insurance. Each party shall provide, at their sole cost and expense, workers' compensation insurance for such party's agents and employees, in accordance with applicable laws and regulations.

Section 5.2 General and Professional Liability Insurance. Each party shall maintain, at such party's sole cost and expense, a policy of general and professional liability insurance, with an insurance company authorized to do business in the State of California, in a commercially reasonable amount, but not less than \$3,000,000 per claim and in the annual aggregate.

Section 5.3 Proof of Insurance. Each party shall, upon the request of the other party, furnish to such party written evidence of the policies of insurance required under Sections 5.1

and 5.2 herein. Each party agrees not to materially amend or cancel such policies without 30 days prior written notice thereof to the other party.

## ARTICLE VI

### TERM AND TERMINATION

**Section 6.1 Term.** This Agreement shall commence on the Effective Date, and, unless earlier terminated as provided herein, shall continue until the Contractor is no longer a "Member" (as that term is defined in the Operating Agreement of Corona Regional Medical Imaging, LLC, dated January 1, 2002, as amended and supplemented).

**Section 6.2 Termination.** This Agreement shall terminate, as set forth below, if any of the following events occur:

- (i) The parties mutually agree to terminate this Agreement.
- (ii) In addition to the foregoing:
  - (a) this Agreement may be immediately terminated by the Company if the Contractor breaches a material term of this Agreement, which breach is not corrected by the Contractor within ten business days after written notice thereof is given to the Contractor by the Company.
  - (b) this Agreement may be immediately terminated by the Contractor if the Company breaches a material term of this Agreement, which breach is not corrected by the Company within ten business days after written notice thereof is given to the Company by the Contractor.

## ARTICLE VII

### CONFIDENTIALITY

**Section 7.1 Confidentiality.** Each party acknowledges and agrees that, during the term of this Agreement, the party will be making use of, acquiring and adding to confidential information of a special and unique nature relating to, but not necessarily limited to, such matters as the other party's policies, trade secrets, medical records, patient records, systems, procedures, manuals, marketing methodologies, future plans, business transactions and negotiations relating to such party's businesses, computer programs, confidential reports, client lists, patient lists, as well as the amount, nature and type of services, equipment and methods used and preferred by such party (collectively, the "Confidential Information and Trade Secrets"). Each party recognizes the interest which the other party has in the operation of its businesses and

acknowledges the fact that the information and documents described in this ARTICLE VII constitute Confidential Information and Trade Secrets of such other party, and each party hereby waives any and all right, title and interest in and to such other party's Confidential Information and Trade Secrets and agrees to maintain such Confidential Information and Trade Secrets as confidential and agrees not to use or disseminate the Confidential Information and Trade Secrets to any person or entity, except as permitted herein and as required for such party to perform their respective duties and obligations herein.

## ARTICLE VIII

### GENERAL PROVISIONS

Section 8.1 Notices. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and delivered or sent via nationally recognized overnight mail service or Registered or Certified United States Mail, return receipt requested, postage prepaid;

If Addressed to the Company:

Comprehensive Medical Imaging Centers  
6464 Canoga Avenue  
Woodland Hills, California 91367  
Attention: General Counsel

If to the Contractor:

Vista Hospital Systems, Inc. d/b/a  
Corona Regional Medical Center  
800 South Main Street  
Corona, California 92882  
Attention: John A. Calderone, Ph.D.

Notices mailed will be deemed communicated as of the earlier of the date the notice is received by the party or three days after the date of mailing.

Section 8.2 Successors and Assigns. Neither party may assign their respective rights, duties and obligations without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of each party, their successors in interest and permitted assigns.

Section 8.3 Entire Agreement of the Parties. This Agreement supersedes any and all agreements, either written or verbal, between the parties, with respect to the subject matter contained herein, and contains all of the covenants and agreements between the parties with respect thereto. Each party acknowledges and agrees that no representations, inducements,

promises or agreements, verbal or written, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein, and that no agreement, statement or promise, not contained in this Agreement, shall be valid or binding.

**Section 8.4 Amendments.** No amendment hereto shall be effective unless it shall be mutually agreed to, in writing, by the Company and the Contractor.

**Section 8.5 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**Section 8.6 Waiver.** To be effective, the waiver of any provision, or of the breach of any provision, of this Agreement must be set forth specifically, in writing, and signed by the waiving party. Any such waiver shall not operate or be deemed to be a waiver of any prior or future breach of such provision or of any other provision.

**Section 8.7 Partial Invalidity.** If any provision of this Agreement is found to be invalid or unenforceable by any court of competent jurisdiction, such provision shall be ineffective only to the extent that it is in contravention of applicable law and shall not invalidate the remaining provisions herein.

**Section 8.8 Access to Records.** Each party agrees to provide, in accordance with applicable laws and regulations, access to its books and records to duly authorized representatives of the other party, applicable local, State and Federal agencies and entities, and their respective authorized representatives, to evaluate the nature and extent of costs of Medicare or Medi-Cal Program reimbursable services, if any, provided under this Agreement. Such access shall be allowed for a period of six years, or such longer period of time required by applicable laws and regulations, after such Medicare or Medi-Cal Program reimbursable services, if any, are furnished.

**Section 8.9 Indemnification.** A breaching party shall indemnify and hold harmless the nonbreaching party (and the nonbreaching party's employees, agents, directors and officers) against any and all liability arising out of the breaching party's failure to comply with the terms of this Agreement or for injury, loss, claims or damages arising from the breaching party's actions or omissions under or in connection with this Agreement. Furthermore, the nonbreaching party agrees to indemnify and hold harmless the breaching party (and the nonbreaching party's employees, agents, directors and officers) against any and all costs and expenses, including reasonable legal fees and expenses, which are incurred by or on behalf of the nonbreaching party (and the nonbreaching party's employees, agents, directors and officers) in connection with the defense of such claims.

**Section 8.10 Exclusive Agreement.** This Agreement is an exclusive agreement for the Operating Services, and neither party may enter into an agreement for such Operating Services with any other party.

**Section 8.11 Headings.** The subject headings of the articles and sections of this Agreement are included for purposes of convenience only and shall not affect the construction or



the interpretation of any of the provisions herein.

**Section 8.12 Counsel.** Each of the parties hereto has been advised to consult independent legal counsel, and each party acknowledges and agrees that they are not relying on any advice or statements of counsel for the other party in entering into this Agreement. If a party executes this Agreement, and has not sought independent counsel relative thereto, that party hereby affirmatively represents and warrants that they are not relying on counsel for the other party to protect their legal interests relative to this Agreement and the subject matter herein.

**Section 8.13 Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and together shall constitute one agreement.

IN WITNESS WHEREOF, authorized officers of the parties have executed this Agreement as of the Effective Date.

CORONA REGIONAL MEDICAL IMAGING, LLC

VISTA HOSPITAL SYSTEMS, INC. D/B/A  
CORONA REGIONAL MEDICAL CENTER

SCHEDULE 1.2

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CONTRACTOR'S DUTIES

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In addition to the duties and obligations of the Contractor, set forth in the Independent Contractor Agreement for Operating Services, to which this SCHEDULE 1.2 is attached, the Contractor shall provide all required:

- (i) nursing services;
- (ii) transcription services; and
- (iii) routine janitorial services (excluding removal or cleanup of biohazardous materials).

SCHEDULE 3.1

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COMPENSATION

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In consideration of the Contractor providing the Operating Services, the Company shall pay the amounts identified herein, according to the terms and conditions below, to the Contractor, on the first business day of each month during the term hereof, commencing July 1, 2002, \$9,500, comprised of (i) \$5,000 for transcription services, (ii) \$3,800 for nursing services and (iii) \$700 for janitorial services. On each anniversary of the Effective Date, during the term of this agreement, the amounts to be paid by the Company to the Corporation for the transcription services, the nursing services, and the janitorial services, shall be increased, for the next 12 (twelve) months by two percent (2%).

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INITIAL MEETING  
RESOLUTIONS OF THE MEMBERS OF  
CORONA REGIONAL MEDICAL IMAGING, LLC  
ADOPTED BY UNANIMOUS WRITTEN CONSENT

EFFECTIVE \_\_\_\_\_, 2002

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RECITALS

1. This is the initial meeting of the Members (the "Members") of CORONA REGIONAL MEDICAL IMAGING, LLC ("CRMI").
2. This action is taken by the Board, by unanimous written consent, in accordance with applicable laws and regulations.

I. ORGANIZATIONAL MATTERS

- (i) Election of Officers. The persons named below (the "Authorized Officers") are hereby elected as the officers of CRMI, to serve in the capacities set forth opposite their respective names until the next annual meeting of the Members:

<u>NAME</u>	<u>OFFICE</u>
_____	President
_____	Treasurer
_____	Secretary
_____	Assistant Secretary

- (ii) Minute Book. The Secretary and/or the Assistant Secretary is hereby directed to procure and maintain a minute book for CRMI. The Secretary and/or the Assistant Secretary is hereby further directed to place in the minute book a copy of these actions and the minutes of any subsequent meetings of the Members, and such other documents and papers as the Members may direct, from time to time.

- (iii) Articles of Incorporation. The Articles of Incorporation of CRMI, attached hereto as EXHIBIT A, are hereby approved and adopted as the Articles of Incorporation of CRMI (the "Articles"). The Secretary and/or the Assistant Secretary is hereby directed to certify a copy of the Articles and insert them in the minute book of CRMI. The Secretary and/or the Assistant Secretary is hereby further directed to certify another copy of the Articles and keep them in the principal executive office of CRMI, or such other place as the Members may direct, from time to time, where they shall be open to inspection by the Members.
- (iv) Operating Agreement. The Operating Agreement of CRMI, attached hereto as EXHIBIT B, is hereby approved and adopted as the Operating Agreement of CRMI. The Secretary and/or the Assistant Secretary is hereby directed to certify a copy of the Operating Agreement and insert it in the minute book of CRMI. The Secretary and/or the Assistant Secretary is hereby further directed to certify another copy of the Operating Agreement and keep it in the principal executive office of CRMI, or such other place as the Members may direct, from time to time, where it shall be open to inspection by the members of the Members.
- (v) Principal Office. The principal office of CRMI is located at \_\_\_\_\_, California \_\_\_\_\_, Attention: President.

## II. FISCAL AND ACCOUNTING MATTERS

- (i) Designation of Accounting Year. The accounting year of CRMI is hereby designated to begin on January 1 of each year and end on December 31 of the same year.
- (ii) Bank Accounts. The President is hereby authorized and directed to establish and maintain one or more banking accounts, by and in the name of CRMI, on and subject to such terms and conditions as the President may, from time to time, determine. Any Authorized Officer is hereby authorized to endorse checks, drafts or other evidence of indebtedness made payable to CRMI, but only for the purposes of deposit. The Secretary and/or the Assistant Secretary is hereby authorized and directed to certify a copy of these Resolutions, and to present a copy of such action to any financial institution with which CRMI maintains banking accounts, if and as required by such financial institutions. The Secretary and/or the Assistant Secretary is hereby further authorized and directed to insert a copy of these certified Resolutions in the minute book of CRMI.

### III. OPERATIONAL MATTERS

- (i) Licenses, Permits and Approvals. The Authorized Officers are authorized and directed to do all things necessary or appropriate to obtain all licenses, permits and approvals necessary or required for the conduct of the operations and the businesses of CRMI by any federal, state, county or municipal government ordinance or regulation, and to do all things necessary or convenient to qualify CRMI to transact its operations and businesses in compliance with the applicable laws and regulations of appropriate federal, state, county or municipal governmental authorities.
- (ii) Authorization to Execute Agreements. The Authorized Officers are authorized to approve, enter into, attest and notarize, as appropriate, any and all agreements, contracts and obligations necessary or required for the conduct of the operations and the businesses of CRMI.
- (iii) Insurance. The Authorized Officers are authorized and directed to do all things necessary or required to obtain all insurance coverages and policies, necessary or required for the conduct of the operations and the businesses of CRMI.
- (iv) Tax Filings. The Authorized Officers are authorized and directed to do all things necessary or required to obtain and maintain federal, state and local tax filings status for CRMI.
- (v) Employer Identification Number and Withholding. The Authorized Officers are authorized and directed to take all actions necessary or required to secure federal and state employer identification numbers and to comply with applicable laws and regulations regarding payroll reporting, withholding and taxes.

### IV. EMPLOYEE MATTERS

Employee Policies and Procedures. The Authorized Officers are authorized and directed to do all things necessary or required to develop and implement policies and procedures relating to persons employed by CRMI, and to take all actions and execute all documents necessary or required in connection therewith.

GENERAL AUTHORIZATION

Further Actions. The Authorized Officers are authorized and directed to take any further action and to execute and deliver any further documents they deem necessary or required to carry out the purposes and intent of these Resolutions, and the transactions described and authorized herein, and all actions taken, and documents executed, by any Authorized Officer, with respect to the transactions referred to herein, which have been undertaken to date, or which are subsequently taken, and that are in compliance with these Resolutions, are hereby ratified, confirmed, authorized and approved.

\_\_\_\_\_  
\_\_\_\_\_  
  
\_\_\_\_\_  
\_\_\_\_\_

EXHIBIT A

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ARTICLES OF INCORPORATION

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EXHIBIT B

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OPERATING AGREEMENT

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EXHIBIT C

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BANKING RELATIONSHIPS

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F:\MEOPC\CRMI\Resolutions\Initial Resolutions (CRMI and Newman).wpdDATE \@  
"MMMM d, yyyy"

**SCHEDULE 1.2(b)**

**ASSETS LIMITED AS TO USE**

Please see attached schedule of assets held in trust or limited as to use.

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 SCHEDULE 1.2(b)  
 EXCEPTED ASSETS: Assets Limited as to Use  
 As OF November 30, 2002

"All assets set forth on the Closing Date Financial Statements which are: (1) held in trust or which are limited as to use pursuant to any note, bond, mortgage or indenture set forth on Schedule 1.2(b), the current amounts of which are set forth on Schedule 1.2(b),..."

*French Hospital and Medical Center*

FS RU Category	Dept Acct	GLACCTDESC	11/30/2002
9 Assets Limited as to Use	1352	0 FR REVENUE FUND	2,229
9 Assets Limited as to Use	1354	0 FR DEBT SERVICE FUND	1,008,974
9 Assets Limited as to Use	1354	1000 FR CERT. RESERVE EARNINGS	433,665
9 Assets Limited as to Use	1355	0 FR INTEREST FUND	601,523
<b>9 Assets Limited as to Use Total</b>			<b><u>2,046,391</u></b>

*Arroyo Grande Community Hospital*

FS RU Category	Dept Acct	GLACCTDESC	11/30/2002
9 Assets Limited as to Use	1352	0 AG REVENUE FUND	11
9 Assets Limited as to Use	1352	1000 AG REVENUE FUND 92A COP	(296)
9 Assets Limited as to Use	1354	1000 AG CERT. RESERVE 92A	353,963
9 Assets Limited as to Use	1354	3000 AG 96A CERTIFICATE RESERVE FUND	56,788
9 Assets Limited as to Use	1355	1000 AG INTEREST FUND 92A	187,881
9 Assets Limited as to Use	1355	3000 AG 96A INTEREST FUND	25,329
<b>9 Assets Limited as to Use Total</b>			<b><u>623,675</u></b>

*Corona Regional Medical Center*

FS RU Category	Dept Acct	GLACCTDESC	11/30/2002
9 Assets Limited as to Use	1351	400 CRM CERT RESERVE FUND 92 B & C (BNY 418513)	952,684
9 Assets Limited as to Use	1351	402 CRM CERTIFICATE RESERVE 1996B (BNY 418557)	263,839
9 Assets Limited as to Use	1351	900 CRM INTEREST ACCT. 92B & C (BNY 418516)	487,983
9 Assets Limited as to Use	1351	901 CRM INTEREST FUND 1996B (BNY 418570)	121,026
9 Assets Limited as to Use	1351	500 CRM REVENUE 92 B & C (BNY 418527)	8
9 Assets Limited as to Use	1351	501 CRM REVENUE FUND 1996B (BNY 418579)	1,668
<b>9 Assets Limited as to Use Total</b>			<b><u>1,827,209</u></b>

**SCHEDULE 1.2(f)**

**ASSETS NOT PURCHASED BY BUYER**

See attached schedule. Excludes assets owned by Vista, which include the property, plant and equipment located at 770 Magnolia Avenue and the property, plant and equipment used by the officers of Vista.

