

**Submission to the California Attorney General
Regarding proposed Asset Purchase Agreement
By and between
Vista Hospital Systems, Inc. and French Hospital Medical Center, Seller
And
Universal Health Services, Buyer**

Filed August 12, 2003

**VOLUME II
Schedules S through BB**

SCHEDULE S

**POLICIES AND PROCEDURES ON STAFFING
ARROYO GRANDE COMMUNITY HOSPITAL**

**ARROYO GRANDE COMMUNITY HOSPITAL
MEDICAL SURGICAL TELEMETRY UNIT
ACUITY BASED STAFFING**

CENSUS	DAYS (55%)				NOCS (45%)			
	II	III	IV	V	II	III	IV	V
1	3.7	3.9	4.2	4.4	3.1	3.2	3.5	3.6
2	7.4	7.8	8.4	8.8	6.2	6.4	7.0	7.2
3	11.1	11.7	12.6	13.2	9.3	9.6	10.5	10.8
4	14.8	15.6	16.8	17.6	12.4	12.8	14.0	14.4
5	18.5	19.5	21.0	22.0	15.5	16.0	17.5	18
6	22.2	23.4	25.2	26.4	18.6	19.2	21.0	21.6
7	25.9	27.3	29.4	30.8	21.7	22.4	24.5	25.2
8	29.6	31.2	33.6	35.2	24.8	25.6	28.0	28.8
9	33.3	35.1	37.8	39.6	27.9	28.8	31.5	32.4
10	37.0	39.0	42.0	44.0	31.0	32.0	35.0	36.0
11	40.7	42.9	46.2	48.4	34.1	35.2	38.5	39.6
12	44.4	46.8	50.4	52.8	37.2	38.4	42.0	43.2
13	48.1	50.7	54.6	57.2	40.3	41.6	45.5	46.8
14	51.8	54.6	58.8	61.6	43.4	44.8	49.0	50.4
15	55.5	58.5	63.0	66.0	46.5	48.0	52.5	54.0
16	59.2	62.4	67.2	70.4	49.6	51.2	56.0	57.6
17	62.9	66.3	71.4	74.8	52.7	54.4	59.5	61.2
18	66.6	70.2	75.6	79.2	55.8	57.6	63	64.8
19	70.3	74.1	79.8	83.6	58.9	60.8	66.5	68.4
20	74.0	78.0	84.0	88.0	62.0	64.0	70.0	72.0
21	77.7	81.9	88.2	92.4	65.1	67.2	73.5	75.6
22	81.4	85.8	92.4	96.8	68.2	70.4	77.0	79.2
23	85.1	89.7	96.6	101.2	71.3	73.6	80.5	82.8
24	88.8	93.6	100.8	105.6	74.4	76.8	84.0	86.4
25	92.5	97.5	105.0	110.0	77.5	80.0	87.5	90.0
26	96.2	101.4	109.2	114.4	80.6	83.2	91.0	102.6

NOTE: THE FOLLOWING ACUITY-BASED STAFFING MATRIX IS COMPUTED BASED ON THE FOLLOWING:
LEVEL II (HPPD=6.8), LEVEL III (HPPD 7.2), LEVEL IV (HPPD 7.7) AND LEVEL V (HPPD 8.0).

1-13-03/lp
c: SWCMedSurg Acuity Based Staffing Matrix

Plan for the Provision of Patient Care

Review and Approval

Chief Nursing Officer

Date

7/2/02

Chief Executive Officer

Date

7/2/02

President of the Medical Staff

Date

7/2/02

Governing Board

Date

7/25/02

ARROYO GRANDE COMMUNITY HOSPITAL

PLAN FOR THE PROVISION OF PATIENT CARE

Arroyo Grande Community Hospital

Organization Wide Plan for the Provision of Patient Care

Contents

1. Introduction
2. Mission Statement
3. Vision Statement
4. Overview of the Organization
5. Philosophy of Patient Care and Services
6. Department Specific Plans for the Provision of Patient Care

Department of Nursing Services

- Medical/Surgical Unit
- Intensive/Coronary Care
- Emergency Services
- Surgical Services
- Transitional Care Unit

- Cardiopulmonary Department
- Cardiac Rehabilitation
- Case Management
- Diagnostic Imaging
- Food and Nutrition Services
- Laboratory
- Pharmacy
- Physical Therapy

7. Patient Care Support Services
8. Patient/Family Education Plan

Introduction

The Organization-Wide Plan for the Provision of Patient Care describes the organization's philosophy of patient care and how it is operationalized in each area of the hospital. The plan was designed to be consistent with and support the Mission and Vision of the hospital, and to take into consideration the identified health care needs of our community. The development of the plan was a collaborative effort involving the Administrative Staff, Department Managers, and Medical Staff. Final approval of the plan is the responsibility of the Governing Board. The plan is reviewed every 3 years, or as necessary.

Mission Statement

The mission of Arroyo Grande Community Hospital is provide high quality acute, long-term, and ambulatory, services to the residents of southern San Luis Obispo County. Their services will be provided in a pleasant and caring environment which is consistent with the patient's individual needs. All services will be designed to attain the desired patient outcomes, and delivered in a manner which is cost effective, resource conservative, and consistent with the charitable purposes of the organization.

Vision Statement

The vision of Arroyo Grande Community Hospital is to become the *Community Choice*, recognized for:

1. providing high quality patient care;
2. providing excellent support to our physicians through efficient services;
3. ensuring a progressive and positive work environment for our employees, and
4. being the healthcare resource in the community.

Overview of the Organization

Arroyo Grande Community Hospital is a facility of Vista Hospital Systems, Inc.. The hospital has 65 licensed beds, and offers general acute care in-patient, transitional care, and out-patient services at facilities located on the hospital campus.

The leadership structure in place at the hospital has been outlined in detail in the organization's Leadership Plan. Please refer to this document for information regarding leadership structure and functions, and the role of leadership in the planning, directing, coordinating, providing, and improving of patient care.

Staffing matrix is defined by each department and one measure of determining staffing effectiveness is the analysis of selected HR and clinical indicators.

Hospital departments which provide direct patient care are as follows:

Nursing

- Medical/Surgical/Telemetry
- Intensive/Coronary Care
- Surgical Services (including GI lab)
- Emergency Department
- Transitional Care Unit

Cardiac Rehabilitation
Cardiopulmonary
Case Management (including Social Services)
Diagnostic Imaging
Food and Nutrition Services
Laboratory
Pharmacy
Physical Therapy (including Speech and Occupational Therapy)

Hospital departments providing services which are supportive of patient care include:

Administration	Information Systems
Admitting/Scheduling	Engineering
Auxiliary	Environmental Services
Business Services	Human Resources
Central Services	Materials Management
Education	Medical Records
Infection Control	Nursing Administration

Philosophy of Patient Care and Services

Arroyo Grande Community Hospital's philosophy of patient care and services is guided by and consistent with the mission statement and the charitable purposes of the organization.. We recognize that patients are individuals with many social, cultural, spiritual, and economic variables influencing their needs for health care. We believe that patients have the right to respectful, professional, and efficient care and services of high quality which meets or exceeds community standards. We believe that:

- patients have the right to be fully informed and involved in their health care choices.
- patient's family, as defined by the patient, has the right to be involved in their loved one's care to the extent desired by the patient; in addition, that the patient and family have the right to be informed of outcomes of care, including unanticipated outcomes.
- the highest quality health care results from a collaborative effort which includes the patient, family, physician, hospital personnel, and appropriate community agencies and organizations.
- each member of our community has the right to basic health services and that the hospital has the responsibility to assist in meeting those needs within specified limits.

Goals for the Provision of Patient Care

1. To provide a safe, pleasant, and clean environment for patients, visitors, and staff.
2. To perform assessments as indicated by the patient's needs.
3. To provide efficient and effective treatment to patients with a variety of medical and/or surgical problems based on their individual needs.
4. To provide information and education which encourages the patient to understand his/her health status and needs, and to participate in decisions regarding care.

5. To provide care and services in a manner which recognizes patient rights and maintains dignity.
6. To continually assess and improve the quality of care and services through intradepartmental and multidisciplinary analysis of processes.

c: PLANPTCA.doc
80702

Departmental Plans for the Provision of Patient Care

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Nursing Services

General Description of the Department

The Nursing Services Department delivers patient care throughout the Hospital, in accordance with the California Nurse Practice Act and the California Vocational Nursing Practice Act.

Nursing practice at Arroyo Grande Community Hospital is guided and defined by the Hospital's Mission Statement, Policies and Procedures, and Standards of Care.

The philosophy of the Nursing Services Department is based upon the belief that each patient who enters our facility is deserving of equal care based on their individual needs.

All patient care is directed toward promoting, maintaining or restoring health or minimizing pain and suffering toward a dignified death.

Scope of Services and Ages of Patient Served

Registered Nurses, Licensed Vocational Nurses, and Certified Nursing Assistants in the Nursing Department care for patients from newborn to geriatric, depending on the particular area in which they work.

Evaluation of Patient Care Services and Quality

A Hospital-Wide Quality Improvement Program is the framework for the evaluation and identification of performance improvement opportunities of all patient care services rendered by the Nursing Department.

Interdepartmental Collaboration

The Nursing Services Department collaborates with all other clinical services delivered to the patient. Additionally, Nursing Services interfaces with all nonclinical departments to facilitate the operational aspects of the Hospital.

Identification of Patient Care Needs

Patient care needs are identified according to policy in each nursing area. The resources to meet these needs are determined by joint effort of staff and management and are evaluated on a regular basis.

Staffing Plan

The Nursing Services Department consists of a Chief Nursing Officer, a nursing management team, a 24-hour nursing supervision team and RN's, LVN's and CNA's who are staffed according to department matrix. Additional staff is used as needed from registry and travel agencies.

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Medical-Surgical/Telemetry Unit

General Description of the Department:

The Medical-Surgical/Telemetry department is a 45-bed combined Medical-Surgical/Telemetry unit, including 3 isolation capable rooms and 12 telemetry beds. It is operated on a 24-hour per day basis.

Scope of Services:

The unit offers care and services for acutely ill medical and surgical patients from adolescents to geriatrics. The adult population, the most frequent medical diagnoses are diabetes and its resulting complications, cardiorespiratory conditions, neuromedical conditions, infections, chest pain, congestive heart failure, and cancer. Surgical procedures represent a variety of specialties including general surgery, urology, orthopedics, thoracic and vascular surgery.

Chemotherapy treatment is delivered on this unit to inpatients as well as on an outpatient status basis and staffing is adjusted accordingly. Patients receive quality oncology medicine by certified physicians and registered nursing staff.

Hospice is offered as a contracted and community service. Patients can receive care for complications or respite care for their families/care providers. Continuity of care is provided by contracted Hospice providers.

Referrals for patients whose needs exceed the capability of the department are made both within and outside of the facility. In-house referrals involve transfers to ICU for more intensive nursing care or monitoring and TCU for specific care needs. Patients whose needs can not be met within the facility may be transferred to another acute care, transitional care, or skilled nursing facility in the county or to a tertiary care facility elsewhere in the state. The choice to transfer a patient is made based on the type of specialty care required, and with collaboration between the patient, family, physician, the patient's case manager, and a representative of the receiving facility.

Evaluation of Patient Care Services and Quality:

The department's quality evaluation and improvement program is ongoing and continual. Quality control activities involve all aspects of care delivery. Concurrent patient satisfaction surveys are periodically completed, and immediate attention given to follow-up on patient concerns as needed. In addition, post-discharge patient satisfaction surveys are completed and the results of these posted for nursing staff to review. Medical staff input is received when new procedures are developed, as appropriate, as well as in a problem-solving environment as issues arise. Medical/Surgical staff participates in multidisciplinary quality improvement teams as appropriate.

Interdepartmental Collaboration:

The unit's nursing staff collaborates with each department in the hospital and is seen as the primary source for patient information with respect to patient needs during their hospital stay. The patient's nurse serves as the point of coordination for all caregivers and disciplines, and is responsible to facilitate interdisciplinary communication regarding patient care. In addition to this primary role, the staff of the unit participates in multidisciplinary performance improvement groups, hospital and departmental committees, and medical staff committees as appropriate.

Identification of Patient Care Needs:

The initial nursing assessment serves as the primary data base in determining patient care needs upon admission. Information may be supplied by the patient and the significant others. Information may also be obtained from the medical history and physical, laboratory data, and other members of the health care team. Patients are reassessed each shift as needed to validate and update the plan of care.

Physician's orders identify the necessary medical patient care needs and are carried out by the appropriate department within the facility.

Staffing Plan:

The care delivery is a combination of total patient care and team nursing based on acuity and patient needs.

Staffing is planned by acuity on a shift-to-shift basis and evaluated several times during the shift in order to meet the changing patient needs and census. Staffing decisions are made in a collaborative manner between the nurse manager or supervisor and the staff nurses. See attached staffing plan for detailed explanation of the unit acuity and census based staffing guidelines for the adult medical/surgical patients.

Special procedures include:

- A. Telemetry monitoring and dysrhythmia recognition and interpretation.
- B. Chemotherapy administration.

Requirements for RN staff:

- A. Current state licensure.
- B. Current BCLS.
- C. Completion of AGCH modul
- D. R.N. ACLS preferred

- E. Specific nurses have special training for chemotherapy administration.
- F. Majority of licensed personnel should have basic EKG interpretation.

Requirements for LVN Staff:

- A. Current state license.
- B. Current BCLS card.
- C. IV Therapy certification.
- D. Completion of AGCH Education Modules.

Requirements for Nursing Assistant:

- A. Certified or hospital-trained.
- B. BCLS card.

Requirements for Clerk/Monitor Tech:

- A. Current BCLS.
- B. Dysrhythmia recognition skills.

ARROYO GRANDE COMMUNITY HOSPITAL
 MEDICAL SURGICAL TELEMETRY UNIT
 ACUTY BASED STAFFING MATRIX

*Based on 8¹ shifts
 will be adjusted
 to 12⁰ shifts.*

CENSUS	DAYS (35%)					EVENINGS (35%)					NIGHTS (30%)				
	II	III	IV	V	II	III	IV	V	II	III	IV	V			
1	2.4	2.5	2.7	2.8	2.4	2.5	2.7	2.8	2.0	2.2	2.3	2.4			
2	4.8	5.0	5.4	5.6	4.8	5.0	5.4	5.6	4.0	4.4	4.6	4.8			
3	7.2	7.5	8.1	8.4	7.2	7.5	8.1	8.4	6.0	6.6	6.9	7.2			
4	9.6	10.0	10.8	11.2	9.6	10.0	10.8	11.2	8.0	8.8	9.2	9.6			
5	12.0	12.5	13.5	14.0	12.0	12.5	13.5	14.0	10.0	11.0	11.5	12.0			
6	14.4	15.0	16.2	16.8	14.4	15.0	16.2	16.8	12.0	13.2	13.8	14.4			
7	16.8	17.5	18.9	19.6	16.8	17.5	18.9	19.6	14.0	15.4	16.1	16.8			
8	19.2	20.0	21.6	22.4	19.2	20.0	21.6	22.4	16.0	17.6	18.4	19.2			
9	21.6	22.5	24.3	25.2	21.6	22.5	24.3	25.2	18.0	19.8	20.7	21.6			
10	24.0	25.0	27.0	28.0	24.0	25.0	27.0	28.0	20.0	22.0	23.0	24.0			
11	26.4	27.5	29.7	30.8	26.4	27.5	29.7	30.8	22.0	24.2	25.3	26.4			
12	28.8	30.0	32.4	33.6	28.8	30.0	32.4	33.6	24.0	26.4	27.6	28.8			
13	31.2	32.5	35.1	36.4	31.2	32.5	35.1	36.4	26.0	28.6	29.9	31.2			
14	33.6	35.0	37.8	39.2	33.6	35.0	37.8	39.2	28.0	30.8	32.2	33.6			
15	36.0	37.5	40.5	42.0	36.0	37.5	40.5	42.0	30.0	33.0	34.5	36.0			
16	38.4	40.0	43.2	44.8	38.4	40.0	43.2	44.8	32.0	35.2	36.8	38.4			
17	40.8	42.5	45.9	47.6	40.8	42.5	45.9	47.6	34.0	37.4	39.1	40.8			
18	43.2	45.0	48.6	50.4	43.2	45.0	48.6	50.4	36.0	39.6	41.4	43.2			
19	45.6	47.5	51.3	53.2	45.6	47.5	51.3	53.2	38.0	41.8	43.7	45.6			
20	48.0	50.0	54.0	56.0	48.0	50.0	54.0	56.0	40.0	44.0	46.0	48.0			
21	50.4	52.5	56.7	58.8	50.4	52.5	56.7	58.8	42.0	46.2	48.3	50.4			
22	52.8	55.0	59.4	61.6	52.8	55.0	59.4	61.6	44.0	48.2	50.6	52.8			
23	55.2	57.5	62.1	64.4	55.2	57.5	62.1	64.4	46.0	50.6	52.9	55.2			
24	57.6	60.0	64.8	67.2	57.6	60.0	64.8	67.2	48.0	52.8	55.2	57.6			
25	60.0	62.5	67.5	70.0	60.0	62.5	67.5	70.0	50.0	55.0	57.5	60.0			

NOTE: THE FOLLOWING ACUTY-BASED STAFFING MATRIX IS COMPUTED BASED ON THE FOLLOWING: LEVEL II (HPPD=6,8), LEVEL III (HPPD 7,2), LEVEL IV (HPPD 7,7) AND LEVEL V (HPPD 8,0).
 Rev. 11/11/2-01

Census	LICENSED PERSONNEL				ASSISTIVE PERSONNEL						
	12 hr am 0700-1900			12 hr pm 1900-0700		0700-1500		1500-2300		2300-0700	
	RN	LVN		RN	LVN	NA	WC	NA	WC	NA	WC
10	2			2			1		1		1
11	2			2		1	1		1		1
12	2	1		2			1	1	1		1
13	2	1		2	1		1		1		1
14	2	1		2	1	1	1		1		1
15	2	1		2	1	1	1	1	1		1
16	2	1		2	1	1	1	1	1	1	1
17	2	1		2	1	2	1	1	1	1	1
18	2	1		2	1	2	1	1.5	1	1	1
19	2	1		2	1	2	1	2.0	1	1.5	1
20	3			2	1	2	1	2	1	2	1
21	3	1		2	1	2	1	2	1	2	1
22	3	1		3	1	2	1	2	1	1.5	1
23	3	1		3	1	2	1	2	1	2	1
24	3	1		3	1	2	1.5	2	1	2	1
25	3	2		3	1	2	1.5	2	1	2	1
26	3	2		3	2	2	1.5	2	1	2	1
27	3	2		3	2	3	1.5	2	1	2	1
28	3	2		3	2	3	1.5	3	1	2	1
29	3	2		3	2	3	1.5	3	1.5	2	1
30	3	2		3	2	3	1.5	3	1.5	2	1
31	4	2		3	2	3	1.5	3	1.5	2	1
32	4	2		4	2	3	1.5	3	1.5	2	1
33	4	2		4	2	3	1.5	3	1.5	3	1
34	4	2		4	2	4	1.5	3	1.5	3	1
35	4	2		4	2	4	1.5	4	1.5	3	1
36	4	2		4	2	4	1.5	4	1.5	3	1
37	5	2		4	2	4	1.5	4	1.5	3	1
38	5	2		5	2	4	1.5	3	1.5	3	1
39	5	2		5	2	4	1.5	4	1.5	3	1
40	5	2		5	2	4	1.5	4	1.5	4	1
41	5	2		5	2	4	1.5	4	1.5	4	1
42	5	3		5	2	4	1.5	4	1.5	4	1
43	5	3		5	2	4	1.5	4	1.5	4	1
44	5	3		5	2	5	1.5	4	1.5	4	1

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Intensive Coronary Care Unit

General Description of the Department:

The Intensive/Coronary Care Unit is an 8-bed fully monitored unit, including one isolation room. It is operated on a 24-hours per day basis. Patients may be received from all in-patient units, the Emergency Department, or directly from physician's offices.

Scope of Services:

The unit offers intensive nursing services and monitoring for critically ill adult and adolescent patients. Pediatric patients between 5-12 years of age may be cared for on a short-term basis, but are limited to simple orthopedic and surgical cases.

The most frequent diagnoses for patients in ICCU are acute myocardial infarction, CVA, cardiac dysrhythmia, congestive heart failure, sepsis, shock, major abdominal surgery, respiratory failure, diabetes, drug overdose, and GI bleeding. The unit provides invasive hemodynamic monitoring including arterial lines, CVP lines, and pulmonary artery catheters. Measurement of cardiac output and insertion and monitoring of cardiac pacemakers, respiratory care via intubation and mechanical ventilation, administration and monitoring of complex vasoactive and antiarrhythmic medications are also offered.

Patients whose needs exceed the capability of this unit may be transferred to a local or tertiary hospital for specialty care. Transports are done with physician's orders, and an ICU or ER nurse accompanies the patient on transport as needed.

Evaluation of Patient Care Services and Quality:

The department's quality evaluation and improvement program is ongoing and continual. Quality control issues are monitored monthly and quarterly by the nurse manager and members of the nursing staff. The results are presented to the QI committee as scheduled. ICU/CCU staff participates in multidisciplinary quality improvement projects as appropriate.

Interdepartmental Collaboration:

The staff of the ICCU collaborates with all other care givers to coordinate the patient care, including but not limited to the following: Respiratory Therapy, Case Management, Pharmacy, Food and Nutrition Services, Physical Therapy/Speech Therapy, Diagnostic Imaging, Emergency Department, and other in-patient nursing units. Interdepartmental collaboration also occurs in multidisciplinary quality improvement teams, patient care conferences, and other meetings.

Identification of Patient Care Needs:

The initial nursing assessment serves as the primary data base in determining patient care needs upon admission. Information may be supplied by the patient and the significant others. Information may also be obtained from the medical history and physical, laboratory data, and other members of the health care team. Patients are reassessed at least each shift as needed to validate and update the plan of care.

Physician's orders identify the necessary medical patient care needs and are carried out by the appropriate department within the facility.

Staffing Plan:

See attached staffing plan.

ARROYO GRANDE COMMUNITY HOSPITAL	POLICY NO. 1.10
DEPARTMENT: INTENSIVE CARE UNIT	PAGE: 1 OF: 2
APPROVED BY: STAFFING GUIDELINES - ICU	EFFECTIVE DATE: 5/2002 DATE REPLACES: 5/98

PURPOSE:

To provide a sufficient number of permanently assigned competent nurses to care for critically ill patients in ICU.

POLICY:

- To establish recommended staffing guidelines for critical care patients.
- To designate responsibility to a qualified manager for staffing ICU.

PROCEDURE:

- Staffing Guidelines:
 - The nursing staff will be scheduled on a rotational basis for twelve hour shifts in the ICU.
 - Unit assignments will be made based on the number, acuity and isolation needs of the patient and the experience and educational levels of the nursing staff.
 - A ratio of one licensed person to two patients will be maintained unless patients meet the criteria for 1:1 staffing requiring one nurse per patient.
 - The budgetary projection for staffing, based on past history, allocates an average of twenty (21) hours per patient day (hppd). Nurses are staffed according to number and acuity of patients within the ICU.
 - The method of care delivery in this areas is total patient care.
 - A registered nurse with ACLS certification who has training and experience in critical care nursing, shall be responsible for the nursing care and nursing management of the Intensive/Coronary Care Unit (ICCU) when a patient is present.
 - There are never less than two licensed nursing personnel physically present in the ICU when a patient is present. At least one of these personnel is a registered nurse. L.V.N.'s may constitute up to 50% of the licensed nurses in the ICCU. (Title 22)

ICU

APPROVED BY: _____

Medical Consultants Network Inc
TITLE 22 STANDARDS

4/2002

ARROYO GRANDE COMMUNITY HOSPITAL	POLICY NO. 1.10
DEPARTMENT: INTENSIVE CARE UNIT	PAGE: 2 OF: 2
	EFFECTIVE DATE: 5/2002
APPROVED BY: STAFFING GUIDELINES - ICU	DATE REPLACES: 5/98

- Staffing is performed following Title 22 standards. A respiratory therapist, physical therapist and other supportive service staff shall be available depending upon the requirements of the service.
- OVERFLOW patients: In emergency situations, medical surgical patients may be overflowed into the ICU. Staffing of ICU patients will remain consistent with Title 22 standard. Staffing for the medical surgical patients will be consistent with staffing for that unit and may be under the care of the ICU staff. However, any nurse caring for an ICU patient will not take more than the ICU ratio allows, regardless of the status of the Medical/Surgical floor patient. Assignment should be made to accommodate all patients in the unit within the Title 22 standards.
- In the event of emergency conditions, off-duty staff may be called in to assist. In addition, back up may be provided by nursing department managers and the nursing supervisors.
- Managerial Responsibility:
 - Responsibility for staffing the ICU is maintained by the ICU Nurse Manager/designee. They will oversee unit assignment, note changing acuity needs and assist with bed placement.
 - The ICU is jointly managed by the ICU Nurse Manager and the ICU Medical Director.
 - The ICU Nurse Manager is selected to meet job description requirements meeting JCAHO requirements for nurse manager of a special care unit. The ICU Nurse Manager will have training, experience and documented current competence in the care and management of patients in ICU.

ICU

Medical Consultants Network Inc
TITLE 22 STANDARDS

APPROVED BY:

4/2002

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Emergency Department

General Description of the Department

Arroyo Grande Community Hospital Emergency Department provides Level II Emergency Services.

The Emergency Department is a 10 bed unit. Space provisions and designations have been provided for:

- General treatment rooms
- Cast room
- GYN
- Trauma
- Cardiac Care

Scope of Services and Ages of Patient Served

The Emergency Department services patients of all ages including the neonate to geriatrics. The Emergency Department provides all ranges of care from the continuation or initiation of Advanced Life Support measures to the assessment and treatment of minor illnesses and injuries or acute exacerbations of chronic medical conditions. The ED, is responsible for the immediate recognition, evaluation, treatment/stabilization, and disposition of patients in response to any medical, surgical or psychological emergency.

Those patients whose needs exceeds the capability of the department's services, are stabilized and transferred to the appropriate, specialized facility. (See Transfer Policies)

Evaluation of Patient Care Services and Quality

The Emergency Department seeks to provide superior healthcare services to the community. In the effort to maintain ongoing and constant improvement in the quality of care, the Emergency Department and medical staff participate in the hospital-wide Quality Improvement Plan, cooperating with a multidisciplinary team effort to identify and evaluate provision of care issues, and to implement changes as needed. In addition, internal evaluative studies are in progress, focusing on specific areas of emergency care delivery.

Interdepartmental Collaboration

Emergency care is provided through a collaborative team effort. By working together with other hospital departments such as Cardio-Pulmonary services, laboratory, Diagnostic Imaging, Pharmacy, Social Services, and with the medical staff, the team is able to meet the patient and family needs in an efficient and effective manner. The collaborative effort extends to the ongoing evaluation and improvement of patient care services as well. Interdisciplinary quality improvement groups are readily established with goal of improving the care delivery systems.

Identification of Patient Care Needs

The Emergency staff evaluates the healthcare needs of every person who presents to the Department seeking assistance. Guidelines for triage and screening are set forth in the ED Policy and Procedure Manual. Patients discharged from the department are given specific after-care instructions and referral resource assistance, according to the Discharge Policy found in the ED Policy and Procedure Manual.

Staffing Plan

The E.D. is open, fully staffed 24 hours a day, seven days a week with at least one physician Board Certified or experienced in emergency care and two registered nurses and one ER Tech/Clerk (1 or 2 RNs or LVNs are staffed during high census or high acuity periods). All of the physicians practice as independent contractors and are all fully credentialed members of the Medical Staff with delineated privileges in emergency medicine. The E.D. has the availability of medical specialty consultation, radiology, laboratory, etc. at all times.

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: **Surgical Services**

GENERAL DESCRIPTION OF DEPARTMENT

The Surgical Services Department includes two operating room suites: one Post Anesthesia Care Unit of three stations, one Outpatient Day Stay Unit of six stations, and one GI Lab suite.

SCOPE OF SERVICES AND AGES OF PATIENTS SERVED

The Surgical Services Department services patients from infants to geriatrics. Patients under five are done on an outpatient basis only. All inpatient, outpatient, and emergency cases are done in two operating room suites. All outpatient surgeries are admitted to the Day Stay unit. All post-operative patients remain in the post-anesthesia care unit until protocols determine that the patient is stable. After the post-anesthesia recovery period, patients are then transferred to the appropriate nursing station. Outpatients are transferred to Day Stay or discharged to home per standard procedure. Inpatients are transferred to the Medical-Surgical Unit or ICU unit depending on the needs of that patient and the physician's orders. If an outpatient under 5 becomes unstable and requires inpatient status, they will be transferred to an appropriate facility per E.R. transfer policy.

All other Day Stay patients are cared for by diagnosis and orders from the treating physician. Example of these patients are blood transfusions and intravenous therapy. These patients are treated and discharged through the Day Stay unit. The GI Lab patients are a mix of outpatient, inpatient, from adolescence (13) to geriatrics. The outpatient is admitted through the Day Stay unit, treated in the GI Lab and transferred for discharge to the Day Stay unit. The inpatient is transferred from the appropriate unit to the GI Lab and transferred back to the unit. Scoping may be done in ICU upon the attending physician's request.

The hours of operation for the Surgical Services Department are dependent upon patient care. Routine hours for operation are 6:00 a.m. to 5:00 p.m. for Day Stay and 6:15 a.m. to 6:30 p.m. for the O.R., Monday through Friday. Surgical Services are available 7 days a week, 24-hours a day per call crew.

EVALUATION OF PATIENT CARE SERVICES AND QUALITY

The Surgical Services Department seeks to provide superior healthcare services to the community. In the effort to maintain ongoing and constant improvement in the quality of care, the Surgical Services Department participates in the hospital-wide Quality Improvement Plan, cooperating with a multidisciplinary team effort to identify and evaluate provision of care issues, and to implement changes as needed. In addition, internal evaluative studies are in progress, focusing on specific areas of Surgical Services.

INTERDEPARTMENTAL COLLABORATION

Surgical Services are provided through a collaborative team effort. By working together with other hospital departments such as Diagnostic Imaging, Laboratory, Cardio-Pulmonary Services, Physical Therapy, Social Services, and with the Medical Staff, the team is able to meet the patient and family needs in an efficient and effective manner. The collaborative effort extends to the ongoing evaluation and improvement of patient care services as well. Interdisciplinary quality improvement groups are readily established with the goal of improving the care delivery system.

IDENTIFICATION OF PATIENT CARE NEEDS

Surgical Services patients are assessed on admission and immediately prior to surgery or procedure. During procedures or surgery, patients are assessed per specific policy until they meet discharge criteria or are transferred to inpatient services per surgeon or M.D.

STAFFING PLAN

One nurse manager is assigned over the Surgical Services Department.

1) Operating Room

There will be one Registered Nurse as a circulator on all cases. Operating Room Technicians are allowed to assist the Registered Nurse in circulatory duties. There will be one Operating Room Technician, Registered Nurse, or LVN as a scrub person per surgical case. One Registered Nurse First Assist will be assigned case as required or per protocol of hospital

Surgical Services secretary coverage is available from 7 a.m. – 4:30 p.m. Housekeeping coverage is available 24-hours a day. All working hours are flexible, depending upon the Operating Room schedule's demands.

On Call:

There are two staff members on call for the Operating Room 24-hours a day, 7 days a week. One staff member on call will be an Operating Room Registered Nurse.

One Registered First Nurse First Assist will be on call when available per call schedule.

2) Post-Anesthesia Care Unit

There is one Registered Nurse assigned in the Post-Anesthesia Care Unit during the day shift. There will be additional staffing in the Post-Anesthesia Care Unit to maintain a 1:2 ratio.

On Call:

One Registered Nurse is on call 24-hours a day, 7 days a week for the Post-Anesthesia Care Unit. After hours, recovery may be done in ICU if indicated. If the "on call" RN has more than one patient, it will be necessary for ICU to recover the ICU patients.

3) Day Stay / GI Lab

There will be 2-3 Registered Nurses staffed in the Day Stay Unit during the day shift. Additional staffing may be determined by the schedule demand. Scheduled hours will be staggered according to the needs of the schedule.

There will be one Registered Nurse and one Technologist staffed in the GI Lab. Additional coverage of the GI Lab will be determined by schedule demands. Secretary coverage is available on the Day Stay Unit through the Operating Room Secretary. Housekeeping is available on the P.M. shift.

On Call:

One Registered Nurse is assigned to cover the GI Lab and Day Stay call 24-hours a day, 7 days a week. If the Day Stay unit has not discharged every patient when the "late" Day Stay RN is off duty, the GI/Day Stay call nurse will be called in to cover the Day Stay area.

TRANSITIONAL CARE UNIT PLAN FOR THE PROVISION OF PATIENT CARE

General Description

The Transitional Care Unit is a 12-bed unit which provides 24 hours/day, 7 days/week patient care.

Scope of Services

The unit offers care and services for the patient from 18 years—geriatric that has progressed to a rehabilitative level of care, yet requires daily skilled nursing services or skilled physical, occupational or rehabilitative therapy.

Referrals for admission to Transitional Care are reviewed by the Transitional Care Review Team to determine eligibility for admission.

Evaluation of Patient Care Services and Quality

The Department's Quality Evaluation and Improvement Program is ongoing and continual. Quality Control activities involve all aspects of care delivered. Each patient returning to their home is called for a satisfaction survey, and immediate attention is given to follow-up on patient concerns.

Interdepartmental Collaboration

The unit's nursing staff collaborates with each department in the hospital and is seen as the primary source for patient information with respect to patient needs during their hospital stay. The patient's nurse serves as the point of coordination for all caregivers and disciplines, and is responsible to facilitate interdisciplinary communication regarding patient care. In addition to this primary role, the staff of the unit participates in multidisciplinary performance improvement groups, hospital and departmental committees, and medical staff committees as appropriate.

Identification of Patient Care Needs

The initial nursing assessment serves as the primary data base in determining patient care needs upon admission. Information may be supplied by the patient and the significant others. Information may also be obtained from the medical history and physical, laboratory data, and other members of the healthcare team. Patients are reassessed every 24 hours as needed to validate and update the plan of care.

Physician's orders identify the necessary medical patient care needs and are carried out by the appropriate department within the facility.

Staffing Plan

The care delivery is a combination of total patient care and team nursing based on acuity and number of patients and their needs.

Staffing is planned by acuity on a shift-to-shift basis and evaluated during the shift in order to meet the changing patient needs. Staffing decisions are made in a collaborative manner between the nurse manager or supervisor and the staff nurses. See attached staffing plan for census based staffing guidelines for the Transitional Care patients.

Requirements for RN Staff:

- A. Current state licensure
- B. Current BCLS
- C. Completion of AGCH modules

Requirements for LVN Staff:

- A. Current state license
- B. Current BCLS card
- C. IV Therapy certification
- D. Completion of AGCH Education Modules

Requirements for Nursing Assistant:

- A. Nursing assistants certified by the State of California
- B. Current BCLS card

**ARROYO GRANDE COMMUNITY HOSPITAL
TRANSITIONAL CARE UNIT
STAFFING MATRIX**

CENSUS	DAYS LVN	DAYS CNA	EVES LVN	EVES CNA	NOCS LVN	NOCS CNA	HPPD
1	1	0	1	0	1	0	6.47
2	1	0	1	0	1	0	12.94
3	1	0	1	0	1	0	19.41
4	1	0	1	0	1	0	25.88
5	1	1	1	1	1	0	32.35
6	1	1	1	1	1	0	38.82
7	1	1	1	1	1	1	45.29
8	1	1	1	1	1	1	51.76
9	1	2	1	1	1	1	58.23
10	2	2	1	1	1	1	64.70
11	2	2	1	1.5	1	1.5	71.17
12	2	2	1	1.5	1	2	77.64

8-9-02

lp

c: TCU Forms/TCU Staffing Matrix

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Cardio-Pulmonary Department

General Description of the Department:

The Cardio-Pulmonary Department offers services to inpatients and Emergency Department patients 24 hours per day, 7 days per week. These services involve all therapeutic respiratory therapy modalities, critical life support management, and urgent diagnostic testing.

Routine outpatient diagnostic testing is performed between the hours of 9:00 a.m. until 4:30 p.m., Monday through Friday, or by special arrangement with the department.

These services include the following:

- 24 hour holter monitoring
- outpatient EKG's
- outpatient ABG's
- complete pulmonary function testing
- Cardio-Pulmonary exercise stress testing
- E.E.G. testing
- sleep studies are scheduled between 8:00 p.m. until 7:00 a.m.