VISTA HOSPITAL SYSTEMS INC.  
FRENCH HOSPITAL MEDICAL CENTER  
SCHEDULE 1.2(f)  
EXCEPTED ASSETS: Buyer Excluded Assets  
As OF November 30, 2002

"Such other assets, if any, which Buyer, in its sole discretion, determines not to purchase, or is otherwise specifically described in Schedule 1.2(f)."

*French Hospital and Medical Center*

FS RU Category	Dept Acct GLACCTDESC	11/30/2002
		-
Buyer Excluded Assets		<u>-</u>

*Arroyo Grande Community Hospital*

FS RU Category	Dept Acct GLACCTDESC	11/30/2002
		-
Buyer Excluded Assets		<u>-</u>

*Corona Regional Medical Center*

FS RU Category	Dept Acct GLACCTDESC	11/30/2002
		-
Buyer Excluded Assets		<u>-</u>

**SCHEDULE 2.2(a)(ii)**

**ASSUMED OBLIGATIONS FORM**

See attached form of Bill of Sale and Assignment and Assumption of Obligations.

## SCHEDULE 2.2(a)(ii)

### BILL OF SALE AND ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS

THIS BILL OF SALE AND ASSIGNMENT AND ASSUMPTION OF OBLIGATIONS ("Assignment") is entered into as of \_\_\_\_\_, 2003 by and between UHS-Corona, Inc., a Delaware corporation ("Assignee"), and VISTA HOSPITAL SYSTEMS, INC., a California nonprofit public benefit corporation ("Vista") and FRENCH HOSPITAL MEDICAL CENTER, a California nonprofit public benefit corporation ("French") (Vista and French are together referred to as "Assignor"), in accordance with that certain Asset Purchase Agreement dated as of \_\_\_\_\_, by and between Assignee and UNIVERSAL HEALTH SERVICES, INC., a Delaware corporation, the parent corporation of Assignee ("Universal"), on the one hand, and Assignor, on the other hand ("Agreement"). All capitalized terms used and not otherwise defined in this Assignment shall have the meanings given them in the Agreement.

NOW THEREFORE, the parties agree as follows:

1. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and except as set forth and expressly excluded in this Section 1 and in Sections 4 and 5 of this Assignment, Assignor hereby sells, transfers, conveys, assigns, contributes and delivers to Assignee all of Assignor's right, title and interest in and to all of the businesses, properties and assets of Assignor, of every kind and nature, whether tangible or intangible and wherever located, which directly or indirectly are related to, used in, necessary for or contribute to the operation of that certain fully licensed and operational: (a) 228 bed general acute-care hospital which is commonly known as Corona Regional Medical Center, (b) 65 bed general acute-care hospital which is commonly known as Arroyo Grande Community Hospital, and (c) 112 bed general acute-care hospital which is commonly known as French Hospital Medical Center (the "Hospitals") and the medical office buildings and any other activity or business related thereto ("Transferred Assets"), including, without limiting the generality of the foregoing, the following.

a. All equipment and other tangible personal property, other than items of tangible personal property that are consumed, disposed of or held for sale or inventoried in the ordinary course of business.

b. All inventories of office, janitorial, maintenance, shop and other supplies, drugs, food and other disposables which are existing as of the date hereof which: (i) are not obsolete; (ii) for drugs and other supplies intended for patient consumption, have expiration dates more than 30 days after the date hereof; (iii) for perishable food, are fresh and (iv) are not otherwise designated by Assignee in writing as excluded as provided in Paragraph 1.1(d) of the Agreement.

c. Those written contracts, agreements, leases, obligations, commitments, and covenants ("Contracts") to which Assignor is a party as of the date hereof: (i) that are set forth on Schedules "1.1(b)" and "1.1(e)" of the Agreement; (ii) which constitute routine supply



or service contracts pursuant to which Assignor paid or received less than \$15,000 during Assignor's last two fiscal years or pursuant to which Assignor expects less than \$15,000 to be paid or received during Assignor's current fiscal year, whether or not listed on Schedule "1.1(e)"; or (iii) which were entered into or amended after the date of the Agreement, and of which Assignor gave notice to Universal and Universal did not disapprove pursuant to Paragraph 6.1(d) of the Agreement; provided, however, that the Contracts shall not include any contract which Assignee reasonably determines; (iv) to be in violation of any Law or safe-harbor therein contained; or (v) to contain terms which, in the aggregate, are commercially unreasonable.

d. To the extent lawfully transferable, all accreditations, registrations, licenses, permits, and other governmental consents or authorizations necessary to or intended for the operation of the Hospital Businesses as presently conducted by Assignor.

e. Those advance payments, prepayments, prepaid expenses, deposits and the like, including those items which are located on the Financial Statements as "Other Current Assets", which Universal designated to purchase pursuant to Paragraph 1.1(g) of the Agreement, defined in the Agreement as the Prepaids, in the categories and amounts set forth on the Estimated Closing Statement, subject to final adjustment in the Closing Statement.

f. All of Assignor's right, title and interest in and to any and all business names, marks and logos now or ever used in connection with the Hospital Businesses, and any and all names, marks and logos under which Assignor or any Hospital Business has done business or offered programs, together with all abbreviations and variations thereof, including but not limited to the business names and logos set forth in Schedule "1.1(h)" of the Agreement, and all goodwill associated therewith.

g. All unexpired warranties and covenants not to compete that are transferrable to Assignee received from third parties in connection with any Transferred Asset, including but not limited to such warranties and covenants set forth in any construction agreement, lease agreement, equipment purchase agreement, consulting agreement, agreement for architectural and engineering services or purchase or sale agreement.

h. All of the Hospitals' Records.

i. All claims, choses in action, rights of recovery, rights of set off, rights to refunds and similar rights pertaining to the Transferred Assets.

j. All proprietary materials, documents, information, media, methods and processes, and any and all rights to use the same, including but not limited to all telephone numbers, intangible assets of an intellectual property nature, all proprietary computer software, all clinical and policy and procedure manuals, and all promotional, marketing and recruiting materials.

k. Any and all rights respecting computer and data processing hardware that is proprietary to Assignor or any Affiliate of Assignor, and all computer and data processing hardware that is part of a computer system used by any of the Hospital Businesses, whether or not any of such hardware or the central processing unit for any such computer system is located at the Hospitals.

1. All right, title and interest of Assignor in and to those joint ventures, partnerships, limited liability companies or other Persons (whether such interest is a stock, partnership, membership or other ownership interest or is as a creditor), listed on Schedule "1.1(n)" of the Agreement, together with all of Assignor's right, title and interest in and to such joint venture, partnership or operating agreement or other documents relating thereto also listed on Schedule "1.1(n)" of the Agreement, and in and to all distributions and allocations which Assignor is entitled to receive therefrom as of the date hereof.

m. All other assets, activities and businesses reflected in whole or in part on the Financial Statements.

2. Assignor hereby binds itself and its successors and assigns, unto Assignee and its successors and assigns, to warrant and defend the title to all of the Transferred Assets against every Person lawfully claiming or to claim the Transferred Assets or any part thereof, subject to the limitations on indemnification obligations set forth in Paragraph 15 of the Agreement.

3. Assignor hereby constitutes and appoints Assignee and its permitted successors and assigns as its true and lawful attorney or attorneys, with full power of substitution, to act for Assignor and in its name and stead or otherwise, by and on behalf of and for the benefit of Assignee and its permitted successors and assigns, to demand and receive from time to time any and all of the Transferred Assets, and to give receipts and releases for and in respect of same and any part thereof, and from time to time to institute and prosecute in the name of Assignor or otherwise, but at the expense (subject to any reimbursement or indemnification required under the Agreement) and for the benefit of Assignee and its permitted successors and assigns, any and all proceedings at law, in equity or otherwise which Assignee or its successors or assigns may deem proper in order to collect, assert or enforce any claim, right or title of any kind in and to the Transferred Assets, and to defend or compromise any and all actions, suits or proceedings in respect of any of the Transferred Assets, and to do all such acts and things in relation thereto as Assignee or its successors or assigns shall deem desirable. Assignor hereby declares that the appointment made and the powers hereby granted are coupled with an interest and are and shall be irrevocable by Assignor in any manner or for any reason.

4. The sale, transfer, conveyance and assignment set forth in Section 1 of this Assignment does not include the Retained Assets, as provided in Paragraph 1.2 of the Agreement.

5. Assignee hereby expressly assumes and agrees to pay, perform, observe and discharge as and when due all obligations, liabilities, commitments, requirements and duties ("Obligations") of Assignor under the Assumed Obligations; provided, however, that Assignor acknowledges and agrees that: (1) the Assumed Obligations include, and Assignee hereby assumes, Assignor's Obligations under Contracts only to the extent that such Obligations pertain to or are to be performed during any period commencing on or after the date hereof; and (ii) the Assumed Obligations do not include, and Assignee does not assume, any of the Excluded Liabilities, which Excluded Liabilities are, and from and after the date hereof shall continue to be, the sole responsibility of Assignor.

6. This Assignment is executed and delivered in connection with the Agreement, and anything to the contrary herein notwithstanding, nothing herein shall in any way vary the promises, agreements, representations, and warranties of any of the parties set forth in the Agreement.

7. This Assignment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first written above.

UNIVERSAL HEALTH SERVICES, INC.

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

VISTA HOSPITAL SERVICES, INC.

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRENCH HOSPITAL MEDICAL CENTER

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE 3.1(b)**

**PAID TIME OFF**

**OMITTED<sup>1</sup>**

---

<sup>1</sup> Omitted documents contain confidential information

**SCHEDULE 3.1(c)**

**ACCRUED OPERATING EXPENSES (EXCLUDING PTO)**

See schedule attached.

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 SCHEDULE 3.1(C)  
 ASSUMED LIABILITIES & OBLIGATIONS: Salaries, Wages and Other Payroll Costs  
 As Of November 30, 2002

Salaries and other payroll costs respecting Hired Employees accrued in accordance with normal accounting practices of Seller (but not including bonuses or other incentive compensation or accrued benefits with respect to Plans that are not assumed by Buyer), but only to the extent of the amount of such such liability recorded on the Closing Statement. The foregoing current liabilities, together with the liabilities and obligations for Paid Time Off and related Taxes assumed under Paragraph 3.1(b), are collectively referred to as the "Accrued Operating Expenses". The categories and current amounts of the Accrued Operating Expenses (exclusive of the amounts set forth in Schedule 3.1(b)) are set forth on Schedule 3.1(c).

*French Hospital and Medical Center*

PS RU Category	Dept Acct	GLACCTDESC	11/30/2002
24 Accrued Salaries & Wages	2031	0 FR ACCRUED PAYROLL	(943,726)
24 Accrued Salaries & Wages	2039	2 FR BENEFITS - VISION	582
24 Accrued Salaries & Wages	2039	5 FR HEALTH INSURANCE-HEALTH NET	98,554
24 Accrued Salaries & Wages	2039	100 FR BENEFITS - AD & D	(4,645)
24 Accrued Salaries & Wages	2039	252 FR DENTAL HMO	22,687
24 Accrued Salaries & Wages	2039	300 FR BENEFITS - DEP LIFE 10K/20K	(6,744)
24 Accrued Salaries & Wages	2039	400 FR BENEFITS - GROUP TERM LIFE	(23,509)
24 Accrued Salaries & Wages	2039	500 FR SHORT TERM DIS/CANCER RESPONSE/LIFE	(1,734)
24 Accrued Salaries & Wages	2039	1000 FR BENEFITS - CREDIT UNION W/H	15
24 Accrued Salaries & Wages	2039	1500 FR BENEFITS - REC ACTIVITY	57
24 Accrued Salaries & Wages	2039	1800 FR BENEFITS - CHARITY DEDUCTION	(1,133)
24 Accrued Salaries & Wages	2039	1900 FR BENEFITS - NONPAYROLL BENEFITS	1,760
24 Accrued Salaries & Wages	2039	2000 FR BENEFITS - GARNISHMENT W/H	841
24 Accrued Salaries & Wages	2039	2600 FR EVENT TICKETS	(94)
24 Accrued Salaries & Wages	2039	3000 FR BENEFITS - HOSP MED PYMT W/H	285
24 Accrued Salaries & Wages	2039	4000 FR BENEFITS - L-T DISABILITY W/H	11,869
24 Accrued Salaries & Wages	2039	4500 FR 403(b) LOANS	4,912
24 Accrued Salaries & Wages	2039	5000 FR BENEFITS - TAX DEF SAVINGS W/H	(44,581)
24 Accrued Salaries & Wages	2039	6000 FR BENEFITS - TAX DEF SAV MATCH	(102,836)
24 Accrued Salaries & Wages	2039	7000 FR BENEFITS - FLEX SPEND MEDICAL	(3,820)
24 Accrued Salaries & Wages	2039	8000 FR BENEFITS - FLEX SPEND DEP CARE	411
24 Accrued Salaries & Wages	2039	9000 FR UNCLAIMED PAYROLL CHECKS	350
24 Accrued Salaries & Wages Total			<u>(996,490)</u>

*Arroyo Grande Community Hospital*

PS RU Category	Dept Acct	GLACCTDESC	11/30/2002
24 Accrued Salaries & Wages	2031	0 AG ACCRUED PAYROLL	(212,025)
24 Accrued Salaries & Wages	2039	0 AG BENEFITS - INSURANCE RESERVE	145
24 Accrued Salaries & Wages	2039	2 AG BENEFITS - VISION	3,108
24 Accrued Salaries & Wages	2039	4 AG HEALTH INSURANCE-BLUE SHIELD	693
24 Accrued Salaries & Wages	2039	5 AG HEALTH INSURANCE-HEALTH NET	251,933
24 Accrued Salaries & Wages	2039	100 AG BENEFITS - AD & D	(5,181)
24 Accrued Salaries & Wages	2039	252 AG DENTAL HMO	13,284
24 Accrued Salaries & Wages	2039	300 AG BENEFITS - DEP LIFE 10K/20K	(4,352)
24 Accrued Salaries & Wages	2039	400 AG BENEFITS - GROUP TERM LIFE	31,273
24 Accrued Salaries & Wages	2039	500 AG SHORT TERM DIS/CANCER RESPONSE/LIFE	1,187
24 Accrued Salaries & Wages	2039	1000 AG BENEFITS - CREDIT UNION W/H	330
24 Accrued Salaries & Wages	2039	1500 AG BENEFITS - REC ACTIVITY	(86)
24 Accrued Salaries & Wages	2039	1800 AG BENEFITS - CHARITY DEDUCTION	(695)
24 Accrued Salaries & Wages	2039	1900 AG BENEFITS - NONPAYROLL BENEFITS	(1,512)
24 Accrued Salaries & Wages	2039	2000 AG BENEFITS - GARNISHMENT W/H	(684)
24 Accrued Salaries & Wages	2039	2600 AG EVENT TICKETS	(624)
24 Accrued Salaries & Wages	2039	3000 AG BENEFITS - HOSP MED PYMT W/H	(550)
24 Accrued Salaries & Wages	2039	4000 AG BENEFITS - L-T DISABILITY W/H	(37,115)
24 Accrued Salaries & Wages	2039	5000 AG BENEFITS - TAX DEF SAVINGS W/H	5,794
24 Accrued Salaries & Wages	2039	6000 AG BENEFITS - TAX DEF SAV MATCH	(63,567)
24 Accrued Salaries & Wages	2039	7000 AG BENEFITS - FLEX SPEND MEDICAL	(4,348)
24 Accrued Salaries & Wages	2039	8000 AG BENEFITS - FLEX SPEND DEP CARE	752
24 Accrued Salaries & Wages Total			<u>(25,037)</u>

*Corona Regional Medical Center*

PS RU Category	Dept Acct	GLACCTDESC	11/30/2002
24 Accrued Salaries & Wages	2030	0 CRM ACCRUED LIABILITIES/PAYROLL	(603,348)
24 Accrued Salaries & Wages	2039	1 CRM AD&D INSURANCE	(2,991)
24 Accrued Salaries & Wages	2039	400 CRM ADDITIONAL GROUP TERM LIFE	(683)
24 Accrued Salaries & Wages	2039	5200 CRM BENEFITS - AETNA 4035	(252)
24 Accrued Salaries & Wages	2039	1000 CRM BENEFITS - CREDIT UNION	(6,905)
24 Accrued Salaries & Wages	2039	8000 CRM BENEFITS - FLEX SPEND DEP CARE	(220)
24 Accrued Salaries & Wages	2039	7000 CRM BENEFITS - FLEX SPEND MED	(16,462)
24 Accrued Salaries & Wages	2039	5000 CRM BENEFITS - TAX DEF	(62,475)
24 Accrued Salaries & Wages	2039	6000 CRM BENEFITS - TAX DEF MATCH	(123,887)
24 Accrued Salaries & Wages	2039	4000 CRM BENEFITS -LTD	(12,461)
24 Accrued Salaries & Wages	2039	3 CRM BLUE SHIELD HMO	52,545
24 Accrued Salaries & Wages	2039	4 CRM BLUE SHIELD PPO	32,134
24 Accrued Salaries & Wages	2039	1800 CRM CHARITABLE CONTRIBUTIONS	(116)
24 Accrued Salaries & Wages	2039	401 CRM CORE GROUP TERM LIFE	7,391
24 Accrued Salaries & Wages	2039	5 CRM CPIC VISION	1,464
24 Accrued Salaries & Wages	2039	251 CRM DENTAL - PMI/PPO	(14,184)
24 Accrued Salaries & Wages	2039	250 CRM DENTAL DPO/HMO	(3,834)
24 Accrued Salaries & Wages	2039	300 CRM DEPENDENT LIFE	(1,370)
24 Accrued Salaries & Wages	2039	3000 CRM EMPLOYEE NOTES REC'D	(200)
24 Accrued Salaries & Wages	2035	0 CRM FEDERAL TAXES WITHHELD	941
24 Accrued Salaries & Wages	2036	0 CRM FICA-EMPLOYEE	74
24 Accrued Salaries & Wages	2036	100 CRM FICA-EMPLOYER	(48,351)
24 Accrued Salaries & Wages	2039	1930 CRM FUND RAISER PAYROLL DEDUCTION	(1,622)
24 Accrued Salaries & Wages	2039	2000 CRM GARNISHMENTS PAYABLE	(1,722)
24 Accrued Salaries & Wages	2039	1910 CRM GIFT SHOP DEDUCTIONS	(4,034)
24 Accrued Salaries & Wages	2037	5000 CRM SDI WITHHELD	(7,499)
24 Accrued Salaries & Wages	2039	500 CRM SLAVIN/PARKER AUTO INS	(1,007)
24 Accrued Salaries & Wages	2037	0 CRM STATE TAXES WITHHOLDING	(39,406)
24 Accrued Salaries & Wages	2036	400 CRM SUI PAYABLE	(40,975)
24 Accrued Salaries & Wages	2020	400 CRM UNCLAIMED PAYROLL CHECKS	(10,835)
24 Accrued Salaries & Wages	2039	350 CRM UNIVERSAL LIFE	(327)
24 Accrued Salaries & Wages	2039	450 CRM US SAVINGS BONDS	(2,465)
24 Accrued Salaries & Wages	2039	103 CRM WORKER COMPENSATION INSURANCE	(381,061)
24 Accrued Salaries & Wages Total			<u>(1,295,322)</u>

**SCHEDULE 5.3(a)**  
**FINANCIAL STATEMENTS**

November 2002 and 2000 and 2001 Audit reports are attached.



VISTA HOSPITAL SYSTEMS INC.  
FRENCH HOSPITAL MEDICAL CENTER  
SCHEDULE 5.3(a)  
FINANCIAL STATEMENTS  
As Of November 30, 2002

Financial Statements. Schedule 5.3(a) contains: (i) the audited consolidated balance sheets of Seller with respect to the Transferred Assets as of December 31, 2001 and the related consolidated statements of income for each fiscal year then ended (the "Prior Year's Statements"); and (ii) the unaudited consolidated balance sheet of Seller with respect to the Transferred Assets as of September 30, 2002 and the related unaudited consolidated statements of income for the nine months then ended (the "Interim Statements"). The Prior Year's Statements, the Interim Statements and the Monthly Statements are collectively referred to as the "Financial Statements".

The Financial Statements are true, complete and correct in all Material respects, have been prepared from, and are in accordance with, the books and records of Seller and present fairly and accurately the financial position and results of operations of Seller with respect to the Transferred Assets as of the dates and for the periods indicated, in each case in conformity with GAAP consistently applied by Seller throughout the periods indicated. There are no reasons or events whatsoever for which adequate reserves appearing in the Financial Statements have not been established. The Financial Statements fairly and accurately reflect in all Material respects the operating expenses and direct costs for the periods indicated. The description and summary of the sick pay benefits and accounting policies therefor set forth on Schedule 3.1(b) is true, correct and complete in all respects and the amount recorded on the Financial Statements for such sick pay benefits is consistent with the policies described in Schedule 3.1(b).

Included:

Audited 2000 and 2001 financials  
November 30th, 2002 Financials

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER  
COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2001 AND 2000

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# Stonefield Josephson, Inc.

Certified Public Accountants / Business & Personal Advisors  
Member of DFK and The Leading Edge Alliance

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Vista Hospital Systems, Inc.  
French Hospital Medical Center

We have audited the accompanying combined statements of financial position of Vista Hospital Systems, Inc. and French Hospital Medical Center (the "Group") as of December 31, 2001 and 2000, and the related combined statements of activities and changes in net deficit and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2001 and 2000, and the combined changes in their net deficit and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

~~CERTIFIED PUBLIC ACCOUNTANTS~~

San Francisco, California  
July 3, 2002

Santa Monica	1620 26th Street / Suite 400 South / Santa Monica / California 90404-4041 / Tel 310.453.9400 / Fax 310.453.1167
Irvine	18500 Von Karman Avenue / Suite 550 / Irvine / California 92612-0540 / Tel 949.653.9400 / Fax 949.233.3562
San Francisco	655 Montgomery Street / Suite 1220 / San Francisco / California 94111-2630 / Tel 415.981.9400 / Fax 415.391.2310
Walnut Creek	2121 North California Blvd. / Suite 900 / Walnut Creek / California 94596-7306 / Tel 925.938.9400 / Fax 925.930.0107

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31, <u>2001</u>	December 31, <u>2000</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,721,744	\$ 1,334,793
Assets limited as to use	5,730,111	10,838,579
Patient accounts receivable, less uncollectible and contractual allowances of \$30,178,189 for 2001 and \$26,605,149 for 2000	19,919,325	21,955,708
Other receivables	1,448,206	1,044,087
Inventory	2,912,213	3,129,813
Prepaid expenses and other current assets	<u>1,188,067</u>	<u>2,436,202</u>
Total current assets	33,919,666	40,739,182
<b>Other assets:</b>		
Property, plant and equipment, net	75,843,148	79,546,234
Deferred financing costs, net	5,619,946	6,128,382
Goodwill, net	463,353	488,110
Other	<u>828,508</u>	<u>764,866</u>
Total other assets	<u>82,754,955</u>	<u>86,927,592</u>
Total	<u>\$ 116,674,621</u>	<u>\$ 127,666,774</u>
<b>LIABILITIES AND NET DEFICIT</b>		
<b>Current liabilities:</b>		
<b>Current maturities:</b>		
Notes payable	\$ 771,828	\$ 860,407
Capitalized leases	951,906	897,416
Accounts and medical claims payable	11,308,576	13,259,654
Accrued payroll and benefits	4,501,332	4,072,629
Accrued interest, current	2,172,000	5,000,000
Accrued expenses	9,222,643	9,802,233
Due to third-party payors	<u>7,948,140</u>	<u>11,741,606</u>
Total current liabilities	36,876,425	45,633,945
<b>Long-term liabilities:</b>		
Long-term debt	180,392,942	180,312,689
Notes payable, net of current maturities	4,089,506	12,512,653
Capitalized leases, net of current maturities	1,707,220	1,834,243
Accrued interest, net of current portion	26,222,025	8,055,679
Accrued malpractice insurance	2,165,680	2,352,005
Other liabilities, principally deferred revenue	<u>8,892,063</u>	<u>9,272,822</u>
Total long-term liabilities	<u>223,469,436</u>	<u>214,340,091</u>
Total liabilities	260,345,861	259,974,036
Unrestricted net deficit	<u>(143,671,240)</u>	<u>(132,307,262)</u>
Total	<u>\$ 116,674,621</u>	<u>\$ 127,666,774</u>

See accompanying independent auditors' report and notes to financial statements.

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

COMBINED STATEMENTS OF ACTIVITIES AND  
CHANGES IN NET DEFICIT

	Year ended <u>December 31, 2001</u>	Year ended <u>December 31, 2000</u>
<b>Revenues:</b>		
Net patient service revenue	\$ 156,488,350	\$ 123,522,371
Other revenue, net	<u>4,848,768</u>	<u>6,366,132</u>
Total revenues	<u>161,337,118</u>	<u>129,888,503</u>
<b>Expenses:</b>		
Salaries and temporary help	58,282,959	51,461,980
Employee benefits	12,682,454	13,996,770
Supplies	26,270,467	25,092,461
Purchased services and professional fees	20,280,097	23,365,973
Interest	14,299,277	14,336,242
Depreciation and amortization	7,345,717	7,610,503
Provision for uncollectible accounts	15,668,723	6,257,434
Repairs, rent and utilities	6,921,440	5,769,598
Insurance	1,523,087	1,873,557
Other operating expenses	<u>2,566,379</u>	<u>2,121,814</u>
Total expenses	<u>165,840,600</u>	<u>151,886,332</u>
Loss from continuing operations before Bond interest rate restatement	(4,503,482)	(21,997,829)
Bond interest rate restatement (Note 8)	<u>7,469,801</u>	<u>-</u>
Loss from continuing operations	(11,973,283)	(21,997,829)
Non-operating revenue	609,305	2,151,554
Extraordinary item - gain on extinguishment of debt	<u>-</u>	<u>1,800,000</u>
Decrease in unrestricted net assets	(11,363,978)	(18,046,275)
Unrestricted net deficit, beginning of year	<u>(132,307,262)</u>	<u>(114,260,987)</u>
Unrestricted net deficit, end of year	<u>\$ (143,671,240)</u>	<u>\$ (132,307,262)</u>

See accompanying independent auditors' report and notes to financial statements.

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

COMBINED STATEMENTS OF CASH FLOWS

	<u>Year ended</u> <u>December 31, 2001</u>	<u>Year ended</u> <u>December 31, 2000</u>
<b>Cash flows used for operating activities:</b>		
Decrease in unrestricted net assets	\$ (11,363,978)	\$ (18,046,275)
<b>Adjustments to reconcile decrease in unrestricted net assets to net cash provided by (used for) operating activities and nonoperating gains (net of effect of business acquired):</b>		
Depreciation and amortization	7,345,717	7,610,503
Amortization of bond discount	80,253	78,521
Provision for uncollectible accounts	15,668,723	6,257,434
Gain on extinguishment of debt	-	(1,800,000)
Gain on OIG settlement	-	(1,223,770)
Loss (gain) on sale of equipment	25,598	(9,173)
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in assets:</b>		
Patient accounts receivable	(13,632,340)	(12,063,329)
Other receivables	(480,693)	(13,777)
Inventory	217,600	38,569
Prepaid expenses and other current assets	1,248,135	1,708,784
Other assets	(63,642)	(156,008)
<b>Increase (decrease) in liabilities:</b>		
Accounts and medical claims payable	(1,951,078)	6,894,133
Accrued payroll and benefits	428,703	(413,079)
Accrued interest	15,338,346	4,641,129
Accrued expenses (including malpractice insurance)	(765,915)	(82,129)
Due to third-party payors	(3,793,466)	3,124,822
Other liabilities	(380,759)	385,257
Net cash provided by (used for) operating activities	<u>7,921,204</u>	<u>(3,068,388)</u>
<b>Cash flows provided by (used for) investing activities:</b>		
Purchase of property and equipment	(2,201,378)	(2,804,738)
Decrease in assets limited as to use	<u>5,108,468</u>	<u>4,079,680</u>
Net cash provided by investing activities	<u>2,907,090</u>	<u>1,274,942</u>
<b>Cash flows provided by (used for) financing activities:</b>		
(Payments) proceeds from current notes payable, net	(8,511,726)	845,756
(Payments) on capital lease obligations, net	(929,617)	(952,629)
Deferred financing costs	-	(593)
Net cash used for financing activities	<u>(9,441,343)</u>	<u>(107,466)</u>
Net increase (decrease) in cash and cash equivalents	1,386,951	(1,900,912)
Cash and cash equivalents, beginning of year	<u>1,334,793</u>	<u>3,235,705</u>
Cash and cash equivalents, end of year	<u>\$ 2,721,744</u>	<u>\$ 1,334,793</u>

See accompanying independent auditors' report and notes to financial statements.

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

(1) **Organization:**

Vista Hospital Systems, Inc. ("Vista") is a California nonprofit public benefit acute care corporation consisting of Arroyo Grande Community Hospital ("AGCH") and Corona Regional Medical Center ("CRMC") located in Arroyo Grande and Corona, California, respectively. Vista has the right to appoint hospital directors, approve major hospital expenditures and approve long-term borrowings.

French Hospital Medical Center ("FHMC") is a California nonprofit public benefit acute care corporation located in San Luis Obispo, California (collectively, with AGCH and CRMC, the "Hospitals").

Vista and FHMC (collectively the "Group") are subordinate to the authority of Permian Health Care, Inc. ("Permian"), a Colorado nonprofit corporation organized in 1989. Vista's president is also a director of Permian, and at all times a majority of each entities directors are also directors of Permian and vice versa. Permian has had no assets or operations since its formation.

In March 1998, FHMC and an unrelated party each acquired a 50% interest in Hospice Partners of the Central Coast, Inc., a nonprofit corporation organized solely to purchase assets from the County of San Luis Obispo, for \$250,000 cash and provide hospice services in the County. The acquisition was accounted for using the equity method of accounting. Profits and losses are allocated equally between FHMC and the unrelated party.