Scope of Services and Ages of Patients Served

All therapeutic respiratory therapy services are offered to patients in all age groups unless otherwise specified. They include, but are not limited to, the following:

- oxygen therapy
- aerosol therapy
- hand held nebulizer therapy
- M.D.I. therapy
- incentive spirometry
- sputum induction
- postural drainages percussion/chest vest therapy
- pediatric tent therapy
- mechanical ventilation (pediatric through adult)
- CPAP/BiPAP (pediatric through adult)
- CPR

Diagnostic Services are offered to all age groups unless otherwise noted. The following is a list of the major diagnostic services offered:

- arterial blood gases
- electrocardiogram
- 24 hour holter monitor
- electroencephalogram (ages 6 through adult)
- pulmonary function testing (ages 5 through adult)
- cardio-pulmonary stress test
- pulse oximetry
- sleep studies (ages 8 through adult)

Evaluation of Patient Care Services and Quality:

Performance improvement and quality control indicators are in place to evaluate selected aspects of patient care.

The Cardio-Pulmonary Department has a Medical Director of Cardiology and a Medical Director of Pulmonology. These directors are responsible for evaluation of services provided by the department. They accomplish this by review of diagnostic studies done by the department when they perform medical interpretations, during their direct patient care activities, and in their review of policies and procedures. They also consult with the technical director of the department regarding various aspects of patient care on a regular basis.

Interdepartmental Collaboration:

The Cardio-Pulmonary department interacts with the following departments: Nursing, Diagnostic Imaging, Laboratory, Physical Therapy, Cardiac Rehabilitation, Pharmacy.

The closest collaboration is with the department of Nursing. The two departments interact in many ways with direct assessment of patients. Services such as CPR, ventilator management, patients in acute respiratory distress needing assessment and diagnostic or therapeutic care, tracheostomy care, and other issues are handled in a multidisciplinary manner.

The department technical director is responsible to represent the department in interdisciplinary task force groups and in medical staff committees.

Identification of Patient Care Needs:

The Cardio-Pulmonary Department relied upon information from many services in identifying patient care needs. Information comes from patients, physicians, nurses and other technical and professional staff. The department relies upon journal articles, conferences, workshops and information from professional associations to keep abreast of advances in the field that would benefit patient care. The department also relies upon the medical directors for input into providing for patient care needs.

Staffing Plan:

The department is staffed 24 hours per day, seven days per week. Normal staffing consists of the following schedule:

Day Shift	6:00 a.m.	--	4:00 p.m.
Split Shift	10:00 a.m.	--	8:00 p.m.
Evening Shift	1:00 p.m.	--	11:00 p.m.
Night Shift	9:00 p.m.	--	7:00 a.m.
Sleep Study Tests	7:00 p.m.	--	7:00 a.m.

Consideration is given to provide overlap in coverage during scheduled therapy for inpatients and for afternoon scheduled outpatient diagnostic testing.

Staffing considerations are made on a day-by-day, shift-by-shift basis. Each employee is responsible for adjusting his/her hours according to activity level. The department technical director oversees this activity to assure compliance.

Home Care Services:

The Cardio-Pulmonary Department works closely with Nursing Service and Discharge Planning to coordinate the care of all patients being discharged. The department is available for phone consultation to D.M.E. companies, Home Health Care and Hospice Care. Direct, in-home services are not provided.

Cardiac Rehabilitation Department Plan for the Provision of Patient Care

General Description of the Department

The Cardiac Rehabilitation Department provides out-patient cardiac rehabilitation services. The department also provides inpatient education and assessment. The department is also responsible for cardiac stress testing.

Patient Care Practice Guidelines

The American Association of Cardiovascular and Pulmonary Rehabilitation has standards that are incorporated into patient care policies and procedures.

Scope of Services

Services provided by the department include:

1. Interview patients appropriate for cardiac rehabilitation and assess risk factors, medical and physical status, learning needs, and goals of treatment.
2. Conduct monitored exercise training program according to exercise prescription as determined by staff and program policies.
3. Assist physician with exercise and chemical stress testing.
4. Recognize and interpret cardiac dysrhythmia and modify exercise appropriately.
5. Respond to emergency situations appropriately per ACLS standards.
6. Assess patient as each exercise session and report changes in patient status to the physician.
7. Inform physician of patient progress through monthly reports.
8. Conduct patient/family education sessions and programs, including home exercise routines, equipment, dietary modification, stress management, recognition of signs and symptoms, etc.
9. In-patient assessment, education, and progressive monitored exercise.

The department serves all adult patients with known cardiac or coronary artery disease. The primary diagnoses of patients served are myocardial infarction, s/p coronary artery bypass grafting, arthrectomy, stable angina, s/p valve replacement, cardiomyopathy, and congestive heart failure. Patients often have secondary diagnoses of peripheral vascular disease, diabetes, COPD, s/p CVA, obesity, arthritis, diverse musculoskeletal and neurological problems, and chronic renal failure.

In the case of a patient requiring care which is beyond the normal scope of the department, patients may be transported to the Emergency Department or to the ICU or DOU as directed by their physician. Patients requiring information on counseling beyond the expertise of the staff are referred to the appropriate practitioner.

Evaluation of Patient Care Services and Quality

The quality of patient care and service is monitored through QA and CQI monitors.

Patients have the opportunity to evaluate the program regarding the environment, equipment, staff

competency, courtesy, availability of educational materials. etc. We also receive input from physicians and other hospital staff. The department's policies and procedures are evaluated and approved by the medical director prior to implementation.

Interdepartmental Collaboration

Other departments with which we collaborate include:

1. Nursing, through responsiveness to referrals, scheduling of stress tests, and reporting of results of interventions to the patient's primary nurse.
2. Diagnostic Imaging, through joint scheduling of diagnostic testing with radioisotopes.
3. Pharmacy, through provision of drugs required for stress testing and emergency procedures.
4. Physical Therapy and Dietary, through referral of appropriate patients for evaluation.

Identification of Patient Care Needs

The following mechanisms are utilized to identify patient care needs: initial interview, review of exercise stress test, and lab results, especially lipid panels. Ongoing needs are assessed through review of the patient's progress during each session and at the time of the monthly progress report to physicians.

Staffing Plan

All staffing is variable and is dependent upon patient volume. Department staff includes specialists from the fields of nursing, physical therapy, exercise physiology, and respiratory therapy.

ARROYO GRANDE COMMUNITY HOSPITAL
Plan for the Provision of Patient Care
Department: Case Management

GENERAL DESCRIPTION OF THE DEPARTMENT

The Case Management Team facilitates an integrated approach of providing services to the patient from admission through discharge. This continuum of care function, matching an individual's ongoing needs with the appropriate level and type of medical, psychological, or social care and services within the hospital is performed by Case Management.

Case Management services are provided 7 days a week. The Case Management office is open from 7am to 4:30pm Monday through Friday with staff available on weekends.

SCOPE OF SERVICES AND AGES OF PATIENTS SERVED

Functions integrated into Case Management are: Utilization Management, Assessment of patient needs, ongoing review of treatment plans, Discharge Planning, coordination of referrals between levels of care & treatment programs, Social Service and coordination of psychosocioeconomic evaluations, Coordination of information related to infection surveillance, facilitation of information related to performance improvement, quality management, financial accountability, and participation in internal and external professional committees to improve patient care and service.

Case Management Services are provided to all patient populations including pediatric, adolescent, adult and geriatric.

EVALUATION OF PATIENT CARE SERVICES AND QUALITY

Case Management acknowledges its responsibility to assure that all patients receive quality services, in accordance with the hospital's Mission, Vision, Values, and Behavior.

Department goals are as follows:

- To facilitate an integrated process from admission through lower levels of care and discharge.
- To enhance discharge options, while avoiding unnecessary delays.
- To monitor admissions and continued stays according to InterQual intensity of service, severity of illness
- To monitor over and underutilization of hospital resources

The Case Management Department follows the "Intensity of Service/Severity of Illness" criteria when evaluating the necessity for admission, continued stay and appropriateness for discharge. It is guided by the mandates of various Federal programs, the California Department of Health Services/Title 22, and JCAHO.

Quality improvement targets are identified and plans developed yearly. Case Management sits on the quality improvement committee and reports on indicators and trends monthly.

INTERDEPARTMENTAL COLLABORATION

Case Management interdepartmental collaboration is dynamic through daily collaboration, care conferences and rounds with doctors, nurses, and therapists and all departments involved in a patient's care.

Case Management fosters a multi-disciplinary understanding of the patient and/or family in relation to his/her medical and psychosocial environment. The department provides a continual system of communication through documentation and reevaluation of the patient considering the anticipated needs at the present level of health care delivery and thereafter. Cost effective quality resources are utilized with concurrent monitoring of patient's level of care.

Case Management is part of the hospital management team and has representation on diverse hospital wide committees.

IDENTIFICATION OF PATIENT CARE NEEDS

Case Management provides for systemic assessment, short and long term planning and documents all services provided on behalf of patient within 24 hours of case assignment. Complex psycho/social and economic problems are referred to the clinical social worker for problem resolution. The department utilizes both internal and external resources to assist patient and families in reaching health care goals. Patients and families, are partners in the development of care decisions.

STAFFING PLAN

Case Management is staffed by the Manager of Case Management, qualified nurse Case Managers and a Clinical Social Worker. Case management staffing is adjusted in a dynamic manner in order to meet the needs of Arroyo Grande Community Hospital patients.

The productivity unit of measure for the department is adjusted bed day. Staffing plans are evaluated annually at the time of budget planning and at other intervals as services are initiated, eliminated or consolidated.

Case Management staff need a minimum of three years' experience in an acute care setting. They may have expertise in one of the following areas: healthcare management, quality assessment and improvement, continuous quality improvement, utilization review, discharge planning, social service, infection control or risk management. They must also demonstrate skills in communication, organization, clinical management and teamwork.

Initial competency of staff is assured through orientation to the hospital and the department, peer mentoring, with the assessment of job skills and an initial 90-day review. Ongoing competency of staff is assured through annual updates and competency assessments including age-specific developmental competencies and through in-service trainings. Performance is evaluated annually.

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Radiology

General Description of the Department

Diagnostic Imaging offers 24-hours a day service. Three x-ray rooms, two ultrasound suites, CT scanner, mammographic with stereo tactic abilities, MRI scanner, DEXA scanner, angiographic abilities, two portable x-ray units and one portable C-Arm fluoroscopic unit.

Scope of Services and Ages of Patient Served

Radiologic services 24-hours a day to inpatients and emergency services. Ten hours a day to outpatients. Patients of all ages, race, sex and financial status are serviced. Range of treatment compromise diagnostic procedures, invasive/noninvasive and intraoperative techniques, with and without contrast media.

Evaluation of Patient Care Services and Quality

The goal of the Radiology Department will be to ensure that all patients treated will receive high quality care in the most expedient and professional manner possible. Quality indicators are monitored and presented to QI Committee quarterly.

Interdepartmental Collaboration

It is the policy of this department to maintain the best possible relationship with the other departments of this hospital in order to have a smooth-running Radiology Department and overall hospital operations. Regular collaboration occurs with the Emergency Department, Nursing Department and Admitting Department.

Identification of Patient Care Needs

Patient assessment is made with the interdisciplinary approach of the physician, Nursing and Diagnostic Imaging Department to provide the most relevant information to allow for the optimum radiological exam and results.

Staffing Plan

This department is under the direct supervision of a Radiologist, certified by the American Board of Radiology and having a current license from the State of California to practice medicine.

A technologist registered by the American Registry of Radiologic Technologists and certified by the State of California is available twenty-four (24) hours per day and will assist the radiologist(s) in acquiring needed images on a referred patient.

During regular hours the department is staffed by licensed technologists.

6:30 a.m. to 7:00 p.m., Monday through Friday.

7:00 a.m. to 5:00 p.m., Saturday and Sunday

Call after 5:00 p.m. for Nuclear Medicine, Ultrasound, all CT everyday. Radiologist will be available 24 hours.

Arroyo Grande Community Hospital

Plan for the Provision of Care

Food and Nutrition Services department

General Description of the Department

The Food and Nutrition Services Department (FANS) mission is to provide high quality services to the customers and employees of the Arroyo Grande Hospital. Food will be prepared in a safe environment, conforming to Federal, State, and local regulations. Food and meal plans will be designed to meet the needs of the patients, visitors, and hospital staff. The department is open from 5 a.m. to 8 p.m. with cafeteria service for continental breakfast, lunch and dinner. Foodservice is provided for community and hospital meetings upon approval from administration. The Food and Nutrition department is a resource for nutritional health evaluation and nutrition education for in-house and out-patients. Nutrition education is available for hospital staff and their departments.

Scope of Services and Ages of Patient Served

Arroyo Grande Community Hospital (AGCH) provides services to critically and acutely ill adult and adolescent patients in ICU, Med Surg/Telemetry, and Transitional Care. Pediatric patients (age 5 –12 years) are also served. Services include:

1. Nutrition assessments and intervention
2. Regular and therapeutic diets
3. Consistency modified diets.
4. Nutrition education including instruction on the potential for food/drug
5. Interactions.
6. Enteral and Parental Nutrition

Evaluation of Patient Care Services and Quality

The quality of patient care is evaluated on an ongoing basis. The Food Service Manager and/or the Dietitian participate as an active member of the Interdisciplinary Performance Improvement Team. The Food Service Manager and/or the Dietitian will prepare a quarterly report of Quality Assurance/Performance Improvement Activities of the FANS Department as well as Improvement Projects to be submitted to the QI Committee. The Quality improvement program of the FANS department can be divided into three categories:

1. **Quality Assurance:** Related to patient care indicators to include such items as timeliness of Nutritional Assessments based on priority of care levels.
2. **Quality Control:** Related to Service and Preparation of food. Indicators include such items as food safety, tray accuracy, and patient satisfaction.
3. **Multi-Disciplinary Continuous Quality Improvement.** Participating on TEAMS set-up to study issues affecting several departments within the hospital. Issues may include infection control, safety, patient education etc.

Interdepartmental Collaboration

ADMINISTRATION

1. Participation by the Manager of FANS in Department Head Meetings.
2. Completion of written reports as required by the CNO.
3. Individual meetings with the CNO.
4. Participation in Safety Committee Meetings, Board of Director meetings (as requested) and Therapeutic Meetings as requested.

MEDICAL STAFF

1. Individual consultation with the Dietitian and/or Food Service Manager.
2. Participation by the Food Service Manager and/or Dietitian in the Quality Assurance Committee.
3. Nutrition Care progress notes in the medical record.
4. Participation of the Food Service Manager and/or Dietitian upon request in any other committee which periodically may include aspects of nutritional care, at the request of the committee.

NURSING STAFF

1. The Dietitian participates in patient care plan meetings.
2. New admissions, discharges, requests for diet instructions, diet changes; etc. is entered into Medi tech by nursing staff, ward clerks or FANS.
3. FANS deliver tray carts to the units. Nursing personnel and/or volunteers distribute the trays to the patients.
4. Nursing personnel pick up trays from patients, record percentage of food eaten. Dietary staff returns tray carts to FANS.
5. The FANS Manager, Dietitian and Director of Nursing Services meet as needed on matters of concern to both Departments.

INFECTION CONTROL

The Manager of FANS and/or Dietitian will attend Infection Control Meetings when appropriate.

ENVIRONMENTAL SERVICES

1. The EVS Department provides services to the dining room by emptying all trash cans and sweep and mop floors daily.
2. The EVS Staff will provide HEAVY DUTY cleaning to the kitchen floors as requested by the FANS Manager in Injunction with the EVS Manager.

INSERVICE EDUCATION

1. The FANS Manager and/or Dietitian will coordinate need for staff education relating to dietary procedures.

LABORATORY

1. Dietitian may be consulted on foods allowed for special test diets.

ENGINEERING

1. Engineering follows the schedule of preventative maintenance for all equipment in the FANS Department.
2. FANS staff will complete a **Request For Work Order Form** for repairs or services Needed.

MEDICAL RECORDS

Medical Records assists in the completion of CQI Studies by providing appropriate charts for data collection.

MEDICAL STAFF SECRETARY

Provides a monthly calendar of meetings and special events requiring the services of FANS.

HUMAN RESOURCES

1. As requested by the FANS Manager, HR places ads for employment.
2. Receives applications from potential job applicants and refers to FANS Manager for interview.
3. Maintains a file on each employee in FANS
4. Answers question and assist in resolving concerns relating to benefits, payroll issues and other personnel policies.

MATERIALS MANAGEMENT

1. Supplies purchase orders for non-routine orders for FANS
2. Supplies stationary and office supplies for FANS.
3. Provides Nutritional Supplements and feeding kits

HOSPITAL AUXILLARY

1. Volunteers assist patients with Menu Surveys and return them to the FANS Department.
2. Volunteers assist in the distribution of patient trays.
3. Volunteers assist in the distribution of floor supplies to the various units.
4. FANS provide a free meal to volunteers on duty.
5. Volunteer's assist in passing the 10am and 2pm patient's nourishment.

BUSINESS OFFICE

Accepts money and daily cash deposit slip from FANS that is dropped in the safe in outpatient registration area.

CARDIO-PULMONARY REHABILITATION

Dietitian may attend meetings as requested and/or provide Nutrition Education in-service or information as requested.

DISCHARGE PLANNING

1. Dietitian may notify Discharge Planner of patients possibly requiring assistance with shopping, meal preparation or Meals on Wheels.
2. Dietitian may participate in Discharge Planning Meetings.
3. Copies of pertinent Nutrition care progress notes and diet instructions are included in the medical record of patients transferred to an ECF, TCU or any other health care facility.

Identification of Patient Care Needs

All patients will be nutritionally screened, assessed and reassessed, as appropriate, within established time frames using an interdisciplinary approach. The nutrition screening process and assessment process will begin within 24 hours of admission. The nutrition screen is part of the Patient Admission Assessment completed by nursing staff. Nursing staff will complete the Patient Admission Assessment form within the established 24-hour time frame and alert the dietary department of patients with any high-risk nutrition triggers.

Level IV high nutritional risk triggers for dietary consult:

- Unplanned weight loss of > 15/# 3 months
- Ventilator patients
- TPN/ Enteral Nutrition
- Malnutrition
- Decube level III
- Chewing/swallowing difficulties that compromise Nutritional status

The Dietitian will screen all patients for nutritional risk and assign a priority level of care. Screening criteria used may include diagnosis, diet order, age, weight, and height. Nutritional assessments will be completed on all patients based on priority level of care. Levels of care categories are listed below.

	Level IV high risk	Level III moderate risk	Level II low to moderate risk	Level I low risk
Nutritional Screening process begins	Within 24 hours of admit	Within 24 hours of admit	Within 24 hours of admit	Within 24 hours of admit
Nutritional Assessment	Within 48 hours of admit	Within 72 – hours of admit	Within 72 – hours of admit	Admit > 5 days or per MD order
Re – assessment	Every 2 –3 days or per RD	Every 3 –4 days or per RD	Every 3 – 5 days or per RD	Per RD

Since a patient's condition may change during a patient's stay, level of care and assessment needs may change also. Therefore assessment and re- assessment is an ongoing process.

Staffing Plans

The Food and Nutrition Services department is staffed to provide positive quality foodservice. It is the responsibility of the department to meet the nutritional needs of patients and provide snack and/or meal service to visitors and hospital employees. The Food and Nutrition department is staffed with a Foodservice Manager, Registered Dietitian, cooks, diet aides, and foodservice workers. The Foodservice Manager is responsible for the operation of the department. A registered dietitian is available seven days a week to meet the nutritional needs of patients.

LABORATORY PLAN FOR THE PROVISION OF PATIENT CARE

The Clinical Laboratory functions to perform Laboratory tests which may aid in:

- Discovering occult disease
- Preventing irreparable damage
- Establishing early diagnosis after onset of signs or symptoms
- Providing differential diagnosis
- Estimating the activity of the disease
- Detecting the recurrence of disease
- Monitoring the effect of therapy
- Providing genetic counseling in familiar conditions
- Determining the state of the disease

ORGANIZATION

The Laboratory is directed by three board-certified Pathologists who share the ultimate responsibility for all activities that involve the Laboratory. Directly accountable to them and responsible for managing the day-to-day functions of the Laboratory under their guidance is the Director of Laboratory Services. The staffing is further delineated by three Lab Technologist II's who, in the absence of the Director of Lab/ Assistant Supervisor, are individually responsible for designated departments within the Laboratory and are responsible for the oversight of the licensed designated departments within the Laboratory and are responsible for the oversight of the licensed technologists and the phlebotomists/lab aids. The Lab organization is further enhanced by a Lab Assistant Supervisor who is responsible for the immediate supervision of all unlicensed staff.

The Lab is staffed with nine part-time licensed Technologists. There are three full-time Lab Aids and eight part-time aids. In addition, the Lab is responsible for two part-time couriers. The Lab functions with an average of 13.5 FTEs. The Lab has a total of 23 employees with which to cover this staffing. The high percentage of part-time staff allows us to flex hours depending on the workload.

SCOPE OF SERVICE

The Laboratory provides services in the following disciplines for all types and ages of patients:

- Phlebotomy
- Hematology
- Urinalysis
- Coagulation

PATIENT CARE NEEDS

The provision of Laboratory Services is based on the patient's needs as determined by a licensed physician and following the receipt of written orders or verbal orders with written follow-up. In addition, Laboratory staff collaborates with nursing and office staff to identify any special needs the patient may have. The actual testing available at AGCH Lab has been determined through input from Medical Staff and Pathology as being necessary to meet the majority of testing situations encountered. New tests, methods, systems, and programs are identified by input from Medical Staff and are evaluated for clinical and economic feasibility. Certain esoteric and low volume tests are referred out to Reference Labs at the Laboratory's discretion and to Labs approved by the Pathologists/Directors and agreed upon by the Medical Staff at Arroyo Grande Community Hospital.

INTERDEPARTMENTAL COMMUNICATIONS

The Laboratory maintains frequent and ongoing communications with all Hospital departments including Nursing, Pharmacy, Business Office, Administration, Diagnostic Imaging, Engineering, Medical Records, and any other department affecting the Laboratory's ability to provide optimal patient care. In addition, the Laboratory Manager attends the monthly Managers Meeting and is a member of the Interdisciplinary Performance Improvement Team.

QUALITY CONTROL AND CONTROL ASSESSMENT

All testing done in the Laboratory is subject to rigorous quality control as prescribed in CLIA 88 regulations. This includes following all manufacturer's instructions for instrument or test system operation and test performance, performing and documenting control procedures using at least two levels of control material each day of testing, and documenting any remedial action that has been taken when problems or errors are identified.

In addition to Quality Control, the Laboratory maintains a number of ongoing Quality Assessment studies to determine the effectiveness of the Laboratory program. This has included Stat Turnaround, Correlation of Gram Stains to Cultures, Identified Blood Crossmatch Delay in Service and numerous others. Our JCAHO accreditation requires that we have ongoing QA studies in all departments of the Laboratory. Findings from the QA studies are presented bi-annually at a monthly meeting the Hospital's Quality Assurance Committee.

ACCREDITATION

The Laboratory is accredited by the Joint Commission, is licensed by the State of California, and operates under the guidelines of the Clinical Laboratory Improvement Amendments of 1988 (CLIA).

LABORATORY

HOURS OF OPERATION OUTPATIENT SERVICES POLICIES AND INSTRUCTIONS

Outpatient hours are 0700 to 1800, Monday through Friday. Appointments can be made for patients who cannot come to the Laboratory during these hours. The Laboratory is staffed from 5 a.m. through 12 Midnight, seven days per week. The technologists are on call from Midnight until 6 a.m. and call back charges are assessed patients drawn during this time.

Orders should be sent with the patient, delivered prior to the patient's arrival, or faxed to 473-7698. Requests for Outpatient Laboratory work will be honored whether or not the requesting physician is a member of the Arroyo Grande Community Hospital Medical Staff.

Reviewed by:

- 12/98
Date

- 11/99
Date

- 11-7-2000
Date

- 12/2001
Date

REVISED: 12/98
A: HOURS OF OPERATION

Serology
Chemistry
Therapeutic Drug Monitoring
Microbiology
Transfusion Service
Parasitology
Anatomic Pathology
Cytopathology

File Name: Laboratory Plan of Care
02/02

Approved:

3/6/02
Date

Reviewed:

Date

Date

Date

Date

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care

Department: Pharmacy

General Description of the Department

Pharmacy services are provided to meet the needs of the patients and the hospital as determined by the Pharmacy and Therapeutics Committee and Medical Staff.

Pharmaceutical services include the procuring, manufacturing, compounding, dispensing, distribution, storing and administering of drugs, biologicals and chemicals by a staff which has adequate space, equipment, and supplies to provide the service.

Pharmaceutical services also include the monitoring of the drug use process and provision of drug information to other health professionals and patients. In addition to these responsibilities, pharmacy will seek to evaluate and improve services through a continuous quality improvement program. The pharmacy aspects of care include but are not limited to the following: monitoring of drug therapy, monitoring patients for adverse drug reactions, distributing drugs, preparing sterile products, assuring quality of drugs, education of personnel, providing drug information, providing a clinical pharmacokinetic services, monitoring investigational drug usage, monitoring the use of controlled drugs, and monitoring of the drug use process throughout the facility.

Scope of Services and Ages of Patient Served

Pharmacy services are provided to meet the needs of the patients and the hospital as determined by the Pharmacy and Therapeutics Committee and Medical Staff. Services are rendered with regard to age to ensure appropriate therapy and dosing for patients served. The Pharmacy provides care for mostly adult and geriatric patients. The Pharmacy service includes providing drug information, providing a clinical pharmacokinetic services, monitoring investigational drug usage, monitoring the use of controlled drugs, and monitoring of the drug use process throughout the facility.

Evaluation of Patient Care Services and Quality

QUALITY OF CARE

The Department of Pharmacy has established Medical Staff approved Clinical Protocols for several drug therapies and has active monitoring and intervention activity. Through our intervention activity and clinical protocols we assure the proper use of medication, identify potential and actual medication problems and initiate changes. A medication profile is kept for all inpatients, with patient name, age, height, weight, allergies, and room number. Medication orders are reviewed by a pharmacist for appropriate drug, dose and route for the patient age, weight and renal status. Medication orders are reviewed for potential drug interactions or allergies with the patient profile.

INTERVENTION PROGRAM

The pharmacy intervention program monitors the following areas: Adverse Drug Reactions, Allergies, Automatic stop orders, Culture and Sensitivity reports and Renal Status. Patients on Heparin, Aminoglycosides, IV Theophylline, Warfarin, Vancomycin, and patients receiving parenteral or peripheral nutrition (TPN or PPN) are monitored under the guidelines of the appropriate Clinical Protocol. The Clinical Pharmacist monitors and intervenes on all non-optimal drug doses, therapeutic duplications, incomplete orders, drug interactions, non-formulary drug requests, sub optimal route, sub optimal schedule and order clarifications. The monitoring takes place at time drug order is reviewed and interventions are documented. The Clinical Pharmacist provides consultative information for any drug therapy request from physicians or nurses.

CLINICAL PROTOCOLS

There are seven Medical Staff established Clinical Protocols. The majority of orders for these drugs are ordered "Per Pharmacy Protocol". The drugs that may be ordered by Clinical Protocol are heparin, warfarin, aminoglycosides, aminophylline, vancomycin, and parenteral nutrition (TPN and PPN). These protocols were selected based on the narrow therapeutic ranges, potential for toxicity, frequent use and expense. The Clinical Pharmacist monitors all patients receiving these medications. If these drug therapies are prescribed and managed by the physician, rather than "Per Pharmacy Protocol", the Clinical Pharmacist monitors the therapy as a "Non_Protocol" and intervenes as necessary.

QUALITY ASSURANCE

Mediation cart fill, Controlled Substance Administration Record (CSAR), Adverse Drug Reactions, Clinical Protocols, Intervention Activity and Drug Utilization Activity are reviewed and reported to Medical Staff. Patient Profiles are reviewed with each order entry.

Interdepartmental Collaboration

The Pharmacy Department is a member of the several hospital committees including the Pharmacy and Therapeutics Committee, the Investigational Review Board, and the Quality Improvement Committee. The Pharmacy Department is often requested to provide input or participate with other hospital and Medical Staff Committees. The Clinical Pharmacists work with Nursing, Food and Nutrition, Respiratory Care and other departments and Hospital Administration on many issues affecting the hospital.

Identification of Patient Care Needs

Patient care needs are determined from monitoring of quality of care, from trends identified by the intervention program, from recommendations by the Medical Staff Committees and from the outcome of discussions and meetings with other departments in the hospital.

Staffing Plan

ORGANIZATION

The Pharmacy Department promotes an organization of independent professionals with the authority and responsibility for clinical and distributive services. This fosters a climate conducive to professional practice and enhances goals for provision of quality care.

The Pharmacy Director is a California State Board of Pharmacy Licensed Pharmacist with education and experience appropriate for the position. The Pharmacy Director is the Pharmacist In Charge (PIC) with regard to the Pharmacy Permit with the State Board of Pharmacy. The Pharmacy Director is accountable to the Chief Executive Officer for the provision of adequate pharmacy services to the hospital.

The Clinical Pharmacists must be licensed by the California State Board of Pharmacy and the Technicians must be registered with the California Board of Pharmacy. The pharmacy department is organized to provide the pharmaceutical services necessary to meet the needs of the patients and hospital.

Pharmacy staff: The department is staffed with one part time director, 2.5 full time equivalents (FTE) Clinical Pharmacists and 2.8 FTE Pharmacy Technicians. The Pharmacy Director is employed on a full-time basis with part time management responsibilities and part time Clinical Pharmacist responsibilities. There are full time and casual pharmacists and technicians for staffing flexibility.

The department is staffed as needed to meet the patient needs and provide adequate pharmacy service. The department is staffed Monday through Friday with two Clinical Pharmacists and two Pharmacy Technicians. One Clinical Pharmacist is scheduled from 0700 hrs to 1530 hrs and the other from 1200 hrs to 2000 hrs. On weekends and holidays there is one Clinical Pharmacist scheduled from 0800hrs to 1800hrs. There are two Pharmacy Technicians scheduled daily, one from 0800 hrs to 1630 hrs and the other from 0830 hrs to 1700 hrs. The Pharmacy Director is in staffing half time and management half time.

HOURS OF SERVICE

Pharmacy hours are 0700 hrs to 2000 hrs Monday through Friday and 0800 hrs to 1800 hrs and Saturday, Sunday and Holidays. The pharmacy staff provides drug distribution during hours of operation. A Clinical Pharmacist is on call when the pharmacy is not open for service. There is a Nightlocker for medication needs during the hours the pharmacy is not open for service. The Nursing Supervisor has access to the Nightlocker and follows established procedure to obtain medications when needed.

Physical Therapy Department Plan for the Provision of Patient Care

General Description of the Department

The Physical Therapy department provides evaluation and treatment of physical status and functional disabilities as they relate to neuromuscular dysfunction, movement disorders, pain syndromes, and open wounds. Population served includes children through geriatric adults. Service is provided 365 days per year.

Scope of Services

The department offers a full range of physical and rehabilitative services. The primary diagnoses seen in the acute setting are orthopedic, cardiac, multiple trauma, head injuries, CVAs, amputations, wounds, and spinal cord injuries. Primary populations for out-patient treatment include orthopedics, cumulative trauma disorders, wounds, CVAs, amputations, spinal cord injuries, multiple sclerosis, burns, chronic pain, and gait training. Speech and Occupational therapies are also offered.

Evaluation of Patient Care Service and Quality

The quality of patient care services is monitored by the quality control program. Results of a monthly out-patient satisfaction survey are compiled and reported to the QI committee. In addition, a patient satisfaction survey is also performed regarding speech and occupational therapy services.

Interdepartmental Collaboration

The department collaborates with other care givers and professionals through case management meetings and participation in multidisciplinary records. They also collaborate informally with nursing, diagnostic imaging, and cardiopulmonary in assisting with specific aspects of patient care related to functional status, positioning of patients, and other concerns within their expertise. Representatives of the Physical Therapy department participate in multidisciplinary patient care committees and task forces as appropriate.

Identification of Patient Care Needs

Patient care needs are identified by physician's orders and input, PT evaluation, by input from nursing, and by the patient and family. Patient surveys are also used to identify needs of the larger population of patients served.

Staffing Plan

The staff includes a professional director, three staff physical therapists, one PT assistant, and one aide. Staff is scheduled to be in the hospital Monday through Saturday from 8:00 am to 4:30 pm. Services are available on Sundays and holidays as needed.

Patient Care Support Services

Administration

The Administration department supports patient care and services by overseeing all hospital functions and services. The members of the senior management team, together with the Governing Board, are responsible to see that the hospital's mission and vision are supported in all aspects of daily operation. Responsibility for the quality of patient care, design and implementation of patient care programs, and continuous assessment and improvement of patient care processes rests with the management team and Governing Board. Refer to the hospital's Leadership Plan for detailed information regarding the role of the leadership in supporting patient care and services.

Admitting/Scheduling

During the admitting process, staff provides efficient triaging and performs bedside admissions. As patients present to the Emergency department admitting area, the EMT certified staff provides initial triage and registers patients in a fast and courteous manner. In serious cases, patients are escorted directly to the Emergency department or the in-patient unit for immediate medical attention. Patient education is also provided during the registration process regarding Advance Directives and the hospital's policies regarding them.

During the Scheduling process, staff assists with patient care by ensuring that procedures are properly scheduled. Patients are educated regarding the proper preparation for the test, and a follow up phone call the next day confirms that prep instructions were followed. Patients are pre-registered to reduce the waiting time on the day of the procedure. In cases where the diagnosis does not support the test being ordered, the physician's office is notified to verify the order.

Staff also support the assessment of patients by assisting the Diagnostic Imaging department in the release of x-ray films to physicians or other facilities.

Auxiliary

The auxiliary supports patient care in the following ways: greeting and directing family and visitors at the information booth; providing direct patient services such as passing fresh water and meal trays, delivering of snacks and nourishments, assisting patients to fill out menus, and daily visits to cheer patients up. They also provide assistance to other support departments by performing office duties, and in-house courier services.

Business Services

Business service staff assist support patient care by assisting patients and families in the application processes for state assistance.

Central Services

Central Services provides quality processing of medical and surgical instrumentation, equipment, and supplies as needed to support all departments within the hospital on a timely basis. The department is responsible for quality control associated with the proper decontamination, preparation, and sterilization of

all instrumentation used in the facility.

Education

The Education department benefits the care and treatment of patients in two ways. The first is in providing education to nursing and other hospital personnel by developing and providing educational modules, inservices, new equipment training, life safety education, and new employee orientation. Literary, video, and other resources are also identified and communicated to staff. These activities allow staff to mature professionally and improve their knowledge and skills in patient care.

The second method of supporting patient care is by being involved in multi-disciplinary activities resulting in improved patient care. These activities result in the development of policies, charting methods, and educational cabinets directed at providing education to patients and the community. Examples of these committees include the Library Committee, Interdisciplinary Process Improvement Team, and the Diabetic and Skin Care Committees.

Human Resources

The Human Resources department supports patient care by recruiting and retaining competent management, professional, technical, and support personnel. The Human Resource director also compiles an annual report on staff competency and turn-over rates by department for the Governing Board.

Information Systems

Management Information Systems supports patient care by providing hardware and software support. Staff monitors network activity to facilitate speedy system response and retrieval of vital information. An on-line fax machine has been installed so that information can be transmitted to physicians with minimum delay. Databases are maintained so that information is accurate and readily available. MIS maintains system security to verify that only authorized personnel are allowed to access patient records.

Engineering

The Engineering department supports patient care and services by assuring that the physical plant, equipment, and vital support systems such as medical gases are in good working order. They also assure that vital services are uninterrupted in emergency situations by maintaining back-up systems. The department staff also assist in supporting patient care by providing security services as needed.

Environmental Services

The Environmental Services department supports patient care by providing a clean and sanitary environment. The department is responsible for daily cleaning of patient rooms and restrooms. The department also participates in safety and infection control programs to provide a clean and safe environment for patients.

Infection Control/Employee Health

Infection Control supports patient care services by performing surveillance, tracking, and reporting of infectious processes. Results are summarized and reported to the medical staff for their use in planning patient care. The Infection Control Nurse provides education to staff regarding the control and treatment of infections. In the Employee Health role, she is involved in the pre-employment health screening process to ensure that staff are healthy and capable of providing the required services to our patients.

Marketing and Development

The Marketing and Development department supports patient care by coordinating patient satisfaction surveys, providing an annual health fair for the benefit of the community, assisting with the development of forms for documentation of care, and coordinating the release of educational information to the community through news releases and newsletters. In addition, funds are raised to directly and indirectly benefit patient care programs at the hospital.

Materials Management

Materials Management supports patient care by procuring and distributing high quality products at the most economical price to meet the needs of our patients. All patient care supplies are purchased with the goal of providing the highest quality in a timely manner. The department is also responsible for the procurement of all equipment and services needed by the hospital to deliver quality patient care.