(2) **Summary of Significant Accounting Policies:**

**Basis of Presentation:**

The accompanying financial statements include the combined results of activities of the Group, the members of which are jointly obligated on the Certificates of Participation described in Note 7. All intercompany accounts and transactions have been eliminated in the combination.

**Cash and Cash Equivalents:**

Cash and cash equivalents consist of checking, savings and certificate of deposit accounts. The Group considers investments with initial maturities of three months or less that are not held as collateral to be cash equivalents.

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

Concentrations of Credit Risk:

The Group holds funds with various financial institutions in checking and money market accounts, certificates of deposit and fixed-income securities. Their funds are exposed to credit loss for the amount of the investments in excess of federally insured levels in the event of nonperformance by the other parties to the investment transactions. They maintain the majority of their cash accounts in a number of commercial banks, which are insured by the Federal Deposit Insurance Corporation ("FDIC") with limits of \$100,000 each. At various times throughout the year, they may have cash in financial institutions that exceed the FDIC insurance limit. They do not anticipate, nor have they incurred, any losses in any of the above accounts.

Assets Limited As To Use:

Certain proceeds of the Certificates of Participation (Note 7) held by trustees are limited as to use in accordance with the requirements of the trust agreements (Note 3).

Assets limited as to use are recorded at fair market value. In accordance with Statement of Financial Accounting Standards No. 115, equity securities that have readily determinable fair values are classified as either trading or available-for-sale securities. Securities that are bought and held principally for the purpose of selling in the near term (thus held for only a short period of time) are classified as trading securities and all other securities are classified as available-for-sale. The Group has classified all its securities as trading. Trading securities are measured at fair value in the balance sheet. For trading securities, any realized gains or losses and any unrealized holding gains and losses are reported in the statement of operations.

Inventory:

Inventory is recorded at the lower of cost (principally on a first-in, first-out basis) or market.

Property, Plant and Equipment:

Property, plant and equipment is stated on a historical cost basis, except for donated property, which is valued at fair market value at the date of the gift. Major renewals are charged to the property accounts, while expenditures for replacements, maintenance and repairs, which do not improve or extend the respective lives of the assets, are charged to operations as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Building and maintenance	5 to 30 years
Equipment	5 to 15 years

See accompanying independent auditors' report.

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Stonefield Josephson, Inc.



VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

Deferred Financing Costs:

Deferred financing costs are amortized over the period the obligation is outstanding, using a method that approximates the effective interest method. Amortization of deferred financing costs totaled \$474,898 and \$512,135 for 2001 and 2000, respectively.

Bond Discount:

Bond discount is amortized over the period the obligation is outstanding, using a method that approximates the effective interest method. Amortization of bond discount totaled \$80,253 and \$78,521 for 2001 and 2000, respectively, and is included in interest expense.

Goodwill:

The Group amortizes cost in excess of the fair value of the net assets of businesses acquired using the straight-line method over the period of estimated benefit, generally 10 to 30 years.

The Group periodically evaluates whether events or circumstances have occurred that may affect the estimated useful life or the recoverability of the remaining balance of goodwill. Impairment of goodwill is triggered when the estimated future undiscounted cash flows do not exceed the carrying amount of the intangible assets. If the events or circumstances indicate that the remaining balance of the goodwill may be permanently impaired, such potential impairment will be measured based upon the difference between the carrying amount of the goodwill and the fair value of such assets, determined using the estimated future discounted cash flows generated.

Amortization charged to operations totaled \$24,713 for each year ended 2001 and 2000.

Deferred Revenue:

The Group has entered into monetization agreements with an outside group whereby they have received the present value of the future earnings from assets limited as to use. These earnings are being recognized as revenue using the straight-line method of amortization over the term of the agreements, which run concurrent with the terms of the various debt obligations. The agreements are collateralized (second position to Certificate of Participation holders, Note 7) by the assets and earnings related to the monetization agreements.

VISTA HOSPITAL SYSTEMS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

Deferred Revenue, Continued:

The Group defaulted on the monetization agreements as a result of the Certificates of Participation ("COPs") defaults (Notes 7 and 8). The Group has notified the monetization agreement beneficiaries of such default and the beneficiaries have taken no action as a result of such default. Based on advice of legal counsel, management believes there is no financial effect or recourse as a result of the monetization agreement defaults.

Net Patient Service Revenue:

Vista and FHMC

Net patient service revenue is recorded at the respective Hospital's established rates on an accrual basis, net of the provision for contractual allowances. Contractual allowances include differences between established billing rates and amounts estimated by management as reimbursable from third-party payors and others for services rendered, including estimated retroactive adjustments (principally the Medicare program). Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods when final settlements are determined. The provision for uncollectible accounts is included in operating expenses.

Vista and FHMC have agreements with third-party payors that provide for payments to the Hospitals at amounts different from established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare. Inpatient acute care and skilled nursing services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Effective January 1, 1992, capital costs are reimbursed on a prospective rate per discharge (excluding exempt programs). Geri-psychiatric and rehabilitation services are currently exempt from the prospective system and are reimbursed based on the cost of providing the services, subject to overall cost limits per procedure or discharge. Outpatient services as of July 31, 2000, are being transitioned over a three-year period from a cost reimbursed basis to a prospectively determined basis. Each hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by each hospital and audits thereof by the Medicare fiscal intermediary.
- Medi-Cal. Services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates for inpatients and fee schedules for outpatients, which are not subject to retroactive adjustment.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

Net Patient Service Revenue, Continued:

Vista and FHMC, Continued

- Contracts. Inpatient services under other third-party insurance contracts are reimbursed at prospectively determined per diem rates or discounts from established rates, which are not subject to retroactive adjustment. Revenues under capitated contracts are recognized based upon an established premium per enrollee. All health care costs are accrued, including estimates for services rendered by other entities but not yet reported.

Receivables from governmental programs represent a credit risk for the Group based on their respective level of concentration; however, management does not believe that there are any credit risks associated with these governmental agencies. Commercial and private receivables consist of receivables from various payors, including individuals, who are involved in diverse activities subject to differing economic conditions, and do not represent any concentrated credit risks to the Group. Furthermore, management continually monitors and adjusts its reserves and allowances associated with these receivables.

Funds received from third-party cost reimbursement programs, primarily Medicare, are subject to audit, which could result in retroactive adjustments. At December 31, 2001, Medicare cost reports for the years 2001, 2000, and 1999 have not been audited by the intermediary. In addition, there are appeals open on prior years as well as notifications by the intermediaries of their intent to reopen prior closed years. Management believes that adequate provisions for the estimated final settlements have been reflected in the accompanying financial statements.

Charity Care:

The Group provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Because the Group does not pursue collections of amounts determined as charity care, these amounts are not reported as patient service revenue.

The Group maintains records to identify and monitor the level of charity care it provides. The amount of gross charges foregone for the years ended December 31, 2001 and 2000, totaled approximately \$1,163,000 and \$1,345,000, respectively.

Investment Income:

Investment income earned on the proceeds of tax-exempt borrowings, held by a trustee, is reported as other revenue. Investment income from all other investments is included in non-operating gains.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

**Donated Services:**

Volunteers perform various services. The services donated are not reflected in the accompanying financial statements as expense and income from donations, as no objective basis is available to measure the value of such services.

**Malpractice Insurance:**

The Hospitals maintain medical malpractice insurance under a claims-made policy. For claims made during 2001, there is a deductible of \$25,000 per incident with an annual aggregate deductible of \$200,000. Effective December 31, 2001, the Hospitals entered into a new policy. For claims made from December 31, 2001, forward, the Hospitals are responsible for the first \$250,000 per incident (including all legal fees) with an annual aggregate Group amount of \$750,000 per policy year. Effective for the July 1, 2002 policy year, there is a Group aggregate limit of \$10 million of coverage. A claims-made policy covers only claims that are filed in the period during which the policy is in force. As of December 31, 2001 and 2000, the Hospitals accrued for potential claim losses incurred but not yet reported. This accrual was estimated based on historical information and an analysis of open claims.

**Medical Service Cost Recognition:**

The Group contracts with various physicians and/or other health care providers to provide medical services to enrollees under full or shared risk contracts between the Group and various third-party payors. The Group compensates the providers on a capitated or other fee-for-service basis. Health care services are accrued as services are rendered, including an estimate for claims incurred but not yet reported, which is determined based on historical claims payment experience and other statistics. The liability for medical claims payable includes claims in process and a provision for incurred but not yet reported claims.

**Purchased Services and Obligations Under Management Services Agreement:**

During 2000, the Group terminated its prior management services agreement and negotiated a new three-year management services agreement with a new unrelated party. Pursuant to the agreement, the unrelated party shall be paid \$180,000 per month, plus direct non-salary expenses not to exceed \$50,000 per month, and incentive payments through January 2002. From February 2002 through October 2003, the unrelated party shall be paid \$88,000 per month, plus direct non-salary expenses not to exceed \$35,000 per month, and incentive payments.

VISTA HOSPITAL SYSTEMS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) **Summary of Significant Accounting Policies, Continued:**

**Purchased Services, Continued:**

The Group had executed a promissory note in 1999 with a prior management Group in the amount of \$1,800,000, with respect to all management fees earned, but not paid, prior to October 1, 1999. Subsequently in 2000, the note was cancelled and the relationship terminated. This amount is presented as gain on extinguishment of debt on the Statement of Activities for 2000.

**Self-insurance Program:**

The Group became fully insured February 2001. Prior to then the Group was self-insured for employee health care insurance.

**Income Taxes:**

The members of the Group are nonprofit public benefit corporations as described in Section 501 (c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). They are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code by virtue of their inclusion in a Group Exemption recognized with respect to Permian.

The members of the Group have been granted tax-exempt status from the State of California for income taxes.

**Management's Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. While management believes that the estimates are adequate as of December 31, 2001 and 2000, actual results could differ from those estimates.

**Fair Value of Financial Instruments:**

The fair values of all reported assets and liabilities which represent financial instruments approximate the carrying value of such amounts, except for the fair value of long-term debt (tax-exempt bonds), which management is not practically able to determine the fair value of as of December 31, 2001 and 2000.

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**Stonefield Josephson, Inc.**

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

Union Contract:

Arroyo Grande Community Hospital and French Hospital Medical Center have contracts with the California Nurses Association for the periods of November 1, 1999 through October 31, 2002, and May 1, 2000 through April 30, 2003, respectively. Employee benefits provided by the contracts include paid time off and health benefits. The contracts also specify compensation rates and hours of work and overtime. The effect of a labor or contract problem of any kind has not been determined, is not contemplated, and has not been reflected in these financial statements.

New Accounting Pronouncements:

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141 "Business Combinations." SFAS No. 141 supersedes Accounting Principles Board ("APB") No. 16 and requires that any business combinations initiated after June 30, 2001, be accounted for as a purchase, therefore, eliminating the pooling-of-interest method defined in APB 16. The statement was effective for any business combination initiated after June 30, 2001, and must have been applied to all business combinations accounted for by the purchase method for which the date of acquisition was July 1, 2001, or later. The adoption of this statement did not have a material impact to the Group's financial position or results of operations, since the Group has not participated in such activities covered under this pronouncement.

In July 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangibles." SFAS No. 142 addresses the initial recognition, measurement and amortization of intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) and addresses the amortization provisions for excess cost over fair value of net assets acquired or intangibles acquired in a business combination. The statement is effective for fiscal years beginning after December 15, 2001, and is effective July 1, 2001, for any intangibles acquired in a business combination initiated after June 30, 2001. The Group does not expect the adoption to have a material impact to the Group's financial position or results of operations.

In October 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires companies to record the fair value of a liability for asset retirement obligations in the period in which it is incurred. The statement applies to a Group's legal obligations associated with the retirement of a tangible long-lived asset that results from the acquisition, construction, and development or through the normal operation of a long-lived asset. When a liability is initially recorded, the Group would capitalize the cost, thereby increasing the carrying amount of the related asset. The capitalized asset retirement cost is depreciated over the life of the respective asset while the liability is accreted to its present value. Upon settlement of the liability, the obligation is settled at its recorded amount or the Group incurs a gain or loss. The statement is effective for fiscal years beginning after June 30, 2002. The Group does not expect the adoption to have a material impact to the Group's financial position or results of operations.

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 FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(2) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." Statement 144 addresses the accounting and reporting for the impairment or disposal of long-lived assets. The statement provides a single accounting model for long-lived assets to be disposed of. New criteria must be met to classify the asset as an asset held-for-sale. This statement also focuses on reporting the effects of a disposal of a segment of a business. This statement is effective for fiscal years beginning after December 15, 2001. The Group does not expect the adoption to have a material impact to the Group's financial position or results of operations.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers." This Statement amends FASB Statement No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The Group does not expect the adoption to have a material impact to the Group's financial position or results of operations.

Reclassification:

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

(3) Assets Limited As To Use:

Assets limited as to use are comprised of the following:

	<u>2001</u>	<u>2000</u>
Reserve fund	\$ 3,818,025	\$ 8,734,525
Interest	1,905,630	2,102,229
Revenue fund	<u>6,456</u>	<u>1,825</u>
Total assets held by trustee, all current	<u>\$ 5,730,111</u>	<u>\$ 10,838,579</u>

See accompanying independent auditors' report.

VISTA HOSPITAL SYSTEMS, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(3) Assets Limited As To Use, Continued:

These funds, which are under indenture agreements held by the trustee, are comprised of the following assets:

Cash equivalents	\$ 5,730,111	\$ 3,321,651
Fixed-income securities	<u>          -</u>	<u>      7,516,928</u>
	<u>\$ 5,730,111</u>	<u>\$ 10,838,579</u>

(4) Property, Plant and Equipment:

Property, plant and equipment are comprised of the following:

	<u>2001</u>	<u>2000</u>
Building and improvements	\$ 65,605,177	\$ 64,201,517
Equipment	31,505,210	30,276,795
Equipment under capital leases	<u>10,428,218</u>	<u>10,251,790</u>
	107,538,605	104,730,102
Less accumulated depreciation and amortization	<u>50,449,875</u>	<u>44,259,229</u>
	57,088,730	60,470,873
Land	17,941,513	17,941,513
Construction-in-progress	<u>812,905</u>	<u>1,133,848</u>
Property, plant and equipment, net	<u>\$ 75,843,148</u>	<u>\$ 79,546,234</u>

Depreciation and amortization expense totaled \$6,775,300 and \$6,995,178 for the years ended December 31, 2001 and 2000, respectively.



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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(5) Notes Payable:

A summary is as follows:

	<u>2001</u>	<u>2000</u>
Prime plus 1% note payable, factor, secured by accounts receivable. Borrowings limited to 85% of eligible accounts receivable, up to \$10,000,000, maturity date of May 31, 2004. There has been no balance outstanding since May 8, 2002.	\$ 611,913	\$ 8,321,369
7% note payable, Northside Operating Company, the remaining balance of which, at any given time, is subordinated to the senior debt holders (Note 7) and the respective Cities and trustees, thereof. Interest commenced accruing August 1, 1998, with the principal balance and unpaid accrued interest due by July 31, 2007, the maturity date. Unless certain covenants are met, neither the outstanding principle balance nor the accrued interest will be due on the maturity date. The President of the Group was previously a board member of Northside Operating Company.	4,000,000	4,000,000
Notes payable, insurance policies, payable in aggregate monthly installments approximating \$29,000, including interest ranging from 8% to 9%, maturing through September 2001.	-	759,578
Various notes payable, collateralized by respective Group assets, bearing interest ranging from 7% to 9%. Payments due through 2005.	<u>249,421</u>	<u>292,113</u>
	4,861,334	13,373,060
Less current maturities	<u>771,828</u>	<u>860,407</u>
	<u>\$ 4,089,506</u>	<u>\$ 12,512,653</u>

The amounts due on these notes, by year, are as follows:

Year ending December 31,	
2002	\$ 771,828
2003	62,367
2004	15,564
2005	11,575
2006	-
Thereafter	<u>4,000,000</u>
	<u>\$ 4,861,334</u>

See accompanying independent auditors' report.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(6) Capital Lease Obligations:

The Group is the lessee of equipment under capital leases expiring through 2004. Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. The assets are being depreciated over the shorter of the estimated useful lives of the assets or the period of the related lease. Accumulated amortization approximated \$7,500,000 and \$7,200,000 at December 31, 2001 and 2000, respectively, and is included in the amount in Note 4.

Obligations under capitalized equipment leases are as follows:

Year ending December 31,	
2002	\$ 1,167,553
2003	1,113,923
2004	439,223
2005	300,541
2006	<u>43,362</u>
	3,064,602
Less amounts representing interest	<u>405,476</u>
Present value of net minimum lease payments under capital leases	2,659,126
Less current maturities	<u>951,906</u>
	<u>\$ 1,707,220</u>

(7) Long-term Debt:

All of the Certificates of Participation referred to below are collateralized by the pledge and assignment of the Group's revenues pursuant to the Master Indenture of Trust, as amended "Master Indenture," as well as an executed deed of trust on the health facilities. The Master Indenture contains covenants, the most restrictive of which govern limits on future additional indebtedness, maintenance of certain debt coverage financial ratios and minimum days cash on hand requirements.

Certain events of default have arisen under the Master Indenture. On June 10, 2002, the Group and the holders of the Certificates entered into a New Forbearance Agreement (Note 8), which superceded the Forbearance Agreement dated as of August 7, 2001, between the Group and the holders of the Certificates. Pursuant to the New Forbearance Agreement, the holders of the Certificates have agreed to forbear from taking remedial actions permitted under the various agreements securing the Certificates until the earlier of January 1, 2003, or the date on which an event of default occurs as defined in the New Forbearance Agreement.

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(7) Long-term Debt, Continued:

A. Certificates of Participation - 1997 Series A:

In July 1997, the Group entered into an agreement with the City of San Luis Obispo, California (the "City") for the sale and subsequent repurchase of FHMC for \$53,160,000. In consideration for the repurchase of FHMC, the Group will make payments directly to the trustee, as assignee to the City, in amounts which meet all obligations to the holders of the 1997 Certificates. The members of the Group are jointly obligated on the 1997 Series A Certificates of Participation ("Certificates"). The proceeds from the sale of the Certificates were ultimately used to purchase the stock of FHMC, fund the Certificate Reserve Accounts, provide working capital and funds for improvements at the health facility, and pay for the costs of issuance.

Interest at a rate of 8.375% is payable semiannually on January 1 and July 1 of each year. The interest rate was temporarily reduced to 6.45% but has now been restated to its original rate with retroactive treatment (Note 8).

The 1997 Certificates are redeemable at the option of the Group on any interest payment date on or after July 1, 2017; in whole or in part, at a redemption price which varies with maturity: from July 1, 2017, through June 30, 2018, at 102%; July 1, 2018, through June 30, 2019, at 101%; and 100% thereafter.

In conjunction with the issuance of the 1997 Certificates, the Master Indenture was amended by the First Supplemental Master Indenture dated July 15, 1997.

Future principle maturities of the 1997 Series A Certificates are as follows:

Year ending December 31,	
2003 *	\$ 1,980,000
2004	605,000
2005	655,000
2006	710,000
Thereafter	<u>49,210,000</u>
	53,160,000
Less unamortized bond discount	<u>561,343</u>
	52,598,657
Less current maturities	<u>-</u>
	<u>\$ 52,598,657</u>

\* Inclusive of principle maturities for years 2000 - 2003. Years 2000 - 2002 deferred until January 1, 2003, per terms of New Forbearance Agreement (Note 8).

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(7) Long-term Debt, Continued:

B. Certificates of Participation - 1996 Series A, B and C:

In February 1996, Vista entered into Installment Purchase Agreements ("Purchase Agreements") with the Cities of Arroyo Grande and Corona, California (the "Cities") for the sale and subsequent repurchase of the health facilities for \$45,400,000. The proceeds from the sale of the Certificates were used to defease the 1993A Certificates, purchase the stock of a medical service organization, fund the Certificate Reserve Accounts, provide working capital and funds for improvements at the health facilities, and pay for the costs of issuance.

Simultaneously, Vista entered into an Installment Sale Agreement ("Sale Agreement") to repurchase the health facilities from the Cities, in consideration for which the Group will make payments directly to the trustee, as assignee to the Cities, in amounts which meet all obligations to the holders of the 1996 Certificates.

Interest at a rate of 8.375% is payable semiannually on January 1 and July 1 of each year. The interest rate was temporarily reduced to 6.45% but has now been restated to its original rate with retroactive treatment (Note 8).

The 1996 Certificates are redeemable at the option of the Group on any interest payment date on or after July 1, 2011, in whole or in part, at a redemption price which varies with maturity: July 1, 2011, through June 30, 2012, at 102%; July 1, 2012, through June 30, 2013, at 101%, and 100% thereafter.

In conjunction with the issuance of the 1996 Certificates, the Master Indenture was amended and restated.

Future principle maturities of the 1996 Certificates are as follows:

Year ending December 31,	
2003 *	\$ 6,200,000
2004	2,400,000
2005	3,900,000
2006	4,400,000
Thereafter	<u>28,500,000</u>
	45,400,000
Less unamortized bond discount	<u>101,842</u>
	45,298,158
Less current maturities	<u>—</u>
	<u>\$ 45,298,158</u>

\* Inclusive of principle maturities for years 2000 - 2003. Years 2000 - 2002 deferred until January 1, 2003, per terms of New Forbearance Agreement (Note 8).

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(7) Long-term Debt, Continued:

C. Certificates of Participation - 1992 Series A, B and C:

In October 1992, Vista entered into Purchase Agreements with the Cities for the sale and subsequent repurchase of health facilities for \$83,000,000. The proceeds from the sale of the 1992A and 1992B Certificates of Participation (the "Certificates"), together with other sources of funds, were used to fund an escrow account (\$51,750,000 fair value at December 31, 2001) for the purpose of defeasing the 1990A and 1990B Certificates ("Prior Certificates"), fund the Certificate Reserve Accounts and pay for costs of issuance. The majority of the proceeds from the sale of the 1992C Certificates were used for the purchase of Corona Community Hospital ("CCH"). The remainder of the proceeds financed costs of issuance, provided working capital and funded the Corona Certificate Reserve Account.

Simultaneously, Vista entered into a Sale Agreement to repurchase the health facilities from the Cities by making installment payments in amounts sufficient to meet all obligations to the holders of the 1992 Certificates.

Interest at a rate of 9.50% is payable semiannually on January 1 and July 1 of each year. The interest rate was temporarily reduced to 7.315% but has now been restated to its original rate with retroactive treatment (Note 8).

On February 15, 1996, Vista and the respective Cities restructured the principal maturities of the 1992 Series Certificates outstanding by amending the related Purchase Agreements. Mandatory principal payments under the restructured Certificates are deferred until July 1, 2012.

The 1992 Certificates are redeemable at the option of the Group on any interest payment date on or after July 1, 2011, in whole or in part, at a redemption price which varies with maturity: July 1, 2011, through June 30, 2012, at 102%; July 1, 2012, through June 30, 2013, at 101%; and 100% thereafter.

The 1992 Certificates are general obligations of the Group and, pursuant to the Installment Sale Agreement, they have agreed to pay the principal of and the interest on the 1992 Certificates in accordance with their terms.

Future principal maturities of the 1992 Certificates at December 31, 2001, are as follows:

After the year 2006	\$ 83,000,000
Less unamortized bond discount	<u>503,873</u>
	82,496,127
Less current maturities	<u>—</u>
	<u>\$ 82,496,127</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(7) Long-term Debt, Continued:

In March 1999, the obligated group defaulted on its long-term debt. A Forbearance Agreement was negotiated effective in July 1999. In March 2000, the Group defaulted on this Forbearance Agreement. The forbearance agreement included a commitment from the bondholders to forbear from exercising their rights and remedies as a result of all existing and ongoing defaults and to accept reduced interest payments and postpone certain principal payments. After the default of the forbearance agreement, the group entered into a tolling agreement with the bondholders wherein the bondholders agreed to wait to pursue their remedies while negotiating with the Group. The Group and the bondholders then entered into a new Forbearance Agreement dated as of August 7, 2001, which superceded the prior Forbearance Agreement. This new Forbearance Agreement deferred principal payments due on July 1, 2000, and July 1, 2001, until July 1, 2005, and July 1, 2006.

(8) New Forbearance Agreement:

On June 10, 2002, the Group and the holders of the Certificates entered into a New Forbearance Agreement, which superceded the Forbearance Agreement dated as of August 7, 2001, between the Group and the holders of the Certificates. Pursuant to the New Forbearance Agreement, the holders of the Certificates have agreed to forbear from taking remedial actions permitted under the various agreements securing the Certificates until the earlier of January 1, 2003, or the date on which an event of default occurs as defined in the New Forbearance Agreement. The New Forbearance Agreement set forth the following provisions:

- Interest rates, which had been previously reduced as detailed by Series above, are reinstated to their original interest rates retroactively back to the date of their reduction (March 1, 2000). Accordingly, interest expense was increased \$7,469,801 for the year ended December 31, 2001, of which \$3,966,471 relates to the period corresponding to the year ending December 31, 2000.
- Interest and principal payments during the forbearance period will be deferred.
- The Bondholders will forbear from accelerating principal and interest payments during the forbearance period.
- The Group has agreed during the forbearance period to engage an investment banker and pursue the sale of the Group. There are certain key dates for this process to insure that the Group is actively pursuing this option.
- The Group also has the right during the forbearance period to attempt to refinance the Bondholders debt at a discounted amount. The Bondholders are under no obligation to accept the refinance offer but are open to an offer in the interest of receiving the maximum amount of funds for the repayment of their obligations.
- The Group has agreed to not enter into certain type of lease and severance agreements during the term of the Forbearance Agreement.
- Certain restrictions on the disbursement of cash and the limits on capital expenditures have also been put in place.

The Group, as a result of this agreement, is actively pursuing the refinancing of the Hospitals with various government and private funding sources.

VISTA HOSPITAL SYSTEMS, INC.  
 FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(9) Non-operating Revenue:

Included in non-operating revenue is the following:

	<u>2001</u>	<u>2000</u>
OIG settlement	\$ -	\$ 1,223,770
Contributions received	<u>609,305</u>	<u>927,784</u>
	<u>\$ 609,305</u>	<u>\$ 2,151,554</u>

(10) Pension Plans:

The members of the Group maintain deferred compensation annuity plans (defined as an IRC Section 403(b) Plan), which cover the respective eligible employees who elect to participate. Employees may contribute between 1% and 18% of their earnings under the various plans, subject to annual limits set by the Internal Revenue Service. Vista will make a matching contribution up to 25% of the first 8% of each participant's contribution (limited to 2% of earnings) and FHMC will make a matching contribution up to 50% of the first 4% of each participant's contribution (limited to 2% of earnings). Contributions for the years ended December 31, 2001 and 2000, were \$505,131 and \$474,761, respectively.

(11) Functional Expenses:

Functional expenses for the years ended December 31 were as follows:

	<u>2001</u>	<u>2000</u>
Patient care	\$ 130,572,056	\$ 113,327,431
General and administrative	<u>42,738,345</u>	<u>38,558,901</u>
	<u>\$ 173,310,401</u>	<u>\$ 151,886,332</u>

See accompanying independent auditors' report.

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Stonefield Josephson, Inc.

VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(12) Supplemental Cash Flow Information:

Supplemental cash flow information and noncash investing and financing activities for the years ended December 31 are as follows:

	<u>2001</u>	<u>2000</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ <u>6,362,979</u>	\$ <u>9,695,113</u>
<b>Supplemental noncash investing and financing activities:</b>		
Issuance of note payable and recognition of prepaid expense for financing of insurance	\$ <u>          -</u>	\$ <u>759,578</u>
Gain on extinguishment of debt	\$ <u>          -</u>	\$ <u>1,800,000</u>
Capital lease obligation incurred for new equipment	\$ <u>857,084</u>	\$ <u>213,634</u>
Issuance of note payable for purchase of assets	\$ <u>          -</u>	\$ <u>17,447</u>
Gain (loss) on sale of equipment	\$ <u>(25,598)</u>	\$ <u>9,173</u>

(13) Commitments:

Obligations Under Operating Leases:

The members of the Group lease office space under noncancellable operating leases with original terms ranging from 1 to 36 years. Future minimum lease payments on noncancellable operating leases at December 31, 2001, are as follows:

Year ending December 31,	
2002	\$ 3,487,692
2003	3,332,689
2004	3,379,327
2005	3,445,935
2006	3,508,173
Thereafter	<u>91,122,513</u>
	\$ 108,276,329
Income - sublease (for commitments in place through 2003. It is anticipated that commitments beyond 2003 will be obtainable.)	<u>4,600,000</u>
Net commitments	<u>\$ 103,676,329</u>

Rent expense for all operating leases for 2001 and 2000 (net of sublease income of \$2,299,948 and \$2,344,357, respectively) amounted to \$1,218,949 and \$971,880, respectively.

See accompanying independent auditors' report.

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**Stonefield Josephson, Inc.**



VISTA HOSPITAL SYSTEMS, INC.  
FRENCH HOSPITAL MEDICAL CENTER

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2001 AND 2000

(14) Contingencies:

Capital Improvements

The Group plans to make capital improvements to comply with California legislation for Hospital Seismic Retrofit ("SB 1953"). The cost of the capital improvements for all hospitals in the Group is estimated to be \$18,000,000, excluding capitalized interest. Per SB 1953, the construction is expected to be completed by 2008. The Group has made no commitment for the construction at December 31, 2001. No waiver has been sought as it pertains to the Master Indenture Trust (Note 7) at this time, as the Group is actively pursuing the refinancing of the Hospitals with various government and private funding sources.

Legal Proceedings

The members of the Group are parties to various legal proceedings arising from the normal conduct of operations. Although the ultimate disposition of these proceedings is not determinable, management, based on advice of legal counsel, does not believe that adverse determinations in any or all of such proceedings would have a material adverse effect on the financial position of the Group. Accruals for settlements have been made where the Group is potentially liable. No amounts have been accrued for recoveries or gain contingencies.