Medical Records

A medical record is maintained for every individual who is evaluated or treated in the hospital. The purpose is to serve as a basis for planning patient care. The patient's medical records furnish documentary evidence of the course of the patient's evaluation, treatment, and change of condition and assist in providing for continuity of care. The medical record serves as a communication tool between the responsible practitioner and any other health care professional contributing to the patient's care. It also protects the legal interest of the patient, the hospital, and the practitioner. The patient's medical record is kept secure and confidential. Each patient visit is noted in the hospital's computerized Master Patient Index (MPI). To facilitate unity of information, a modified unit record is available for patients treated at the hospital. The MPI identifies the patient's visits by type and date. The staff in the Medical Record Department can determine which portion of the record is not included in the record and make all pertinent information available upon request for release of information purposes and further patient care.

Nursing Administration

Nursing Administration supports patient care and services by assuring that adequate numbers of qualified nursing staff are available to meet patient care needs, that the hospital's patient care policies and procedures are current and appropriate, and by assisting in the resource allocation process to assure adequate materials and supplies are available for patient care. Nursing Administration also acts as a facilitator for inter-departmental communications and often coordinates projects for the assessment and improvement of patient care. Members of the nursing management team serve as advocates of patient care issues at the administrative level.

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care Department: Human Resources

General Description of the Department

The Human Resources Department provides hospital wide services related to staff hiring and terminations, health and retirement plan administration, employee orientation, education and retention, management training and organizational development, individual corrective action and development plans.

Scope of Services

The Human Resources Department provides services to all employees in all departments.

Evaluation of Services and Quality

The Human Resources Department shall monitor and evaluate organization wide performance related to orientation, performance and competence assessment, staff education and development, and staff satisfaction. The Human Resources Director shall develop a Service Evaluation questionnaire to be used annually to evaluate the level of HR service provided.

Interdepartmental Collaboration

Human Resources interacts with staff in all departments as needed. All HR activities require interdepartmental collaboration, and as such, the Human Resources department maintains an open door policy.

HR communications takes place in the form of paycheck stuffers, memos, newsletters, and through managers via the department manager meetings. The HR Director participates on the Senior Management Team for planning purposes, and reports annually to the Board of Directors regarding organization wide performance related to staff competence and development activities.

Identification of Patient Care Needs

The Human Resources Director, via participation on the Senior Management Team, shall assist in the development of organization wide plans to meet the healthcare needs of the community we serve. The Human Resources Department is responsible for supporting organization wide staffing plans that assist the Hospital in carrying out its mission and strategic vision.

Staffing Plan

Human Resources Director	.5 FTE
Employment Coordinator/Recruiter	1.0 FTE
Benefits/Compensation Coordinator	.8 FTE
Department Secretary	.4 FTE
Total:	2.7 FTE

ARROYO GRANDE COMMUNITY HOSPITAL

Plan for the Provision of Patient Care-2002

Department: Patient and Family Education

General Description of the Department

Arroyo Grande Community Hospital plans for and supports the provision and coordination of patient education activities. The goal is to improve health outcomes by providing patients/significant others with knowledge and skill needed to meet the patient's ongoing health care needs. It is our belief that educating the patient/significant others improves health care outcomes by enabling the patient or family to:

- Increase understanding of the patient's health status.
- Increase compliance with the health care plan.
- More actively participate in the decision making process concerning health care options.
- Increase the family care skills and coping mechanisms along the continuum of care.
- Promote an overall healthy patient lifestyle.
- Increase understanding of financial implications for treatment and other health care choices.

The education process is coordinated among appropriate staff who are providing patient care services. Nursing personnel and other identified disciplines (Admitting, Cardiopulmonary, Case Management, Pharmacy, Food and Nutrition Service, Diagnostic Imaging) are responsible for assessing the patient's learning needs, abilities, learning preferences and readiness to learn.

Scope of Services and Ages of Patient Served

Patient education is directed to the total population served by patient care services of Arroyo Grande Community Hospital: pediatric, adolescent, adult and geriatric. Educational materials and instruction is developed to meet the learning abilities of each age group.

Interdepartmental Collaboration

Education is provided appropriate to length of stay. Each discipline providing care to the patient shall participate in the education of the patient. The Multidisciplinary Teaching Plan is the tool used for collaboration and coordination of the patient/significant other's education, reflecting documentation of the teaching plan, interventions, and expected outcomes.

- A. **Admitting** provides education on Advance Directives, and initiates the Admission Packet to which other departments add patient education materials.

B. Emergency Department

The Emergency Department provides for education of patient's significant other(s) by:

1. Assessing families/significant others' learning needs.
2. Giving appropriate explanation of procedures and treatments while in ER.
3. Specific discharge instructions are explained to the patient/significant other(s) by the discharging physician or nurse. These include information about obtaining follow-up treatment if needed.

C. Nursing Units

1. Nursing collaborates with other disciplines in patient education.
2. The admitting nurse assesses patient/significant other's education needs on admission. During the assessment, the following items are considered: (1) barriers to learning (physical, emotional, language, etc.), (2) ability to learn, (3) readiness to learn (4) cultural influences, (5) religious influences.
3. Nurses develop Nursing Care Plans and subsequently Interdisciplinary Teaching Plan which are diagnosis-specific when appropriate. Verbal instructions may be supplemented with pamphlets, videos, and other instructional materials.
4. Throughout the stay, patient/significant other(s) receives education specific to their health needs.
5. Taking into account length of stay, patient/significant other(s) are provided with proper education and resources to satisfy continuing educational needs.

D. Day Stay

1. The pre-op assessment of the patient includes assessment of patient/significant other's comprehension, memory and barrier to learning.
2. Patient/significant other then receives pre-op teaching which may include an orientation to the unit, coughing, deep breathing, early ambulation, pain control, and leg exercises for circulation.
3. Prior to discharge the patient/significant other receives appropriate written instructions including the following as appropriate:
 - a. Use of prescribed medications.
 - b. Activities and any restrictions.
 - c. Diet restrictions.

- d. Signs and symptoms to report to doctor.
- e. Need for, and instruction of, follow-up care.
- f. Use of at-home equipment (when appropriate).

E. Radiology

1. For routine procedures, the technician performing the procedure provides appropriate explanations/education before the start of the procedure.
2. Ongoing education is provided throughout the procedure in answer to patient questions and need for knowledge.

F. Infection Control

1. The Infection Control Nurse/Case Manager is a resource in area of infection related patient education. The Infection Control Nurse, with the help of nursing personnel, educates the patient/significant other(s) as appropriate.
2. The isolated patient/significant other(s) receive education regarding the need for isolation and proper precautions.
3. The Infection Control Nurse, with collaboration from nursing staff, will provide education to patients who:
 - a. Are preparing to discharge.
 - b. Have an infectious disease process that requires ongoing isolation.

Such education may include information on respiratory isolation and dressing changes as needed.

G. Physical Therapy

1. Physical Therapy collaborates with other disciplines to provide patient/family education.
2. The physical therapy evaluation of educational needs includes an initial assessment of function on levels of comprehension, memory and learning barriers (language, cultural, religious, hearing, vision and dexterity).
3. Documentation of education occurs on the Teaching Plans and on the Physical Therapy records.
4. Education from this department expands knowledge of the patient's condition and provides skills to promote rehabilitation.

5. Instructional methods utilize verbal instruction and appropriate handouts to patient/significant other(s) and other staff caring for the patient.
6. Training may include bed mobility, transfer training, gait training, range of therapeutic exercises to improve strength, range of motion, balance coordination, positioning to reduce edema and body mechanics training.
7. Rehabilitative education may also include proper use of medical equipment. The equipment may include crutches, walkers, canes, transfer boards, braces, slings and/or a variety of exercise equipment.
8. If in-patients require further outpatient treatment, instruction and follow-through is provided and documented on the Interdisciplinary Discharge Form.
9. Patients and families have the responsibility to follow the above teaching to the best of their ability.

H. Cardiopulmonary

1. Respiratory Therapists work with other health disciplines in planning and educating patients/significant other(s). Patients' needs are assessed on the Multidisciplinary Care Plan and in the Cardio-Pulmonary section of the medical record.
2. Therapists provide instruction on postural drainage, hand held nebulizers, incentive spirometry MDI, proper breathing techniques, and oxygen administration per MD order.

I. Dietary

1. A registered dietician works with Nursing, Pharmacy, and Speech Therapy in planning and implementing patient education.
2. Educational needs are assessed on the Teaching Plans in collaboration with nursing and other disciplines.
3. Verbal instruction with appropriate handouts is provided to patient/significant other(s) regarding special diets, food/drug interactions and discharge needs if appropriate.

J. Case Management

1. Case Management along with the other disciplines helps patient/significant other(s) to define and implement educational needs for discharge care.

2. They provide education when appropriate, to understand treatment, change of life-style if appropriate, and how to manage continuing care.
 - At home by patient/family,
 - With assistance of Home Health Nurse,
 - At another care facility.

Identification of Patient Care Needs

All patients shall be assessed for learning needs at time of admission to the facility or service and reassessed throughout their stay with subsequent follow-up as appropriate

Evaluation of Organizational Patient Education Programs

Periodic evaluations of organizational Patient Education Programs are performed within each department with collaboration from other disciplines and the medical staff as appropriate.



ARROYO GRANDE
COMMUNITY HOSPITAL

FRENCH HOSPITAL
MEDICAL CENTER

Affiliated with Central Coast Health Partners

ARROYO GRANDE COMMUNITY HOSPITAL

FRENCH HOSPITAL MEDICAL CENTER

EMPLOYEE HANDBOOK

JANUARY, 2001



TABLE OF CONTENTS

	<i>Page</i>
INTRODUCTORY STATEMENTS	
Welcome.....	1
About Our Hospitals.....	2
Mission Statement.....	3
About Your Handbook.....	4
Employee Relations.....	5
Customer Service.....	5
 YOUR EMPLOYMENT	
Equal Employment Opportunity.....	6
Immigration Law Compliance.....	6
Employment Application.....	7
New Hire Candidate Health Screening.....	7
Annual Health Screening.....	7
Introductory Period.....	7
Job Descriptions.....	8
Hospital Orientation.....	8
Department Orientation.....	8
Annual Employee Update (Safety Fair).....	8
Employment At Will.....	9
CLASSIFICATION OF EMPLOYEES.....	9
Full-Time Employees.....	9
Part-Time I Employees.....	10
Part-Time II Employees.....	10
Casual Employees.....	10
Per Diem Employees.....	10
Temporary Employees.....	10

Licensure and Certification..... 10
Job Transfers and Promotions..... 11
Job Posting..... 11
Employment of Relatives..... 11
Personnel Records..... 12
Dual Employment..... 12

YOUR WORKPLACE

Work Schedules..... 13
Meals and Rest Periods..... 13
Attendance and Punctuality..... 13
Personal Appearance..... 14
Uniforms..... 14
Identification Badge..... 14
Smoke-Free Workplace..... 15
Drug-Free Workplace 15
Drug Testing..... 16
Equipment and Vehicles..... 16
Safety..... 17
Disaster, Infection Control and Environment of Care Plans..... 17
On-Duty Conduct..... 17
Employer Property..... 17
Employee Property..... 18
Personal/Voice/Electronic Mail..... 18
Lost and Found..... 18
Housekeeping..... 18
Parking..... 18
Bulletin Boards..... 19
Conflict of Interest..... 19
Solicitation and Distribution of Literature..... 19

Confidentiality..... 20

Electronic Communication and Security of Systems..... 20

Employees Who Are Required to Drive..... 21

Sexual and Other Unlawful Harassment..... 21

Exclusion from Patient Care..... 22

Problem Resolution..... 22

Corrective Action/Progressive Discipline Section..... 23

Termination of Employment..... 24

Separations in Force..... 24

Employment Reference and Verifications..... 25

Witnessing Legal Documents..... 25

Receipt of Subpoenas..... 25

Media Contact..... 25

Prohibited Conduct..... 25

Performance Evaluations..... 27

YOUR PAY

Payment of Wages..... 28

Direct Deposit..... 28

Timekeeping Requirements..... 28

Overtime..... 28

Call Pay..... 29

Pay For Mandatory Meetings/Training..... 29

YOUR BENEFITS

Employee Benefits..... 30

Benefits and Hospital Sponsored Offerings..... 30

Medical/Vision and Dental Insurance..... 30

COBRA..... 31

Disability Insurance..... 31

Long Term Disability.....	31
Life Insurance.....	31
Unemployment Compensation.....	31
Social Security.....	31
Worker's Compensation.....	32
Retirement Plan.....	32
Spending Accounts.....	32
Change in Benefit Status.....	32
Paid Time Off.....	32
Paid Time Off Donations.....	33
Medical Leave Bank.....	33
School Activities.....	33
Leaves of Absence.....	34
Personal Leave.....	34
Family and Medical Leave.....	34
Pregnancy-Related Disability Leave.....	37
Military Leave.....	39
Work Related Illness and Injury and Workers' Compensation/ Disability Leave.....	39
Recreational Activities and Programs.....	40
External Employee Education.....	41
Bereavement Leave.....	41
Jury Duty.....	42
Witness Duty.....	42
Tuition Reimbursement.....	42
Payroll Deductions and Garnishment.....	42

WELCOME!

Welcome to Arroyo Grande Community Hospital and French Hospital Medical Center, an affiliation of Central Coast Health Partners (CCHP). Through our special quality of health care we have built a tradition of service excellence. The most important element in providing service excellence is the people who make up our hospitals. Our Mission ensures that we continually strive toward excellence in all that we do and in all that we are.

No matter what your position is at the Hospitals, what you do directly, or indirectly, impacts patient care. We expect each employee to embrace our Mission as we carry out our jobs every day.

The operation of our Hospitals is a total team effort requiring the skills of many specialties, the knowledge of many professions, and the work and cooperation of every employee. Being part of our Hospitals include understanding our history, mission, programs, practices, services and benefits - this handbook was designed to further assist you in gaining this level of understanding.

Through our association, we entrust in you our Mission of providing high quality patient care. Your contributions as an employee and dedication to our patients will be an integral part in meeting the high expectations of the communities we serve. We invite you take pride in our Mission, meet future challenges, and enjoy successes with our Hospitals.

Sincerely,

Gale E. Gascho
Chief Executive Officer
Arroyo Grande Community Hospital
French Hospital Medical Center

ABOUT OUR HOSPITALS

Since 1990, Arroyo Grande Community Hospital (AGCH) has been owned and operated by not-for-profit Vista Hospital Systems, Inc. In July 1997, French Hospital Medical Center became affiliated with Vista Hospital Systems and merged operations with Arroyo Grande Community Hospital. Both Hospitals are affiliated with Central Coast Health Partners (CCHP). Vista Hospital Systems also owns and operates Corona Regional Medical Center in Corona, California.

Arroyo Grande Community Hospital (AGCH) has been serving the residents and visitors of southern San Luis Obispo County since 1962. AGCH is a 65-bed, general acute care hospital with an array of medical, diagnostic, ambulatory and surgical services including a 12-bed Transitional Care Unit. AGCH has one of the busiest emergency departments in the County.

Established in 1946, French Hospital Medical Center (FHMC) is a 135-bed hospital located in the city of San Luis Obispo. The Medical Center provides medical, surgical, obstetrics and pediatrics as well as emergency, intensive coronary care and ambulatory services. The Medical Center also offers a complete range of diagnostic services. To meet the special needs of patients, the hospital has developed a center of excellence for the care and treatment of coronary disease. It is the only hospital in the County that performs cardiovascular surgery.

Our Hospitals are committed to providing a progressive and positive work environment for all employees. Our team of employees, physicians, and volunteers are dedicated to ensuring the highest quality of care and customer service for our patients and visitors. As a not-for-profit, community-based organizations, our Hospitals are dedicated to serving the healthcare needs of San Luis Obispo County and to providing leadership in promoting healthy communities.

MISSION STATEMENT

Our Hospitals strive to optimize the health of the community through the provision of a full continuum of healthcare services that meet the needs of the residents and those visiting the Central Coast.

Arroyo Grande Community Hospital and French Hospital Medical Center will:

- ◆ Maintain the charitable purpose of the organization
- ◆ Provide a positive work environment for employees, volunteers and physicians
- ◆ Manage resources efficiently and conservatively, and
- ◆ Foster partnerships with other related organizations committed to our similar goals.

ABOUT YOUR HANDBOOK

This handbook has been prepared to provide all of our employees with an overview of basic hospital policies, practices and benefits. We believe that understanding the facility and how it works is an important step in developing and maintaining productive employer/employee relationships. **Please take time to read this handbook. It is your responsibility to read and familiarize yourself with the policies and procedures contained in the handbook, and you must also abide by all rules, policies, and standards set forth in the handbook.**

The policies outlined in this handbook reflect the usual way of handling various situations. It is important for you to understand these policies in order to be a well-informed employee. Management, however, reserves the right to deviate from existing policies in its discretion because of individual circumstances or special needs. There will also be situations that require a change from time to time in policies, practices and benefits described in this handbook. Accordingly, the Hospitals reserve the right to modify, add, delete or revise any provisions contained in this handbook at any time as necessary or appropriate in its sole and absolute discretion. Any written changes to this handbook will be distributed to all affected employees so those employees will be aware of the new policies or procedures.

No oral statements or representations can in any way change or alter the provisions of this handbook.

Please keep this handbook readily available and insert the revised material promptly so that your handbook is kept current at all times. This employee handbook contains the employment policies and practices of the Hospitals in effect at the time of publication. All previously issued handbooks and any inconsistent policy statements or memoranda are superseded.

Each new employee is assigned to a supervisor or department manager who will help you adapt to your department work routines and procedures. Supervisors and department managers also offer guidance and may assist you in communications with management, as well as encourage your career growth and development.

If at any time you have questions, concerns or suggestions about your work, the Hospital's policies or the operation of the facility in general, feel free to discuss them with your department manager or a Human Resources Representative. While your department manager is not authorized to modify or amend a policy, nor is a department manager's interpretation of a policy or procedure final and binding, your

department manager's insight may be helpful to you. Should you have questions or concerns about a policy after speaking with your department manager, you should seek further guidance from your Human Resources Representative.

Your Human Resources Representative provides employees with information and necessary assistance to understand your Hospital's human resources policies and to promote a positive and fair work environment. The Human Resources Representative can provide you with current information on work rules, benefits, policies, payroll data, personnel records, insurance, and job opportunities. Your Human Resources Representatives are available to help you with any problems or concerns during your employment.

Employee Relations

We believe that the work conditions, wages and benefits we offer to our employees are fair. If you have questions or concerns about work conditions or compensation, you are strongly encouraged to talk openly and directly with your department manager.

Our experience has shown that when employees deal openly and directly with supervisors, the work environment can be exceptional, communications can be clear, and attitudes can be positive. In an effort to protect and maintain direct employer/employee communications, we encourage you to speak up.

Customer Service

Providing the best in customer service will enhance our reputation and make us the Hospitals of choice, for employees, physicians, volunteers, and the community we serve. Employees are expected to be polite, courteous, prompt and attentive to every customer, and to understand and support the expectations below. Employees are evaluated, among other things, on their demonstrated customer service skills. When a situation arises where you do not feel comfortable or capable of handling a problem, call your supervisor or department manager for assistance. Applying the following will meet our Customer Service expectations:

Maintain dignity	Take the initiative	Treat patients with respect
Listen and act	Help each other	Keep it quiet
Apply telephone skills	Look the part	Break the ice
Notice when someone looks confused	Take time for courtesy and consideration	Keep people informed
Anticipate needs	Respect People's Time and Respond quickly	Maintain Privacy and Confidentiality
Handle with Care		

YOUR EMPLOYMENT

Equal Employment Opportunity

The Hospitals are an equal opportunity employer and makes employment decisions on the basis of merit. The Hospitals policies prohibit unlawful discrimination based on race, color, creed, sex, religion, marital status, veteran status, age, national origin or ancestry, physical or mental disability, medical condition, sexual orientation, or any other consideration made unlawful by federal, state or local laws. The Hospitals prohibit unlawful discrimination by any employee of the facility, including supervisors and co-workers.

To comply with applicable laws ensuring equal employment opportunities to qualified individuals with a disability, the Hospitals will make reasonable accommodations for the known physical or mental limitations of an otherwise qualified individual with a disability who is an applicant or an employee, unless undue hardship would result. Any applicant or employee who requires an accommodation in order to perform the essential functions of the job should contact their supervisor or a Human Resources Representative and request such an accommodation. If the accommodation is reasonable and will not impose an undue hardship, the Hospitals will make the accommodation.

If you believe you have been subjected to any form of unlawful discrimination, provide a written complaint to your supervisor or the Human Resources department. Your complaint should be specific and should include the names of the individuals involved and the names of any witnesses. The facility will undertake an effective, thorough and objective investigation and attempt to resolve the situation. If the facility determines that unlawful discrimination has occurred, effective remedial action will be taken commensurate with the severity of the offense. Whatever action is taken will be made known to the employees involved. Appropriate action also will be taken to deter any future discrimination. The facility will not retaliate against you for filing a complaint or providing information as a witness, and will not permit retaliation by management employees or your co-workers.

Immigration Law Compliance

The Hospitals are committed to employing only United States citizens and aliens authorized to work in the United States and does not unlawfully discriminate on the basis of citizenship and national origin.

In compliance with the Immigration Reform and Control Act of 1986, each new employee, as a condition of employment, must complete the Employment Eligibility Form I-9 and present documentation establishing identity and employment eligibility. Former employees who are rehired must also complete the form if they have not completed an I-9 with the Hospitals within the past three years, or if their previous I-9 is no longer retained or valid.

If you have any questions or seek more information on immigration law issues, we encourage you to contact your Human Resources Department.

Employment Application

The Hospitals rely upon the accuracy of information contained in the employment application, as well as accuracy of other data presented throughout the hiring process and employment. Any misrepresentations, falsifications or material omissions in any of this information or data may result in the facility's exclusion of the individual from further consideration for employment or, if the person has been hired, termination of employment.

New Hire Candidate Health Screening

Employees are required to participate in a pre-employment screening after receiving an offer of employment and before beginning work at the Hospitals. This screening is provided at no cost to the employee.

Every offer of employment is contingent upon an applicant's successful completion of the post-offer physical as it relates to the ability to perform the duties of the job hired for, as well as any governmental health requirement for Hospital employees.

Annual Health Screening

Annually, all employees are required to have a Tuberculosis Screening/Health Screening. The Hospitals will provide Tuberculosis screening by health questionnaire and PPD skin test.

Introductory Period

The first ninety days of continuous employment is considered an introductory period. During this time you will learn your responsibilities, get acquainted with fellow employees, and determine whether you are content with your job. Also, during this time, your supervisor will closely monitor your performance.

Upon completion of the introductory period, the Hospitals will review your performance. If the facility finds your performance satisfactory and

decides to continue your employment, they will advise you of any improvements expected from you. At this time or at any time, you may express suggestions to improve the Hospitals efficiency and operations.

Completion of the introductory period does not entitle you to remain employed by the Hospitals for any definite period of time. **Both you and the facility are free, at any time, with or without notice and with or without cause, to end the employment relationship and your compensation.** After completion of the introductory period, eligible employees will receive the benefits as described in this handbook.

Job Description

During the introductory period, your supervisor will explain your job responsibilities and the performance standards expected of you; this will include a review of your job description. Be aware that your job responsibilities may change at any time during your employment. From time to time, you may be asked to work on special projects or to assist with other work necessary or important to the operation of your department or the facility. Your cooperation and assistance in performing such additional work is expected.

The Hospitals reserve the right, at any time, with or without notice, to alter or change job responsibilities, reassign or transfer job positions, or assign additional job responsibilities.

Hospital Orientation

The Hospitals conduct a mandatory New Employee Orientation (NEO) that will acquaint you with the Hospitals' policies and procedures that pertain to your employment. Attendance within the first 45 days of employment is required. If an employee does not attend NEO within the first 45 days of employment, the employee will not be allowed to work until they have met this obligation.

Department Orientation

Your manager/department representative will conduct a mandatory department orientation within 72 hours from your first day of work. Information includes the Hospitals standards, policies, and procedures specific to your department.

Annual Employee Update (Safety Fair)

All employees are required to attend the annual employee update as per federal and state regulations. Annual update includes Environment of Care, Life Safety, Emergency Preparedness, Security, Utility Systems,

Hazardous Materials, Medical Waste, General Safety, Infection Control, Body Mechanics and Electrical Safety.

Employment At Will

Employment at the Hospitals is employment at will. **Employment may be terminated at the will of either the employer or the employee. Employees may be terminated with or without cause at any time by you or by the facility.** Terms and conditions of employment with the Hospitals may be modified at the sole discretion of the Hospitals with or without cause and with or without notice.

Other than the Chief Executive Officer of Arroyo Grande Community Hospital and French Hospital Medical Center, no one has the authority to make any agreement for employment other than for employment at will or to make any agreement limiting the Hospitals discretion to modify terms and conditions of employment. Only the Chief Executive Officer has the authority to make any such agreement and then, only in writing.

No other statement, conduct, policy or practice can establish an implied contract concerning any employment-related decision or term or condition of employment. Examples of the types of terms and conditions of employment which are within the sole discretion of the Hospitals include, but are not limited to, the following: promotion; demotion; transfers; hiring decisions; compensation; benefits; qualifications; discipline; layoff or recall; rules; hours and schedules; work assignments; job duties and responsibilities; production standards; subcontracting; reduction, cessation or expansion of operations; sale, relocation, merger or consolidation of operations; determinations concerning the use of equipment, methods or facilities; or any other terms and conditions that the Hospitals may determine to be necessary for the safe, efficient and economic operation of its business.

CLASSIFICATION OF EMPLOYEES

Full-Time Employees

Full-time employees are authorized to work 80 hours a pay period if scheduled 8 or 10 hour shifts or 72 hours a pay period if scheduled 12 hour shifts. Full-time employees are eligible for employer sponsored benefits (contact Human Resources for more information on our comprehensive benefit package).

Part-Time I Employees

Part-time I employees are authorized to work at least 48 hours per pay period, but less than 80 hours per pay period if scheduled 8 or 10 hour shifts or less than 72 hours if scheduled 12 hour shifts. Part-time I employees are eligible for employer sponsored benefits (contact Human Resources for more information on our comprehensive benefit package).

Part-Time II Employees

Part-time II employees are authorized to work less than 48 hours per pay period. Part-time II employees are not eligible for employer sponsored benefits.

Casual

Casual employees are defined as those employees who are not regularly scheduled. They work only as needed and as called in. Casual employees are not eligible for any employer sponsored benefits.

Per Diem Employees

Per Diem employees include those employees who receive a higher hourly rate of pay in lieu of employer sponsored benefits.

Temporary Employees

Temporary employees are those employed for short-term assignments. Short-term assignments will generally be periods of six months or less; however, such assignments may be extended. Temporary employees are required to complete the entire new hire process, and must comply with all the Hospitals policies. Temporary employees are not eligible for any employer sponsored benefits.

Licensure and Certification

If the Hospital's policy or the law requires that you be currently licensed, certified or registered to perform your duties, you will be asked to present evidence of your current license, certification or registration at the time of your application for employment and at the time of renewal during the course of your employment with the Hospitals. Payment for personal registration and license fees is the responsibility of the employee. In addition, it is the employee's responsibility to ensure that the Human Resources department receives proper verification of all license renewals. Failure to renew on a timely basis will result in suspension until proof of licensure or registration can be obtained.

Job Transfers and Promotions

Employees who have successfully completed six (6) months of employment may request a transfer to a posted position by completing a Request for Transfer form available in Human Resources. (The six months employment requirement may be waived with approval of both Department Managers and Human Resources.)

Each request for transfer will be reviewed, comparing the employee's qualifications with the requirements of the job. If two or more applicants are equally qualified for the position, preference will be given to in-house employees. When two or more equally qualified in-house employees are being considered for the position, past performance and length of service will contribute to the final decision.

Our Hospitals believe in transferring and promoting qualified employees to positions of increased responsibility. Transfer and promotion decisions are based, among other things, on long term business goals, employee performance, and the facility's assessment of the employees potential for success in the new position. Promotions and transfers will be offered to employees at the sole discretion of the Hospitals.

Job Posting

It is the policy of the facility that positions available within the organization be filled by the promotion or transfer of current qualified employees whenever possible. The facility will inform employees about the existence of open positions within the organization through job postings. Your Supervisor or Human Resources Department will inform you of where job postings are posted within the facility.

Employment of Relatives

The Hospitals may not hire relatives where actual or potential problems may arise regarding supervision, security, safety or morale, or where potential conflicts of interest exist. Relatives are defined to include spouses, children, siblings, parents, in-laws and step-relatives. This policy also may apply to individuals who are not legally related but who reside with another employee.

If two employees marry or become related, causing actual or potential problems such as those described above, only one of the employees will be retained with the Hospitals, unless appropriate accommodations can be made to eliminate the actual or potential problems. If accommodations cannot be made to eliminate actual or potential problems that arise when two employees marry or become related, the Hospitals reserve the right to terminate the affected employee.

Personnel Records

You are required to notify Human Resources in writing of any changes in name, address, telephone number, marital status, dependents, designation of beneficiary and person to notify in case of emergency and leave of absences.

You have a right to inspect certain documents in your personnel file, as provided by law, in the presence of a Human Resource Representative. No copies of documents in your file may be made, with the exception of documents that you have previously signed. You may respond in writing to a signed document that is in your file. If you wish to review your personnel file, please make an appointment with Human Resources to do so.

The Hospitals will restrict disclosure of your personnel file to authorized individuals within the facility. Any request for information from personnel files must be directed to the Human Resources department. The Hospitals will cooperate with requests from courts, law enforcement, or local, state or federal agencies conducting official investigations, and as otherwise legally required.

Dual Employment

We follow very strict and specific guidelines regarding employees who are concurrently employed by more than one of the company's facilities. The company will aggregate on one payroll system all hours worked by employees for the purpose of administering overtime pay, the company retirement plan, and other benefits.

YOUR WORKPLACE

Work Schedules

Hours of work and work schedules for employees vary throughout the facility. Your supervisor will assign your individual work schedule. All employees are expected to be at their desks or workstations at the start of their scheduled shifts ready to perform their work. Work schedule exchanges will not be approved for mere convenience or if the exchange will result in disruption of or interference with normal operations or will result in overtime. The Hospitals reserve the right, at any time, to alter or change work schedules. The facility will strive to give you adequate advance notice of schedule alterations. There can be no guarantee of consistent days off; schedules are designed to meet the needs of the department.

Meals and Rest Periods

A paid rest period of 10 minutes is required in the approximate middle of every four hours of work. An unpaid meal period of 30 minutes is required whenever an employee works more than five hours. It may be waived by mutual consent if the employee does not work more than six hours. A second unpaid meal period of 30 minutes is required whenever an employee works more than 10 hours. However, it may be waived by mutual consent if the employee does not work more than 12 hours.

You are expected to observe your assigned working hours and the time allowed for meal and rest periods. Do not leave the premises during your rest period and do not take more than ten minutes for each rest period. You may leave the premises on your meal period; however, please inform your supervisor if leaving so in case of an emergency or a disaster. Employees are required to be at their work station at the conclusion of the allotted meal or rest period.

Attendance and Punctuality

As an employee of the Hospitals, you are expected to be punctual and regular in attendance. Any tardiness or absence causes problems for your fellow employees and your supervisor. When you are absent, others must perform your workload, just as you must assume the workload of others who are absent.

Employees are expected to report to work as scheduled, on time and prepared to start work. Employees also are expected to remain at work for their entire work schedule, except for meal periods or when required

to leave on authorized Hospital business. Late arrival, early departure or other absences from scheduled hours are disruptive and must be avoided.

If you are unable to report for work on any particular day, you must call your supervisor in compliance with department policy, or at least two hours before the time you are scheduled to begin working for that day. Employees also should inform their supervisor of the expected duration of any absence.

Excessive absenteeism or tardiness (whether excused or not) will not be tolerated. Excessive absenteeism and/or tardiness will result in disciplinary action and possible discharge.

If you fail to report for work without any notification to your supervisor and your absence continues for a period of three days, the Hospitals will consider that you have abandoned your employment and have voluntarily resigned.

Personal Appearance

Employees are expected to wear clothing appropriate for the nature of our business and the type of work performed. Clothing should be neat, clean and tasteful. Avoid clothing that can create a safety hazard. Department managers may issue more specific guidelines. Employees may be asked to go home without pay and change inappropriate clothing, when indicated by their supervisor or designee.

Uniforms

You are responsible for the safekeeping of all uniforms you are furnished by the Hospitals. Employees issued uniforms will be asked to sign an agreement that verifies their responsibility for any uniforms they are furnished. This agreement will authorize a wage deduction for the costs of any uniforms that are not returned upon termination or uniforms returned in condition not fit to wear.

When you terminate you must return all uniforms that were furnished by the Hospitals, prior to picking up your final paycheck. Replacement cost of uniforms that are not re-usable and uniforms not turned in at time of termination will be deducted from your final check as per the agreement signed when uniforms were issued.

Identification Badge

All employees receive an identification badge when hired. It identifies you as a member of the staff, and must be worn during all your on-duty

hours. It should be positioned so that your name and picture are clearly visible.

If you lose the original identification badge, it is your responsibility to purchase a replacement badge. Replacement badges are obtained from Human Resources at a cost of \$10.00 each.

Smoke-Free Workplace

Specified areas of the Hospitals have been designated as a smoking area. Smoking is not allowed in any enclosed area of the facility or in any area where smoke may enter the facility, or at entrances to the Hospitals.

Drug-Free Workplace

The Hospitals are concerned about the use of alcohol, illegal drugs or controlled substances as it affects the workplace. Use of these substances whether on or off the job can adversely affect an employee's work performance, efficiency, safety and health and therefore seriously impair the employee's value to the Hospitals. In addition, the use or possession of these substances on the job constitutes a potential danger to the welfare and safety of other employees and exposes the Hospitals to the risks of property loss or damage, or injury to other persons.

The following rules and standards of conduct apply to all employees either on the Hospitals property or during the workday (including meal and rest periods).

The following are strictly prohibited:

1. Possession or use of alcohol, or being under the influence of alcohol while on the job.
2. Possession or use of an illegal or controlled substance, or being under the influence of an illegal or controlled substance while on the job.
3. Driving a company vehicle while under the influence of alcohol, any illegal drugs or controlled substances.
4. Distribution, sale or purchase of an illegal or controlled substance while on the job.

Violation of the above rules and standards of conduct will not be tolerated, and may result in immediate termination of the employment relationship. The Hospitals may bring the matter to the attention of appropriate law enforcement or licensure authorities.

To enforce this policy, the Hospitals reserve the right to conduct searches of Hospitals property or employee's personal property, and to implement other measures necessary to deter and detect abuse of this policy, including asking an employee to submit to a drug or alcohol test upon reasonable suspicion. Refusal to submit to this test may be considered insubordination and may result in termination of employment.

Any employee who is using prescription or over-the-counter drugs that may impair the employee's ability to safely perform the job, or affect the safety or well being of others, must notify the Infection Control Nurse or Supervisor of such use immediately before starting or resuming work.

Drug Testing

In connection with the Hospital's desire to provide a drug-free, healthful and safe workplace. Drug tests may be conducted in any or all of the following situations:

- ◆ Pre-Employment Testing: As a pre-qualification to assuming any position, prospective employees are required to provide a body substance sample for drug testing. This occurs in connection with the pre-placement medical screen.
- ◆ Post-Accident Testing: Any current employee who is involved in a serious incident or accident while on duty, whether on or off the employer's premises, may be asked to provide a body substance sample.
- ◆ Fitness-For Duty or Reasonable Suspicion Testing: This test may be required if significant and observable changes in employee performance, appearance, behavior, speech, etc. provide reasonable suspicion of his/her being under the influence of drugs and/or alcohol. A fitness-for-duty evaluation may include the testing of a body substance sample.
- ◆ Subject to any limitations imposed by law, a refusal to provide a body substance sample, under the conditions described above, is considered insubordination and may result in disciplinary action, up to and including termination of employment.

Equipment and Vehicles

Equipment and vehicles essential in accomplishing job duties are expensive and are expensive and hard to replace. When using company property, you are expected to exercise care, follow all operating instructions, perform required maintenance and safety standards and guidelines. You are required to notify your supervisor if any equipment, machines and tools appear to be damaged, defective or in need of repair. Promptness in reporting damaged equipment could prevent deterioration of equipment and possible injury to employees or patients. The

improper, careless, negligent, destructive or unsafe use or operation of equipment or vehicles, as well as excessive or avoidable traffic and parking violations, can result in corrective action, up to and including termination of employment.

Safety

The Hospitals provide periodic workplace safety training and information to employees and complies with all applicable laws regarding health and safety in the workplace. Failure to adhere to safety responsibilities may result in corrective action, up to and including termination of employment.