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED INCOME STATEMENT  
 ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 158,736,925	\$ 155,461,096	\$ 3,275,829	2.1%	\$ 149,870,189
Other Revenue	5,380,726	5,034,534	346,192	6.9%	4,786,390
<b>Total operating revenue</b>	<b>164,117,651</b>	<b>160,495,630</b>	<b>3,622,021</b>	<b>2.3%</b>	<b>154,656,579</b>
<b>Expense</b>					
Salaries and temporary help	57,304,474	54,812,229	(2,492,245)	-4.5%	51,347,102
Employee benefits	14,682,289	14,196,362	(485,927)	-3.4%	12,676,861
Supplies	26,538,571	25,421,788	(1,116,783)	-4.4%	23,920,531
Purchased services and professional fees	14,930,477	13,670,091	(1,260,386)	-8.2%	15,102,343
Managed Care Purchased Services	7,998,833	9,558,123	1,560,290	16.3%	13,776,627
Repairs, rent and utilities	8,218,029	8,741,264	523,235	6.0%	6,011,840
Provision for uncollectable accounts	13,534,268	12,885,121	(669,157)	-5.2%	13,801,266
Insurance	2,029,667	1,748,425	(281,242)	-16.1%	1,491,489
Depreciation and amortization	6,207,590	6,526,181	320,591	4.9%	6,621,196
Interest	15,807,179	14,392,759	(1,214,420)	-8.4%	13,658,183
Other operating expense	2,857,451	2,021,162	(836,289)	-41.4%	2,077,695
<b>Total operating expense</b>	<b>169,908,822</b>	<b>163,956,515</b>	<b>(5,952,313)</b>	<b>-3.6%</b>	<b>180,489,115</b>
<b>Income from operations</b>	<b>(5,791,177)</b>	<b>(3,460,885)</b>	<b>(2,330,292)</b>	<b>67.2%</b>	<b>(5,852,536)</b>
<b>Nonoperating gains</b>	<b>\$625,804</b>	<b>\$556,210</b>	<b>69,594</b>	<b>12.5%</b>	<b>564,982</b>
<b>Net income</b>	<b>\$ (5,165,373)</b>	<b>\$ (2,904,675)</b>	<b>\$ (2,260,698)</b>	<b>77.8%</b>	<b>(\$5,287,554)</b>
<b>EBIDA</b>	<b>\$ 16,649,396</b>	<b>\$ 18,016,265</b>	<b>\$ (1,366,869)</b>	<b>-7.6%</b>	<b>\$14,992,805</b>

## STATISTICS

ACUTE DISCHARGES	14,275	14,927	(652)	-4.4%	14,370
ACUTE PATIENT DAYS	54,307	54,060	247	0.5%	53,140
ACUTE AVERAGE LENGTH OF STAY	3.80	3.62	0.18	5.0%	3.70
SNF/SUBACUTE DISCHARGES	921	1,018	(97)	-9.5%	1,018
SNF/SUBACUTE DAYS	16,866	18,221	(1,355)	-7.4%	17,772
SNF/SUBACUTE AVERAGE LENGTH OF STAY	18.31	17.90	0.41	2.3%	17.46
ADJUSTED PATIENT DAYS	112,355	113,801	1,554	1.4%	111,169
INPATIENT SURGERIES	4,198	5,983	(1,785)	-29.8%	3,911
OUTPATIENT SURGERIES	7,048	6,397	651	10.2%	6,414
DELIVERIES	2,205	1,813	390	21.5%	2,152
OUTPATIENT VISITS	210,694	205,577	5,117	2.5%	198,798
EMERGENCY ROOM VISITS	86,132	81,531	4,601	7.5%	85,126
PAID FTE'S	1,389	1,330	59	4.5%	1,225
HOME HEALTH VISITS	8,752	12,182	(3,430)	-28.2%	12,129

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED INCOME STATEMENT  
 FOR THE MONTH OF NOVEMBER 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 14,680,608	\$ 14,075,591	\$ 605,017	4.3%	\$ 12,452,585
Other Revenue	516,067	480,675	35,392	7.4%	446,034
<b>Total operating revenue</b>	<b>15,196,675</b>	<b>14,556,266</b>	<b>640,409</b>	<b>4.4%</b>	<b>12,898,599</b>
<b>Expense</b>					
Salaries and temporary help	5,402,259	4,960,489	(441,770)	-8.9%	4,494,507
Employee benefits	1,585,794	1,295,214	(290,580)	-22.7%	1,138,543
Supplies	2,321,660	2,266,104	(55,556)	-2.4%	1,927,675
Purchased services and professional fees	1,492,161	1,217,116	(275,045)	-22.6%	1,311,810
Managed Care Purchase Services	426,292	726,388	300,096	41.2%	977,491
Repairs, rent and utilities	757,814	773,244	15,430	2.0%	435,546
Provision for uncollectable accounts	1,259,463	1,177,388	(82,075)	-7.0%	1,366,788
Insurance	175,991	156,854	(19,137)	-10.8%	133,451
Depreciation and amortization	556,330	593,471	37,141	6.3%	626,195
Interest	1,434,468	1,404,942	(29,526)	-2.1%	1,208,562
Other operating expense	295,372	168,172	(127,199)	-75.6%	241,445
<b>Total operating expense</b>	<b>15,711,804</b>	<b>14,743,383</b>	<b>(968,221)</b>	<b>-6.6%</b>	<b>13,866,017</b>
<b>Income from operations</b>	<b>(514,929)</b>	<b>(187,117)</b>	<b>(327,812)</b>	<b>175.2%</b>	<b>(967,418)</b>
Nonoperating gains	\$19,044	\$26,848	(9,804)	-34.0%	25,411
<b>Net income</b>	<b>\$ (495,885)</b>	<b>\$ (158,269)</b>	<b>\$ (337,616)</b>	<b>212.3%</b>	<b>(\$942,007)</b>
<b>EBIDA</b>	<b>\$ 1,494,913</b>	<b>\$ 1,840,144</b>	<b>\$ (345,231)</b>	<b>-18.8%</b>	<b>\$894,750</b>

## STATISTICS

ACUTE DISCHARGES	1,273	1,324	(51)	-3.8%	1,169
ACUTE PATIENT DAYS	4,739	5,125	(386)	-7.5%	4,312
ACUTE AVERAGE LENGTH OF STAY	3.72	3.87	(0.15)	-3.8%	3.69
SNF/SUBACUTE DISCHARGES	97	95	2	2.1%	70
SNF/SUBACUTE DAYS	1,525	1,680	(155)	-9.2%	1,477
SNF/SUBACUTE AVERAGE LENGTH OF STAY	15.72	17.66	(1.96)	-11.1%	21.10
ADJUSTED PATIENT DAYS	10,067	10,576	(289)	-2.8%	9,483
INPATIENT SURGERIES	363	546	(183)	-33.5%	294
OUTPATIENT SURGERIES	608	586	19	3.2%	587
DELIVERIES	240	167	73	43.7%	166
OUTPATIENT VISITS	18,061	21,349	(3,268)	-15.4%	17,322
EMERGENCY ROOM VISITS	5,782	5,382	400	7.4%	5,640
PAID FTE'S	1,450	1,396	52	3.7%	1,124
HOME HEALTH VISITS	0	1,136	(1,136)	-100.0%	812

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED BALANCE SHEET  
 MONTH ENDED NOVEMBER 30, 2002

	AGCH	VISTA CORPORATE	CRMC	FHMC	COMBINED
<b>CURRENT ASSETS</b>					
Cash	\$62,523	\$0	\$4,132,854	(\$432,136)	\$3,763,241
Short Term Investment	21,103	0	0	0	21,103
Current Assets: Limited to Use	0	0	0	0	0
Patient Receivables	16,886,258	0	31,656,161	24,565,085	73,107,505
Allowance for Contractual Discounts/Bad Debt	(12,248,574)	0	(17,464,738)	(18,570,218)	(48,283,530)
Net Accounts Receivable	4,637,684	0	14,191,423	5,994,867	24,823,975
Due to/from Third Party Payors	0	0	0	0	0
Inventories	644,268	0	1,211,358	1,091,402	2,947,028
Prepaid Expenses	228,025	8,831	1,236,048	516,719	1,990,622
Other Accounts Receivable	(2)	0	0	2,597,272	2,597,270
Total Current Assets	5,594,587	8,831	20,771,684	9,768,125	36,143,237
<b>ASSETS WHOSE USE IS LIMITED</b>					
Assets Limited as to Use	623,675	1,110,848	1,627,206	2,046,391	5,608,122
<b>PROPERTY PLANT &amp; EQUIPMENT</b>					
Property Plant & Equipment	31,120,342	16,754	66,355,601	31,013,676	130,506,373
Less- Accumulated Depreciation	(15,155,642)	(7,019)	(28,156,939)	(12,757,372)	(56,056,972)
Net Property Plant & Equipment	15,964,700	9,735	40,198,662	18,256,304	74,447,401
<b>OTHER ASSETS</b>					
Deferred Financing Costs	91,126	442,957	1,979,523	2,232,232	4,745,938
Deposits	113,236	0	0	91,964	205,200
Other Assets, Goodwill	0	421,415	757,753	261,478	1,440,646
Total Other Assets	204,362	864,372	2,737,276	2,585,774	6,391,784
<b>TOTAL ASSETS</b>	<b>\$22,387,334</b>	<b>\$1,993,786</b>	<b>\$65,532,830</b>	<b>\$32,676,594</b>	<b>\$122,590,544</b>
<b>CURRENT LIABILITIES</b>					
Current Installments on Long Term Debt	\$20,203	\$0	\$5,512	(\$375)	\$23,340
Current Capital Lease Obligations	41,356	0	326,280	715,744	1,083,360
Accounts Payable	1,245,085	0	5,036,949	2,148,444	8,430,478
Accrued Accounts Payable	1,397,393	300,000	3,536,659	3,245,790	8,479,842
Accrued Salaries & Wages	25,037	150,742	2,158,985	590,490	2,925,254
Accrued Paid Time Off	369,248	(6,510)	0	900,388	1,263,126
Heller LOC	0	(1,285,134)	0	0	(1,285,134)
Accrued Interest Payable	5,860,907	7,665,018	16,643,169	11,100,045	41,273,139
Other Accrued Liabilities	122,305	715,050	0	4,301,064	5,139,419
Due to Third Party Payors	1,062,206	500,000	4,193,862	843,324	6,619,394
Total Current Liabilities	10,164,742	8,035,166	31,896,396	23,844,914	73,948,218
<b>LONG TERM DEBT</b>					
Certificates of Participation	24,891,259	31,730,908	71,220,213	52,625,959	180,468,340
Other Long Term Debt - Capitalized Leases	1,146,172	0	736,574	397,372	2,280,118
Other Long Term Debt - Malpractice Insurance	416,506	0	1,106,288	748,984	2,271,776
Other Long Term Debt - Notes Payable	26,728	0	7,000	4,000,000	4,033,728
Other Liabilities - Deferred Revenue	1,244,481	1,152,486	3,086,853	2,941,266	8,425,096
Intercompany	(9,912,851)	22,537,096	(16,419,105)	3,794,862	2
Total Long Term Debt	17,812,295	55,420,491	59,737,833	64,506,443	197,479,062
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>	<b>(5,585,704)</b>	<b>(61,465,671)</b>	<b>(26,104,399)</b>	<b>(55,676,761)</b>	<b>(148,836,735)</b>
<b>TOTAL LIABILITIES</b>	<b>\$22,387,333</b>	<b>\$1,993,786</b>	<b>\$65,532,830</b>	<b>\$32,676,594</b>	<b>\$122,590,544</b>

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED BALANCE SHEET  
 MONTH ENDED NOVEMBER 30, 2002

	Current Month	Prior Year End	VARIANCE	%
<b>CURRENT ASSETS</b>				
Cash	\$ 3,763,241	\$ 2,531,847	\$ 1,231,394	48.6%
Short Term Investment	\$21,103	20,754	349	1.7%
Current Asset: Limited to Use	\$0	0	0	0.0%
Patient Receivables	73,107,505	53,312,720	19,794,785	37.1%
Allowance for Contractual Discounts/Bad Debt	(48,283,530)	(33,256,761)	(15,026,769)	45.2%
Net Accounts Receivable	24,823,975	20,055,959	4,768,016	23.8%
Due to/from Third Party Payors	0	0	0	0.0%
Inventories	2,947,025	2,912,213	34,812	1.2%
Prepaid Expenses	1,990,622	1,523,773	466,849	30.6%
Other Accounts Receivable	2,597,271	1,157,431	1,439,840	124.4%
Total Current Assets	36,145,237	28,201,977	7,943,260	28.2%
<b>ASSETS WHOSE USE IS LIMITED</b>				
Assets Limited as to Use	5,608,122	5,730,520	(122,398)	-2.1%
<b>PROPERTY PLANT &amp; EQUIPMENT</b>				
Property Plant & Equipment	130,506,373	126,222,734	4,283,639	3.4%
Less- Accumulated Depreciation	(56,058,972)	(50,379,567)	(5,679,385)	11.3%
Net Property Plant & Equipment	74,447,401	75,843,147	(1,395,746)	-1.8%
<b>OTHER ASSETS</b>				
Deferred Financing Costs	4,745,938	5,619,948	(674,010)	-15.6%
Deposits	205,200	247,541	(42,341)	-17.1%
Other Assets, Goodwill	1,440,648	1,044,320	396,328	38.0%
Total Other Assets	6,391,784	6,911,809	(520,025)	-7.5%
<b>TOTAL ASSETS</b>	<b>\$ 122,590,544</b>	<b>\$ 116,667,453</b>	<b>\$ 5,903,091</b>	<b>5.1%</b>
<b>CURRENT LIABILITIES</b>				
Current Installments on Long Term Debt	\$ 23,340	\$ 159,915	\$ 136,575	85.4%
Current Capital Lease Obligations	1,083,360	942,316	(141,044)	-15.0%
Accounts Payable	8,430,478	6,273,486	(2,156,992)	-34.4%
Accrued Accounts Payable	8,479,842	8,330,245	(149,597)	-1.8%
Accrued Salaries & Wages	2,925,254	3,183,878	258,624	8.1%
Accrued Paid Time Off	1,263,126	1,317,355	54,229	4.1%
Heller LOC	(1,289,134)	611,913	1,901,047	310.7%
Accrued Interest Payable	41,273,139	28,394,024	(12,879,115)	-45.4%
Other Accrued Liabilities	5,139,419	5,940,603	801,184	15.5%
Due to Third Party Payors	6,619,394	7,948,142	1,328,748	16.7%
Total Current Liabilities	73,946,218	63,101,977	10,844,241	17.2%
<b>LONG TERM DEBT</b>				
Certificates of Participation	180,468,340	180,392,942	(75,398)	0.0%
Other Long Term Debt - Capitalized Leases	2,280,118	1,716,810	(563,308)	-32.8%
Other Long Term Debt - Malpractice Insurance	2,271,778	2,165,680	(106,098)	-4.8%
Other Long Term Debt - Notes Payable	4,033,728	4,089,506	55,778	1.4%
Other Liabilities - Deferred Revenue	8,425,096	8,903,250	478,154	5.4%
Intercompany	2	(11,474)	(11,476)	100.0%
Total Long Term Debt	197,479,062	197,256,714	(222,348)	-0.1%
<b>UNRESTRICTED NET ASSETS (DEFICIT)</b>	<b>(148,836,735)</b>	<b>(143,671,239)</b>	<b>5,165,496</b>	<b>-3.6%</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 122,590,545</b>	<b>\$ 116,667,452</b>	<b>\$ (5,903,093)</b>	<b>-5.1%</b>