Disaster, Infection Control and Environment of Care Plans

Our Hospitals are dedicated to ensuring every employee a safe healthful working environment and to maintaining the safety standards set forth by the California Occupational Safety and Health Act (OSHA). Copies of Environment of Care manuals are available in each department. This includes the Disaster Plan (Hospital Wide). The Infection Control Manuals are located in the Emergency Department, Nursing Supervisor office, Nursing Administration and Administration. It is your responsibility to become familiar with rules, regulations and procedures in these manuals. If you notice an unsafe condition or practice, immediately report it to your Supervisor so that it may be investigated and corrected.

On-Duty Conduct

Employees are to conduct only Hospital business while at work. Employees may not conduct personal business, schooling or business for another employer during their scheduled working hours, including but not limited to refraining from advertising or discussing of selling products to patients, other employees, or any other individual associated with the Hospitals.

Employer Property

Lockers, desks, vehicles and other property are considered the Hospital's property and must be maintained according to the Hospital's rules and regulations. They must be kept clean and are to be used only for work-related purposes. The Hospitals reserve the right to inspect all the Hospital's property to ensure compliance with its rules and regulations, without notice to the employee and/or in the employee's absence.

Employee Property

An employee's personal property, including but not limited to, lockers, desks, packages, purses and backpacks, may be inspected upon reasonable suspicion and with or without notice, and with or without the employee's prior consent. Terminated employees should remove any personal items at the time they leave the Hospitals. Personal items left in the workplace by previous employees are subject to disposal if not claimed at the time of the employee's termination.

Personal/Voice/Electronic Mail

Personal mail should not be received at the workplace. The Hospitals cannot ensure confidentiality of personal mail received.

Voice mail or electronic mail (E-mail) are to be used for business purposes only. The Hospitals reserve the right to listen to voice mail and to access E-mail messages to ensure compliance with this rule, without notice to the employee and/or in the employee's absence.

It may be necessary to assign and/or change "passwords" and personal codes for the E-mail and computer systems. These items are to be used for facility business and they remain the property of the facility. The Information Services may keep a record of all passwords/codes used and/or may be able to override any such password system.

Lost and Found

The Environmental Services Department coordinates lost and found items. If you find an item and do not know to whom it belongs, please contact the EVS supervisor.

Housekeeping

All employees are expected to keep their work areas clean and organized. Common areas such as lunchrooms, locker rooms and restrooms should be kept clean by those using them. Please clean up after meals, and dispose of trash properly.

Parking

Employee vehicles must be parked in the employee parking lot. Employees may not use parking areas specifically designated for patients, visitors, vendors or the Hospitals vehicles. The Hospitals are not responsible for any loss or damage to employee vehicles or contents while parked on the Hospitals property.

Bulletin Boards

You will find pertinent information concerning employee practices and policies, as well as other current information on the Hospitals bulletin boards. These bulletin boards are for the Hospitals use only. Anything posted on these bulletin boards must be approved by Human Resources.

Conflict of Interest

Situations of actual or potential conflict of interest are to be avoided by all employees. Conflicts of interest are those relationships or situations, which impair an employee's ability to exercise good judgment on behalf of the Hospitals.

Employees will not use their positions or knowledge gained from their positions to adversely affect the Hospitals, or for personal, family, or third-party gain.

An employee involved in any relationship or situation which may be a conflict of interest should immediately and fully disclose the relevant circumstances to his/her immediate supervisor, for a determination as to whether a potential or actual conflict exists. If an actual or potential conflict is identified, the Hospitals may take Corrective Action as necessary and appropriate under the circumstances. Failure to disclose facts that would suggest the existence of an actual or potential conflict of interest shall constitute grounds for Corrective Action.

Solicitation and Distribution of Literature

To ensure the efficient operation of the Hospital's business and to prevent annoyance to employees, it is necessary to control solicitations and distribution of literature on the Hospital's property. The Hospitals have established rules applicable to all employees governing solicitation, distribution of written material and entry onto the premises and work areas. All employees are expected to comply with these rules. Any employee who is in doubt concerning the application of these rules should consult with his or her supervisor immediately.

No employee shall solicit or promote support for any cause or organization during his or her working time or during the working time of the employee or employees at whom such activity is directed.

No employee shall distribute or circulate any written or printed material in work areas at any time, or during his or her working time or during the working time of the employee or employees at whom such activity is directed.

Under no circumstances will non-employees be permitted to solicit or to distribute written material for any purpose.

Confidentiality

Each employee is responsible for safeguarding confidential information obtained during employment. In the course of your work, you may have access to confidential information regarding the Hospitals, its patients, its suppliers, its customers or perhaps even fellow employees. It is your responsibility to in no way reveal or divulge any such information unless it is necessary for you to do so in the performance of your duties. Access to confidential information should be on a "need-to-know" basis and must be authorized by your supervisor. Any breach of this policy will not be tolerated and can be cause for dismissal. For more information, please refer to the confidentiality section of the Human Resources Policy and Procedure Manual.

Electronic Communication and Security of Systems

All computers and the data stored on them are and remain at all times the property of the Hospitals. As such, all messages created, sent or retrieved over the Internet or the Hospital's electronic mail system is the property of the Hospitals and should be considered public information. The Hospitals reserve the right to retrieve and read any messages composed, sent, or received on the Hospital's computer equipment and electronic mail system. Employees should be aware that, even when a message is deleted or erased, it is still possible to recreate the message; therefore, ultimate privacy of a message cannot be guaranteed to anyone. Accordingly, Internet and electronic mail messages are public communication and are not to be considered confidential, private or the property of the employee. Furthermore, all communications including text and images can be disclosed to law enforcement or other third parties without prior consent of the sender or receiver.

Inappropriate use of computer, including but not limited to unauthorized use of the Internet and the transmission of electronic mail messages including objectionable content, will constitute grounds for corrective action up to and including the possibility of termination.

Employees are reminded to observe the copyright and license agreements that apply to use of the computers and the Internet as well as the risks of viruses. To prevent computer viruses from being transmitted through the system, employees should check with Information Systems staff prior to downloading any software or files.

Employees Who Are Required to Drive

Employees who are required to drive the Hospitals vehicles or their own vehicle on Hospital business will be required to show proof of current, valid California licenses and current effective insurance coverage prior to the first day of employment. The Hospitals participate in a system that regularly checks the DMV records of all employees who drive as part of their job.

The Hospitals retain the right to transfer to an alternative position, suspend or terminate an employee whose license is revoked, or who fails to maintain personal automobile insurance coverage or who is uninsurable under the Hospital's policy. Employees who drive their own vehicles on official Hospital business will be reimbursed mileage through accounts payable.

Sexual and Other Unlawful Harassment

Our Hospitals are committed to providing a work environment free of unlawful harassment. The Hospitals policies prohibit sexual harassment, and harassment based on pregnancy, childbirth or related medical conditions, race, religious creed, color, national origin or ancestry, physical or mental disability, medical condition, marital status, age, sexual orientation or any other basis protected by federal, state or local law or ordinance or regulation. All such harassment is unlawful. The Hospital's harassment policy applies to all persons involved in the operation of the Hospitals and prohibits unlawful harassment by any employee, including supervisors, physicians and co-workers.

Prohibited unlawful harassment includes, but is not limited to, the following behavior:

- a. Verbal conduct such as epithets, derogatory jokes or comments, slurs or unwanted sexual advances, invitations or comments;
- b. Visual conduct such as derogatory and/or sexually oriented posters, photography, cartoons, drawings or gestures;
- c. Physical conduct such as assault, unwanted touching, blocking normal movement or interfering with work because of sex, race or any other protected basis;
- d. Threats and demands to submit to sexual requests as a condition of continued employment, or to avoid some other loss, and offers of employment benefits in return for sexual favors; and

- e. Retaliation for having reported or threatened to report harassment, or for participating as a witness in any investigation of alleged harassment.

If you believe that you have been unlawfully harassed, provide a written complaint to your supervisor, the Chief Executive Officer, or the Director of Human Resources as soon as possible after the incident. Your complaint should include details of the incident or incidents, names of the individuals involved and names of any witnesses. Supervisors will refer all harassment complaints to the Director of Human Resources, or the Chief Executive Officer of the facility. The Hospitals will immediately undertake an effective, thorough and objective investigation of the harassment allegations.

If the Hospitals determine that unlawful harassment has occurred, effective remedial action will be taken in accordance with the circumstances involved. Any employee determined by the facility to be responsible for unlawful harassment will be subject to appropriate corrective action, up to and including termination. A Hospital representative will advise the complainant of the results of the investigation. The Hospitals will not retaliate against you for filing a complaint and will not tolerate or permit retaliation by management, physicians or employee's co-workers.

The Hospitals encourage all employees to report any incidents of harassment forbidden by this policy immediately so that complaints can be resolved. The Federal Equal Employment Opportunity Commission and the California Department of Fair Employment and Housing investigate and prosecute complaints of prohibited harassment in employment. If you feel you have been harassed or that you have been retaliated against, you may file a complaint with the appropriate agency.

Exclusion from Patient Care

The Hospitals are committed to the delivery of quality health care to all patients. This commitment extends to situations when an employee's personal cultural values, ethics, and religious beliefs may conflict with patient care procedures or treatments. When such a conflict arises, it must be resolved in such a way that patient care is not negatively affected. In the event of a conflict of this nature, upon request, an attempt will be made to provide reasonable accommodation without negatively affecting patient care. In no event will the quality or availability of patient care services be compromised.

Problem Resolution

Suggestions for improving the facility are always welcome. At some time, you may have a complaint, suggestion or question about your job, your

working conditions or the treatment you are receiving. Your good-faith complaints, questions and suggestions also are of concern to the Hospitals. We ask that you take your concerns first to your supervisor, following these steps:

Step 1: Verbal discussion with supervisor

The employee should discuss the issue with his or her immediate supervisor. It is anticipated that every effort will be made to resolve the issue in a fair and amicable manner at this level. In situations where the problem is with a co-worker, the employee should first make an effort to discuss it with that person. If this does not resolve the issue, the employee should discuss the problem with his/her supervisor.

Step 2: Department Manager

If the employee is not satisfied with the first attempt to resolve the issue, the employee should schedule an appointment with the Department Manager or submit the issue in writing to the Department Manager. The employee's description of the issue should identify all pertinent facts of which the employee has firsthand knowledge.

Step 3: Human Resources

If the issue still has not been resolved to the satisfaction of the employee, the employee can request to meet or submit in writing the issue to Human Resources to conduct an investigation of the surrounding circumstances. The Director of Human Resources will consult as necessary, up to and including the Chief Executive Officer. A decision will then be communicated to the employee as appropriate.

This procedure, which we believe is important for both you and the Hospitals, cannot result in every issue being resolved to your satisfaction. However, the Hospitals value your input and you should feel free to raise issues of concern, in good faith, without the fear of retaliation.

Corrective Action/Progressive Discipline Section

Employees are expected to meet acceptable standards of conduct and performance. Satisfaction of these standards promotes productivity and efficiency, and helps ensure a pleasant and cooperative work environment. The Hospitals view compliance with these rules to be an important responsibility of every employee. Consequently, violation of these rules may lead to disciplinary action up to and including termination of employment.

As explained elsewhere in this manual, employment with the Hospitals is at-will in nature. Employment is therefore terminable at any time, either by the employee or the Hospitals, with or without cause or advance notice. Accordingly, the Hospitals do not adhere to any formal system of corrective action or discipline. Nevertheless, where the Hospitals determine it to be appropriate in the exercise of its discretion, it may attempt to give an employee a prior written or oral warning and an opportunity to improve or correct a performance and/or behavioral problem before termination of employment. The Hospital's decision to provide an employee with an opportunity to improve does not alter or amend the at-will employment relationship between the employee and the Hospitals.

Termination of Employment

Violation of the Hospitals policies and rules may warrant corrective action. The Hospitals may, in its sole discretion, utilize whatever form of discipline is deemed appropriate under the circumstances, up to and including termination of employment.

An employee who voluntarily resigns his/her employment or fails to report to work for 3 consecutively scheduled workdays without notice to, or approval by his/her supervisor, will voluntarily terminate employment with the Hospitals. All the Hospitals owned property (vehicles, keys, manuals, uniforms, identification badges, credit cards, pagers, etc.) must be returned immediately upon termination of employment.

Should personal circumstances cause an employee to resign employment, he/she must give his/her supervisor or department manager a written two-week notice of resignation. The final pay check will be ready on the day of termination when notice is given to the supervisor and the Human Resources department, and will include pay for the last day of work and/or any balance of holiday and vacation accruals. Should circumstances cause an employee to resign employment with no notice to the employer, the final pay check will be provided within 72 hours of the last day worked.

Separations in Force

Under some circumstances, the Hospitals may need to restructure or reduce its workforce. If it becomes necessary to restructure our operations or reduce the number of employees, the Hospitals will attempt to provide advance notice, if possible, so as to minimize the impact on those affected. If possible, employees subject to layoff will be informed of the nature of the layoff and the foreseeable duration of the layoff, whether short-term or indefinite.

Employment Reference and Verifications

All requests for references must be directed to Human Resources. No manager, supervisor or employee is authorized to release references for current or former employees. The Hospitals policy as to references for employees who have left the facility is to verify: 1) date of hire, 2) title of the last position held, 3) date of termination. If you authorize disclosure in writing, the Human Resources department will also provide a prospective employer or lender with the information on the amount of salary or wage last earned.

Witnessing Legal Documents

Employees may not sign or act, as a witness for a patient, or visitor, to a last will and testament, a Power of Attorney for Healthcare or other form of Advance Directive, a promissory note or other legal documents (not prepared by the Hospitals). Use of an outside Notary is encouraged.

Receipt of Subpoenas

All servers of subpoenas will be sent to Administration. Employees who are served with subpoenas in the workplace should report to Administration to determine if the request is work related. Other than work-related subpoenas, employees may not be served on the Hospital's premises. Upon an employee's receipt of a work-related subpoena, Administration will work with the employee and the department manager as well as the Hospital's legal representatives to coordinate a response. Employees will receive compensation for time spent in depositions and preparation for depositions, or witness duty.

Media Contact

Employees may be approached for interviews by the news media. Only people designated by the Chief Executive Officer may comment on the Hospitals policies or events that have an impact on the facility.

Prohibited Conduct

The following conduct is prohibited and will not be tolerated by the Hospitals. This list of prohibited conduct is **illustrative only**; other types of conduct injurious to security, personal safety, employee welfare and the Hospital's operations also may be prohibited and may result in immediate disciplinary action up to and including termination of employment.

1. Falsification of employment records, employment information or other Medical Center records.

2. Recording the work time of another employee or allowing any other employee to record your work time, or allowing falsification of any time card, either your own or another employee's
3. Theft, deliberate or careless damage or destruction of any of the Hospitals property or the property of any employee or customer.
4. Removing or borrowing the Hospitals or customer property without prior authorization.
5. Unauthorized use of the Hospitals equipment, time, materials, or facilities.
6. Provoking a fight or fighting during working hours or on the Hospitals property.
7. Carrying firearms or any other dangerous weapons on the Hospitals premises at anytime.
8. Engaging in criminal conduct whether or not related to job performance.
9. Causing, creating or participating in a disruption of any kind during working hours on the Hospitals property.
10. Insubordination, including but not limited to failure or refusal to obey the orders or instructions of a supervisor or member of management, or the use of abusive or threatening language toward a supervisor or member of management.
11. Using abusive language at any time on the Hospitals premises.
12. Failure to notify a supervisor when unable to report to work.
13. Unreported absence of three (3) consecutive schedule workdays.
14. Failure to obtain permission to leave work for any reason during normal working hours.
15. Failure to observe working schedules, including rest and meal periods.
16. Failure to provide a physician's certificate when requested or required to do so.
17. Sleeping or malingering on the job.

18. Falsification of a medical record, or other hospital document of any kind.
19. Sexual harassment or other unlawful harassment of another employee, patient, volunteer, visitor or physician.
20. Disclosure of confidential information of any type, whether confidential to the employee disclosing it or to any other person or entity against which disclosure is prohibited.
21. Disseminating proprietary information.

Performance Evaluations

A formal performance evaluation will be conducted after your first 90 days of employment or transfer into a new department or promotion into a new position. Additional formal and informal performance reviews are conducted to provide both you and your supervisor the opportunity to discuss job tasks, encourage and recognize strengths, identify areas for improvement, and discuss positive and specific approaches to meet performance goals. Formal performance evaluations normally are scheduled every 12 months.

Pay adjustments based on merit are awarded by the facility to recognize your performance. The decision to award a merit adjustment can depend on numerous factors, including the information documented by the performance evaluation process.

YOUR PAY

Payment of Wages

Paydays are bi-weekly, every other Friday. If a regular payday falls on a holiday, employees will be paid on the preceding workday. Please review each paycheck for accuracy, and contact payroll if you detect an error.

Direct Deposit

Direct deposit is available to all employees of the Hospitals. With direct deposit you are able to deposit your paycheck electronically in one or two financial institutions, saving you the time and effort of doing it yourself. Please contact Human Resources or Payroll for more information.

Timekeeping Requirements

All hours must be accounted for on the employee's time card. Non-exempt employees are required to record time using pen on a time card/time sheet for payroll purposes. Employees must record their own time at the start and at the end of each work period, including before and after the meal period. Employees also must record their time whenever they leave the building for any reason other than the employer's business. Any handwritten marks on the timecard/timesheet must include your supervisor's initials. Completing another employee's timecard/timesheet, allowing another employee to complete your timecard/timesheet, or altering a timecard/timesheet may result in disciplinary action up to and including termination of employment.

Salaried and exempt employees are also required to record productive and nonproductive days on a timecard.

Any errors on your timecard should be reported immediately to your supervisor, who will attempt to correct legitimate errors.

Overtime

When operating requirements or other needs cannot be met during regular working hours, you may be scheduled to work overtime hours. When possible, advance notification of these mandatory assignments will be provided. All overtime work must receive your supervisor's prior

authorization. Overtime assignments will be distributed as equitably as practical to all employees qualified to perform the required work.

Overtime compensation is paid to all nonexempt employees in accordance with federal and state wage and hour requirements. As required by law, overtime pay is based on actual hours worked. Time off for sick leave, vacation leave or any leave of absence will not be considered hours worked for the purposes of performing overtime calculations.

Failure to work scheduled overtime, or overtime worked without prior authorization from your supervisor, may result in corrective action, up to and including termination of employment.

Call Pay

Employees may be required to be on call as a component of their position. When called in to work, employees are paid time and one half for all hours worked. Employees are guaranteed a minimum of two hours of pay.

Pay For Mandatory Meetings/Training

The Hospitals will pay non-exempt employees for their attendance at meetings, lectures and training programs under the following conditions:

- ◆ Attendance is mandatory.
- ◆ The meeting, course or lecture is related to the employee's job.
- ◆ The employee who is required to attend such meetings, lectures or training programs is notified of the necessity for such attendance by his/her supervisor.

YOUR BENEFITS

Employee Benefits

Full-time and part-time I regular benefit eligible employees may enjoy many benefits and services in addition to their paycheck.

* Paid Time Off accounts, medical, dental, vision, long term disability, life insurance, day care and medical spending accounts, and tax deferred savings plan, are some of the benefits offered to full-time and part-time I regular benefit eligible employees.

Employees may participate in certain benefit programs on a cost-sharing basis with the Hospitals. Insurance benefits booklets referred to as Summary Plan Descriptions present complete information on insurance plans. Employee benefits may be amended or terminated at the discretion of the hospitals.

Benefits and Hospital Sponsored Offerings

Medical/Vision and Dental Insurance: The Hospitals provide a comprehensive medical insurance plan for eligible employees and their dependents. All full-time and part-time I regular employees are eligible for medical, dental and vision insurance on the first of the month following three months of continuous employment, provided that appropriate enrollment forms have been completed. For complete benefit details, please see Human Resources.

- a. Certain "life change" circumstances may permit an employee to apply for late enrollment.
- b. A newly eligible employee, i.e., one who converts from per diem or casual to full-time or part-time I status, will be subject to the normal waiting period. An employee who was eligible for coverage under part-time I status, but declined it, who has now converted to full-time status, will be subject to the normal waiting period. Credit for a portion of or all of the waiting period may be given if the employee worked equivalent full-time or part-time hours.
- c. An eligible employee who declined benefits because of other coverage and then loses the other coverage is eligible to enroll in benefits with no waiting period under the Health Insurance Portability and Accountability Act of 1996 (HIPPA). The employee must enroll within 30 days of the loss of other coverage and provide a certificate of coverage from the other plan.

COBRA

An employee who loses medical, dental, or vision coverage due to conversion to an ineligible status or termination of employment will be offered continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), except in the case of discharge for willful misconduct. Eligibility, payment of premiums, and length of available coverage are determined by COBRA. The Hospitals will notify all eligible participants of their rights under COBRA for continuation of medical and dental insurance.

Disability Insurance: Each employee contributes to the State of California to provide disability insurance pursuant to the California Unemployment Insurance Code. Contributions are made through a payroll deduction. Disability Insurance is payable when you cannot work because of illness or injury not caused by employment at the Hospitals or when you are entitled to temporary workers' compensation at a rate less than the daily disability benefit amount. Specific rules and regulations governing disability are available from Human Resources.

Long Term Disability: All full-time employees are provided a certain amount of Hospital-paid Long Term Disability insurance. Premiums for optional insurance for full-time or part-time I regular employees will be deducted from your paycheck on the basis of your signed and approved enrollment form.

Life Insurance: All full-time and part-time I regular employees are provided with Hospital-paid term life insurance. This is in the amount equal to one year annual salary (2080 hours x base hourly rate of pay for full-time employees and 1040 hours x base hourly rate of pay for part-time regular employees). All full-time and part-time regular employees have the option of purchasing additional term life insurance for themselves and Accidental Death and Dismemberment for themselves, their spouse and children. The cost of optional insurance will be deducted from your paycheck on the basis of your signed and approved enrollment form.

Unemployment Compensation: The Hospitals contribute to the California Unemployment Insurance Fund on behalf of the employees.

Social Security: Social Security is an important part of every employee's retirement benefit. The Hospitals pay a matching contribution to each employee's Social Security taxes.

Worker's Compensation: At no cost to you, you are protected by the Hospital's Workers' Compensation insurance policy while employed by the Hospitals. The policy covers you in case of occupational injury or illness.

Retirement Plan: The Medical Center provides a 403(b) plan for eligible employees to assist in planning for retirement. For information regarding eligibility, contributions, employer match, and benefits and tax status, contact Human Resources.

Spending Accounts: Spending Accounts allow full-time or part-time benefit eligible employees to set aside part of their earnings before they are taxed to fund certain health care or dependent care expenses. You may set up a fund for each if you wish. When you direct money to your Spending Account(s), your taxable income is reduced by those amounts; the dollars you direct to your Spending Account(s) are not subject to federal income, state or social security taxes.

Change in Benefit Status

If an employee changes from benefit to non-benefit status, employee benefits including Paid Time Off accrual will cease. The PTO account balance will be paid out on the next regularly scheduled paycheck. The first pay period the employee returns to a benefit-eligible status, the accruals for PTO will begin again. PTO is paid at your base hourly rate of pay, excluding overtime, standby, differentials, etc.

All PTO hours will automatically be paid at 100% of your base hourly rate of pay in the following instances:

- change to a non benefit-eligible status
- resignation or termination

Medical, dental and vision cease on the last day of the month when changing to an ineligible benefit status. All other employee benefits cease on the day the change to an ineligible benefit status is effective.

Paid Time Off

A Paid Time Off (PTO) program is available to employees that are authorized to work at least 48 hours per pay period. Please monitor the PTO balance that is printed on your paycheck, as you will not be notified when you are at or near the maximum. (See PTO Guide for maximum amounts). For more information, contact Human Resources to obtain a copy of PAID TIME OFF; A Guide to Paid Time Off Benefits.

Paid Time Off Donations

Employees may donate a portion of their Paid Time Off hours to a PTO eligible employee who has need because of a life-threatening or serious extended illness or when an employee has immediate short-term need because of an unexpected emergency or crisis situation. Contact your department manager or Human Resources if you are interested in donating to another employee.

Medical Leave Bank

Employees who are authorized to work 48 hours per pay period can also accrue time off to be used in the event of illness or a need for medical leave. Please monitor your MLB balance, as you will not be notified when you are at or near the maximum. Reports are sent to your department manager. (See PTO guide for maximum amounts). For more information, contact Human Resources to obtain a copy of PAID TIME OFF; A Guide to Paid Time Off Benefits.

School Activities

If you are a parent, guardian or grandparent with custody of a child in kindergarten or grades 1-12, inclusive, and wish to take time off to visit the school of your child for a school activity, you may take off up to eight hours each calendar month (up to a maximum of 40 hours each school year), per child, provided you give reasonable notice to the Hospitals of your planned absence. Employees wishing to take such leave may utilize their accrued paid time off. The Hospitals require documentation from the school noting the date and time of your visit. If both parents of a child work for the Hospitals, only one parent – the first to provide notice – may take the time off, unless the Hospitals approve both parents taking time off simultaneously.

Leaves of Absence

The Hospitals may grant leaves of absence to employees in certain circumstances. It is important to request any leave in writing as far in advance as possible, to keep in contact with your supervisor and Human Resources Department during your leave, and to give prompt notice if there is any change in your return date. If your leave expires and you have not contacted your supervisor or the Hospitals, it will be assumed that you do not plan to return and that you have voluntarily terminated your employment. Upon return from a leave of absence, you will be credited with the employment status which existed prior to the start of the leave.

If you are granted a leave of absence, you may also use any accrued PTO or Major Medical. For medical-type leaves, the accrual will coordinate with State Disability insurance.

Personal Leave

A personal leave of absence without pay may be granted at the discretion of the Hospitals. Requests for personal leave should be limited to unusual circumstances requiring an absence of longer than two weeks and up to thirty days. Approved personal absences of shorter duration are not normally treated as leaves, but rather as excused absences without pay.

Family and Medical Leave

Employees who have more than 12 months of service, who have worked at least 1,040 hours during the previous 12-month period before the date the leave is to begin, are eligible under federal Family and Medical Leave Act (FMLA) and state California Family Rights Act (CFRA) family leave laws to take up to a maximum of 12 workweeks of unpaid family and medical leave within a 12-month period.

Family and Medical leave time is permitted for the birth of the employee's child, or placement of a child with the employee for adoption or foster care, to care for the employee's spouse, child or parent who has a serious health condition, or for a serious health condition that makes the employee unable to perform his/her job.

Time off from work because of the employee's disability due to pregnancy, childbirth or related medical condition is not counted as time used for CFRA leave, but is counted as time used for FMLA leave. Pregnant employees may have the right to take a pregnancy disability leave in addition to family and medical leave; such employees should contact Human Resources regarding their individual situation. Any leave taken for the birth, adoption or foster care placement of a child does not have to be taken in one continuous period of time. CFRA leave taken for the reason of birth or placement of a child will be granted in minimum amounts of two weeks. However, the Hospitals will grant a request for a CFRA leave (for birth/placement of a child) of less than two weeks duration on any two occasions. Any leave taken must be concluded within one year of the birth or placement of the child with the employee.

The following procedures shall apply when requests for family leave are made. Please contact Human Resources as soon as you become aware of the need for family and medical leave.

1. If the event necessitating the leave is based on the expected birth, placement for adoption or foster care, or planned medical treatment for a serious health condition of the employee or a family member, the employee must provide notice of at least 30 days advance notice before leave is to begin. The employee must consult with the employer regarding the scheduling of any planned medical treatment or supervision so as to minimize disruption of the operations of the employer. Any such scheduling is subject to the approval of the health care provider of the employee or the health care provider of the employees child, parent or spouse.

If 30 days notice is not practicable, notice must be given as soon as practicable.

The Hospitals will require that the employee provide certification as explained below within 15 days of the employee's request for FMLA/CFRA leave, unless it is not practicable for the employee to do so. The Hospitals may require recertification from the health care provider if additional leave is required.

2. If the leave is needed to care for a sick child, spouse or parent, the employee must provide a certification from the health care provider which states the:
 - a. date of commencement of the serious health condition;
 - b. probable duration of the condition;
 - c. estimated amount of time the health care provider will provide care;
 - d. confirmation that the serious health condition warrants the participation of the employee.
3. In cases where both parents are employed by the Hospitals and the leave requested is for the birth, adoption or foster care of a child, the Hospitals will not grant more than 12 workweeks total of family and medical leave.
4. If the leave is needed for the employee's own serious health condition, the employee must provide a certification from the health care provider which states the:
 - a. date of commencement of the serious health condition;
 - b. probable duration of the condition;
 - c. a statement that the employee is unable to work at all or is unable to perform any one or more of the essential functions

of his/her position because of the employee's serious health condition.

5. An employee taking family and medical leave will be allowed to continue participating in any health and welfare benefit plans in which he/she was enrolled before the first day of the leave (for up to a maximum of 12 workweeks) or as long as on leave at the level and under the conditions of coverage as if the employee had continued in employment for the duration of such leave. The Hospitals will continue to make the same premium contribution as if the employee had continued working. The continued participation in health benefits begins on the date leave first begins under the FMLA (i.e., for pregnancy disability leaves) or under FMLA/CFRA (i.e., for all other family care and medical leaves). In some instances, the Hospitals may recover premiums paid to maintain health coverage for an employee who fails to return to work following family and medical leave.

Employees on family and medical leave who are not eligible for continued paid leave coverage (i.e., PTO/Major Medical has exhausted) may continue their group health insurance by making payments to the Hospitals for the amount normally deducted from their paycheck. Employees should contact Human Resources for further information.

6. Under most circumstances, upon return from family and medical leave, an employee will be reinstated to his/her original job or to an equivalent job with equivalent pay, benefits, and other employment terms and conditions. However, an employee has no greater right to reinstatement than if the employee had been continuously employed rather than on leave.
7. Employees may take FMLA/CFRA leave intermittently (in blocks of time, or by reducing their normal weekly or daily work schedule) if the leave is for the serious health condition of the employee's child, parent or spouse or of the employee and the reduced leave schedule is medically necessary as determined by the health care provider of the person with the serious health condition.

For additional information about eligibility for family and medical leave, contact Human Resources.

A medical leave begins on the first day your doctor certifies that you are unable to work and ends when your doctor certifies that you are able to return to work or after a total of four months of leave in a twelve month period, whichever occurs first. Human Resources will supply you with a

form for your doctor to complete, showing the date you were disabled and the estimated date you will be able to return to work. An employee returning from a medical disability leave must present a doctor's certificate showing fitness to return to work. An employee who does not return to work upon a release or after 12 weeks in a 12 month period will be considered to have voluntarily terminated employment.

If returning from a non-work-related medical leave you will be offered the same position held at the time of leaving, if available. If this position is not available, a comparable position will be offered. If neither the same nor a comparable position is available, your return to work will depend on job openings existing at the time of your scheduled return. There are no guarantees of reinstatement and your return will depend on your qualifications for existing openings.

California Workers' Compensation laws govern work-related injuries and illnesses. California pregnancy disability laws govern leaves taken because of pregnancy, childbirth and related medical conditions. The Hospitals intend to fully comply with these laws.

Pregnancy-Related Disability Leave

Pregnancy, childbirth or related medical conditions will be treated like any other disability, and an employee on leave will be eligible for temporary disability benefits in the same amount and degree as any other employee on leave. All employees should advise Human Resources of their intent to take pregnancy disability leave as soon as possible.

1. Employees who need to take pregnancy disability must provide at least verbal notice sufficient to notify the Hospitals that the employee needs to take a pregnancy disability leave. The verbal notice should include the anticipated timing and duration of the leave. If the need for the leave is foreseeable because of the pregnancy, employees must provide at least 30 days advance notice before the pregnancy disability leave is to begin. Employees must consult with their Supervisor and Human Resources regarding the scheduling of any planned medical treatment or supervision so as to minimize disruption to the operations of the Hospitals. Any such scheduling is subject to the approval of the health care provider of the employee.

If 30 days advance notice is not possible, notice must be given as soon as practicable.

2. If requested by the employee and recommended by the employee's physician, the employee's work assignment may be changed as

required to protect the health and safety of the employee and the pregnancy.

3. Requests for transfers of job duties will be reasonably accommodated if the job and rights of others are not breached.
4. Temporary transfers due to health considerations will be granted where possible. However, the employee will receive the pay that accompanies the job, as is the case with any other temporary transfer due to temporary health reasons.
5. Pregnancy leave usually will begin when ordered by the employee's physician. The employee must provide the Hospitals with a certification from a health care provider. The certification indicating disability should contain:
 - a. The date on which the employee became disabled due to pregnancy;
 - b. The probable duration of the period or periods of disability, and
 - c. A statement that, due to the disability, the employee is unable to perform one or more of the essential functions of her position without undue risk to herself, the successful completion of her pregnancy, or to other persons.
6. Leave returns will be allowed only when the employee's physician sends a release.
7. An employee will be required to use any accrued Major Medical* and may use accrued PTO during a pregnancy disability leave.
8. The duration of the leave will be determined by the advice of the employee's physician, but disabled employees may take up to 16 weeks. The leave includes any period of time for actual disability caused by the employee's pregnancy, childbirth or related medical condition. This includes leave for severe morning sickness and for prenatal care. Leave does not need to be taken in one continuous period of time and may be taken intermittently, as needed. Leave may be taken in increments of 30 days.

Under most circumstances, upon submission of a medical certification that an employee is able to return to work from a pregnancy disability leave, an employee will be reinstated to her same position held at the time the leave began or to an equivalent position, if available. An employee returning from a pregnancy disability leave has no greater right to reinstatement than if the

employee had been continuously employed rather than on leave. For example, if the employee on pregnancy disability leave would have been laid off had she not gone on leave, or if the employee's position has been eliminated or filled in order to avoid undermining the Hospitals' ability to operate safely and efficiently during the leave, and there are no equivalent or comparable positions available, then the employee would not be entitled to reinstatement.

Military Leave

Employees who wish to serve in the military and take military leave should contact Human Resources for information about their rights before and after such leave. You are entitled to reinstatement upon completion of military service provided you return or apply for reinstatement within the time allowed by law.

Work Related Illness and Injury and Workers' Compensation/ Disability Leave

The Hospitals, in accordance with state law, provide insurance coverage for employees in case of work-related injury. The Worker's Compensation benefits provided to injured employees may include:

1. Medical care.
2. Cash benefits, tax free, to replace lost wages.
3. Vocational rehabilitation to help qualified injured employees return to suitable employment.

To ensure that you receive any Workers' Compensation benefits to which you may be entitled, you will need to:

1. Immediately report any work-related injury to your supervisor.
2. Report to the Employee Health Nurse to complete an Injury Report and a DWC Claim Form Evaluation. Authorized treatment is available at Med Stop if the employee desires.
3. All post injury follow-up is coordinated through the Employee Health Nurse. Employee may not seek medical treatment on their own if worker's compensation is the desired benefit.
4. Provide the Employee Health Nurse with a certification from your health care provider regarding the need for Workers' Compensation disability leave and your ability to return to work from the leave. If return to work modifications exist and the facility can reasonably accommodate them, the employee may return to work with time limited modifications. This must be coordinated with the

Employee Health Nurse, the Employee's Manager, the Employee and the Physician.

Under most circumstances, upon submission of a medical certification that an employee is able to return to work from a Workers' Compensation leave of four months or less, the employee will be reinstated to his/her same position held at the time the leave began or to an equivalent position, if available.

An employee returning from a Workers' Compensation leave has no greater right to reinstatement than if the employee had been continuously employed rather than on leave. For example, if the employee on Workers' Compensation leave would have been laid off had he/she not gone on leave, or if the Employees position has been eliminated or filled in order to avoid undermining the Hospital's ability to operate safely and efficiently during the leave, and there are no equivalent or comparable positions available, then the employee would not be entitled to reinstatement.

Under most circumstances, upon submission of a medical certification that an employee is able to return to work from a Workers' Compensation leave of more than four months, the employee will be offered the same position held at the time the leave began, if available. If the same position is not available, an Employees return to work will depend on his/her qualifications for any existing openings. If after returning from a Workers' Compensation disability leave, an employee is unable to perform the essential functions of his/her job because of a physical or mental disability, the Medical Center's obligations to the employee may include reasonable accommodation, as governed by the Americans with Disabilities Act (ADA) or an offering of Workers' Compensation Rehabilitation.

Workers' Compensation claims denied as non-work related will revert to a medical leave of absence, upon approval by the Human Resources Director and written certification from a treating physician.

Recreational Activities and Programs

The Hospitals or our insurer will not be liable for the payment of Workers' Compensation benefits for any injury that arises out of an employee's voluntary participation in any off-duty recreational, social or athletic activity that is not part of the employee's work-related duties.

External Employee Education

It may be necessary for employees to attend training programs, seminars, conferences, lectures, meetings or other outside activities for the benefit of the Hospitals or the individual employees. Attendance at such activities may be required by the Hospitals or requested by individual employees. However, attendance will not be considered an officially authorized activity, subject to the following policies on reimbursement and compensation, unless prior written approval has been issued by your Supervisor. To obtain approval employees wishing to attend an activity must submit a written request detailing all relevant information, including date, hours, location, cost, expenses, and nature, purpose and justification for attendance.

Where attendance is required or authorized by the Hospitals, customary and reasonable expenses will be reimbursed upon submission of proper receipts. Customary and reasonable expenses generally include registration fees, materials, meals, transportation and parking. Reimbursement policies regarding these expenses should be discussed with your Supervisor or Human Resources in advance.

Employee attendance at authorized outside activities will be considered hours worked for non-exempt employees and will be compensated in accordance with normal payroll practices.

This policy does not apply to an employee's voluntary attendance, outside of normal working hours, at formal or informal educational sessions, even if such sessions may generally lead to improved job performance. While the Hospitals generally encourage all employees to improve their job skills and promotional qualifications, such activities will not be subject to this policy regarding reimbursement or compensation unless prior written approval is obtained as discussed above.

Bereavement Leave

In the event of the death of your current spouse, child, parent, legal guardian, brother, sister, grandparent, grandchild, current mother-in-law, father-in-law, sister-in-law, brother-in-law, son-in-law or daughter-in-law, or step-parents, step-brother, step-sister, eligible full-time and part-time employees may take up to 3 consecutive scheduled workdays (a maximum of 24 hours of pay) off with pay with the approval of the Hospitals. Your supervisor may approve additional unpaid time off.

Jury Duty

Any employee wishing to serve on jury duty may do so; however, time off to serve on jury duty may be paid time for up to 5 calendar days only. This benefit applies to only full-time and part-time I employees. Employees serving on a jury are compensated for regularly scheduled work days up to a maximum of 40 hours. (i.e., A part-time employee scheduled Monday through Thursday, 6 hour shifts would be compensated 24 hours of jury duty pay. A full-time employee scheduled Monday through Friday, 8 hour shifts would be compensated 40 hours of jury duty pay.)

Witness Duty

You should notify your supervisor of the need for time off for witness duty as soon as a notice or summons from the court is received. You may be requested to provide written verification from the court clerk of having served. Any mileage allowance, fee, etc., paid by the court for jury services is to be retained by you.

Tuition Reimbursement

With prior administrative approval from the CEO and Human Resources Department, tuition reimbursement for certificate and degree programs may be reimbursed up to \$500.00 per year for full time employees and up to \$250.00 per year for part time.

Payroll Deductions and Garnishment

As required by law, certain deductions are made from all employees' wages, including:

- ◆ Federal Income Tax
- ◆ FICA (Social Security)
- ◆ SDI (State Disability Insurance)
- ◆ California Income Tax
- ◆ Other deductions for benefit plans (Medical, Dental, Tax Deferred Savings Plan, Spending Accounts, Credit Union, etc.) will be taken upon receipt of your written request (usually an enrollment form).
- ◆ Garnishments

It is the responsibility of the employee to file a withholding exemption certificate W-4 and to report any changes to Human Resources. An Employee W-2 is prepared and mailed the employee by January 31st. If

an employee terminates, he/she is requested to give Human Resources a forwarding address to which the W-2 form can be mailed.

NOTE: Registered Nurses at Arroyo Grande Community Hospital and French Hospital Medical Center should consult the California Nurses Association contract.

PAID

TIME

OFF

**A GUIDE TO
PAID TIME OFF BENEFITS**

**ARROYO GRANDE COMMUNITY HOSPITAL
FRENCH HOSPITAL MEDICAL CENTER**

Effective January, 2001

A Paid Time Off (PTO) program is available to employees that are authorized to work at least 48 hours per pay period. This informational brochure is designed to give you the information you need to manage your personal time off.

Paid Time Off benefits give employees the opportunity to exercise more choice in using their paid time off by combining paid vacation, some sick hours and holiday time into a collective bank of time to be used for time away from work. PTO is earned the first pay period in which you are employed, but is not made available to you until the first of the month following 90 days of employment. However, employees may use accrued PTO for a staffing incentive day during the waiting period. Also, Medical Leave Hours (MLB, additional sick time) accrues separately and is earned, but is not made available to you until the first of the month following 90 days of employment. However, with choice comes responsibility. You will need to plan carefully to ensure that you have enough time in your PTO bank when you need it.

Do all employees accrue PTO and MLB?

No. Casual, per diem and part-time II (authorized to work less than 48 hours per pay period) employees are not eligible to accrue PTO and MLB. Only part-time I (authorized to work 48 or more hours but less than 72 hours per period) and full-time employees are eligible to accrue PTO and MLB.

How do I figure out my Paid Time Off (PTO) accrual?

PTO accrual is based on worked hours up to 80 hours in a pay period. The accrual schedule is listed below:

8 Hour Shifts

Years of Service	PTO hours accrued per hour	Hours per pay period *	Maximum hours/days per year	Maximum Total Bank
0 days - 5 years	.0883	7.06 hours	184 hours/23 days	276 hours
6 years - 10 years	.1075	8.60 hours	224 hours/28 days	336 hours
11 years - 19 years	.1268	10.14 hours	264 hours/33 days	396 hours

*Based on an employee working 80 hours per pay period.

12 Hour Shifts

Years of Service	PTO hours accrued per hour	Hours per pay period *	Maximum hours/days per year	Maximum Total Bank
0 days - 5 years	.0981	7.06 hours	184 hours/23 days	276 hours
6 years - 10 years	.1194	8.60 hours	224 hours/28 days	336 hours
11 years - 19 years	.1408	10.14 hours	264 hours/33 days	396 hours

*Based on an employee working 72 hours per pay period.

How did the organization calculate the days per year?

Years of Service	Days per Year	
0 days - 5 years	23 days	10 days vacation, 8 Holidays, 5 sick days
6 years - 10 years	28 days	15 days vacation, 8 Holidays, 5 sick days
11 years - 19 years	33 days	20 days vacation, 8 Holidays, 5 sick days

Is there a maximum amount of PTO I can accrue?

Yes. The maximum accrual is listed on the previous page. Once you reach your maximum PTO accrual, you will no longer accrue PTO until you have used PTO and your balance is below the maximum.

How do I use PTO?

Your PTO hours may be scheduled and unscheduled time off. Scheduled time off (STO) is time that is planned and scheduled in advance, according to the guidelines in your department. Unscheduled time off (UTO) is used for the unexpected, such as illness, family emergencies or personal business that is not scheduled in advance.

To use Scheduled Time Off:

Complete a Request For Time Off Form and submit to your manager/supervisor for approval. The Hospitals will attempt to accommodate your request during the time you wish. However, our needs and workload will be considered when evaluating your request.

To use Unscheduled Time Off:

Contact your manager/supervisor per departmental policy.

How do I use PTO on a Staffing Incentive Day?

There are certain days of the year which are more difficult to staff than other days. For purposes of the PTO program, these are called "Staffing Incentive Days".

The designated staffing incentive days are as follows:

New Years Day	Labor Day
President's Day	Thanksgiving
Memorial Day	Christmas
July 4 th	

Staffing incentive days are observed on the actual date of the holiday. The staffing incentive day begins at 12:01 a.m. on the staffing incentive day and ends at 12:00 a.m. (midnight).

Are some departments closed on the staffing incentive day?

Yes. Some departments are closed on the actual staffing incentive day. If a staffing incentive falls on a Saturday, then the department is closed on the Friday before. If the staffing incentive day falls on a Sunday, the department is closed on Monday.

How am I paid if I work on a Staffing Incentive Day?

If you work on a staffing incentive day, in addition to the hours paid for working you may choose to pay yourself from your PTO bank. You may use PTO up to the number of hours you worked on the staffing incentive day. For example, if you work an eight hour shift, you can pay yourself up to 8 hours, you would not be allowed to pay yourself 10 hours of PTO.

How am I paid if I do not work on a Staffing Incentive Day?

If your normally scheduled shift is on the staffing incentive day and you do not work, you can choose to pay yourself from your PTO bank up to your normally scheduled hours. If you do not plan to pay yourself from your PTO bank, notify your supervisor that you plan to take the day off without pay. This is the only time an employee can elect to take time off without pay, without supervisory approval.

Can an employee pay themselves PTO on a Staffing Incentive Day that they are not normally scheduled to work?

No. If an employee is scheduled to work on Tuesday thru Friday, and the staffing incentive day falls on a Monday and you do not work, the employee cannot pay themselves from their PTO bank.

Is there additional pay for working on the staffing incentive day?

On the actual date of the holiday, regardless of whether it falls on a weekday, Saturday, or Sunday, certain holidays warrant additional pay.

Staffing Incentive Day - All Holidays	Pay for Hours Worked
Benefit eligible employees (i.e., full-time and part-time I)	Receive overtime for hours worked on the staffing incentive day <u>plus</u> can pay themselves from PTO up to the number of hours worked on the staffing incentive day.
Non-Benefit eligible employees (i.e., casual, per diem and part-time II)	Receive overtime for hours worked on the staffing incentive day.

How do I know what my PTO balance is?

Your PTO balances are printed on your biweekly pay checks. As you will not be notified when you are at or near the maximum total bank, please monitor your balance.

What happens to my PTO when I leave?

When you resign or retire, you will be paid for all of your unused PTO.

How do I fill out my time sheet?

Unscheduled time off is recorded on your timecard using earnings code 100.2.

Scheduled time off is recorded on your timecard using earnings code 100.

MEDICAL LEAVE BANK (MLB)

What is MLB?

Employees covered by PTO also earn hours in a Medical Leave Bank (MLB). MLB helps cover extended absences from work due to illness, injury, or disability of the employee or of an eligible child.* Employees begin accruing MLB upon hire or transfer to a PTO-eligible position. MLB is a separate bank of hour which accrues each pay period based on paid hours.

How do I figure out my MLB accrual?

MLB accrues at the same rate for all eligible employees, regardless of job classification or length of service. The accrual schedule is listed below:

Years of Service	Hours per pay period *	Maximum hours/days per year	Maximum total bank
All Employees	1.54 hours	40 hours/5 days	240 hours/ 30 days

Note: Rates listed above are based on an employee working 80 hours per pay period

Can I use MLB during the first 3 months of employment?

No, MLB is earned the first pay period of your employment, but employees are not eligible to use it until the first of the month following 90 days of employment.

Is there a maximum amount of MLB I can accrue?

MLB accrues on your paid hours up to 80 hours in a pay period. You do not earn additional MLB if you work more than 80 hours in a pay period. You can accrue an MLB balance of up to 200 hours (25 days). Once you reach your maximum, you will no longer accrue MLB until your balance falls below the maximum.

When can I access my MLB?

MLB payments will begin after you have consecutively missed one-half (1/2) your per pay period authorized hours, per incident. This may be PTO time, if available, or if you have no PTO time available, time without pay.

For example, an employee authorized to work 80 hours per pay period - would need to use 40 hours (1/2 pay period authorized hours) of PTO before accessing MLB. An employee authorized to work 48 hours per pay period would need to use 24 hours of PTO before accessing MLB.

MLB is also used for intermittent absence due to directly related medical reasons. Examples of intermittent use of MLB: 1) You are diagnosed with cancer and require both surgery and intermittent absences for chemotherapy 2) You are in a serious car accident and require time to recuperate. In addition, your physician prescribes weekly physical therapy sessions following your return to work. In both these situations you would use PTO for one half (1/2) your pay period authorized hours, and then you would be paid MLB for both the time out due to the original concern as well as for the time needed for follow-up therapy. However, when you are hospitalized, MLB can be accessed immediately.

Intermittent use of MLB is not appropriate when the medical incidents are related, but separated by extended periods of time, i.e., if you have bronchitis in November, return to work for several months and are out, again, in February with bronchitis.

Can I immediately access MLB if I am hospitalized?

Yes, if you are admitted to the hospital for a serious injury, illness or surgery, you can access MLB without using half your authorized hours first.

How do I use MLB?

- Notify your supervisor when you must be absent from work due to illness or injury.
- If you expect to be out for a period that exceeds one-half your per pay period authorized hours because of your medical situation, request a leave of absence (LOA) request form from Human Resources. The LOA form is accompanied by a certification of health care provider form. If your leave falls under the guidelines of a FMLA, CRFA or PDL leave.

- Complete the LOA form as soon as possible and forward it to your Human Resources department.
- Give the certification of health care provider form to your doctor, with instructions to complete and return it to Human Resources. The form is maintained in Employee Health Services files and will not become a part of your personnel file. All medical information is confidential and will be used only to administer the MLB program and coordinate your return to work.
- Before going on LOA, you should contact your Human Resources department to discuss how to receive your paychecks and continue your insurance benefits while on LOA.
- MLB payments will begin after you have missed the equivalent of one consecutive week's work (defined as one-half your authorized hours).

What happens to MLB when I leave?

MLB ends when you terminate employment with CCHP for any reason. There is no payout for unused time.

How do I fill out my time sheet?

Medical Leave Bank hours is recorded on your timecard using earnings code 101.

FAMILY ILLNESS - AB109

Effective January 1, 2000, Assembly Bill 109 requires employers who offer paid sick time (MLB) to allow employees to use at least 50% of that paid time to attend to the illness or medical needs of the employee's spouse, child or parent. During any calendar year (January - December), the employer must allow employees to use at least 50% of their annual allotment of paid sick time for Family Illness. The new law defines parent to include the employee's biological, foster or adoptive parent, a stepparent or a legal guardian; child is defined as a biological, foster or adopted child, a stepchild, or a legal ward. Therefore you can access your MBL for the family members listed above.

Can I use MLB for a family illness before it is earned?

No. You must earn MLB before you can use it for a family illness.

Are there any difference in accessing MLB for Family Illness than for an individual employee?

No. All conditions or restrictions an employee places on employee-illness use of paid sick (MLB) time will also apply to absences for Family Illnesses.

Note: Registered Nurses at Arroyo Grande Community Hospital should consult the California Nurses Association Contract.

French Hospital Medical Center
Arroyo Grande Community Hospital

STATEMENT OF UNDERSTANDING
INTEGRITY STANDARDS

I have completely read and understand the Integrity Standards. I agree to follow the policies, procedures, spirit, and philosophies presented in this document. I will perform my duties in compliance with the law and with the highest ethical and moral standards. I will report any known or suspected violations of these standards.

(Please fill out this section and submit entire form to your manager.)

NAME: _____

TITLE: _____

DATE: _____

SIGNATURE: _____

FACILITY: French Hospital Medical Center
 Arroyo Grande Community Hospital

(Please indicate which facility you are employed by. If both, please check both boxes.)

Integrity Standards

Introduction:

Just as there are standards by which we monitor and operate the clinical side of operations, there are standards by which we monitor and operate the billing and business practices of our organization. Although there are formalized programs or processes by which we monitor and assess and improve the delivery of patient care, we have not had until now, a formalized program or process to achieve the same with our billing and business practices. As you may expect, there are many regulations that frame requirements for what is "allowed" in regard to business practices. Thus we need our best planning and execution to meet these often-complex requirements. To begin this process, we are starting with the basics – a reminder of what is meant by *Integrity*. That is, integrity with the laws that governs us as a healthcare organization and integrity with what the community would expect of us, as our responsibility.

We have developed a program to guide us in meeting these requirements. It is called the Healthcare Compliance Program (or "HCP"). The HCP outlines a plan to maintain our policies and procedures current, provides a schedule for important training and education opportunities for key staff related to compliance, and includes a mechanism for ongoing monitoring of our practices relating to billing and other business transactions. Key to the success of this program is the understanding that each of us has regarding his and her role in the program. Listed below are some core issues, which we have labeled the Integrity Standards, that all of us must adhere to in order to succeed in our compliance efforts.

We have chosen the words Integrity Standards to describe this list for an important reason. Integrity means adhering to a code or standard of values. These Integrity Standards identify the basic group of values this organization wants to promote and have its employees adhere to as they go about their daily operations.

Integrity Standards

<i>Standard</i>	<i>Explanation as it relates to Compliance and Related Activities</i>
1. Proper care will be delivered by qualified individuals.	Every employee has the responsibility and the duty to put forth their best efforts to support the needs of the patient and the mission of the hospital. It is our continuing goal to provide health services of the highest quality that respond to the needs of our patients, their families, and the community we serve. The care we provide must be reasonable and necessary to the proper care of each patient, and properly qualified individuals must provide such care.
2. We will maintain confidentiality	Confidentiality is a cornerstone of the healthcare industry. Patient confidentiality means we recognize that all information collected for the provision of medical care belong to the patient and we cannot release that information without their permission and only according to the applicable laws and regulations. Employee confidentiality means recognizing that all employee information collected (i.e., compensation, performance reviews, et cetera) cannot be released without permission and according to applicable laws and regulations. In addition, reports of compliance based issues, concerns and questions will remain confidential, as well as any investigation and outcomes. Only the employee and those directly involved will have knowledge of the issue.

<p>3. <i>We will avoid conflicts of interest</i></p>	<p>Our hospitals are not for profit organizations dedicated to the provision of health care in the communities we serve. The decisions and commitments we make must be in the best interests of the organization and those it serves. As such, each of us has the corresponding duty to avoid personal conflicts of interest with the interests of the organization. We must not use our position or affiliation for personal gain. Both actual conflicts and the appearance of a conflict of interest must be avoided.</p>
<p>4. <i>We will execute proper and accurate billings and maintain proper relations with third party payors.</i></p>	<p>When a bill is submitted to a third party, it means that we are seeking payment for care that was reasonable, necessary and appropriate for the care of the patient and it was provided by qualified persons. It also means that the billing amounts are correct and supported by proper documentation. The medical record contains the documentation supporting the care provided and must be in conformance with legal, professional and ethical standards to ensure the basis for proper and accurate billing. All those who interface with the medical and billing records (employees, physicians, third parties) must adhere to the documentation and confidentiality standards required by law and regulation.</p>
<p>5. <i>We will acknowledge and comply with applicable laws</i></p>	<p>It is our duty as an organization and as individuals to comply with applicable laws and regulations. Each employee must be familiar with the laws and regulations that govern their role as providers of health care. The Healthcare Compliance Program will provide support in such endeavors and establish a method for monitoring and correcting practices as necessary.</p>
<p>6. <i>We will provide safety within the organization</i></p>	<p>By working together we can ensure a workplace that conforms to all laws and regulations regarding occupational health and safety. We are committed to the proper maintenance of the environment and the handling and disposing of medical waste, hazardous materials and other products in a manner that conforms to applicable environmental laws and regulations.</p>

What is a problem and what do I do?

When in doubt, ask. Each of us has a duty to follow up on issues and concerns so that collectively as a system, we maintain integrity and adherence to the laws that govern us. You may bring your questions or concerns anonymously and you can always expect they will be held in confidence. If an investigation is warranted, only those individuals who need to be involved will know the elements of the concern. You may also bring up a question or report a problem without fear of reprisal. Our goal is to identify problems or weaknesses in our processes, problem solve and monitor our results. By bringing an issue to our attention you will be helping us stay true to what we value – Integrity.

Examples of such problems may be something you see being done that doesn't seem to fit with the policies and procedures of billing, or handling medical records. Or it may be a request for information from a governmental agency or the media, which seems out of the ordinary. Or it may be something you received from a vendor that causes you to question their motives. At any time, feel free to contact your supervisor, the Compliance Liaison, a member of the Corporate Compliance Staff or the Compliance Helpline.

Who's involved and where can I go for more information?

Now that you are more aware of what we mean by compliance and integrity, you may still have some unanswered questions or concerns. In most cases, your supervisor may be the best place to begin. If you do not feel that is the case, you may contact any of the following individuals:

We encourage all employees to ask questions and to keep asking until you are satisfied with the answers. If you have doubts about decisions you are making or about reporting a potential violation of these Integrity Standards, you may get advice, feedback or direction from any of the following:

- Your supervisor
- Director of Human Resources
- Compliance Helpline
- Corporate Compliance Staff
- Healthcare Compliance Plan
- Existing Policies and Procedures, Employee Handbook

Other resources may be available depending upon your unique situation. Remember that you may or may not get your question answered the way you might want or expect, but it should be consistent with these Integrity Standards and the Healthcare Compliance Plan.

Now that you are more aware of what we mean by compliance and integrity, you may still have some unanswered questions or concerns. In most cases your supervisor may be the best place to begin. If you do not feel that is the case, you may contact any of the following individuals:

Arroyo Grande Community Hospital

Compliance Information

Corporate Compliance Officer: *Beverly Wittekind*

Hospital Compliance Officer: *Cyndi Lang*
805 542-6398

Compliance Hot-Line: *1-888-484-8444*

SCHEDULE T

**POLICIES AND PROCEDURES ON STAFFING
FRENCH HOSPITAL MEDICAL CENTER**

PLAN FOR PROVISION OF NURSING CARE:
2001

PART I: Overview

PART II: Unit Descriptions & Staffing Guidelines

DESCRIPTION AND HISTORY:

Established in 1972, French Hospital Medical Center (FHMC) is a 112 bed, non-profit, public benefit, acute care hospital serving the residents of San Luis Obispo County. French Hospital Medical Center provides general acute care hospital services to medical, surgical, obstetric and pediatric patients, basic emergency services, intensive and step-down care, and ambulatory services. French Hospital Medical Center also offers a complete range of diagnostic and ancillary services. To meet the special needs of patients, the hospital has developed care paths for excellence for the care and treatment of coronary disease, total joint procedures, and pneumonia.

In conjunction with its affiliate, Vista Hospital Systems, Inc., (VISTA), another non-profit, public benefit corporation, on July 30, 1997, French Hospital Medical Center converted from a for-profit, division hospital of OrNda Corporation, to a non-profit, public benefit corporation, which is tax exempt as a charitable organization. Vista owns and operates Arroyo Grande Community Hospital, located in Arroyo Grande, California and Corona Regional Medical Center, located in Corona, California.

At French Hospital Medical Center, clinical education sites are provided for students of Cuesta Community College and Alan Hancock Community College and other educational facilities by special arrangement as student needs are identified.

INTRODUCTION:

Nursing care provided in any unit, service or program of French Hospital Medical Center is to be consistent with the legal and professional definitions of nursing care and based on the Nursing Department Standards of Patient Care and Standards of Clinical Practice, as identified in the Nursing Department policy and procedure manuals. The generic standards serve as the framework for all units and are augmented by specialty standards. Provision of care incorporates age-specific components. The Nursing Department operates in a decentralized matrix and is coordinated by a hospital-wide Nursing Council modeled after the five roles of the professional nurse: leader, educator, researcher, practitioner and evaluator. Council membership gives the individual staff member a forum to increase knowledge and skill in each of the five roles, and develops strategies for improved patient outcomes.

Registered nurses are responsible for developing, delegating, and coordinating the provision of nursing care provided throughout French Hospital Medical Center.

Nursing care for each patient is based on the assessment and reassessment of patient needs and the level of patient classification which leads to the identification of nursing diagnoses, clinical problems and resource allocation plans. Nursing interventions are selected to treat identified nursing diagnoses and problems. Care is coordinated with the therapies of the other healthcare disciplines involved with the individual patient. Collaborative efforts among the nurses, physicians and adjunctive clinical disciplines in planning and selecting interventions for each patient's specific care needs and resource allocation, are part of this coordination of care. The patient and family/significant other/caretaker are vital partners in the process and critical to the outcomes achieved. They are to be informed and involved in the goal setting and provision of patient care throughout the continuum of care. Patient/family/significant other/caretaker education, is a crucial component necessary for enhanced outcomes.

MISSION, PHILOSOPHY & GOALS:

French Hospital Medical Center's mission, statement, vision, guiding principles and strategic plans and goals provide the infrastructure for the provision of nursing care throughout the Medical Center. By integrating these components together with professional practice standards and scope of practice, the Nursing Department's mission, philosophy, goals and objectives were developed by the staff and nursing leadership members. These elements are in concert with French Hospital Medical Center's mission, guiding principles, vision and performance improvement. They are reviewed and discussed in nursing staff meetings, forums, and in the orientation of new personnel. The hospital wide mission statement, **Patients Come First**, embodies the spirit of nursing, in general, and the practice of nursing, specifically. By embracing this construct, the Department of Nursing carries the hospital's mission forward in everyday interaction with all persons who enter the healthcare continuum. The vision for the Nursing Department, in all nursing specialties, is the hospital's vision: to be the choice for healthcare on the Central Coast.

DEFINITION OF NURSING CARE AND FRAMEWORK:

Nursing is an art and a science, and is a creative and expanding professional discipline occurring in a variety of settings. Nursing is based upon the application of the principles of biophysical and psychosocial sciences and interrelationships of theory, practice and research. Nursing incorporates scientific principles and critical thinking in its application of practice.

In accordance with the California Nurse Practice Act, "the practice of nursing means those functions, including basic health care, which help people cope with difficulties in daily living which are associated with their actual or potential health or illness problems, or the treatment thereof which require a substantial amount of scientific knowledge or technical skill." This includes the direct and indirect patient care service that ensures the safety, comfort, personal hygiene, and protection of patients, and the performance of disease prevention and restorative measures.

Nursing care at French Hospital Medical Center embodies critical thinking and the nursing process as the framework for the delivery of nursing services and care. The practice of nursing by a registered nurse is understood to mean the assumption of responsibility and accountability for those nursing actions which, include but are not limited to:

- Identifying human responses to actual or potential health conditions.
- Executing a nursing treatment regimen through the selection, performance, and management of nursing practice standards.
- Teaching health care practices.
- Advocating the provision of safe, appropriate health care services through collaboration with other clinical disciplines.
- Executing diagnostic and therapeutic regimens prescribed by licensed practitioners and exercising sound professional judgment and intervention to assure safe, effective and appropriate care.
- Prescribing, administering, supervising, delegating and evaluating nursing activities.

Because of the unique patient requirements of different nursing departments, each nursing specialty's scope of practice has been individually defined within the Plan for Provision of Nursing Care. The mission, philosophy, goals, definition of nursing care and framework, purpose, methodology, clinical competency and staffing considerations are designed to meet both the Standards of Nursing Practice and the Standards of Patient Care as defined in the Nursing Practice Act, the JCAHO Comprehensive Accreditation Manual for Hospitals and Title XXII.

The scope of practice for a licensed vocational nurse includes assumption of responsibilities and the performance of acts within the educational background and licensed vocational nurse practice act under the direction of a registered nurse. Unlicensed assistive personnel, certified nursing assistants, and unit coordinators or monitor observers, and their activities are under direct supervision of a registered nurse.

PURPOSE OF NURSING SERVICES:

The purposes of nursing services at French Hospital Medical Center include:

- The provision of quality patient care services through the consistent implementation of Standards in Nursing Practice and Standards of Patient Care. Development of an interdisciplinary plan of care includes psychosocial, biophysical, emotional, age-specific (when appropriate), family and spiritual interventions.
- Validated compliance with current standards (structure, process, outcome) to identify problems by use of a systematic method to monitor, evaluate and document performance improvement.
- Identification of important aspects of patient care in high volume, high risk, and problem-prone populations in order to develop pertinent measurable indicators which monitor, evaluate and improve the quality and appropriateness of health care delivery.
- Resolution of identified problems or non-compliance with established performance expectations through intervention which may include education, staff discipline, improvement in communication, change in policy or practice standards, or organizational support (financial or resources).
- The empowerment of all personnel to be creative and enthusiastic about continuous performance improvement activities which improve staff performance, patient care, patient satisfaction or patient outcomes.
- Promotion of organization-wide consistency in performance activities through resource sharing and interdepartmental communication and collaboration.
- Ensuring the plan for nursing care is consistently implemented.

DELIVERY OF CARE METHODOLOGY:

Patient care delivery is provided through either team or total patient care methods. Care is provided by staff who are qualified and competent to care for assigned patients based on specialty expertise that include knowledge and delivery of age-appropriate interventions, technological skill, psychosocial intervention and patient classification. The House Supervisor's office maintains documentation of cross-training and interdepartmental float lists. A patient classification system in adherence to Title XXII, JCAHO Standards, and National Nursing Specialty standards are factors considered when assigning staff to individual units and patients to individual staff members. Staff credentialing information documenting validation of competency is maintained in Human Resources.

The Nursing Department is decentralized and the Nursing Unit Directors and Supervisors report to the Associate Administrator/Chief Nursing Officer. The Associate Administrator/Chief Nursing Officer is responsible for assuring that all standards of patient care, standards of clinical nursing practice, and policies and procedures are consistently implemented throughout French Hospital Medical Center at all locations where nursing care is provided. Nursing leadership reviews standards of patient care and standards of clinical nursing practice with members of the medical staff at the respective medical staff committees, and encourages input and collaboration from the physician members. Standards of Patient Care and Standards of Nursing Practice are approved by the Chief Nursing Officer, the Nursing Performance Improvement Council, the Medical Quality Review Committees, the Medical Executive Committee and the Local Governing Board at least every three years. Practice structure standards, as defined in policies and procedures, are reviewed by the CNO and Department Directors annually.

PATIENT/FAMILY EDUCATION:

The patient and family/significant other/caretakers are provided with education relative to their ongoing health care needs. The registered nurse is responsible for identifying, planning, implementing, and evaluating patient and family education. He/She may use any number of available resources to facilitate understanding, including the clinical dietitian, case manager, enterostomal therapist, lactation consultant or others as available. To ensure safe and effective use of medication and potential food/drug interaction(s), medication and food/drug interaction education information is provided by the nursing staff for each patient at time of discharge. This has been developed in collaboration with the Department of Pharmacy and Medical Staff. The safe and effective use of medical equipment and how to obtain further treatment is discussed with the patient and documented at time of discharge. This activity is coordinated by the patient's nurse and implemented by interdisciplinary team members who may include case managers, physical, occupational, speech, respiratory therapists, and durable goods representatives.

INNOVATIONS IN PRACTICE:

• **CASE MANAGEMENT:**

The Nursing Department has actively collaborated with the Department of Case Management and the Medical Staff to assure that patient outcomes are effectively and efficiently achieved. Currently, Case Management conducts twice weekly interdisciplinary/utilization review conference with the nurses, physicians, ancillary personnel, transitional care facility and home health agency representatives, and social services. Staff (including nursing, support and ancillary services) has been educated regarding case management to facilitate the coordination of patient care and at-home needs. In collaboration with case management, interdisciplinary care conferences are conducted on an as needed basis with individual patients and families.

• **EMERGENCY SERVICES "RAPID ADMITS"
AND CHEST PAIN OBSERVATION PROGRAMS:**

Enhancements and improvements to the Emergency Services "Rapid Admit" and Chest Pain Observation Programs began with in 1996. This improved patient flow and enabled the patient to be immediately triaged by the Emergency Room Triage Nurse. Enhancements and improvements in the Emergency Services Chest Pain Observation Program was implemented in 1997 and has led to more effective triage of the patient who presents to the department with chest pain. This includes rapid access to the diagnostic and interventional cardiac catheter laboratory and has resulted in greater than expected positive outcomes for acute MI patients (see the 3rd Report of the California Hospital Outcomes Project, 1997: Report on Heart Attack) OSHPD.

• **CONSCIOUS SEDATION:**

Members of the nursing department participated in an interdisciplinary task force to revise the policy for conscious sedation to ensure that the same standard of care is provided throughout the facility for patients undergoing diagnostic and therapeutic procedures. These include, but are not limited to: GI procedures, endoscopy and cardioversion.

Conscious sedation is a medically controlled state where any patient, in any setting, for any purpose, by IV route, receives sedation (with or without analgesia) for which there is a reasonable expectation that in the manner used may result in the loss of protective reflexes for a significant percentage of a group of patients.

• **POINT OF CARE TESTING:**

Using the Lifescan II Point of Care Testing System, patients with diabetes are monitored for blood glucose levels throughout the organization. By upgrading to the Data Docking System in 1999 and incorporating a continuous quality improvement component into each test event, this program ensures staff competency each time point of care testing occurs and identifies performance variations. Once a variation is identified, the department manager or supervisor reviews the variance with the practitioner and corrective action is taken.

• **PYXIS: MEDICATION DELIVERY SYSTEM:**

In response to identified delays in delivery of medications from pharmacy, particularly after hours, the Pyxis Medication Delivery System was introduced in 1997 to ICU, ER, PACU, SDU, Med-Surg and the Transitional Care Facility. This enabled immediate on-site access to controlled and prescription medications as soon as they were ordered and resulted in rapid initiation of medication therapies, faster drug delivery times for non-Pyxis meds, reduced pharmacy workload, interruptions and closure of the night locker. With medications directly accessible on the nursing units, shift supervisor entrance to the pharmacy after hours to obtain medication has been significantly reduced. Pyxis contents by unit are evaluated annually for usage practices and amounts and varieties of medication stocked are adjusted following evaluation:

- In the 4th Quarter of 1999, a Pyxis unit was installed in the Maternal-Child Health Department. Additionally, a Pyxis upgrade occurred in all departments that increase individual unit capacity and diversity as well as increased drug security by limiting multiple drug access per transaction.
- KCl injection was removed from all Pyxis units in recognition of national sentinel event data identifying this drug as a high risk for sudden death related to erroneous injection. Undiluted magnesium was also removed from the Pyxis machines. Added KCl infusions for ICU include 10mEq/100cc and 15 mEq in 500cc. For KCl riders meant for central line infusion, the nurse must complete a questionnaire validating central line versus peripheral line access.
- In April 2001, a new profiling system will be installed in the Pyxis program that will prevent a nurse from accessing medication not entered into the patient's medication profile. This will prevent a nurse from giving medication that was not, in fact, ordered for that patient. A nurse may still obtain a one-time dose for new medication orders. It is believed that this safeguard will prevent wrong patient/wrong medication errors that may occur when a nurse is rushed or not concentrating fully on the task at hand.

• **QUALITY MANAGEMENT AND PERFORMANCE IMPROVEMENT COMMITTEE:**

Nursing practice is reviewed in a continuous manner to be responsive to health care challenges. The principles of Performance Improvement play an integral role in the monitoring and evaluation of established Standards of Patient Care and Standards of Nursing Practice throughout nursing services. Performance improvement activities are evident on all nursing units. Individual unit-based programs guide the approach to achieving quality outcomes for identified aspects of care. Results of monitoring activities and a plan for action for substantive findings are reported quarterly to the Quality Council. Reports are also presented to the Medical Executive Committee, and the Local Governing Board. Quality Council reviews outcomes, notes trends and the action plan, and provides feedback and additional recommendations for further action. The Nursing Performance Improvement Councils meet monthly and quality management and performance improvement activities are addressed through committee action.

- **CLINICAL COMPETENCY VALIDATION PROGRAM:**

Expectations and mechanisms to validate levels of performance and specific competencies for nursing staff were developed and implemented by the Chief Nursing Officer together with Nursing Department Directors and Supervisors, the Human Resources Department Director and the Director of Staff Development.

Summary reports are made regularly to the Local Governing Board in conjunction with the Human Resources Department regarding the clinical competencies and proficiencies of the nursing staff. Validating staff competencies in selected areas of knowledge, behaviors, and psychomotor skills is the responsibility of the Director. Specific criteria for validation are used:

- 1) At the time of hire.
- 2) During orientation.
- 3) Yearly during reassessment.
- 4) During house wide testing opportunities.

Educational programs promote clinical competency and include staff, management, and medical staff input and also include community trends and professional standards. Inservices as new technology and products are introduced into the clinical setting are one component. Continuing education programs and self-learning modules for independent study with CE credit are available free of charge to all nursing employees. These programs are based on expressed educational needs assessments, new services, health care trends, research utilization and unit/hospital-specific needs identified through interdisciplinary performance improvement.

- **STAFFING CONSIDERATIONS:**

The Shift Supervisor's Office provides a centralized approach to staffing with input from nursing staff and the Nursing Unit Directors and Clinical Supervisors to assure appropriate and timely provision of nursing care. The Shift Supervisor maintains contact with each nursing unit every four (4) hours to validate census, patient acuity and staffing patterns and can access on-call staff or outside agency nurses as necessary. Low census or involuntary call-off is managed by the office in consultation with the Chief Nursing Officer or Department Director or Clinical Supervisor. A plan for staffing during peak volumes has been developed for consistent application of resources during high census periods.

Weekly staffing patterns for the units, twice daily patient classification evaluations for 12 hour units.* Included in the budget is sufficient allocation of finances for nursing education and programs designed to support improvement and innovation in practice. Information from quality and performance improvement monitoring, satisfaction surveys, risk management, and utilization review serve as indicators to assist the staffing budgetary process.

- * Individual unit staffing matrices have been developed and serve as guidelines for staffing. Adjustments are made for acuity variances.

Targeted staffing needs are evaluated at least annually in conjunction with the budgetary process. The review includes the Chief Nursing Officer, Department Directors and Clinical Supervisors, Chief Financial Officer, and the Chief Executive Officer, with input from the nursing staff and Medical Directors. The Associate Administrator/Chief Nursing Officer meets annually with randomly selected nursing personnel to receive input for the annual review of the plan for provision of nursing care, the strategic planning process and to evaluate necessary changes to the budgetary allotment of resources and/or staff recruitment and retention plan.