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED INCOME STATEMENT  
 ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	AGCH	VISTA CORPORATE	CRMC	FHMC	COMBINED
<b>Revenue</b>					
Net patient service revenue	\$ 29,561,747	\$ -	\$ 80,867,714	\$ 48,307,464	\$ 158,736,925
Other Revenue	385,820	116,488	3,930,995	967,423	5,380,726
<b>Total operating revenue</b>	<b>29,927,567</b>	<b>116,488</b>	<b>84,798,709</b>	<b>49,274,887</b>	<b>164,117,651</b>
<b>Expense</b>					
Salaries and temporary help	9,829,962	1,018,320	31,572,393	14,883,779	57,304,474
Employee benefits	2,883,330	86,049	7,887,529	3,825,381	14,682,289
Supplies	4,548,511	12,909	12,506,528	9,469,623	26,536,571
Purchased services and professional fees	2,679,377	2,667,444	5,021,814	4,541,842	14,930,477
Managed Care Purchased Services	0	0	0	7,996,633	7,996,633
Repairs, rent and utilities	1,066,230	41,142	5,672,559	1,436,098	8,216,029
Provision for uncollectable accounts	3,581,977	0	6,642,843	3,308,448	13,534,268
Insurance	412,698	0	1,117,995	498,974	2,029,667
Depreciation and amortization	1,167,918	147,597	2,546,411	2,345,664	6,207,590
Interest	2,217,366	2,835,593	6,281,044	4,273,176	15,607,179
Other operating expense	292,704	805,905	1,486,170	292,672	2,857,451
<b>Total operating expense</b>	<b>29,680,093</b>	<b>7,635,959</b>	<b>80,716,286</b>	<b>52,876,490</b>	<b>169,908,828</b>
<b>Income from operations</b>	<b>1,247,474</b>	<b>(7,519,471)</b>	<b>4,082,423</b>	<b>(3,601,603)</b>	<b>(5,791,177)</b>
Nonoperating gains	17,291	0	601,232	7,281	625,804
<b>Net income</b>	<b>\$ 1,264,765</b>	<b>\$ (7,519,471)</b>	<b>\$ 4,683,655</b>	<b>\$ (2,594,322)</b>	<b>\$ (5,165,373)</b>
<b>EBIDA</b>	<b>\$ 4,650,049</b>	<b>\$ (4,536,281)</b>	<b>\$ 13,511,110</b>	<b>\$ 3,024,518</b>	<b>\$ 16,649,396</b>

## STATISTICS

ACUTE DISCHARGES	2,630	0	7,841	3,804	14,275
ACUTE PATIENT DAYS	9,605	0	30,543	14,159	54,307
ACUTE AVERAGE LENGTH OF STAY	3.65	0.00	3.90	3.72	3.80
SNF/SUBACUTE DISCHARGES	249	0	672	0	921
SNF/SUBACUTE DAYS	2,402	0	14,464	0	16,866
SNF/SUBACUTE AVERAGE LENGTH OF STAY	9.65	0.00	21.52	0.00	18.31
ADJUSTED PATIENT DAYS	20,392	0	72,320	22,643	115,355
INPATIENT SURGERIES	661	0	2,194	1,343	4,198
OUTPATIENT SURGERIES	990	0	3,589	2,469	7,048
DELIVERIES	0	0	1,822	381	2,203
OUTPATIENT VISITS	48,410	0	81,837	80,447	210,694
EMERGENCY ROOM VISITS	16,732	0	35,589	11,811	66,132
PAID FTE'S	249	6	798	336	1,389
HOME HEALTH VISITS	0	0	6,752	0	6,752

VISTA HOSPITAL SYSTEMS INC.  
 FRENCH HOSPITAL MEDICAL CENTER  
 CONSOLIDATED INCOME STATEMENT  
 FOR THE MONTH OF NOVEMBER 2002

	AGCH	VISTA CORPORATE	CRMC	FHMC	COMBINED
<b>Revenue</b>					
Net patient service revenue	\$ 2,737,380	\$ -	\$ 7,745,416	\$ 4,197,810	\$ 14,680,608
Other Revenue	30,543	12,056	386,932	86,536	516,067
<b>Total operating revenue</b>	<b>2,767,923</b>	<b>12,056</b>	<b>8,132,350</b>	<b>4,284,346</b>	<b>15,196,675</b>
<b>Expense</b>					
Salaries and temporary help	936,375	94,785	3,029,077	1,342,022	5,402,259
Employee benefits	343,933	7,851	799,041	438,969	1,589,794
Supplies	423,940	964	1,082,851	813,905	2,321,660
Purchased services and professional fees	303,920	202,427	504,924	480,890	1,492,161
Managed Care Purchased Services	0	0	0	426,292	426,292
Repairs, rent and utilities	94,226	4,004	521,622	137,962	757,814
Provision for uncollectable accounts	368,034	0	612,734	278,695	1,259,463
Insurance	33,760	0	99,113	43,118	175,991
Depreciation and amortization	101,985	13,316	227,526	213,503	556,330
Interest	231,383	245,272	567,626	390,167	1,434,468
Other operating expense	22,064	65,578	148,589	55,121	291,372
<b>Total operating expense</b>	<b>2,859,640</b>	<b>638,197</b>	<b>7,593,102</b>	<b>4,620,864</b>	<b>15,711,804</b>
<b>Income from operations</b>	<b>(91,717)</b>	<b>(626,141)</b>	<b>539,247</b>	<b>(336,318)</b>	<b>(514,929)</b>
<b>Nonoperating gains</b>	<b>1,516</b>	<b>0</b>	<b>15,736</b>	<b>1,792</b>	<b>19,044</b>
<b>Net Income</b>	<b>\$ (90,201)</b>	<b>\$ (626,141)</b>	<b>\$ 554,983</b>	<b>\$ (334,526)</b>	<b>\$ (495,885)</b>
<b>EBIDA</b>	<b>\$ 243,167</b>	<b>\$ (367,553)</b>	<b>\$ 1,350,135</b>	<b>\$ 268,164</b>	<b>\$ 1,494,913</b>

## STATISTICS

ACUTE DISCHARGES	245	0	663	365	1,273
ACUTE PATIENT DAYS	671	0	2,600	1,268	4,739
ACUTE AVERAGE LENGTH OF STAY	3.56	0.00	3.92	3.47	3.72
SNF/SUBACUTE DISCHARGES	30	0	67	0	97
SNF/SUBACUTE DAYS	202	0	1,323	0	1,525
SNF/SUBACUTE AVERAGE LENGTH OF STAY	6.73	0.00	19.75	0.00	15.72
ADJUSTED PATIENT DAYS	1,808	0	6,225	2,054	10,067
INPATIENT SURGERIES	54	0	205	104	363
OUTPATIENT SURGERIES	95	0	302	211	608
DELIVERIES	0	0	191	49	240
OUTPATIENT VISITS	4,414	0	6,402	7,245	18,061
EMERGENCY ROOM VISITS	1,609	0	2,180	983	5,782
PAID FTE'S	259	6	864	322	1,450
HOME HEALTH VISITS	0	0	0	0	0

## VISTA

 CONSOLIDATED INCOME STATEMENT  
 ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ -	\$ -	\$ -	0.0%	\$ -
Other Revenue	116,488	166,663	(52,175)	-30.9%	169,103
<b>Total operating revenue</b>	<b>116,488</b>	<b>166,663</b>	<b>(52,175)</b>	<b>-30.9%</b>	<b>169,103</b>
<b>Expense</b>					
Salaries and temporary help	1,018,320	1,208,807	190,487	15.8%	532,842
Employee benefits	86,049	238,747	153,698	64.1%	36,981
Supplies	12,909	14,663	754	5.1%	14,765
Purchased services and professional fees	2,657,444	1,787,500	(899,944)	-50.3%	976,112
Managed Care Purchased Services	0	0	0	0.0%	0
Repairs, rent and utilities	41,142	44,913	3,771	8.4%	5,531
Provision for uncollectable accounts	0	0	0	0.0%	0
Insurance	0	0	0	0.0%	0
Depreciation and amortization	147,597	132,913	(14,684)	-11.0%	132,734
Interest	2,835,593	3,045,000	209,407	6.9%	3,046,316
Other operating expense	805,905	206,250	(599,655)	-290.7%	250,335
<b>Total operating expense</b>	<b>7,635,959</b>	<b>6,679,793</b>	<b>(956,166)</b>	<b>-14.3%</b>	<b>4,998,616</b>
<b>Income from operations</b>	<b>(7,519,471)</b>	<b>(6,511,130)</b>	<b>(1,008,341)</b>	<b>15.5%</b>	<b>(4,825,513)</b>
Nonoperating gains	0	33,000	(33,000)	-100.0%	28,762
<b>Net Income</b>	<b>\$ (7,519,471)</b>	<b>\$ (6,478,130)</b>	<b>\$ (1,041,341)</b>	<b>16.1%</b>	<b>(\$4,795,731)</b>
<b>EBIDA</b>	<b>\$ (4,536,281)</b>	<b>\$ (3,300,217)</b>	<b>\$ (1,236,064)</b>	<b>37.5%</b>	<b>(\$1,620,681)</b>



## VISTA

CONSOLIDATED INCOME STATEMENT  
FOR THE MONTH OF NOVEMBER 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ -	\$ -	\$ -	0.0%	\$ -
Other Revenue	12,056	15,333	(3,277)	-21.4%	15,373
<b>Total operating revenue</b>	<b>12,056</b>	<b>15,333</b>	<b>(3,277)</b>	<b>-21.4%</b>	<b>15,373</b>
<b>Expense</b>					
Salaries and temporary help	94,785	106,575	13,790	12.7%	74,158
Employee benefits	7,851	21,534	13,683	63.5%	3,809
Supplies	964	1,333	369	27.7%	1,212
Purchased services and professional fees	202,427	162,500	(39,927)	-24.6%	118,365
Managed Care Purchased Services	0	0	0	0.0%	0
Repairs, rent and utilities	4,004	4,083	79	1.9%	1,188
Provision for uncollectable accounts	0	0	0	0.0%	0
Insurance	0	0	0	0.0%	0
Depreciation and amortization	13,316	12,083	(1,233)	-10.2%	12,243
Interest	245,272	255,000	9,728	3.8%	296,059
Other operating expense	69,576	16,750	(52,826)	-271.1%	62,195
<b>Total operating expense</b>	<b>638,197</b>	<b>583,858</b>	<b>(54,339)</b>	<b>-9.3%</b>	<b>571,229</b>
<b>Income from operations</b>	<b>(626,141)</b>	<b>(568,525)</b>	<b>(57,616)</b>	<b>10.1%</b>	<b>(555,856)</b>
Nonoperating gains	0	3,000	(3,000)	-100.0%	0
<b>Net income</b>	<b>\$ (626,141)</b>	<b>\$ (565,525)</b>	<b>\$ (60,616)</b>	<b>10.7%</b>	<b>(\$555,856)</b>
<b>EBIDA</b>	<b>\$ (367,553)</b>	<b>\$ (298,442)</b>	<b>\$ (69,111)</b>	<b>23.2%</b>	<b>(\$247,554)</b>

## FRENCH

CONSOLIDATED INCOME STATEMENT  
ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 48,307,464	\$ 47,218,545	\$ 1,088,919	2.3%	\$ 45,800,114
Other Revenue	967,422	1,092,020	(124,597)	-11.4%	986,112
<b>Total operating revenue</b>	<b>49,274,887</b>	<b>48,310,565</b>	<b>964,322</b>	<b>2.0%</b>	<b>46,786,226</b>
<b>Expense</b>					
Salaries and temporary help	14,883,779	14,130,300	(753,479)	-5.3%	13,767,176
Employee benefits	2,625,381	3,443,402	(818,021)	-23.7%	3,212,399
Supplies	9,469,623	9,330,683	138,940	1.5%	8,910,501
Purchased services and professional fees	4,541,842	4,583,089	(41,247)	-0.9%	4,840,698
Managed Care Purchased Services	7,996,633	9,559,123	(1,562,490)	-16.3%	10,663,683
Repairs, rent and utilities	1,436,098	1,815,413	(379,315)	-20.9%	1,461,027
Provision for uncollectable accounts	3,306,448	2,091,626	1,214,822	58.1%	2,103,589
Insurance	498,974	526,383	(27,409)	-5.2%	427,750
Depreciation and amortization	2,345,664	2,745,754	(400,090)	-14.6%	2,680,261
Interest	4,272,176	3,859,062	413,114	10.7%	3,640,114
Other operating expense	292,672	332,566	(39,894)	-12.0%	201,599
<b>Total operating expense</b>	<b>52,676,490</b>	<b>52,417,401</b>	<b>259,089</b>	<b>0.5%</b>	<b>51,926,819</b>
<b>Income from operations</b>	<b>(3,601,603)</b>	<b>(4,106,836)</b>	<b>505,233</b>	<b>-12.3%</b>	<b>(5,140,593)</b>
<b>Nonoperating gains</b>	<b>7,261</b>	<b>56,584</b>	<b>(49,323)</b>	<b>-87.1%</b>	<b>56,586</b>
<b>Net income</b>	<b>\$ (3,594,322)</b>	<b>\$ (4,050,252)</b>	<b>\$ 455,930</b>	<b>-11.3%</b>	<b>(\$5,084,007)</b>
<b>EBIDA</b>	<b>\$3,024,518</b>	<b>\$2,554,564</b>	<b>\$ 469,954</b>	<b>18.4%</b>	<b>\$1,236,388</b>

## STATISTICS

ACUTE DISCHARGES	3,804	4,135	(331)	-8.0%	3,979
ACUTE PATIENT DAYS	14,159	14,641	(482)	-3.3%	14,994
ACUTE AVERAGE LENGTH OF STAY	3.72	3.54	0.18	5.1%	3.77
SNF/SUBACUTE DISCHARGES	0	0	0	0.0%	0
SNF/SUBACUTE DAYS	0	0	0	0.0%	0
SNF/SUBACUTE AVERAGE LENGTH OF STAY	0	0	0	0.0%	0.00
ADJUSTED PATIENT DAYS	22,643	22,952	(309)	-1.3%	22,625
INPATIENT SURGERIES	1,343	3,489	(2,146)	-61.5%	1,410
OUTPATIENT SURGERIES	2,469	2,147	322	15.0%	2,223
DELIVERIES	381	0	381	0.0%	400
OUTPATIENT VISITS	80,447	76,803	3,644	4.7%	74,150
EMERGENCY ROOM VISITS	11,811	12,442	(631)	-5.1%	12,065
PAID FTE'S	336	330	6	1.8%	301
HOME HEALTH VISITS	0	0	0	0.0%	0

## FRENCH

CONSOLIDATED INCOME STATEMENT  
FOR THE MONTH OF NOVEMBER 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 4,197,810	\$ 4,236,322	\$ (38,512)	-0.9%	\$ 3,944,165
Other Revenue	86,536	98,248	(11,712)	-11.9%	95,373
<b>Total operating revenue</b>	<b>4,284,346</b>	<b>4,334,570</b>	<b>(50,224)</b>	<b>-1.2%</b>	<b>4,037,538</b>
<b>Expense</b>					
Salaries and temporary help	1,342,022	1,222,843	(119,179)	-9.7%	1,188,432
Employee benefits	438,969	297,994	(140,975)	-47.3%	330,232
Supplies	813,905	849,031	35,126	4.1%	733,441
Purchased services and professional fees	480,890	411,027	(69,863)	-17.0%	433,478
Managed Care Purchased Services	426,292	726,386	300,096	70.4%	925,102
Repairs, rent and utilities	137,962	164,305	26,343	19.1%	104,360
Provision for uncollectable accounts	278,695	187,539	(91,156)	-32.6%	284,873
Insurance	43,118	47,853	4,735	10.9%	36,643
Depreciation and amortization	213,503	249,614	36,111	16.5%	255,141
Interest	390,187	394,857	4,700	1.2%	305,574
Other operating expense	55,121	29,973	(25,148)	-83.9%	29,570
<b>Total operating expense</b>	<b>4,620,664</b>	<b>4,581,454</b>	<b>(39,210)</b>	<b>-0.8%</b>	<b>4,629,266</b>
<b>Income from operations</b>	<b>(336,318)</b>	<b>(246,884)</b>	<b>(89,434)</b>	<b>36.2%</b>	<b>(591,728)</b>
Nonoperating gains	1,792	5,144	(3,352)	-65.2%	492
<b>Net income</b>	<b>\$ (334,526)</b>	<b>\$ (241,740)</b>	<b>\$ (92,786)</b>	<b>38.4%</b>	<b>(\$591,236)</b>
<b>EBIDA</b>	<b>\$ 269,164</b>	<b>\$ 402,761</b>	<b>\$ (133,597)</b>	<b>-33.2%</b>	<b>-\$30,121</b>