PLAN FOR PROVISION OF NURSING CARE: 2001
PART I: OVERVIEW PAGE 7 OF 7

UNIT-SPECIFIC PLANS:

Due to the uniqueness of each unit, a specific unit plan is required for all areas in which nursing care is provided. This unit-specific plan supports unique needs and services offered to patients and attends to:

- 1) Unit-specific staff requirements for competence and assignment.
- 2) Assignment of personnel.
- 3) Skills checklists.
- 4) Staffing guidelines.

• **ADDITIONAL COMPONENTS:**

Components of this plan and supplemental policies, which may be requested for review, include:

- 1) Hospital and nursing services organizational charts.
- 2) Nursing Department Mission, Philosophy, Goals, Objectives.
- 3) Performance Improvement Plan for Nursing.
- 4) Generic Standards of Care and Standards of Practice (Policies & Procedures).
- 5) Patient Classification System.

FRENCH HOSPITAL MEDICAL CENTER

PLAN FOR THE PROVISION OF NURSING CARE

**PART II: UNIT DESCRIPTIONS &
STAFFING GUIDELINES**

TABLE OF CONTENTS

PATIENT CARE UNIT DESCRIPTIONS

- Intensive Care/Coronary Care Unit
- Stepdown Unit/ICU Overflow Unit
- Medical-Surgical Unit
- Pediatric Unit
- Maternal/Child Health Unit (Family Birthing Center)

PATIENT CARE UNIT STAFFING GUIDELINES

- General Statement
- Intensive Care/Coronary Care
- Stepdown Unit/Direct Observation Unit
- Medical-Surgical Unit
- Pediatric Care Unit
- Maternal Child Health Unit
- Emergency Department
- Peri-Operative Services

PLAN FOR PROVISION OF CARE DURING PEAK CENSUS

FRENCH HOSPITAL MEDICAL CENTER	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

POLICIES AND PROCEDURES

PLAN FOR THE PROVISION OF NURSING CARE: PART II: UNIT DESCRIPTIONS & STAFFING GUIDELINES

POLICY: It is the policy at French Hospital Medical Center that individual units will be staffed to meet specific needs of patients assigned to these units. A description of all patient care units, effected population to be cared for on each unit, and suggested staffing guidelines, budgeted FTEs and unit bed capacity is provided in this policy.

PURPOSE: It is the purpose of this policy to provide a detailed framework for the provision of nursing care by individual unit plan and to provide for hospital-wide distribution of this plan.

I. UNIT DESCRIPTIONS

A. INTENSIVE CARE UNIT/CORONARY CARE UNIT (ICCU)

Patients requiring the highest level of care will be admitted to the ICCU in accordance with ICCU admission policies. This patient population includes, but is not limited to, patients having complex, high-risk cardiovascular surgical procedures in the immediate post-operative period, patients having undergone high risk/complicated procedures i.e.: post heart catheterization, PTCA, complicated MI's, patients requiring mechanical ventilation, intense ventilatory support, high risk post-operative patients, septic shock, multiple trauma.

This patient population requires intense monitoring of physiological parameters through invasive and non-invasive techniques, manipulation of physiologic parameters through use of pressor agents or mechanical means. This patient population represents the highest risk for sudden life-threatening events. (See ICCU admission criteria).

When priorities for acute care bed space must be established (i.e.: ICCU) the unit medical director has ultimate responsibility and authority for establishing priorities. All unresolved admission conflicts are referred to the nursing supervisor and the appropriate medical director and/or chief of service.

B. STEPDOWN UNIT (SDU)

Patients appropriate for admission to SDU include, but are not limited to: Patients requiring continuous cardiac monitoring, undergoing moderate risk vascular surgical and invasive procedures in the immediate post-op/post-procedure period as well as patients discharged from ICCU who have a need for continuous monitoring. This patient population requires a higher level of surveillance than medical/surgical care and monitoring is based on increased risk of developing significant arrhythmia, chest pain, vascular compromise, but not to the degree required in the ICCU setting. Admission to SDU will comply with SDU admission policies (see SDU policies).

C. MEDICAL/SURGICAL UNIT – (M/S)

The medical/surgical unit is designed to care for the general surgical and medical adult patient population. This population includes, but is not limited to, patients undergoing routine GYN procedures, i.e.: hysterectomy, general surgical patients, i.e.: cholecystectomy (open and laparoscopic), mastectomy, bowel resection, GU procedures, ENT procedures, orthopedic procedure i.e.: total joint replacements, repair of fractures and all other surgical procedures that do not require continuous cardiac monitoring or intense ventilatory support, metabolic disturbances, such as: diabetes, infectious disease process, such as: wound infection, cellulitis, uncomplicated endocarditis, other medical conditions that do not require continuous cardiac monitoring or intense ventilatory support.

Serious life-threatening events are not anticipated in this patient population or if anticipated a DO NOT RESUSCITATE order has been written as per hospital policy by the attending physician.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

D. PEDIATRICS

The pediatric unit is designed to care for children from newborn to age 13 years. Patients not meeting pediatric age criteria may be admitted to pediatrics by physician order and with written justification in the progress notes, e.g.: adult patient with pediatric diagnosis, such as: cystic fibrosis, or when the developmental age differs from chronological age.

The pediatric population includes both medical and surgical patients. The pediatric unit is capable of continuous cardiac monitoring and apnea monitoring under pediatric admission and staffing policies. These children require increased monitoring and surveillance but do not meet ICCU admission criteria.

E. MATERNAL CHILD HEALTH (FAMILY BIRTHING CENTER)

The maternal child health unit is designed to care for the normal, low-risk gestational patient, the normal newborn patient, and the post partum patient. Patients not meeting this criteria who may be on the nursing unit may include non-infectious patients who have had gynecological, reproductive or mastectomy procedures.

This population requires different levels of monitoring based on an identified intensity of care each patient requires. This patient classification and evaluation of intensity of care provide the basis for defining the level of nursing care and the staffing resources necessary to meet patient needs.

Although serious life threatening events are not anticipated in the patient population, continuous cardiac, respiratory and fetal monitoring is provided on this unit.

FRENCH HOSPITAL MEDICAL CENTER	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

POLICIES AND PROCEDURES

PATIENT CARE – UNIT GUIDELINES				
Cost Center	Unit	Services	Total Beds	Budgeted FTEs
6010	ICCU	Intensive & Coronary Care	8	14.9
7010	ED	Basic Emergency Services, MD on duty	9 stations	11.6
6031	SDU	Stepdown, Telemetry & ICU overflow Care	27	17.2
6171	Med Surg	Medical and Surgical Care for adults Medical and Surgical Isolation	34 3	17.8
6290	PEDS	Pediatric Care	6	3.9
6380	L & D	Obstetrical Unit	1-LR 3-LDR	15.5 combined
6380	PP	Antepartum, Postpartum and Women's Health	4	
6380	Nsy	Newborn Nursery	6	
7420	OR/ PACU	General Surgery Suites & CVL Surgery Suites & Post-Anesthesia Care Unit	7	26.3
7391	ASP	Pre and Post Procedure and Surgical Care	12 & 2 chairs	6.3
7760	GI Clinic	Special Procedures Services, including GI Diagnostic & Treatment Procedures.	2	1.0
7593	CRC	Cardiac Rehabilitation Services, including Education & Exercise Activities	n/a	2.8

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

UNIT STAFFING

II. STAFFING IN PATIENT UNITS

A. STAFFING TO MEET PATIENT NEEDS

Each patient care unit will have a written staffing plan/guideline designed to meet the nursing care needs of patients within that specific unit. A staffing matrix will be utilized by staff and supervisors as a guideline for each unit shift by shift.

Considered will be:

1. All applicable state, accrediting agency and professional academy standards i.e.: JCAHO, Title 22, HCFA, NACOG, etc.
2. Written plans for staffing each unit. (attached)
3. Patient need and unusual circumstances (such as Code Blue, etc.)
4. Budgeted hours per patient day.
5. Overall census and nursing resources available.
6. Minimum staffing guidelines which ensure safety for example: 1 monitor tech, 24hr/day on SDU; 1 RN per unit per shift.

B. PATIENT CARE DELIVERY SYSTEM

Total patient care and/or team type nursing delivery systems are utilized in patient care units.

III. STAFFING VARIANCES

The house supervisor in collaboration with the department director/clinical supervisor determines staffing needs for each unit on a shift-to-shift basis. Consideration is given to census, patient needs, patient classification (via the patient classification system: M.E.S.H.), unit activity levels, unusual circumstances, and qualifications of available staff in making staffing decisions.

Productive hours are reported biweekly to payroll by 12:00 on Monday. Included are regular hours, overtime hours, registry and schedule-plus hours, plus volume statistics for the day (midnight census or visits).

Close monitoring allows adjustments to be made in a timely fashion. Justified staffing variances are to be documented on the daily staffing worksheet i.e.: unusual circumstances, such as 1:1 patients in ICCU, etc., for future reference and review. Monthly productivity and departmental reports require written responses for all budget variances, including staffing and salary overages.

INTENSIVE CARE/CORONARY CARE

1. There will be a minimum of one RN for every two patients on a 24 hour basis. They shall have been trained in the special techniques and routines used in ICU/CCU and shall have a working knowledge of the specialized equipment employed in the care of these patients. Whenever there is one patient in ICCU, two nursing personnel are present as per Title XXII State of California regulations.
2. Staff will have current competencies in the techniques of Cardio-Pulmonary Resuscitation and will be familiar with appropriate emergency measures. ACLS certification is required. CCRN certification is encouraged. PACU competencies are required.
3. All direct care givers within ICCU are registered nurses.
4. Staffing policies maintained in ICCU policies outline under what circumstances 1:1 care (1 nurse: 1 patient) is appropriate. See Staffing Matrix Guidelines.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

5. See position description for further information.

STEPDOWN UNIT (SDU)

1. RN's or LVN's assigned to work in the SDU shall be currently certified in the techniques of CPR, have successfully completed a basic arrhythmia class and are familiar with emergency measures. It is recommended the RN's be certified in ACLS.
2. A unit secretary/monitor technician certified in basic arrhythmia shall be assigned 24 hours a day to watch the monitor at all times.
3. See the SDU staffing guidelines following.
4. LVN's may be used on a limited basis on the SDU.

MEDICAL-SURGICAL UNIT

1. All personnel assigned to the medical-surgical unit are required to be certified in techniques of cardiopulmonary resuscitation. Before assignment, he/she will have had the proper orientation as well as having demonstrated the necessary competencies for the performance of duties.
2. See the Medical-Surgical staffing guidelines following.
3. Unit secretaries are assigned 7 days/week for the day and part of the evening shifts. Hours may flex for low census. See staffing guidelines.
4. Certified Nurses Aides are also a part of the staffing for M/S. They will be assigned to an RN for delegation and supervision.

PEDIATRICS

1. Staffing of the Pediatric Unit shall comply with the standards in the Pediatrics Policy and Staffing.
2. A registered nurse will be assigned to the Pediatric Unit at all times when there is a pediatric patient present, before assignment, he/she will have had the proper orientation as well as having demonstrated the necessary competencies for the performance of duties.
3. The number of registered nursing personnel on duty will be determined according to the number and the needs of patients. See the Pediatric staffing guidelines following.
4. A certified nurses' aide may be utilized on a limited basis as patient needs, census, and RN resources permit.
5. Cardio-Pulmonary Resuscitation certification shall be required for all personnel in the Pediatric Department. PALS certification is recommended.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

MATERNAL/CHILD HEALTH (FAMILY BIRTHING CENTER)

1. Staffing of the Maternal Child/Family Birthing Center shall comply with the standards in the Maternal/Child Staffing policy.
2. A registered nurse shall be assigned to the maternal/child unit at all times. Before assignment, he/she will have had the proper orientation as well as having demonstrated the necessary competencies for the performance of duties.
3. The number of registered nurses on duty will be determined according to the number and the needs of the patients. See the Maternal Child Health Staffing Guidelines.
4. The unit is currently staffed with all RN's.
5. Cardio-Pulmonary Resuscitation certification and Neonatal Resuscitation are required for all Maternal Child Health Unit Staff. RNC is recommended for Labor & Delivery and Nursery personnel.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

ICCU STAFFING GUIDELINES

CENSUS	D RN	N RN	D HOURS	D HPPD	SUP	SEC	TOT HRS	T HPPD
1	24	24	48	48	4	0	52	52.00
2	24	24	48	24	4	0	52	26.00
3	24	24	48	16	4	0	52	17.33
4	24	24	48	12	4	8	60	15.00
5	36	36	72	14.4	4	8	84	16.80
6	36	36	72	12	4	8	84	14.00
7	48	48	96	13.71	4	8	108	15.43
8	48	48	96	12	4	8	108	13.50

12 HOUR SHIFTS

ICCU	2001
STD	19.09

ADDITIONAL RN STAFF NEEDED FOR:

1. IABP 1:1
2. POST-OP CABG (12-18 h) 1:1
3. OVERDOSE 1:1
4. S/P CPR 1:1
5. MULTIPLE DRIPS WITH FREQUENT ADJUSTMENTS (NITRO, NIPRIDE, LIDO, PROCAIN, ETC.) 1:1
6. VENTILATOR DEPENDENT ON PARALYTIC AGENTS (PROPOFOL, PAVULON) 1:1

Variations in staffing guidelines will be reflected by M.E.S.H.

Title XXII Guidelines Followed Budgeted FTEs: 14.9

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

STEPDOWN UNIT GUIDELINES

CENSUS	DAY RN	N RN	HOURS	HPPD	SUP	M TECH	TOT HRS	T HPPD
1	12	12	24	24.00	4	24	52	52
2	12	12	24	12.00	4	24	52	26
3	12	12	24	8.00	4	24	52	17.33
4	12	12	24	6.00	4	24	52	13.00
5	24	12	36	7.20	4	24	64	12.80
6	24	24	48	8.00	4	24	76	12.67
7	24	24	48	5.71	4	24	76	10.86
8	24	24	48	6.00	4	24	76	9.5
9	24	24	48	5.33	4	24	76	8.44
10	36	24	60	6.00	4	24	88	8.80
11	36	36	72	6.55	4	24	100	9.09
12	36	36	72	6.00	4	24	100	8.33
13	36	36	72	5.44	4	24	100	7.69
14	48	36	84	6.00	4	24	112	8.00
15	48	36	84	5.60	4	24	112	7.47
16	48	36	84	5.25	4	24	112	7.00
17	48	48	96	5.65	4	24	124	7.29
18	48	48	96	5.33	4	24	124	6.89
19	60	48	108	5.68	4	24	136	7.16
20	60	48	108	5.40	4	24	136	6.80
21	60	60	120	5.71	4	24	148	7.05

SDU 2001
SDU STD: 8.67

ADDITIONAL STAFFING NEEDED FOR:

1. ARTERIAL LINES – 2:1. RN
2. CARDIAC DRIPS AND EPIDURALS – 4:1. RN
3. NEW CABG – 4:1. RN
4. PACEMAKER DEPENDANT; TEMPORARY PACEMAKER – 4:1. RN

Variances in staffing guidelines will be reflected by M.E.S.H.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

MEDICAL-SURGICAL UNIT STAFFING GUIDELINES

CENSUS	D RN	D CNA	N RN	N CNA	D HOURS	D HPPD	D SUP	WS	TOTAL HR	T HPPI
1	12		12	0	24	24.00	4	12	28	28.00
2	12		12	0	24	12.00	4	12	28	14.00
3	12		12	0	24	8.00	4	12	28	9.33
4	12		12	0	24	6.00	4	12	28	7.00
5	12		12	12	36	7.2	4	12	52	10.4
6	24		12	12	48	8.0	4	12	64	10.7
7	24		24		48	6.86	4	12	64	9.14
8	24		24		48	6.00	4	12	64	7.11
9	24	12	24		60	6.66	4	12	76	8.44
10	24	12	24		60	6.0	4	12	76	7.6
11	24	12	24	12	72	6.5	4	12	88	8.0
12	36	12	24	12	84	7	4	12	100	8.3
13	36	12	24	12	84	6.5	4	12	100	7.7
14	36	12	36	12	96	6.8	4	12	112	8.0
15	36	12	36	12	96	6.4	4	12	112	7.5
16	36	12	36	12	96	6.0	4	12	112	7.0
17	48	12	36	12	108	6.4	4	12	124	7.3
18	48	12	36	12	108	6.0	4	12	124	6.8
19	48	12	48	12	120	6.3	4	12	136	7.2
20	48	12	48	12	120	6.0	4	12	136	6.8
21	60	12	48	12	132	6.2	4	12	148	7.0
22	60	12	48	12	132	6.0	4	12	148	6.7
23	60	12	48	12	132	5.7	4	12	148	6.4
24	60	12	48	12	132	5.5	4	12	148	6.2
25	60	12	60	12	144	5.76	4	12	160	6.4
26	72	12	60	12	156	6.0	4	12	172	6.6
27	72	12	60	12	156	5.8	4	12	172	6.4
28	72	12	60	12	156	5.6	4	12	172	6.2
29	72	12	60	12	156	5.4	4	12	172	5.9
30	72	12	60	12	156	5.2	4	12	172	5.7
								M/S:	2001	
								Med/Surg	6.8	
								STD:		

ADDITIONAL STAFFING NEEDED FOR:

1. INITIAL CHEMOTHERAPY: D-4:1, N-6:1.RN
2. BEHAVIOR MODIFICATION: RN TO PLAN CNA MAY SUPPORT
3. INCREASED LEVEL OF SUPPORT FOR ADLS: CNA, THERAPIES, RN
4. DIABETIC TEACHING: RN

Variances in staffing guidelines will be reflected by M.E.S.H.

NOTE: Based on patient classification data, unit activity and identified patient needs, CNA hours may be substituted for RN hours when census is less than 10.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

PEDIATRIC UNIT STAFFING GUIDELINES

CENSUS	D RN	N RN	DIRECT HOURS	DIRECT HPPD	SUP	TOTAL T HOURS	TOTAL HPPD
1	12	12	24	24	4	28	28.00
2	12	12	24	12	4	28	14.00
3	12	12	24	8	4	28	9.33
4	12	12	24	6	4	28	7.00
5	20	12	32	6.4	4	36	7.20
6	24	24	48	8	4	52	8.67
7	24	24	48	8	4	52	7.43
8	32	24	56	7	4	60	7.50

PEDS STD: 13.98

ADDITIONAL STAFF REQUIRED FOR:

1. DIABETIC TEACHING :RN
2. LESS THAN 2 YEARS OLD. CNA OR RN
3. PARENTS NOT HERE .CHILD LESS THAN TWO YEARS OLD.CNA OR RN.
4. UNSTABLE CONDITION. RN
5. APNEA OR CARDIAC MONITORING. RN
6. COMPLEX CHEMOTHERAPY. RN

Variances in staffing guidelines will be reflected by M.E.S.H.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE: Part II: UNIT DESCRIPTIONS AND STAFFING GUIDELINES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

MATERNAL-CHILD HEALTH UNIT STAFFING GUIDELINES

Recommended Nurse/Patient Ratios

Intrapartum

1:2	Patients in labor
1:1	Patients in second stage of labor
1:1	Patients with medical or obstetric complications
1:2	Oxytocin induction or augmentation of labor
1:1	Coverage for initiating epidural anesthesia
1:1	Circulation for cesarean delivery

Antepartum/postpartum

1:6	Antepartum/postpartum patients without complications
1:2	Patients in postoperative recovery
1:3	Antepartum/postpartum patients with complications but in stable condition
1:4	Recently born infants and those requiring close observation

Newborns

1:6-8*	Newborns requiring only routine care
1:3-4	Normal mother-newborn couplet care
1:3-4	Newborns requiring continuing care
1:2-3	Newborns requiring intermediate care
1:1-2	Newborns requiring intensive care
1:1	Newborns requiring multisystem support
1:1 or greater	Unstable newborns requiring complex critical care

* see below

AWHONN 5TH EDITION STANDARDS & GUIDELINES

Recommended nurse-to-patient ratios for inpatient perinatal care are available in *Guidelines for Perinatal Care*, published by the American Academy of Pediatrics and the American College of Obstetricians and Gynecologists (1997). These ratios may provide a reference to be considered, along with variables previously mentioned, in the determination of staffing assignments.

TITLE 22, 70549

- There shall be one registered nurse on duty on each shift assigned to the labor and delivery suite. In addition, there shall be sufficient trained personnel to assist the family, monitor and evaluate labor and assist with the delivery.
- There shall be one registered nurse on duty for each shift assigned to the antepartum and postpartum areas. In addition, there shall be sufficient trained personnel to assess and provide care, assist the family and provide family education.
- A registered nurse who has had training and experience in neonatal nursing shall be responsible for the nursing care in the nursery.
 1. A registered nurse trained in infant resuscitation shall be on duty on each shift.
 - *2. A ratio of one licensed nurse to eight or fewer infants shall be maintained for normal infants.

Variances in staffing guidelines will be reflected by M.E.S.H.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF NURSING CARE, EMERGENCY DEPARTMENT	
	Dept of Origin: Nursing Services/ ED	Dept of Dist: Nursing Services
	Reviewed/Revised: 7/98, 9/01	Approved:

PLAN FOR THE PROVISION OF NURSING CARE

DEPARTMENT: EMERGENCY

SCOPE OF SERVICE: All patients seeking emergency care.

SCOPE:

French Hospital Emergency Services (a level II Emergency Department) – offers emergency health care 24 hours/day to all ages. The Section is responsible for the immediate treatment of any medical or surgical emergency, for initiating life saving procedures in all types of emergency situations, and for providing emergency care for other conditions, including chronic medical problems and minor injuries and illnesses. The Section fulfills the following responsibilities:

- a. Evaluates patient emergency health needs, stabilizes patients which have life threatening conditions and provides those services that are immediately indicated;
- b. Provides definitive care for those patients not requiring outside consultation;
- c. Establishes and sustains the necessary training programs to provide the Emergency Department and pre-hospital personnel with the basic skills to intervene in life threatening situations; and
- d. Recommends follow-up care.

Patients who have the following conditions after stabilization, and with an accepting physician, will be transferred for definitive care: amputations, third degree burns involving more than 25% of the body, psychiatric patients involving 5150, and patients requiring neurosurgical intervention.

PATIENT POPULATION: All ages

REQUIREMENTS FOR STAFF:

MD → Board Certified Emergency Medicine

RN → MICN, ACLS Certified, PALS, CEN preferred

Admitting Clerk

STANDARDS: The ER meets all standards for JCAHO, Title XXII (see attached).

STAFFING PLAN: MD - 24°/day
 MICN - 24°/day
 3rd RN 11 AM – 7 PM Tues., Wed., Thurs.; 10 AM – 10 PM Fri., Sat., Sun.
 Admit Clerk - 24°/day
 Supervisor Full-Time
 Additional staff called in as needed to meet patient care needs (three (3) or more critical patients in department or consideration of ambulance diversion).

BUDGETED STAFFING: As listed above in “Staffing Plan”

STANDARD: 1.8 without clerks or MD

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: EMERGENCY DEPARTMENT STANDARDS OF NURSING CARE	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 8/98, 9/01	Approved:

EMERGENCY DEPARTMENT STANDARDS OF NURSING CARE

1. Each patient shall have a preliminary assessment by an RN within three minutes of entering the waiting area. Any patient who the initial triage determines is in need of immediate care will be brought into the department and care initiated.
2. Each patient who enters for treatment will be assessed by an RN. This will include a psychosocial as well as a physical assessment.
3. Each patient will be assured privacy and confidentiality.
4. Each patient will leave the department with an understanding of their diagnosis and further treatment required after leaving the department.
5. Each patient will be given a referral for further care upon leaving the department.
6. Any patient who requires admission will be admitted to their unit within 2 hours of the decision to admit.
7. The RN on duty will report to the RN on the receiving unit the patient's status at time of discharge and care provided in the ED. No patient shall be admitted without assured continuity of care.
8. No patient shall arbitrarily be transferred from the ED to another facility. Transfers will only take place for:
 - A. Definitive care not available at French Hospital, i.e., neurosurgery, burn, critical pediatrics, amputations.
 - B. Patients whose insurance plans require transfer are stabilized and the transfer is agreed to by the patient.
 - C. Patients who request transfer.
9. Each patient will receive age appropriate care.
10. All patients will be treated equally regardless of ability to pay.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PLAN FOR THE PROVISION OF CARE, PERI OPERATIVE SERVICES	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 8/98, 9/01	Approved:

PLAN FOR THE PROVISION OF CARE

DEPARTMENT: PERI OPERATIVE SERVICES (ASP, OR, PACU, GI LAB).

SCOPE OF SERVICE: All patients requiring peri-operative services.

PATIENT POPULATION: All ages.

REQUIREMENTS FOR STAFF: Experience required for each specific job description.

ASP

- RN, BLS, ACLS, Care of the post-op patient, discharge of the post-op patient.

OR

- RN – OR, license BLS, care/nurse monitor of local patients. AORN Standards of Care.
- Technicians – experienced, prefer certified.
- Aides/Orderly – experienced, will train.
- Inventory Control/Central Processing – experienced purchaser.
- Secretary – experienced, client oriented, service oriented.
- RN – PACU, RN license, BLS, ACLS, care/nurse monitor of local patients.
- ASPAN Standards.
- RN – GI Lab, RN license, BLS, care/nurse monitor of local patient, post-op care of patients, care of equipment.

In all of these areas there are many technical skills that are required, many pieces of equipment that are used and a great deal of interaction with our clients, i.e., the patients, physicians and other departments of the hospital. The staff have to maintain competency in all of these areas.

STANDARDS: All areas meet the standards of the JCAHO and Title XXII as well as the standards of the specialty associations, the AORN, ASPAN and SGNA.

STAFFING PLAN: We have enough staff in all areas to meet the needs of our clients. This staffing is very flexible and we are continually working to meet the needs of our clients. Whether it be to have staff come extra early to take care of that AM heart surgery patient or have more staff come early to take care of high volume patient days, the staff seems to flex to meet these needs.

In the OR as well, we flex to meet the needs of our clients. The minimum standard is 1 RN and 1 technician per patient scheduled. However, some cases require more and we flex to meet that need.

The PACU is staffed also as needed, however, that on most days are two RN's, the third is added as needed, this is again based on our clients' needs.

The GI Lab is staffed with one (1) RN and one (1) LVN or two (2) RNs for all procedures. This is also at a minimum and more staff is added if needed.

BUDGETED STAFFING:

ASP	- 8.0 FTEs
SURGERY & PACU	- 25.0 FTEs
GI	- 2.0 FTEs

These budgeted FTEs are based on our departments historical data and input from the managers on future requirements that we will need to continue to provide the top quality product at very competitive fees for our customers.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PEAK VOLUMES POLICY	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 8/98, 7/01	Approved:

PEAK VOLUMES POLICY

POLICY: It is the policy at French Hospital Medical Center that patient placement and appropriate staffing levels will be maintained for patients at all times, including those times when inpatient volumes are at peak levels.

PURPOSE: The purpose of this policy is to provide a mechanism for nursing personnel to work collaboratively with the Medical Staff to triage, place and care for inpatients during peak volume periods.

DEFINITION OF PEAK CENSUS: When patient care demands exceed available resources.

Examples of which, may include, but are not limited to:

1. When all eight beds in the ICCU are full and/or all available ICCU qualified nurses are already assigned the maximum of two patients per nurse (CA Title 22) and none of the present patients have a medical order to transfer to lower level of care.
2. When all eight ICCU beds and all 24 Stepdown beds are full and/or all monitoring devices are in use, and no orders are in place for patient transfers to a lower level of care or discharge.
3. When all eight ICCU beds, all 24 SDU beds and all 24 Medical-Surgical beds are full and discharges and/or transfers from the facility to home or a lower level of care are not imminent.
4. When the total FHMC census surpasses the currently available staffing levels so that the safety of patients may be in jeopardy.

PROCEDURE/RESPONSIBILITIES:

- A. The Nursing Director/Manager or in his/her absence, the House Supervisor will:
 1. Assess patient care needs and all available resources so as to maximize capacity within the FHMC continuum of care.
 2. Notify the medical director of the ICCU who then will implement medical triage and the possible transfer of ICCU and SDU patients to lower levels of care.
 3. Notify the nurse manager of the ICCU who will assist the medical director and nursing personnel as needed.
 4. Notify the Chief Nursing Officer or, if after hours, the Administrator on-call.
 5. Notify the Emergency department supervisor and physician of the day for a status report as well as regular ever 4 hour updates.
 6. Notify the Chief of Staff to inform him/her of the inpatient and/or staffing status.
 7. Notify the operating room and cardiac catheterization laboratory managers to assess and to monitor the bed and staffing availability for post-procedure care of patients scheduled. Cancellation of elective procedures may need to be considered in collaboration with the Medical Staff heads of these services.
 8. Notify the manager of Case Management to implement the triage and possible discharge or transfer of acute care patients from the facility to lower level of care and/or Home Health.

FRENCH HOSPITAL MEDICAL CENTER POLICIES AND PROCEDURES	Title: PEAK VOLUMES POLICY	
	Dept of Origin: Nursing Services	Dept of Dist: Nursing Services
	Reviewed/Revised: 8/98, 7/01	Approved:

9. In the event of a county wide epidemic or flu outbreak, elective surgical cases will be evaluated for cancellation or rescheduling.
 10. **ADMINISTRATION MUST BE CALLED BEFORE ANY ARRANGEMENTS ARE MADE FOR PATIENTS TO BE TRANSFERRED OUT OF THE FHMC CONTINUUM OF CARE.**
- B. The House Supervisor will:
1. Direct admitting with regard to the assignment of patients to available beds in the acute care unit and transfers to the lower level of care and Home Health.
 2. Contact the patient care units and case management to implement the review of all possible transfers and/or discharges of patients from the acute care patients care units to lower level of care and/or Home Health.
 3. Consider alternative patient care locations and staffing possibilities within the facility.
 - A. Location examples:
 1. Emergency department to "hold" and care for patients to be admitted to the acute care hospital, in the observation bed area and, if needed, in the PACU area. Critical care patients will be "held" in the ER not in the PACU area.
 2. Post-operative patients to be "held" in the PACU and/or ASP.
 3. Cardiac Catheterization patients to be cared for post-procedure in the PACU or post-cardiac catheterization area, or, if beds are available, and staff are not available, the pts may be transferred to the SDU or ICU with the cath RN who will care for the patient post-procedure.
 4. Utilize ASP for all outpatient procedures when possible.
 - B. Staffing examples include:
 1. Add an additional RN to the ER staffing plan so as to prepare for "holding" patients in the ER while awaiting admission to the acute care units.
 2. Call in the PACU RN who is on-call, plus an ASP RN to care for patients in the PACU area while awaiting admission to an acute care inpatient unit.
 3. Reassign outpatient nursing personnel to inpatient care, for example: ASP, GI, and Cardiac Catheterization nurses.
 4. Assign respiratory therapy staff to provide the 1:1 care in the ICCU. Pair a Respiratory Therapist with an ICCU RN who is assigned to two ICCU inpatients.
 5. Assign support RNs from Infection Control, Education, Case Management, Cardiac Rehabilitation, etc., to direct care units as needed.
 6. Assign management and supervisory RNs to direct patient care units as needed.
 7. Implement team nursing model for all units (exception ICU) instead of primary care or total patient care model. Consider charge nurse, medication nurse and bedside caregiver roles to maintain safe nursing unit management and effective continuity of care.

FRENCH HOSPITAL MEDICAL CENTER
ANCILLARY AND SUPPORT DEPARTMENTS
SCOPE OF SERVICES

Cardiac Rehabilitation Services

Cardiovascular Services

Case Management Services

Clinical Laboratory Services

Diagnostic Imaging Services

Engineering Services

Enviromental Services

Food and Nurtritional Serfices

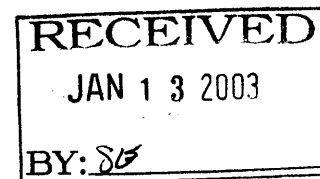
Health Information Services

Human Resources Services

Pharmacy Services

Rehabilitation Services

Respiratory Care Services



FRENCH HOSPITAL	Title: Staffing of the Cardiac Rehabilitation Center		Page 1 of 1
MEDICAL CENTER	Dept. of Origin: Cardiac Rehab	Dept. of Dist: Cardiac Rehab	
POLICIES AND PROCEDURES	Reviewed/Revised: 4/89, 3/93, 9/95,8/98, 8/01	Approved:	

POLICY

The Cardiac Rehabilitation Center will be adequately staffed to enable the department to meet its goals and objectives for both the inpatient and outpatient programs. The program needs ample staff to complete initial and ongoing assessments, provide sufficient cardiac education, supervise exercise sessions, and influence risk factor reduction.

PROCEDURE

1. **Phase 1**
A therapist needs to be on duty seven days per week solely to meet the objectives of the inpatient program (to provide education, exercise, and discharge planning).
2. **Phase 2-3**
A therapist needs to be on duty for each scheduled exercise session to solely provide supervision to the outpatients.
3. **Assessments**
A therapist needs to be on duty at prearranged times to provide coverage for orientations, and final evaluations and to provide time for each therapist to complete paper work necessary to manage patient caseloads.
4. The following is a typical distribution of therapists to provide ample coverage of the department:

	M	T	W	T	F	S	S
Therapists	3	2	3	2	3	1	1
5. The department will be open Monday, Wednesday and Friday and some holidays from 7:15 a.m. to 5:00 p.m., and on Tuesday and Thursday from 8:30 a.m. to 5:00 p.m. Weekend coverage is provided for the Phase 1 patients and as prearranged for Phase 3 and 4 patients.
6. Each patient in Phase 2 and Phase 3 is assigned to a primary therapist who will follow the participant from orientation through final evaluation and graduation. All participant goals, problems and progress reports will be coordinated through the primary therapist.

FRENCH HOSPITAL	Title: Cardiac Rehabilitation Center Goals Page 1 of 1	
MEDICAL CENTER	Dept. of Origin: Cardiac Rehab	Dept. of Dist: Cardiac Rehab
POLICIES AND PROCEDURES	Reviewed/Revised: 8/98, 8/01	Approved:

- Decrease community morbidity from cardiovascular disease by assisting participants with risk factor reduction.
- Increase public awareness regarding the prevention of cardiovascular disease
- Provide a comprehensive, multi-phasic, cardiac rehabilitation program for those who are diagnosed with, or highly prone to, cardiovascular disease
- Provide an environment for students (nursing, physical therapy, dietary, and physical education) to acquire knowledge about cardiovascular disease

FACILITY TO ACCOMPLISH GOALS

The Cardiac Rehabilitation Center will be housed on the lower level of the Pacific Medical Plaza Building adjacent to French Hospital. Approximately 2736 square feet is divided into a large exercise room, patient education center, staff offices, bathrooms and shower area. The facility will be on the hospital phone system and code blue system.

STAFF TO ACCOMPLISH GOALS

The CRC staff will consist of an exercise physiologist manager, staff R.N's, and exercise physiologists, a social worker, a dietitian, and a medical director. Community support staff will be utilized as appropriate to include, but not be limited, to a psychiatrist and mental health consultant.

Students who will gain experience from the program include Cuesta College nursing students, Fresno State graduate nursing students, and Cal Poly students in dietary or physical education.

FRENCH HOSPITAL	Title: Plan for the Provision of Care Page 1 of 5	
MEDICAL CENTER	Dept. of Origin: Cardiovascular	Dept. of Dist: Cardiovascular
POLICIES AND PROCEDURES	Reviewed/Revised: 9/98, 3/01	Approved:

INTRODUCTION:

Consistent with the philosophy of FHMC "Patient Comes First," the cardiovascular services division will strive to provide its services efficiently effectively and with concern for the needs and rights of the patient, their families and their physicians. We will endeavor to maintain quality standards in the professional rank and record keeping aspect of the department.

SCOPE OF SERVICE:

The Department of Cardiovascular Services at French Hospital Medical Center provides invasive and non-invasive diagnostic procedures and treatment of Cardiovascular Diseases, employing x-ray, ultrasound and physiologic measuring technology. These services are provided within the confines of the Governing Board of French Hospital Medical Center and licensed nursing and certified/registered technicians on a scheduled as well as on-call basis, 24 hours a day seven days a week. The staff of the Cardiovascular Services works in conjunction with qualified, credentialed medical staff members to provide the highest quality of patient care.

FUNCTION AND RESPONSIBILITIES:

1. Perform invasive, diagnostic and therapeutic or interventional procedures including but not limited to left and right heart catheterization, Intra-aortic Balloon Insertions, Thrombolytic Therapy Pericardiocentesis, Percutaneous Transluminal Coronary Angioplasty, Peripheral Balloon Angioplasty, Rotoblator, Coronary Atherectomy, Coronary Stenting, Intravascular Ultrasound, Aortagrams, Coronary Angiograms, Graft Angiograms, Cardiac Output Determinations, Temporary Pacemaker Insertions, Electro-Physiology Studies, Cardiac Biopsy, Cardioversion, Swan-Ganz right heart catheterization.
2. Performs non-invasive ECG's, treadmill Stress Testing, Holter & "Event" 24-hour monitoring, Echocardiography, Stress Echocardiography, Transesophageal Echocardiography (TEE), Nuclear Cardiology, Peripheral Vascular Doppler studies and ultrasound exams.

FRENCH HOSPITAL	Title: Plan for the Provision of Care		Page 2 of 5
MEDICAL CENTER	Dept. of Origin: Cardiovascular	Dept. of Dist: Cardiovascular	
POLICIES AND PROCEDURES	Reviewed/Revised: 9/98, 3/01	Approved:	

3. Maintain equipment to include: Radiology Equipment, Cath Lab Computers, Hemodynamic Recorders, Oximeters, ACT machines, Cardiac Out Computers, Digital Cardiac Imaging, Dark Room Equipment, Film Projectors, Crash Carts with Defibrillators, Echocardiography and Peripheral Vascular Ultrasound Equipment, ECG Treadmills, Holter Machines, Copy & Fax Machines.
4. Maintain all related records and films
5. Reporting of test/exam results to appropriate medical staff/referring physicians.
6. Departmental machines, equipment, and environment will comply with relevant state and federal laws, regulations and standards of good practice. There shall be a designated location where Title XVII: California Regulations and Title XXII: California Business Professions Code are available to the Cardiovascular Department.

HOURS OF OPERATIONS:

Cardiovascular Department: Monday – Friday, 7:00 a.m. to 6:00 p.m.
 Cardiac Cath Lab: Monday – Friday, 7:00 a.m. to 3:30 p.m.

Scheduled cases after hours, weekends and holidays: two CVT's and one RN on call for Emergent cases.

Non-Invasive Cardiology:

Monday – Friday, 8:00 a.m. to 4:30 p.m., scheduled outpatients. All inpatients done first priority.

All orders after hours if not EMERGENT, handled next working day. One C.V.T. on-call for EMERGENT Echocardiograms/P.V. studies.

PATIENT POPULATIONS:

The Cardiovascular Department provides diagnostic services to the following patient populations: neonatal, pediatric, adolescent, adult and geriatric patients. No patients under the age of 14 years are serviced in the Cardiac Catheterization Laboratory. They are referred outside of service area.

FRENCH HOSPITAL	Title: Plan for the Provision of Care		Page 3 of 5
MEDICAL CENTER	Dept. of Origin: Cardiovascular	Dept. of Dist: Cardiovascular	
POLICIES AND PROCEDURES	Reviewed/Revised: 9/98, 3/01	Approved:	

REQUIREMENTS FOR STAFF:

Because of the complexity of the patients we service in Cardiovascular, many levels of expertise in technical as well as clinical staffing are required.

The Cardiovascular Staff consists of:

1. Secretary/Receptionist who is responsible for scheduling, answering phone, filing, distribution of reports, receiving patients and family from admitting.
2. Cardiovascular, X-ray Technologist who is responsible for heart catheterization, scrubbing, monitoring and equipment upkeep and calibration as well as all non-invasive diagnostic testing. X-ray Technologist licensed according to standards set by the State of California. Cardiovascular Technologists are certified and registered.
3. Cath Lab RN's permanently assigned RN's whose responsibilities include all administration of medications, attending the patient's needs, removing arterial sheaths and re-establishing homeostasis. The Cath Lab RN is a Registered Nurse in the State of California and had ACLS certification works in both Radiology Special Procedures, Non-invasive Cardiovascular and Cardiac Cath Lab.
4. Director/Manager works as Cardiovascular Technician and Administrative Director. He/she is responsible for every aspect of running the Department.

RELATIONSHIPS

1. Secretaries, technicians and registered nurses are accountable to the Medical Director and the Manager of the Cardiac Catheterization Lab of FHMC.
2. Cooperation with medical staff and nursing services, pharmacy, respiratory therapy, OR and other hospital departments, i.e., environmental services, laboratory and purchasing.
3. Contact with patients, family members, physicians, hospital staff, and the general public.

FRENCH HOSPITAL	Title: Plan for the Provision of Care		Page 4 of 5
MEDICAL CENTER	Dept. of Origin: Cardiovascular	Dept. of Dist: Cardiovascular	
POLICIES AND PROCEDURES	Reviewed/Revised: 9/98, 3/01	Approved:	

STANDARDS

All Cardiovascular Services are guided by the mandates of JCAHO, California Department of Health Services, Title 17, 22 of the California Administrative Code, Licensing Boards of the American Registry of Radiologic Technology, American College of Surgery, American College of Cardiology, National Board of Cardiovascular Technology in both Invasive and Non-Invasive Technology and National Diagnostic Cardiovascular Sonography.

STAFFING PLAN:

The Cardiovascular Department is staffed with a manager and qualified supportive technologists and nurses, and supportive personnel commensurate with scope of service. There shall be no less than two technologists, one RN on-call, and one secretary on the premises during Cardiovascular hours of operations. After hours, there are two technologists and one RN on-call for any emergency or service needed. The number of staff members working at any particular time is based on the unit of services.

Skill level	Days	Evenings	Nights
CV Tech Manager	Monday-Friday 0700-1530	On-Call	On-Call
Registered Nurses	Scheduled Monday-Friday	On-Call	On-Call
X-ray/CV Techs	Scheduled Monday-Friday	On-Call	On-Call
Secretaries	Monday-Friday 0700-1800		

BUDGETED STAFFING

The productivity unit of measure for the Cath Lab is "cases" and for the non-invasive department is "procedures".

Both departments utilize flex staffing to meet the needs of patients as described in the scope of service.

FRENCH HOSPITAL	Title: Plan for the Provision of Care		Page 5 of 5
MEDICAL CENTER	Dept. of Origin: Cardiovascular	Dept. of Dist: Cardiovascular	
POLICIES AND PROCEDURES	Reviewed/Revised: 9/98, 3/01	Approved:	

The budgeted full time employees for 2001 are 9. These full time employees are distributed across both the Cath Lab and non-invasive departments.

FU 2000 9.0 FTE'S for 13,882 UOS non-invasive procedures and 2,305 UOS in the Cath Lab.

The volume of cases in the Cath Lab is most often limited by in-patient bed availability. The Cath Lab scheduling policy outlines patient triage to Cath Lab emergent vs routine.

Low volume day staff is flexed as indicated and are on-call.

In emergencies staff are deployed according to the department's response to internal and external disaster plan.

COMPETENCY

The initial competency of the staff is assured through the orientation of staff to the hospital, department, and job and with assessment of job specific skills, ongoing competency is assured through (annual updates and competency assessments). Annual performance evaluations document each employee's competency level.

Staffing plans are evaluated at the time of budget planning and at other intervals as services are initiated, eliminated or consolidated.

FRENCH HOSPITAL MEDICAL CENTER POLICIES & PROCEDURES	Title: Plan for the Provision of Care	
	Dept of Origin: Case Management	Dept of Dist:
	Reviewed/Revised: 07/01	Approved: met.

PLAN FOR THE PROVISION OF CARE

DEPARTMENT: CASE MANAGEMENT:

SCOPE OF SERVICE: Case Management services are provided Monday through Friday, with on-call staff available during weekends.

SCOPE OF CARE: The Case Management Team facilitates an integrated process of providing services to the patient from admission through discharge. The following functions are integrated into Case Management: Utilization Management, Discharge Planning, Social Services and coordination of psychosocial evaluations, coordination of information related to infection surveillance, Performance Improvement activities, Clinical Pathway Development, play a roll in development.

PATIENT POPULATION: Case Management services are provide for all patient populations, including: obstetrics, neonatal, pediatric, adolescent, adult and geriatric.

REQUIREMENTS FOR STAFF: Case Management staff needs a minimum of 3 years experience in an acute or subacute care hospital. They must have expertise in one of the following areas: healthcare management, quality assessment and improvement, continuous quality improvement, utilization review, discharge planning, social service, infection control, risk management, financial management, medical records coding and clinical pathway development. They must also demonstrate skills in research, communications (written and oral), organization, creativity, leadership and group facilitation.

STANDARDS: The Case Management service follows the "Intensity of Service/Severity of Illness" criteria when evaluating the necessity for admission continued stay and appropriateness for discharge. It is guided by the mandates of various Federal programs the California Department of Health Services/ Title 22, and the JCAHO.

STAFFING PLAN: Case Management is staffed by the Manager of Case Management and qualified case managers (including one licensed dietician and Case Management Coordinator and Clinical Social Worker). Case Management staffing will be adjusted in a dynamic manner in order to meet the needs of French Hospital Medical Center patients. On-call, Case Management is available on weekends.

BUDGETED STAFFING: Case Management is budgeted for 1.45 hours per discharge (inpatient and observation).

DEPARTMENT NAME
SAMPLE TEMPLATE FOR WRITTEN STAFFING PLAN – 2001

Requirements for a Job:

Each position has requirements for the job specified in their respective job description. Staff is hired in accordance with those requirements.

Staffing levels:

The department utilizes fixed (fixed, flex or fixed and flexed) staffing to meet the needs of patients as described in the Scope of Service of the department.

The Productivity Unit of Measure for the department is Adj. Bed Day (examples: Hours per patient day; volume of prescriptions/new orders process by pharmacy; volume of treatments provided by respiratory therapy).

Total number of FTE's for the department is (5) 1FT, 4 PT, 2/3 Manager. These FTE's are distributed across the following skill levels and shifts for base staffing as follows:

Skill level	Days
CM Coordinator	1
Registered Nurses CM	2
Licensed Vocational Nurses	-0-
C.M. (non RN)	1
S.W.	1

Contingency Staffing:

Volume greater than availability: (Identify what each department does in the event workload is greater than available staff on any given shift or day).

1. Manager works
2. Per diem
3. CM Coordinator assumes some CM activities

Availability greater than demand: (Identify what each department does when volume is lower than projections)

- Staff flex off

Deployment in case of emergency: Staff is deployed in keeping with department internal and external disaster plan.

Competency of Staff:

LABORATORY SERVICES PLAN FOR PROVISION OF PATIENT CARE

The Clinical Laboratory functions to perform laboratory tests, which may aid in:

- Discovering occult disease
- Preventing irreparable damage
- Establishing early diagnosis after onset of signs and symptoms
- Providing differential diagnosis
- Estimating the activity of the disease
- Detecting the recurrence of disease
- Monitoring the effect of therapy
- Providing genetic counseling in familiar conditions
- Determining the stage of the disease

ORGANIZATION

The Laboratory is directed by three Board Certified Pathologists who share the ultimate responsibility for all activities that involve the Laboratory. Directly accountable to them, and responsible for managing the day-to-day functions of the Laboratory under their guidance is the Director of Laboratory Services. The staffing is further delineated by Lab Technologist IIs, who in the absence of the Director, are individually responsible for designated departments within the laboratory and are responsible for the oversight of the licensed technologists and the phlebotomists/lab aids. The Laboratory organization is further enhanced by a Lab Assistant Supervisor who is responsible for the immediate supervision of all unlicensed staff. The Laboratory is staffed with a full compliment of Licensed Clinical Laboratory Scientists, non-licensed laboratory technicians and assistants, pathology assistants and couriers.

SCOPE OF SERVICE

The Laboratory provides services in the following disciplines for all types and ages of patients:

- Phlebotomy
- Hematology
- Urinalysis
- Coagulation
- Serology
- Chemistry
- Therapeutic Drug Monitoring
- Microbiology
- Transfusion Service
- Parasitology
- Anatomic Pathology
- Cytopathology

LABORATORY SERVICES PLAN FOR PROVISION OF PATIENT CARE (Continued)...

PATIENT CARE NEEDS

The provision of Laboratory Services is based on the patient's need as determined by a licensed physician and following the receipt of written orders or verbal orders with written followup. In addition, Laboratory staff collaborate with nursing and office staff to identify any special needs the patient may have. The actual testing available at French Hospital Medical Center Laboratory has been determined through input from Pathology as being necessary to meet the majority of testing situations encountered. New tests, methods, systems and programs are identified by input from Pathology and are evaluated for clinical and economic feasibility. Certain esoteric and low volume tests are referred out to reference labs at the Laboratory's discretion and to labs approved by the Pathologists/Directors and agreed upon by the French Hospital Medical Center.

INTERDEPARTMENTAL COMMUNICATIONS

The Laboratory maintains frequent and ongoing communication with all hospital departments, including Nursing, Pharmacy, Business Office, Administration, Diagnostic Imaging, Engineering, Medical Records, and any other department affecting the Laboratory's ability to provide optimal patient care. In addition, the Director of Laboratory Services attends the monthly Managers' Meeting and is a member of the Interdisciplinary Performance Improvement Team.

QUALITY CONTROL AND CONTROL ASSESSMENT

All testing done in the Laboratory is subject to rigorous quality control as prescribed in CLIA 88 Regulations. This includes following all manufacturer's instructions for instrument or test system operation and test system operation and test performance, performing and documenting control procedures using at least two levels of control material each day of testing, and documenting any remedial action that has been taken when problems or errors are identified.

In addition to Quality Control, the Laboratory maintains a number of ongoing Quality Assessment studies to determine the effectiveness of the Laboratory program. This has included STAT turnaround, Correlation of Gram Stains to Cultures, Identified Blood Crossmatch delay in service and numerous others. Our JCAHO accreditation requires that we have ongoing QA studies in all Departments of the Laboratory. Findings from QA studies are presented bi-annually at a monthly meeting of the hospital's Quality Assurance Committee.

ACCREDITATION

The Laboratory is accredited by the Joint Commission, is licensed by the State of California, and operates under the guidelines of the Clinical Laboratory Improvement Amendments of 1988 (CLIA).

FRENCH HOSPITAL MEDICAL CENTER		Title: Plan for the Provision of Care	
POLICIES & PROCEDURES	Dept of Origin: Radiology	Dept of Dist:	
	Reviewed/Revised:	Approved:	

PLAN FOR THE PROVISION OF CARE

DEPARTMENT: Radiology

SCOPE OF SERVICE: Radiology/Nuclear Medicine through it's licensed and unlicensed staff provides inpatient and outpatient radiological procedures twenty-four hours, seven days a week. A technologist is available in-house from 6:30 a.m. until 11:30 p.m. for general radiology and available "on-call" through the hospital operator after that. Nuclear Medicine, Computed Tomography, Ultrasound and Mammography are available from 7:30 a.m. until 4:00 p.m. and available "on-call" through the hospital operator after that. The MRI service is available from 7:30 a.m. to 4:00 p.m., Tuesday, Wednesday and Friday.

SCOPE OF CARE: The Department of Radiology provides the following services; Diagnostic Radiology, Nuclear Medicine, Fluoroscopy, Ultrasound, Mammography, Dexa Scanning, Computerized Tomography, Interventional Radiology, Angiography and Magnetic Resonance Imaging. Portable procedures are available within the hospital for those patients who are unable to be transported to the Radiology Department. Services are provided in the following areas: ED, OR, Diagnostic Radiology Rooms, Special Procedures Room Nuclear Medicine Room, Ultrasound Room, Mammography Room and MRI van.

PATIENT POPULATION: The Department of Radiology provides service to all patient populations in each department, including: neonatal, pediatric, adolescent, adult and geriatric patient.

REQUIREMENTS FOR STAFF: All personnel are licensed according to the standards set by the State of California, and are competent in the provision of clinical services.

STANDARDS: All Radiology Services are guided by the Mandates of JCAHO, California Department of Health Services and Title 17 of the California Administrative Code, as well as the licensing bodies of the respective modalities, including American Registry of Radiologic Technology, the Nuclear Medicine Technology Certification Board, and the Registered Diagnostic Medical Sonographers.

STAFFING PLAN: The Department of Radiology is staffed by the Administrative Director, Certified Radiologic Technologists, Registered Diagnostic Medical Sonographers, Certified Technologist Nuclear Medicine, Registered Mammographers and support clerical personnel commensurate with the scope of services. There shall be a technologist certified by the appropriate licensing board available during Radiology operating hours. After Radiology hours there will be a technologist on-call for each modality. The number of staff members working is based upon number of procedures performed. If a disaster occurs all non-emergent patients will be put on hold and all available staff will be notified and requested to come to the hospital.

FRENCH HOSPITAL MEDICAL CENTER

PLAN FOR THE PROVISION OF CARE

DEPARTMENT: ENGINEERING

SCOPE OF SERVICE: Engineering Services are provided on a 24 hour, 7 days-a-week schedule to all inpatients and outpatients.

SCOPE OF CARE: Engineering Services is responsible for maintaining a secure, safe, clean, efficient and economical operation of the physical plant, the responsibilities of the Department are maintenance of all building and grounds, maintenance of fixed and moveable equipment and ensuring security of physical plant, patients, staff and visitors.

PATIENT POPULATION: Engineering serves all patient populations in all Departments and Units.

REQUIREMENTS FOR STAFF: Engineering staff are inserviced and trained annually on all facets of maintaining the physical plant and patient environment.

STANDARDS: All Engineering Services are guided by the Mandates of JCAHO, OSHPOD and California Department of Health Services. Conforming to Title 22 and OSHA Standards.

STAFFING PLAN: Engineering Services is staffed by a Director of Plant Operations, and 3.5 maintenance engineers. Engineering staffs according to patient needs and census to provide a healthy and safe environment.

BUDGETED STAFFING: Four and a half (4.5) FTE's.

FRENCH HOSPITAL MEDICAL CENTER

PLAN FOR THE PROVISION OF CARE**DEPARTMENT: ENVIRONMENTAL SERVICES**

SCOPE OF SERVICE: Environmental Services are on duty 16 hours a day, 7 days a week, the EVS staff daily cleans and disinfects public areas, office areas, patient rooms, lounges, critical and isolation areas. Cleans and disinfects floors, furniture and lavatory. Daily cleaning and disinfecting the Transitional Care Facility 6 to 8 hours a day, 7 days a week. Prepares auditoriums for use. Delivers clean linen to all patient care departments.

Environmental Services provides a clean, orderly and sanitary facility in order to provide an environment important to the welfare and care of patients. EVS is also responsible for maintaining the cleanliness, orderliness and sanitary condition of the facility to provide a safe infection controlled environment for patients, staff and visitors.

PATIENT POPULATION: EVS provides the above service to adult, geriatric, adult, neonatal and pediatrics, paying close attention to chemical use in the psychiatric and pediatrics departments.

REQUIREMENTS FOR STAFF: Being able to stoop, bend, walk, grasp and have visual acuity. Must be able to communicate in English with nursing. Must be able to read, write and understand English in order to meet safety requirements for the use of chemicals. Each department specific safety, infection control, universal precautions, fire and disaster areas. Staff competencies are checked regularly by EVS manager and each staff member is annually reviewed.

STANDARDS: The services of the Environmental Services Department are mandated by JCAHO and the California Department of Health Services and Title 22. The medical waste is also mandated by the County Health Department. The EVS Department is also guided by the Infection Control and Safety Committees. Each staff member is assigned work areas are inspected regularly by the EVS manager to assure standards are being met.

STAFFING PLAN: The EVS Department is staffed daily to include cleaning of patient care areas, non-patient care areas, linen and trash pick up, clean linen delivery, floor care and cleaning of the Transitional Care Facility. The EVS staff is under the direction of the EVS Manager. The hours standard is met by adjusted patient days.

BUDGETED STAFFING: The EVS Department is budgeted 11 FTE's.

<p>Central Coast Health Partners</p>	<p>TITLE: Personnel Scheduling and Staffing Pattern</p>		<p>No: 306.1 Page 1 of 2</p>
<p>French Hospital Medical Center</p>	<p>Department of Origin: Food & Nutrition Services</p>	<p>Department of Distribution: Food and Nutrition Services</p>	
<p>POLICIES AND PROCEDURES</p>	<p>Reviewed/Revised 10/00</p>	<p>Approved By: Elizabeth Tolerton, Director, Food & Nutrition Services</p>	

POLICY:

The FSS is responsible for scheduling and staffing patterns.

PURPOSE:

To establish staffing patterns meeting the needs of customers served.

WHO MAY PERFORM:

FSS

PROCEDURE:

1. Employees are scheduled for an 8 hour shift, including a 30 minute lunch break or for a lesser hours shift. The FANS operates on a weekly schedule, with two days off per week scheduled as consistent with the job position.
2. Schedules are posted on the scheduling board one week in advanced. Personal requests for days off are considered when the schedule is written. Requests for specific days off are to be written and turned into the Food Service Supervisor or the Dietitian. Once posted, schedules are subject to change if necessary to meet the needs of the department.
3. A work schedule change request slip will be filled out by an employee when a time off or a change in schedule is requested. The request slip for time off will be turned in two weeks in advanced of time requested unless an emergency situation arises. Schedule change requests for the current schedule are arranged by the employee initiating the change. Both the employee wanting the time off and the employee covering the shift must sign a schedule change form and submit the change to the FSS . All FANS employees submit their requests to the FSS.

The request slips are available from the FSS and are available by the current posted schedule.
4. The FS Supervisor maintains records of any absences or changes to the work schedule. The work schedule is filed in the FSS Office after time period on work schedule expires.
5. The staffing pattern of the FANS follows this section.

Dietary employees are entitled to one free meal per shift. Meals are chosen from foods on the cafeteria line and each employee signs a free meal form at the register in the cafeteria.

Employees on special diets may obtain their food from the patient trayline. No meals or snacks are to be eaten in the kitchen or in the diet office. No food items are to be taken into the cafeteria that are not available on the cafeteria line.

6. Lunch schedules are shown within job task descriptions. One half hour per 8 hour shifts, plus two 10 minute breaks. Six hour shifts may take ½ hour lunch break and one break or, two 10 minute breaks. Four hour shifts get one 10 minute break; shifts less than 4 hours do not receive a break.
7. Job task outlines (by hourly basis) are located in the Job Description Manual in the Diet Tech office. These outlines change frequently.

Central Coast Health Partners	TITLE: FANS Staffing Pattern		No: 307.1
French Hospital Medical Center	Department of Origin: Food & Nutrition Services	Department of Distribution: Food and Nutrition Services	
POLICIES AND PROCEDURES	Reviewed/Revised 3-00	Approved By: Beth Tolerton	
<small>Page 1 of 2</small>			

ADMINISTRATION

Food Service Supervisor 7:30 a.m. – 6:00 p.m. days vary
(range)

Clinical Dietitian 8:00 a.m. – 4:30 p.m.
(range)

The administrative positions will fluctuate with need.

FOOD PRODUCTION

AM Cook 4:30 a.m. – 1:00 p.m.

PM Cook 10:00 a.m. – 6:30 p.m.

Salad 5:30 a.m. – 2:00 p.m.

Food Service Worker (Pantry & Stock) 10:00 a.m. – 6:30 p.m. (M-F)

DIET TECHNICIAN

AM Diet Aide 6:00 a.m. – 2:30 p.m. (M-F)

6:30 a.m. – 2:00 p.m. (S-S)

PM Diet Aide 12:30 p.m. – 7:15 – 8:00 p.m.

AM Traypasser/Special Functions 5:30 a.m. – 2:00 p.m. (M-F)

CAFETERIA

AM Cafeteria 5:45 a.m. – 2:15 p.m. (M-F)

7:00 a.m. – 2:00 p.m. (S-S)

PM Cafeteria 4:00 p.m. – 7:30 p.m. or

11:00 a.m. – 7:30 p.m.

(Depending on extra duties
assigned)

DISHWASHER

AM Dishwasher

7:30 a.m. – 3:45 p.m. (M-F)

PM Dishwasher

12:30 p.m. – 8:30 p.m. (M-F)

2:00 p.m. – 8:30 p.m. (S-S)
(with low census)

FRENCH HOSPITAL MEDICAL CENTER	Title: Plan for the Provision of Care	
	Dept of Origin: HEALTH INFORMATION SERVICES	Dept of Dist: Hospitalwide
	Reviewed/Revised: 01/2001	Approved:

POLICIES & PROCEDURES

PLAN FOR THE PROVISION OF CARE

Scope of Service:

The Health Information Services Department is responsible for the various functions involved in the provision of secure, confidential, timely and accessible patient information to all authorized patients, physicians, clinicians, payers and other external agencies. These functions include maintenance and protection of all patient data, the ability to gather information from all patient encounters, the dispersal of information per confidentiality guidelines and the quality review of patient records. The department is open from 6:30 AM to 5:00 PM Monday through Friday and 8:00 AM to 12:00 PM on weekends.

The scope of services provided at French Hospital Health Information Services include:

- The creation and maintenance of a unit record for every patient seen at the facility.
- The provision of diagnostic and procedural coding for continuation of patient care, record retrieval, payor information, and statistics.
- Data abstraction and reporting
- Medical-legal activities: including the release of information and assurance of medical record confidentiality.
- Collection, storage, filing and retrieval of patient data.
- Together with physicians and other caregivers, provide quality documentation for all hospital care.

Patient Population

Health Information Services maintains medical records for all patients seen at French Hospital Medical Center. Medical records are kept for seven years on hospital premises, and pediatric records are kept at least seven years and until the patient reaches 19 years of age.

Requirements for Staff

Health Information Services staff consists of one Registered Health Information Technician serving as Director, one Coordinator/Outpatient Coder, one Release of Information Clerk, one full-time Coder, two full time and one part time Clerk and a Private Industry Council Associate/Trainee.

FRENCH HOSPITAL MEDICAL CENTER POLICIES & PROCEDURES	Title: Plan for the Provision of Care	
	Dept of Origin: HEALTH INFORMATION SERVICES	Dept of Dist: Hospitalwide
	Reviewed/Revised: 01/2001	Approved:

PLAN FOR THE PROVISION OF CARE cont.

Standards

- Inpatient and Outpatient coding turnaround is completed within 3 days of discharge from the hospital.
- Chart analysis is to be done within 5 days of discharge
- Chart assembly is accomplished within 24 hrs of discharge
- Correspondence is completed within 5 working days of receipt
- Weekly 'Unbillable' reports are sent to Administration and Finance
- Weekly Dept. Status reports are sent to Administration and reported quarterly to Quality Council.

FRENCH HOSPITAL MEDICAL CENTER

PLAN FOR THE PROVISION OF CARE

DEPARTMENT: HUMAN RESOURCES

SCOPE OF SERVICE: The Human Resources Department endeavors to:

- Provide effective systems and mechanisms for hiring, monitoring, evaluating and improving staff members.
- Administer benefits and retirement plans, union contract and hospital policies and procedures in a manner that is fair, consistent and free of discrimination.
- Maintain compliance with State and Federal Law, Title 22 and JCAHO Standards.

SCOPE OF CARE: The Human Resources Department provides services to hospital administration, management and staff.

PATIENT POPULATION: N/A

REQUIREMENTS FOR STAFF: Effective management of the Human Resources function requires a Director to perform decision making, leadership, direction, planning, organizing and controlling functions. The Benefits Coordinator is responsible for overseeing all aspects of benefit administration. The Employment Coordinator is responsible for all phases of the recruitment process. The Human Resources Assistant is required to perform clerical support, record keeping and reporting functions and monitor tracking systems.

STANDARDS: The Director shall have a Bachelor's Degree or equivalent experience, at least 5 years Human Resources management experience and sufficient knowledge of Federal and State Labor Laws, Title 22 and JCAHO Standards to develop policies and make appropriate decisions. The Assistants/Coordinators shall have sufficient clerical skills and Human Resources experience to perform support and reporting functions. Absolute confidentiality will be maintained.

STAFFING PLAN: The Department will be staffed between the hours of 8:30a.m. and 4:30p.m., Monday through Friday.

BUDGETED STAFFING: The Human Resources Department is budgeted for 4.2 FTE's (FHMC and AGCH).

PHARMACUETICAL SERVICES PLAN FOR THE PROVISION OF CARE

Requirements for a Job:

Each position has requirements for the job specified in their respective job description. Staff is hired in accordance with those requirements.

Staff levels:

The department utilizes a combination of fixed and flexed staffing to meet the needs of patients as described in the Scope of Service of the department.

The Productivity Unit of Measure for the department is 0.0289 per unit of service (volume of medications dispensed). The department will be staffed up to this productivity unit.

Total number of FTEs for the department is 6.3-9. These FTEs are distributed across the following skill levels and shifts for base staffing as follows, based on a 0700-2000 Monday-Friday, 0700-1730 Saturday-Sunday workweek:

Skill Level	Days	Evenings
Director/ Manager	1 (Monday-Friday)	
Staff/Clinical Pharmacist (10 hour shift)	1 (daily)	1 (Monday-Friday)
Technician (10 hour shift)	1 (daily)	1 (daily)

Contingency Staffing:

Volume greater than availability (base staffing):

- A second day shift technician is routinely scheduled during "normal-high" workweeks, Monday-Friday.
- A half-day pharmacist is scheduled on Saturdays during times when clinical protocols are of high acuity. Generally, if there are more than 6 patients on pharmacy protocols, a second pharmacist may be utilized.
- A half-day pharmacist is available to work a half-day on Sunday if protocols are of high acuity.
- Multiple part time and per diem pharmacists and technicians are available for additional shifts if needed.
- Pharmacy manager is available on a daily basis (excluding scheduled vacations) to fill in for any pharmacist or technician if needed.
- Deployment in case of an emergency: Staff is deployed in keeping with department internal and external disaster plan.

Availability greater than demand:


- A base staffing (one pharmacist and one technician) must be in place to keep the department open.
- Pharmacy will close early (no more than one hour) if activity of hospital warrants. This is left to the judgement of the pharmacist in charge at the time and will be discussed with the nursing supervisor prior to the decision.
- All staff members will flex off an equivalent percent of hours (based on regularly scheduled shifts) in times of low volume.

Competency of Staff:

Initial competency of staff is assured through the orientation of the staff to the hospital, department and job, and with assessment of job specific skills. Ongoing competency is assured through annual updates and competency assessments. Annual performance evaluations document each employee's competency level.

Evaluation of Staffing Plans:

Staffing plans are evaluated annually by the medical staff at the Medication Usage Committee and at the time of budget planning, and at other intervals as services are initiated, eliminated or consolidated.

Revised 5/01 Approved: 

REHABILITATION SERVICES
(PHYSICAL, OCCUPATIONAL THERAPY, AND SPEECH LANGUAGE PATHOLOGY)
2001 STAFFING PLAN

REQUIREMENTS FOR A JOB:

Each position has a job description. Hiring of staff will be in accordance with the specific requirements noted in each job description.

STAFFING LEVELS:

The department utilizes fixed and flexed staffing to meet the needs of the patients as described in the Scope of Service of the department.

The Productivity Unit of Measure for the department is units of service.

Total number of FTE's for the department is 3.45, distributed across the following skill levels and shifts for base staffing:

skill level	inpatient	outpatient
department supervisor	.2	.2
staff PT	1.2	.25
staff OT	.2	none
staff SLP	.2	.3
aide	.7	.2

CONTINGENCY STAFFING:

Patient volume greater than scheduled availability:

- per diem staff called in as availability allows
- department supervisor authorizes overtime as needed

Staff availability greater than patient volume:

- voluntary flex-off request to staff
- department supervisor flexes staff off as needed

Deployment in case of emergency:


Staff are deployed in keeping with the departmental internal/external disaster plan.

COMPETENCY OF STAFF:

Initial competency of staff is assured through the orientation of the staff to hospital, department, and job skills assessment. Ongoing competency is assured through annual updates and competency assessments. Annual performance evaluations document each employees competency level.

EVALUATION OF STAFFING PLANS:

Staffing plans are evaluated annually at the time of budget planning and at other intervals as services are initiated, eliminated, or consolidated.

FRENCH HOSPITAL	Title: Plan for the Provision of Care – Respiratory Page 1 of 2	
MEDICAL CENTER	Dept. of Origin: Respiratory	Dept. of Dist: Respiratory
POLICIES AND PROCEDURES	Reviewed/Revised: 3/01	Approved: 

SCOPE OF SERVICE:

The Respiratory Care Department at French Hospital Medical Center provides treatments and diagnostic procedures to both inpatients and outpatients who manifest disorders of the cardiopulmonary system. Respiratory Care Services are available 24 hours per day/7 days per week for neonate, pediatric, adolescent, adult and geriatric patients. These services are provided by California State licensed Respiratory Care Practitioners under medical direction.

Outpatient services are provided Monday through Friday from 08:00 – 16:00. Licensed Respiratory Care Practitioners provide Respiratory/EKG and Neurodiagnostic Services/EEG and Evoke Potential studies).

REQUIREMENTS FOR STAFF:

The Respiratory Care Staff consists of Respiratory care Practitioners. Each position has requirements for the job specified in their respective job description. Staff are hired in accordance with those requirements.

STAFFING LEVELS:

The department utilizes flex staffing to meet the needs of patients as described in the Scope of Service of the department.

The Productivity Unit of Measure for the department is volume of treatments or procedures provided by respiratory care.

Staffing is adjusted based on procedures, with use of per diem staff during high volume workloads.

In emergencies staff are deployed according to the department's response to internal and external disaster plan. During low volume days the staff is flexed.

COMPETENCY OF STAFF:

Initial competency of staff is assured through the orientation of the staff to hospital, department, and job and with assessment of job specific skills. Ongoing Competency is assured through annual updates and competency assessments. Annual performance evaluation documents each employee's competency level.

FRENCH HOSPITAL	Title: Plan for the Provision of Care – Respiratory Page 2 of 2	
MEDICAL CENTER	Dept. of Origin: Respiratory	Dept. of Dist: Respiratory
POLICIES AND PROCEDURES	Reviewed/Revised: 3/01	Approved: <i>[Signature]</i>

EVALUATION OF STAFFING PLANS:

Staffing plans are evaluated annually at the time of budget planning and at other intervals as services are initiated, eliminated, or consolidated.

The Respiratory Care department provides services that include:

1. Respiratory Therapy (including Aerosol Therapy, Oxygen Therapy, and delivery of respiratory medications).
2. Arterial Blood gas analysis
3. Pulmonary Function Testing
4. EEG/Evoke Potential Testing
5. EKG testing
6. CPR
7. Attendance of "C" section deliveries
8. Bronchoscopy assistance
9. Ventilator management

These skills are performed by licensed Respiratory Care Practitioner under qualified medical and technical direction. All services are provided by accepted medical practices guidelines under the guidance of JCAHO, Department of Health Services, and Title 22.

SCHEDULE U

SELECTED SECTIONS OF ASSET PURCHASE AGREEMENT

SCHEDULE U

RELEVANT SECTIONS OF THE ASSET PURCHASE AGREEMENT REGARDING EMPLOYEE MATTERS AND PROTECTIONS

3.1 Obligations Assumed

Buyer shall assume, effective as of the Closing and as part of the Purchase Price, and shall pay, discharge and perform as and when due, only each of the following obligations of Seller with respect to the Hospital Businesses (the “**Assumed Obligations**”).

(a) All obligations and liabilities of Seller: which (i) arise under the Contracts, the Capital Leases (as defined in the Financial Statements), the Real Property Leases and the Licenses and Permits which pertain to or are to be performed during any period commencing on or after the Closing Date; (ii) under those open purchase orders which were entered into by Seller in the ordinary course of business with respect to the Hospital Businesses before the Closing Date and which provide for the routine delivery of goods or services subsequent to the Closing Date, but which were not required to be listed on Schedule 1.1(e) or (iii) under Seller’s Capital Leases related to the Hospital Businesses, but only to the extent that the Purchase Price is reduced pursuant to **Paragraph 2.1(a)(i)** hereof (collectively, the “**Assumed Contracts**”), which Assumed Contracts are to be assumed by Seller and assigned to Buyer in accordance with Section 365 of the Bankruptcy Code, as provided in **Paragraph 6.23** hereof.

(b) All obligations and liabilities to the Hired Employees (as hereinafter defined in Paragraph 13.10(b)) for paid time off (including vacation pay and “paid days leave”) and sick pay (to the extent recorded on the Closing Statements) through the Closing Date (“**Paid Time Off**”), together with all payroll taxes or other Taxes attributable or otherwise payable with respect thereto (the amount of which Taxes shall be determined as if the Paid Time Off were payable as of the Closing Date), to the extent the foregoing have been recorded on the Closing Statement of Seller, and all other obligations and liabilities concerning employee matters to be assumed by Buyer pursuant to Paragraph 13.10 or 13.11 (if applicable). **Schedule 3.1(b)** is a listing of accrued Paid Time Off as of the date indicated thereon with respect to all current employees of the Hospital Businesses, which schedule includes all Paid Time Off earned by such employees as of such date. Schedule 3.1(b) also contains a description or summary of all of the sick pay benefits made available by Seller to its employees and the policies of Seller regarding the recordation of such sick pay benefits on the Financial Statements. In addition, Buyer will assume the unaccrued medical leave banks for the employees of Seller, but only

to the extent that the Purchase Price is reduced pursuant to **Paragraph 2.1(a)(ii)** hereof.