## STATISTICS

ACUTE DISCHARGES	365	355	10	2.8%	304
ACUTE PATIENT DAYS	1,288	1,286	(2)	-0.1%	1,214
ACUTE AVERAGE LENGTH OF STAY	3.47	3.63	-0.15	-4.2%	3.99
SNF/SUBACUTE DISCHARGES	0	0	0	0.0%	0
SNF/SUBACUTE DAYS	0	0	0	0.0%	0
SNF/SUBACUTE AVERAGE LENGTH OF STAY	0	0	0	0.0%	0.00
ADJUSTED PATIENT DAYS	2,054	1,990	64	3.2%	1,922
INPATIENT SURGERIES	104	318	(214)	-67.3%	87
OUTPATIENT SURGERIES	211	196	15	7.7%	210
DELIVERIES	49	0	49	0.0%	22
OUTPATIENT VISITS	7,245	7,193	52	0.7%	6,393
EMERGENCY ROOM VISITS	993	1,074	(81)	-7.5%	1,074
PAID FTE'S	322	319	3	1.0%	289
HOME HEALTH VISITS	0	0	0	0.0%	0

## CORONA REGIONAL MEDICAL CENTER

CONSOLIDATED INCOME STATEMENT  
ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 80,867,714	\$ 77,252,895	\$ 3,614,719	4.7%	\$ 75,405,442
Other Revenue	3,930,995	2,332,486	598,507	18.0%	2,254,805
<b>Total operating revenue</b>	<b>84,798,709</b>	<b>80,585,483</b>	<b>4,213,226</b>	<b>5.2%</b>	<b>76,660,245</b>
<b>Expense</b>					
Salaries and temporary help	31,572,393	29,878,964	(1,593,429)	-5.3%	28,131,094
Employee benefits	7,887,529	7,683,028	(204,501)	-2.7%	6,778,326
Supplies	12,506,528	11,358,593	(1,147,935)	-10.1%	10,478,818
Purchased services and professional fees	5,021,814	4,874,863	(146,951)	-3.0%	7,245,405
Managed Care Purchased Services	0	0	0	0.0%	3,114,944
Repairs, rent and utilities	5,672,559	5,719,149	46,590	0.8%	3,430,951
Provision for uncollectable accounts	6,643,843	7,144,397	500,554	7.0%	6,456,077
Insurance	1,117,995	902,899	(215,096)	-23.8%	801,765
Depreciation and amortization	2,546,411	2,482,127	(64,284)	-2.2%	2,716,269
Interest	6,281,044	5,435,095	(845,949)	-15.8%	5,031,523
Other operating expense	1,466,170	1,260,293	(205,877)	-16.3%	1,413,661
<b>Total operating expense</b>	<b>80,718,286</b>	<b>76,849,408</b>	<b>(3,868,878)</b>	<b>-5.0%</b>	<b>77,598,833</b>
<b>Income from operations</b>	<b>4,082,423</b>	<b>3,736,075</b>	<b>346,348</b>	<b>9.3%</b>	<b>1,061,412</b>
Nonoperating gains	601,232	435,496	165,736	38.1%	447,489
<b>Net income</b>	<b>\$ 4,683,655</b>	<b>\$ 4,171,571</b>	<b>\$ 512,084</b>	<b>12.3%</b>	<b>\$ 1,508,901</b>
<b>EBIDA</b>	<b>\$13,511,110</b>	<b>\$12,098,793</b>	<b>\$ 1,412,317</b>	<b>11.7%</b>	<b>\$9,256,693</b>

## STATISTICS

ACUTE DISCHARGES	7,841	7,870	(29)	-0.4%	7,540
ACUTE PATIENT DAYS	30,543	28,157	2,386	8.5%	26,932
ACUTE AVERAGE LENGTH OF STAY	3.90	3.58	0.32	8.9%	3.57
SNF/SUBACUTE DISCHARGES	672	755	(83)	-11.0%	751
SNF/SUBACUTE DAYS	14,464	15,673	(1,209)	-7.7%	15,189
SNF/SUBACUTE AVERAGE LENGTH OF STAY	21.52	20.76	0.76	3.7%	20.23
ADJUSTED PATIENT DAYS	72,320	66,736	5,584	8.4%	64,486
INPATIENT SURGERIES	2,194	1,966	228	11.6%	1,960
OUTPATIENT SURGERIES	2,589	2,956	(367)	-12.4%	2,872
DELIVERIES	1,822	1,813	9	0.5%	1,752
OUTPATIENT VISITS	81,857	71,977	9,880	13.7%	71,519
EMERGENCY ROOM VISITS	35,589	28,598	6,991	24.4%	33,688
PAID FTE'S	798	735	63	8.6%	684
HOME HEALTH VISITS	6,752	12,182	(3,430)	-28.2%	13,129

## CORONA REGIONAL MEDICAL CENTER

CONSOLIDATED INCOME STATEMENT  
FOR THE MONTH OF NOVEMBER 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 7,745,418	\$ 7,115,881	\$ 629,537	8.9%	\$ 6,495,562
Other Revenue	386,832	330,266	56,566	17.2%	300,368
<b>Total operating revenue</b>	<b>8,132,250</b>	<b>7,446,147</b>	<b>686,103</b>	<b>9.2%</b>	<b>6,795,930</b>
<b>Expense</b>					
Salaries and temporary help	3,029,077	2,779,518	(249,559)	-9.0%	2,448,779
Employee benefits	799,041	722,436	(76,605)	-10.6%	525,993
Supplies	1,082,851	1,036,508	(46,343)	-4.5%	860,145
Purchased services and professional fees	504,924	439,591	(65,333)	-14.9%	641,968
Managed Care Purchased Services	0	0	0	0.0%	52,389
Repairs, rent and utilities	521,622	499,863	(21,759)	-4.4%	259,473
Provision for uncollectable accounts	612,734	670,894	58,160	8.7%	672,591
Insurance	99,113	81,986	(17,127)	-20.9%	70,576
Depreciation and amortization	227,526	226,557	(969)	-0.4%	253,667
Interest	567,626	543,245	(24,381)	-4.5%	450,589
Other operating expense	148,589	99,441	(49,148)	-49.4%	130,947
<b>Total operating expense</b>	<b>7,597,109</b>	<b>7,100,041</b>	<b>(497,068)</b>	<b>-6.6%</b>	<b>6,567,137</b>
<b>Income from operations</b>	<b>535,141</b>	<b>346,106</b>	<b>189,035</b>	<b>55.9%</b>	<b>228,793</b>
Nonoperating gains	15,736	17,874	(2,138)	-12.0%	23,485
<b>Net Income</b>	<b>\$ 554,983</b>	<b>\$ 363,980</b>	<b>\$ 191,003</b>	<b>52.8%</b>	<b>\$ 252,278</b>
<b>EBIDA</b>	<b>\$ 1,350,135</b>	<b>\$ 1,133,562</b>	<b>\$ 216,573</b>	<b>19.1%</b>	<b>\$ 956,554</b>

## STATISTICS

ACUTE DISCHARGES	663	731	(68)	-9.3%	626
ACUTE PATIENT DAYS	2,600	2,740	(140)	-5.1%	2,203
ACUTE AVERAGE LENGTH OF STAY	3.92	3.75	0.17	4.6%	3.52
SNF/SUBACUTE DISCHARGES	67	70	(3)	-4.3%	53
SNF/SUBACUTE DAYS	1,323	1,479	(156)	-10.5%	1,260
SNF/SUBACUTE AVERAGE LENGTH OF STAY	19.75	21.13	(1.38)	-6.5%	23.77
ADJUSTED PATIENT DAYS	6,225	6,126	99	1.6%	5,655
INPATIENT SURGERIES	205	177	28	15.8%	152
OUTPATIENT SURGERIES	302	268	34	12.7%	289
DELIVERIES	191	167	24	14.4%	144
OUTPATIENT VISITS	6,402	8,091	(1,689)	-20.9%	6,493
EMERGENCY ROOM VISITS	3,180	2,439	741	30.4%	2,881
PAID FTE'S	864	813	51	6.2%	618
HOME HEALTH VISITS	0	1,136	(1,136)	-100.0%	912

## ARROYO GRANDE COMMUNITY HOSPITAL

CONSOLIDATED INCOME STATEMENT  
ELEVEN MONTHS ENDING NOVEMBER 30, 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 29,561,747	\$ 30,989,556	\$ (1,427,809)	-4.6%	\$ 28,664,633
Other Revenue	365,620	441,363	(75,543)	-17.1%	354,372
<b>Total operating revenue</b>	<b>29,927,567</b>	<b>31,430,919</b>	<b>(1,503,352)</b>	<b>-4.8%</b>	<b>29,019,005</b>
<b>Expense</b>					
Salaries and temporary help	9,829,982	9,494,156	(335,824)	-3.5%	8,894,986
Employee benefits	2,883,330	2,830,185	(53,145)	-1.9%	2,647,155
Supplies	4,548,511	4,717,849	169,338	3.6%	4,516,447
Purchased services and professional fees	2,679,377	2,424,639	(254,738)	-10.5%	2,041,128
Managed Care Purchased Services	0	0	0	0.0%	0
Repairs, rent and utilities	1,086,230	1,161,789	95,559	8.2%	1,114,331
Provision for uncollectable accounts	3,581,977	3,628,108	47,131	1.3%	3,241,602
Insurance	412,696	318,143	(93,553)	-28.3%	261,974
Depreciation and amortization	1,167,918	1,157,387	(10,531)	-0.9%	1,091,912
Interest	2,217,366	2,053,602	(163,764)	-8.0%	1,941,210
Other operating expense	282,704	222,058	(70,651)	-31.8%	212,100
<b>Total operating expense</b>	<b>26,680,093</b>	<b>28,009,913</b>	<b>(670,180)</b>	<b>-2.4%</b>	<b>25,962,847</b>
<b>Income from operations</b>	<b>1,247,474</b>	<b>3,421,006</b>	<b>(2,173,532)</b>	<b>-63.5%</b>	<b>3,056,158</b>
Nonoperating gains	17,291	31,130	(13,839)	-44.5%	31,125
<b>Net income</b>	<b>\$1,264,765</b>	<b>\$3,452,136</b>	<b>\$ (2,187,371)</b>	<b>-63.4%</b>	<b>\$3,087,283</b>
<b>EBIDA</b>	<b>\$4,650,049</b>	<b>\$6,865,125</b>	<b>\$ (2,013,076)</b>	<b>-30.2%</b>	<b>\$6,120,405</b>

## STATISTICS

ACUTE DISCHARGES	2,630	2,922	(292)	-10.0%	2,851
ACUTE PATIENT DAYS	9,805	11,262	(1,657)	-14.7%	11,214
ACUTE AVERAGE LENGTH OF STAY	3.65	3.85	-0.20	-5.2%	3.93
SNF/SUBACUTE DISCHARGES	249	263	(14)	-5.3%	267
SNF/SUBACUTE DAYS	2,402	2,548	(146)	-5.7%	2,583
SNF/SUBACUTE AVERAGE LENGTH OF STAY	9.65	9.69	(0.04)	-0.4%	9.67
ADJUSTED PATIENT DAYS	20,352	24,113	(3,721)	-15.4%	23,758
INPATIENT SURGERIES	661	528	133	25.2%	541
OUTPATIENT SURGERIES	990	1,294	(304)	-23.5%	1,319
DELIVERIES	0	0	0	0.0%	0
OUTPATIENT VISITS	48,410	56,797	(8,387)	-14.8%	53,129
EMERGENCY ROOM VISITS	18,732	20,491	(1,759)	-8.6%	19,373
PAID FTE'S	249	265	(16)	-5.9%	235
HOME HEALTH VISITS	0	0	0	0.0%	0

## ARROYO GRANDE COMMUNITY HOSPITAL

CONSOLIDATED INCOME STATEMENT  
FOR THE MONTH OF NOVEMBER 2002

	ACTUAL	BUDGET	VARIANCE	%	PRIOR YEAR
<b>Revenue</b>					
Net patient service revenue	\$ 2,737,380	\$ 2,723,808	\$ 13,772	0.5%	\$ 2,012,838
Other Revenue	30,543	36,628	(6,285)	-17.1%	35,920
<b>Total operating revenue</b>	<b>2,767,923</b>	<b>2,760,436</b>	<b>7,487</b>	<b>0.2%</b>	<b>2,048,758</b>
<b>Expense</b>					
Salaries and temporary help	936,375	849,553	(86,822)	-10.2%	783,138
Employee benefits	343,933	252,250	(90,683)	-35.8%	276,509
Supplies	423,940	381,232	(42,708)	-11.2%	332,677
Purchased services and professional fees	303,920	203,998	(99,922)	-45.0%	116,999
Managed Care Purchased Services	0	0	0	0.0%	
Repairs, rent and utilities	94,226	104,993	10,767	10.3%	70,505
Provision for uncollectable accounts	366,034	318,955	(49,079)	-15.4%	211,324
Insurance	33,760	29,013	(4,747)	-16.4%	24,232
Depreciation and amortization	101,985	105,217	3,232	3.1%	107,124
Interest	231,383	211,810	(19,573)	-9.2%	155,940
Other operating expense	22,084	20,009	(2,075)	-10.4%	17,737
<b>Total operating expense</b>	<b>2,859,640</b>	<b>2,478,030</b>	<b>(381,610)</b>	<b>-15.4%</b>	<b>2,090,385</b>
<b>Income from operations</b>	<b>(91,717)</b>	<b>282,406</b>	<b>(374,123)</b>	<b>-132.5%</b>	<b>(46,627)</b>
Nonoperating gains	1,516	2,830	(1,314)	-46.4%	1,434
<b>Net Income</b>	<b>\$ (90,201)</b>	<b>\$ 285,236</b>	<b>\$ (375,437)</b>	<b>-131.6%</b>	<b>-\$47,193</b>
<b>EBIDA</b>	<b>\$ 243,167</b>	<b>\$ 602,263</b>	<b>\$ (359,096)</b>	<b>-59.6%</b>	<b>\$215,871</b>

## STATISTICS

ACUTE DISCHARGES	245	238	7	2.9%	239
ACUTE PATIENT DAYS	871	1,097	(226)	-20.6%	895
ACUTE AVERAGE LENGTH OF STAY	3.56	4.61	-1.05	-22.9%	3.74
SNF/SUBACUTE DISCHARGES	30	25	5	20.0%	17
SNF/SUBACUTE DAYS	202	201	1	0.5%	217
SNF/SUBACUTE AVERAGE LENGTH OF STAY	6.73	8.04	(1.31)	-16.2%	12.76
ADJUSTED PATIENT DAYS	1,808	2,260	(452)	-20.0%	1,906
INPATIENT SURGERIES	54	51	3	5.9%	45
OUTPATIENT SURGERIES	95	125	(30)	-24.0%	88
DELIVERIES	0	0	0	0.0%	0
OUTPATIENT VISITS	4,414	6,065	(1,651)	-27.2%	4,436
EMERGENCY ROOM VISITS	1,609	1,869	(260)	-13.9%	1,685
PAID FTE'S	259	266	(7)	-2.7%	212
HOME HEALTH VISITS	0	0	0	0.0%	0