(c) 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 each 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), each with respect to the Hospital Businesses, 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)**.

3.10 Employee Matters

(a) Retained Employees. Subject to the consummation of the transactions contemplated by this Agreement, Buyer or its Affiliates shall offer to hire at the Closing each of the then active employees (other than the executive officers) of the Hospital Businesses who are in good standing, on such terms and conditions as are substantially similar to the terms and conditions offered to employees at the other California hospitals owned and operated by Buyer. For purposes of this Agreement, active employees in good standing are those employees who are actually providing services to the Hospital Businesses (including those employees who are temporarily absent due to vacation or other routine matter in compliance with Law or Seller’s policies pertaining to employee matters), but shall exclude any employee whose employment status has been restricted, suspended or otherwise affected as a result of disciplinary, corrective or other action. Seller has identified on Schedule 5.10 only those active employees (other than executive officers) of the Hospital Businesses that are in good standing as of the date indicated thereon that Buyer shall be obligated to offer to employ hereunder in compliance with the requirements of the second preceding sentence (the “**Retained Employees**”). The list of the Retained Employees shall be adjusted by Seller as of the Closing Date to reflect changes in the Retained Employees, including the deletion of individuals no longer employed by Seller, and Buyer shall offer to hire the Persons identified by Seller on such adjusted list of Retained Employees. Neither Seller nor its Affiliates shall have the right to continue in the employ or offer to employ any Retained Employee.

(b) Hiring of Retained Employees by Buyer. Seller agrees to (i) terminate all Seller Employees as of the Closing Date, and (ii) provide to all Seller Employees written notice of such termination, which notice shall be reasonably acceptable to Buyer. Buyer or its Affiliates shall hire at the Closing the Retained Employees, who elect to accept employment with Buyer (the “**Hired Employees**”), provided that Buyer and its Affiliates shall have no

obligation to hire any Retained Employee who does not report to work for active duty with Buyer or its Affiliates within ten (10) business days of the Closing.

(c) WARN Act Obligations. Buyer assumes any and all responsibilities, obligations and liabilities which are owed by the “employer” as that term is defined in the Worker Adjustment and Retraining Notification Act (the “**WARN Act**”), 29 United States Code, Section 2101, *et seq.*

(d) No Employment Contract. The understandings set forth in this Paragraph 13.10 are solely for the purpose of defining the obligations between Buyer and Seller with respect to the individuals employed in the operation of the Hospital Businesses as of the Closing Date and shall not be construed as creating any employment contract or other contract between either Buyer or Seller, on the one hand, and any such employee, on the other, nor to create or modify any Plan. All such employees shall remain terminable at will by Buyer or Seller, as the case may be, except to the extent otherwise required by Law or any preexisting employment or other contracts which have been specifically assumed by Buyer hereunder.

(e) Collective Bargaining. Buyer shall fulfill any and all legal obligations that may arise to collectively bargain with any labor organization.

3.11 Employee Benefits

(a) Termination of Certain of Seller’s Plans. Seller: (i) shall terminate as of the Closing Date the active participation of all Hired Employees in all of its Benefit Plans covering such employees (“**Terminated Plans**”) and Buyer and its Affiliates shall not assume sponsorship of, or any liabilities under, any of the Terminated Plans; (ii) shall cause the Terminated Plans to make timely appropriate distributions, to the extent required, to the Hired Employees in accordance with, and to the extent permitted by, the terms and conditions of such Terminated Plans; and (iii) in connection with the termination of the active participation of all Hired Employees in such Terminated Plans, shall comply, and shall cause each such Terminated Plan to comply, with all applicable Laws (including, but not limited to, COBRA). Not less than ten business days prior to the Closing, Seller shall have delivered to Buyer, for Buyer’s prior approval, forms of any letters or other communications which Seller shall distribute to the employees of the Hospital Businesses notifying such employees of their rights with respect to their cessation of active participation in the Terminated Plans, which rights shall include, among others, such employees rights under COBRA for which Seller may be responsible.

(b) From and after the Closing, Seller will maintain one or more group health plans sufficient to provide COBRA continuation coverage to any individual who, as a result of the transactions contemplated by this Agreement, is an “M & A qualified beneficiary” within the meaning of US

Treasury Regulation Section 54.4980B-9A-4 and will continue to provide long-term and short-term disability benefits, in accordance with Seller's disability plans and programs as in effect on the date hereof, to those Seller Employees who are disabled and receiving such benefits, or entitled to receive such benefits, as of the Closing Date. Seller will indemnify Buyer for and hold it harmless from and against any costs or expenses incurred by Buyer as a result of any failure by Seller to maintain and provide such COBRA continuation or disability coverage. Buyer will be responsible for providing COBRA continuation coverage, if any, that may be required in connection with qualifying events occurring after the Closing with respect to Hired Employees and their covered dependents who are not "M & A qualified beneficiaries."

(c) From and after the Closing Date, Seller shall remain solely responsible for all liabilities relating to or arising in connection with any claim for workers' compensation benefits (1) incurred by or in respect of any employee who is not a Hired Employee on, prior to or after the Closing Date, and (2) incurred by or in respect of any Hired Employee on or before the Closing Date. For purposes of this Paragraph, a claim for workers' compensation benefits shall be deemed to be incurred when the first event giving rise to the claim occurs.

(d) No provision of this Agreement shall create any third party beneficiary or other rights in any employee or former employee (including any beneficiary or dependent thereof) of Seller or of any of its Affiliates in respect of continued employment (or resumed employment) with either Buyer or any affiliate of Buyer, and no provision of this Agreement shall create any such rights in any such employee or former employee (or their respective dependents and beneficiaries) in respect of any benefits that may be provided, directly or indirectly, under any employee benefit plan or arrangement of Buyer or any of Buyer's affiliates. No provision of this Agreement shall constitute a limitation on the rights of Buyer and its affiliates to amend, modify or terminate after the Closing Date any employee benefit plans or arrangements. Seller will cooperate with Buyer in order to facilitate the process of Buyer's offering post-Closing employment to Retained Employees. Seller will not take any action that is intended or reasonably likely to interfere with that process. Nothing contained herein shall be construed to prevent Buyer from terminating the employment of any Hired Employee at any time after the Closing Date for any reason (or no reason). Seller shall deliver to Buyer as of the Closing Date all personnel files relating to Hired Employees.

SCHEDULE V

**PRE-MERGER NOTIFICATION FORM
HART-SCOTT-RODINO ANTITRUST IMPROVEMENT ACT OF 1976**

Attached is the Notification Form for Seller


**16 C.F.R. Part 803 – Appendix
NOTIFICATION AND REPORT FORM FOR CERTAIN MERGERS AND ACQUISITIONS**

 Approved by OMB
3084-0005
Expires 05/31/04

THE INFORMATION REQUIRED TO BE SUPPLIED ON THESE ANSWER SHEETS IS SPECIFIED IN THE INSTRUCTIONS

> Attach the Affidavit required by § 803.5 to this page.

FEE INFORMATION

 AMOUNT PAID **\$ 62,500**

In cases where your filing fee would be higher if based on acquisition price or where the acquisition price is undetermined to the extent that it may straddle a filing fee threshold, attach an explanation of how you determined the appropriate fee (acquiring persons only).

 Attachment Number N/A

 TAXPAYER IDENTIFICATION NUMBER **74-2544270**

or SOCIAL SECURITY NUMBER of payer

(acquiring person (and payer if different from acquiring person))

 CHECK ATTACHED MONEY ORDER ATTACHED

 WIRE TRANSFER CONFIRMATION NO. _____

FROM: NAME OF INSTITUTION _____

NAME OF PAYER (if different from PERSON FILING) _____

 IS THIS A CORRECTIVE FILING? YES NO

 IS THIS ACQUISITION SUBJECT TO FOREIGN FILING REQUIREMENTS? YES NO

If YES, list jurisdictions: (voluntary)

 IS THIS ACQUISITION A CASH TENDER OFFER? YES NO BANKRUPTCY? YES NO

 DO YOU REQUEST EARLY TERMINATION OF THE WAITING PERIOD? (Grants of early termination are published in the Federal Register AND on the FTC web site www.ftc.gov)

 YES NO

ITEM 1 – PERSON FILING

1(a) NAME and HEADQUARTERS ADDRESS of PERSON FILING

**Permian Health Care
770 Magnolia Avenue, Suite One
Corona, California 92879**

1(b) PERSON FILING NOTIFICATION IS

 an acquiring person an acquired person both

1(c) PUT AN "X" IN THE APPROPRIATE BOX TO DESCRIBE PERSON FILING NOTIFICATION

 Corporation Partnership Other (Specify):

1(d) DATA FURNISHED BY

 calendar year fiscal year (specify period) _____ (month/year) to (month/year)

THIS FORM IS REQUIRED BY LAW and must be filed separately by each person which, by reason of a merger, consolidation or acquisition, is subject to §7A of the Clayton Act, 15 U.S.C. §18a, as added by Section 201 of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, Pub. L. No. 94-435, 90 Stat. 1390, and rules promulgated thereunder (hereinafter referred to as "the rules" or by section number). The statute and rules are set forth in the *Federal Register* at 43 FR 33450; the rules may also be found at 16 CFR Parts 801-03. Failure to file this **Notification and Report Form**, and to observe the required waiting period before consummating the acquisition in accordance with the applicable provisions of 15 U.S.C. §18a and the rules, subjects any "person," as defined in the rules, or any individuals responsible for noncompliance, to liability for a penalty of not more than \$11,000 for each day during which such person is in violation of 15 U.S.C. §18a.

All information and documentary material filed in or with this Form is

confidential. It is exempt from disclosure under the Freedom of Information Act, and may be made public only in an administrative or judicial proceeding, or disclosed to Congress or to a duly authorized committee or subcommittee of Congress.

Filing - Complete and return two copies (with one original affidavit and certification and one set of documentary attachments) of this Notification and Report Form to: Premerger Notification Office, Bureau of Competition, Room 303, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. Three copies (with one set of documentary attachments) should be sent to: Director of Operations and Merger Enforcement, Antitrust Division, Department of Justice, Patrick Henry Building, 601 D Street, N.W., Room #10013, Washington, D.C. 20530. (For FEDEX airbills to the Department of Justice, do not use the 20530 zip code; use zip code 20004.)

DISCLOSURE NOTICE - Public reporting burden for this report is estimated to vary from 8 to 160 hours per response, with an average of 39 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this report, including suggestions for reducing this burden to:

Premerger Notification Office, H-303 Federal Trade Commission Washington, DC 20580	Office of Information and Regulatory Affairs, Office of Management and Budget Washington, DC 20503
---	---

FTC FORM C4 (rev. 09/10/02) 002.993801.1

Under the Paperwork Reduction Act, as amended, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. That number is 3084-0005, which also appears in the upper right-hand corner of the first page of this form.

NAME OF PERSON FILING NOTIFICATION Permian Health Care	DATE August , 2003
--	------------------------------

1(e) PUT AN X IN THE APPROPRIATE BOX AND GIVE THE NAME AND ADDRESS OF ENTITY FILING NOTIFICATION (if other than ultimate parent entity)

NA This report is being filed on behalf of a foreign person pursuant to § 803.4. This report is being filed on behalf of the ultimate parent entity by another entity within the same person authorized by it to file pursuant to § 803.2(a).

NAME OF ENTITY FILING NOTIFICATION N/A	ADDRESS N/A
---	--------------------

1(f) NAME AND ADDRESS OF ENTITY MAKING ACQUISITION OR WHOSE ASSETS OR VOTING SECURITIES ARE BEING ACQUIRED IF DIFFERENT FROM THE ULTIMATE PARENT ENTITY IDENTIFIED IN ITEM 1(a) **The entities whose assets are being acquired are (A) Vista Hospital Systems, Inc., 770 Magnolia Avenue, Suite One, Corona, California 92879, and (B) French Hospital Medical Center, 1911 Johnson Avenue, San Luis Obispo, California 93401.**

PERCENT OF VOTING SECURITIES HELD BY EACH ENTITY IDENTIFIED IN ITEM 1(a)
100% (Permian Health Care, a Colorado nonprofit corporation, is the sole corporate member of Vista Hospital Systems, Inc. and French Hospital Medical Center.)

1(g) IDENTIFICATION OF PERSON TO CONTACT REGARDING THIS REPORT

NAME OF CONTACT PERSON TITLE FIRM NAME BUSINESS ADDRESS TELEPHONE NUMBER FAX NUMBER E-MAIL ADDRESS	Alan D. Rutenberg Attorney Foley & Lardner Washington Harbour 3000 K Street, N.W., Suite 500 (202) 672-5491 (202) 672-5399 arutenberg@foleylaw.com
--	---

(h) IDENTIFICATION OF AN INDIVIDUAL LOCATED IN THE UNITED STATES DESIGNATED FOR THE LIMITED PURPOSE OF RECEIVING NOTICE OF ISSUANCE OF A REQUEST FOR ADDITIONAL INFORMATION OR DOCUMENTS. (See § 803.20(b)(2)(iii))

NAME OF CONTACT PERSON TITLE FIRM NAME BUSINESS ADDRESS TELEPHONE NUMBER FAX NUMBER E-MAIL ADDRESS	N/A
--	------------

ITEM 2

2(a) LIST NAMES OF ULTIMATE PARENT ENTITIES OF ALL ACQUIRING PERSONS Alan B. Miller	LIST NAMES OF ULTIMATE PARENT ENTITIES OF ALL ACQUIRED PERSONS Permian Health Care
---	--

2(b) THIS ACQUISITION IS (put an X in all the boxes that apply)

an acquisition of assets a consolidation (see § 801.2)
 a merger (see § 801.2) an acquisition of voting securities
 an acquisition subject to § 801.2(e) a secondary acquisition
 a formation of a joint venture of other corporation (see § 801.40) an acquisition subject to § 801.31
 an acquisition subject to § 801.30 (specify type)
 other (specify)

2(c) INDICATE THE HIGHEST NOTIFICATION THRESHOLD IN § 801.1(h) FOR WHICH THIS FORM IS BEING FILED (acquiring person only in an acquisition of voting securities)

\$50 million \$100 million \$500 million 25% (see Instructions) 50% **N/A**

2(d)(i) VALUE OF VOTING SECURITIES TO BE HELD AS A RESULT OF THE ACQUISITION \$ N/A	(ii) PERCENTAGE OF VOTING SECURITIES N/A %	(iii) VALUE OF ASSETS TO BE HELD AS A RESULT OF THE ACQUISITION approx. \$ 120,600,000	(iv) AGGREGATE TOTAL VALUE approx. \$ 120,600,000
---	--	--	---

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

2(e) If aggregate total value in 2(d)(iv) is based in whole or in part on a fair market valuation pursuant to § 801.10(c)(3), identify the person or persons responsible for making the valuation (*acquiring persons only*).

N/A

ITEM 3

3(a) DESCRIPTION OF ACQUISITION

Acquiring Person (Ultimate Parent Entity)

Alan B. Miller
367 Gulph Road
King of Prussia, Pennsylvania 19406

Acquired Person (Ultimate Parent Entity)

Permian Health Care ("Permian")
770 Magnolia Avenue, Suite One
Corona, California 92879

Acquiring Entity

UHS-Corona, Inc. ("UHS-Corona")
c/o Universal Health Services, Inc.
367 Gulph Road
King of Prussia, Pennsylvania 19406

Acquired Entities

Vista Hospital Systems, Inc. ("Vista")
770 Magnolia Avenue, Suite One
Corona, California 92879

French Hospital Medical Center ("French")

1911 Johnson Avenue
San Luis Obispo, California 93401

Pursuant to an executed Asset Purchase Agreement dated April 3, 2003 ("Agreement"), and an Amendment to the Agreement dated June 3, 2003, UHS-Corona intends to acquire substantially all of the assets of Vista and French, both nonprofit corporations controlled by Permian. UHS-Corona is a wholly owned subsidiary of Universal Health Services, Inc., an entity ultimately controlled by Alan B. Miller. Vista owns and operates two hospitals: (a) Corona Regional Medical Center in Corona, California, and (b) Arroyo Grande Community Hospital in Arroyo Grande, California. French owns and operates the French Hospital Medical Center in San Luis Obispo, California.

The assets to be acquired from French and Vista consist of real and personal property used in connection with the operation of the hospitals, nearby medical office buildings and a home health care business. The value of these assets is \$120,600,000 subject to adjustment.

The transaction is contingent upon customary closing conditions and approvals including (1) the expiration of the waiting period under the HSR Act; (2) bankruptcy court approval; and (3) review by the Attorney General of the State of California. Consummation of this transaction is expected to occur as soon as practicable following fulfillment of these conditions.

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

3(b)(i) ASSETS TO BE ACQUIRED (to be completed only for asset acquisitions)

UHS-Corona, Inc., an entity ultimately controlled by Alan B. Miller, intends to acquire from Vista Hospital Systems, Inc. ("Vista") and French Hospital Medical Center ("French") substantially all of the assets of three hospitals and any related activity or business. The Vista hospitals are Corona Regional Medical Center in Corona, California and Arroyo Grande Community Hospital in Arroyo Grande, California and the French hospital is French Hospital Medical Center in San Luis Obispo, California.

Classes of assets to be acquired include land and buildings that comprise the hospitals, owned or leased medical office buildings and equipment, furniture and fixtures, and accounts receivable. (See Agreement § 1.1).

The value of the assets to be acquired is approximately \$120,600,000. (See item 3(a)). The parties have not yet made any allocation of the purchase price among any of the classes of assets.

3(b)(ii) ASSETS HELD BY ACQUIRING PERSON

None

3(c) VOTING SECURITIES TO BE ACQUIRED

3(c)(i) LIST AND DESCRIPTION OF VOTING SECURITIES AND LIST OF NON-VOTING SECURITIES:

N/A

3(c)(ii) TOTAL NUMBER OF SHARES OF EACH CLASS OF SECURITY:

N/A

3(c)(iii) TOTAL NUMBER OF SHARES OF EACH CLASS OF SECURITY BEING ACQUIRED:

N/A

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

3(c)(iv) IDENTITY OF PERSONS ACQUIRING SECURITIES:

N/A

3(c)(v) DOLLAR VALUE OF SECURITIES IN EACH CLASS BEING ACQUIRED:

N/A

3(c)(vi) TOTAL NUMBER OF EACH CLASS OF SECURITIES TO BE HELD AS A RESULT OF THE ACQUISITION:

N/A

3(d) SUBMIT A COPY OF THE MOST RECENT VERSION OF CONTRACT OR AGREEMENT (or letter of intent to merge or acquire)

DO NOT ATTACH THIS DOCUMENT TO THIS PAGE

ATTACHMENT OR REFERENCE NUMBER OF CONTRACT OR AGREEMENT 3(d)

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

ITEM 4 PERSONS FILING NOTIFICATION MAY PROVIDE BELOW AN OPTIONAL INDEX OF DOCUMENTS REQUIRED TO BE SUBMITTED BY ITEM 4
(See Item by Item instructions). THESE DOCUMENTS SHOULD NOT BE ATTACHED TO THIS PAGE.

4(a) DOCUMENTS FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ATTACHMENT OR REFERENCE NUMBER

N/A

4(b) ANNUAL REPORTS, ANNUAL AUDIT REPORTS, AND REGULARLY PREPARED BALANCE SHEETS ATTACHMENT OR REFERENCE NUMBER

Vista Hospital Systems, Inc. and French Hospital Medical Center Combined Financial Statements, Years Ended December 31, 2002 and 2001 4(b)-1

Vista Hospital Systems, Inc. and French Hospital Medical Center Consolidated Balance Sheet, Month Ended June 30, 2003 4(b)-2

4(c) STUDIES, SURVEYS, ANALYSES, AND REPORTS ATTACHMENT OR REFERENCE NUMBER

Vista Hospital Systems, Inc. and French Hospital Medical Center Request for Proposals and Preliminary Due Dillgence Information; dated July 1, 2002; prepared by Cambio Health Solutions, LLC 4(c)-1

ITEM 5 (See "References" listed in the General Instructions to the Form. Refer to the *North American Industry Classification System-United States, 1997 (1997 NAICS Manual)* for the 6-digit (NAICS) industry codes. Refer to the *1997 Numerical List of Manufactured and Mineral Products (EC97M31R-NL)* for the 7-digit product class codes and the 10-digit product codes. Report revenues for the 7-digit product class codes and 10-digit product codes using the codes in the columns labeled "Product code." For further information on NAICS-based codes visit the www.census.gov web site.)

5(a) DOLLAR REVENUES BY INDUSTRY

6-DIGIT INDUSTRY CODE	DESCRIPTION	1997 TOTAL DOLLAR REVENUES
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)	\$924,369
622110	General Medical and Surgical Hospitals	\$126,366,924*
621610	Home Health Care Services	\$404,186
<p>*Approximately \$44,134,257 of this revenue is attributable to French Hospital Medical Center which was acquired by Permian Health Care in July 1997. The revenue for January – July 1997 for this facility is based on a good faith estimate. The only available data for that period is aggregate revenue for 9/1/96-7/29/97 which is \$38,316,916. The January – July 1997 revenue is estimated as 7/11 of \$38,316,916 which is approximately \$24,383,519. The revenue for the last five months of 1997 is \$19,750,738 for this facility.</p>		

ITEM 5(b)(i) DOLLAR REVENUES BY MANUFACTURED PRODUCTS

10-DIGIT PRODUCT CODE	DESCRIPTION	1997 TOTAL DOLLAR REVENUES
N/A		

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

ITEM 5(b)(ii) PRODUCTS ADDED OR DELETED

DESCRIPTION (10-DIGIT PRODUCT CODE)	ADD	DELETE	YEAR OF CHANGE	TOTAL DOLLAR REVENUES
N/A				

ITEM 5(b)(iii) DOLLAR REVENUES BY MANUFACTURED PRODUCT CLASS

7-DIGIT PRODUCT CLASS	DESCRIPTION	YEAR _____ TOTAL DOLLAR REVENUES
N/A		

NAME OF PERSON FILING NOTIFICATION

Permian Health Care

DATE

August , 2003

ITEM 5(b)(iii) DOLLAR REVENUES BY MANUFACTURED PRODUCT CLASS - CONTINUED

7-DIGIT PRODUCT CLASS	DESCRIPTION	YEAR _____ TOTAL DOLLAR REVENUES
N/A		

ITEM 5(c) DOLLAR REVENUES BY NON-MANUFACTURING INDUSTRY

6-DIGIT INDUSTRY CODE	DESCRIPTION	YEAR 2002 _____ TOTAL DOLLAR REVENUES
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)	\$1,703,506
622110	General Medical and Surgical Hospitals	\$171,231,230
621610	Home Health Care Services	\$686,075

NAME OF PERSON FILING NOTIFICATION

Permian Health Care

DATE

August , 2003

5(d) COMPLETE ONLY IF ACQUISITION IS IN THE FORMATION OF A JOINT VENTURE OR OTHER CORPORATION N/A

5(d)(i) NAME AND ADDRESS OF THE JOINT VENTURE OR OTHER CORPORATION

N/A

5(d)(ii)

(A) CONTRIBUTIONS THAT EACH PERSON FORMING THE JOINT VENTURE OR OTHER CORPORATION HAS AGREED TO MAKE

N/A

(B) DESCRIPTION OF ANY CONTRACTS OR AGREEMENTS

N/A

(C) DESCRIPTION OF ANY CREDIT GUARANTEES OR OBLIGATIONS

N/A

(D) DESCRIPTION OF CONSIDERATION WHICH EACH PERSON FORMING THE JOINT VENTURE OR OTHER CORPORATION WILL RECEIVE

N/A

5(d)(iii) DESCRIPTION OF THE BUSINESS IN WHICH THE JOINT VENTURE OR OTHER CORPORATION WILL ENGAGE

N/A

5(d)(iv) SOURCE OF DOLLAR REVENUES BY 6-DIGIT INDUSTRY CODE (non-manufacturing) AND BY 7-DIGIT PRODUCT CLASS (manufacturing)

N/A

NAME OF PERSON FILING NOTIFICATION

Permian Health Care

DATE

August , 2003

ITEM 6

6(a) ENTITIES WITHIN PERSON FILING NOTIFICATION

N/A

6(b) SHAREHOLDERS OF PERSON FILING NOTIFICATION

N/A

NAME OF PERSON FILING NOTIFICATION
Permian Health Care

DATE
August , 2003

6(c) HOLDINGS OF PERSON FILING NOTIFICATION

N/A

ITEM 7 DOLLAR REVENUES

7(a) 6-DIGIT NAICS CODE AND DESCRIPTION

622110 General Medical and Surgical Hospitals

7(b) NAME OF EACH PERSON WHICH ALSO DERIVED DOLLAR REVENUES

Alan B. Miller

7(c) GEOGRAPHIC MARKET INFORMATION

The addresses in California of each establishment from which dollar revenues were derived in the most recent year under NAICS Code 622110 are:

- a. **Corona Regional Medical Center**
770 Magnolia Avenue
Suite One
Riverside County
Corona, California 92879
- b. **Arroyo Grande Community Hospital**
345 South Halcyon Road
San Luis Obispo County
Arroyo Grande, California 93420
- c. **French Hospital Medical Center**
1911 Johnson Avenue
San Luis Obispo County
San Luis Obispo, California 93401

ITEM 8 PRIOR ACQUISITIONS (to be completed by acquiring person only)

N/A

NAME OF PERSON FILING NOTIFICATION Pernian Health Care	DATE August , 2003
--	------------------------------

CERTIFICATION

This **NOTIFICATION AND REPORT FORM**, together with any and all appendices and attachments thereto, was prepared and assembled under my supervision in accordance with instructions issued by the Federal Trade Commission. Subject to the recognition that, where so indicated, reasonable estimates have been made because books and records do not provide the required data, the information is, to the best of my knowledge, true, correct, and complete in accordance with the statute and rules.

NAME (Please print or type) Donald Allen	TITLE Executive Vice President, Member of the Board of Directors
SIGNATURE	DATE

Subscribed and sworn to before me at the
City of _____, State of _____
this _____ day of _____, the year _____
Signature _____
My Commission expires _____

I declare under penalty of perjury that the foregoing is true and correct. Executed this ___ day of August 2003 at _____, California.

Donald Allen

SCHEDULE W

FORM OF CORPORATE RESOLUTION

VISTA HOSPITAL SYSTEMS, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, a form of Asset Purchase Agreement (“Agreement”) dated as of April 3, 2003, by and among **VISTA HOSPITAL SYSTEMS, INC. (“Vista”)** and **FRENCH HOSPITAL MEDICAL CENTER (“French”)**, each a California nonprofit public benefit corporation (together referred to as “**Seller**”), and **UNIVERSAL HEALTH SERVICES, INC.**, a Delaware corporation (“**UHS**”) and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS (“**Buyer**”) (the “Agreement”), has been provided to this Board of Directors for consideration, and it is deemed to be in the best interests of this Corporation to enter into the Agreement, and that the Board of Directors approve and authorize the execution and delivery and performance of the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Agreement in substantially the form provided to the Board of Directors for consideration, be and they hereby are, approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word “thirty” shall be replaced with the word “sixty” and (b) in Paragraph 16.2., the word “thirty” shall be replaced with the word “sixty.”

RESOLVED FURTHER, that this Corporation enter into the Agreement in substantially the form provided to and approved by the Board of Directors which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the “Hospital Businesses,”) and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the Agreement in substantially the form provided to and approved by the Board of Directors, but with such changes therein as the officer or officers of this Corporation

executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

SCHEDULE X
FORM OF CERTIFICATE

**CERTIFICATE OF THE SECRETARY
OF
VISTA HOSPITAL SYSTEMS, INC.**

The undersigned hereby certifies that:

1. He is the duly elected, appointed, qualified and acting Secretary of Vista Hospital Systems, Inc., a nonprofit corporation organized under the laws of the State of California ("Vista").
2. Attached hereto as Exhibit A is a true and correct copy of the resolutions adopted by the Board of Directors of Vista at a meeting held on May 6, 2003, ratifying the execution and delivery of the Asset Purchase Agreement, dated April 3, 2003, by and among Vista, French Hospital Medical Center, and Universal Health Services, Inc., which resolutions have not been amended or rescinded and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this certificate on behalf of French Hospital Medical Center this 6th day of May, 2003.

VISTA HOSPITAL SYSTEMS, INC.

EXHIBIT A

RESOLUTIONS OF THE BOARD OF DIRECTORS

VISTA HOSPITAL SYSTEMS, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, a form of Asset Purchase Agreement (“Agreement”) dated as of April 3, 2003, by and among **VISTA HOSPITAL SYSTEMS, INC. (the “Corporation”) and FRENCH HOSPITAL MEDICAL CENTER (“French”)**, each a California nonprofit public benefit corporation (together referred to as “**Seller**”), and **UNIVERSAL HEALTH SERVICES, INC.**, a Delaware corporation (“**UHS**”) and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS (“**Buyer**”) (the “Agreement”), was provided to this Board of Directors for consideration at its April 1, 2003, meeting, and the terms and provisions of the Agreement in the form provided to the Board of Directors for consideration were approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word “thirty” shall be replaced with the word “sixty” and (b) in Paragraph 16.2., the word “thirty” shall be replaced with the word “sixty.”

WHEREAS, pursuant to the April 1 resolutions, the Agreement was executed on behalf of the Corporation with the amendment to Paragraph 6.20(a), but without the amendment to Paragraph 16.2. However, the Board of Directors understands that the Buyer has agreed to extend the time period for the bondholders to approve the Agreement, in a manner consistent with the proposed amendment to Paragraph 16.2.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors hereby ratifies the execution and delivery of the Agreement dated April 3, 2003, which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the “Hospital Businesses”) and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the April 3, 2003 Agreement, but with such changes therein as the officer or officers of this Corporation executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to

take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

**CERTIFICATE OF THE SECRETARY
OF
FRENCH HOSPITAL MEDICAL CENTER**

The undersigned hereby certifies that:

1. He is the duly elected, appointed, qualified and acting Secretary of French Hospital Medical Center, a nonprofit corporation organized under the laws of the State of California ("*French*").
2. Attached hereto as Exhibit A is a true and correct copy of the resolutions adopted by the Board of Directors of French at a meeting held on May 6, 2003, ratifying the execution and delivery of the Asset Purchase Agreement, dated April 3, 2003, by and among French, Vista Hospital Systems, Inc., and Universal Health Services, Inc., which resolutions have not been amended or rescinded and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this certificate on behalf of French Hospital Medical Center this 6 day of May, 2003.

FRENCH HOSPITAL MEDICAL CENTER

EXHIBIT A

RESOLUTIONS OF THE BOARD OF DIRECTORS

FRENCH HOSPITAL MEDICAL CENTER

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, a form of Asset Purchase Agreement ("Agreement") dated as of April 3, 2003, by and among **VISTA HOSPITAL SYSTEMS, INC.** (the "Corporation") and **FRENCH HOSPITAL MEDICAL CENTER** ("French"), each a California nonprofit public benefit corporation (together referred to as "Seller"), and **UNIVERSAL HEALTH SERVICES, INC.**, a Delaware corporation ("UHS") and **UHS-Corona, Inc.**, a Delaware corporation and wholly-owned subsidiary of UHS ("Buyer") (the "Agreement"), has been provided to this Board of Directors for consideration, and it is deemed to be in the best interests of this Corporation to enter into the Agreement, and that the Board of Directors approve and authorize the execution and delivery and performance of the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Agreement in substantially the form provided to the Board of Directors for consideration, be and they hereby are, approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word "thirty" shall be replaced with the word "sixty" and (b) in Paragraph 16.2., the word "thirty" shall be replaced with the word "sixty."

RESOLVED FURTHER, that this Corporation enter into the Agreement in substantially the form provided to and approved by the Board of Directors which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the "Hospital Businesses") and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the Agreement in substantially the form provided to and approved by the Board of Directors, but with such changes therein as the officer or officers of this Corporation

executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

**CERTIFICATE OF THE SECRETARY
OF
VISTA HOSPITAL SYSTEMS, INC.**

The undersigned hereby certifies that:

1. He is the duly elected, appointed, qualified and acting Secretary of Vista Hospital Systems, Inc., a nonprofit corporation organized under the laws of the State of California ("Vista").
2. Attached hereto as Exhibit A is a true and correct copy of the resolutions adopted by the Board of Directors of Vista at a meeting held on May 6, 2003, ratifying the execution and delivery of the Asset Purchase Agreement, dated April 3, 2003, by and among Vista, French Hospital Medical Center, and Universal Health Services, Inc., which resolutions have not been amended or rescinded and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this certificate on behalf of French Hospital Medical Center this 6th day of May, 2003.

VISTA HOSPITAL SYSTEMS, INC.

EXHIBIT A

RESOLUTIONS OF THE BOARD OF DIRECTORS

VISTA HOSPITAL SYSTEMS, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, a form of Asset Purchase Agreement (“Agreement”) dated as of April 3, 2003, by and among **VISTA HOSPITAL SYSTEMS, INC. (the “Corporation”) and FRENCH HOSPITAL MEDICAL CENTER (“French”)**, each a California nonprofit public benefit corporation (together referred to as “**Seller**”), and **UNIVERSAL HEALTH SERVICES, INC.**, a Delaware corporation (“**UHS**”) and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS (“**Buyer**”) (the “Agreement”), was provided to this Board of Directors for consideration at its April 1, 2003, meeting, and the terms and provisions of the Agreement in the form provided to the Board of Directors for consideration were approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word “thirty” shall be replaced with the word “sixty” and (b) in Paragraph 16.2., the word “thirty” shall be replaced with the word “sixty.”

WHEREAS, pursuant to the April 1 resolutions, the Agreement was executed on behalf of the Corporation with the amendment to Paragraph 6.20(a), but without the amendment to Paragraph 16.2. However, the Board of Directors understands that the Buyer has agreed to extend the time period for the bondholders to approve the Agreement, in a manner consistent with the proposed amendment to Paragraph 16.2.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors hereby ratifies the execution and delivery of the Agreement dated April 3, 2003, which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the “Hospital Businesses”) and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the April 3, 2003 Agreement, but with such changes therein as the officer or officers of this Corporation executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to

take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

**CERTIFICATE OF THE SECRETARY
OF
VISTA HOSPITAL SYSTEMS, INC.**

The undersigned hereby certifies that:

1. He is the duly elected, appointed, qualified and acting Secretary of Vista Hospital Systems, Inc., a nonprofit corporation organized under the laws of the State of California ("Vista").
2. Attached hereto as Exhibit A is a true and correct copy of the resolutions adopted by the Board of Directors of Vista at a meeting held on May 6, 2003, ratifying the execution and delivery of the Asset Purchase Agreement, dated April 3, 2003, by and among Vista, French Hospital Medical Center, and Universal Health Services, Inc., which resolutions have not been amended or rescinded and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, the undersigned have executed this certificate on behalf of French Hospital Medical Center this 6th day of May, 2003.

VISTA HOSPITAL SYSTEMS, INC.

EXHIBIT A

RESOLUTIONS OF THE BOARD OF DIRECTORS

VISTA HOSPITAL SYSTEMS, INC.

RESOLUTIONS OF THE BOARD OF DIRECTORS

WHEREAS, a form of Asset Purchase Agreement (“Agreement”) dated as of April 3, 2003, by and among **VISTA HOSPITAL SYSTEMS, INC. (the “Corporation”)** and **FRENCH HOSPITAL MEDICAL CENTER (“French”)**, each a California nonprofit public benefit corporation (together referred to as “**Seller**”), and **UNIVERSAL HEALTH SERVICES, INC.**, a Delaware corporation (“**UHS**”) and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS (“**Buyer**”) (the “Agreement”), was provided to this Board of Directors for consideration at its April 1, 2003, meeting, and the terms and provisions of the Agreement in the form provided to the Board of Directors for consideration were approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word “thirty” shall be replaced with the word “sixty” and (b) in Paragraph 16.2., the word “thirty” shall be replaced with the word “sixty.”

WHEREAS, pursuant to the April 1 resolutions, the Agreement was executed on behalf of the Corporation with the amendment to Paragraph 6.20(a), but without the amendment to Paragraph 16.2. However, the Board of Directors understands that the Buyer has agreed to extend the time period for the bondholders to approve the Agreement, in a manner consistent with the proposed amendment to Paragraph 16.2.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors hereby ratifies the execution and delivery of the Agreement dated April 3, 2003, which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the “Hospital Businesses”) and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the April 3, 2003 Agreement, but with such changes therein as the officer or officers of this Corporation executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to

take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

SCHEDULE Y
BOARD MINUTES

VISTA HOSPITAL SYSTEMS, INC.

**MINUTES
OF
A SPECIAL MEETING
OF
THE BOARD OF DIRECTORS**

APRIL 1, 2003

A Special Meeting (the "Meeting") of the Board of Directors (the "Board") of Vista Hospital Systems, Inc., a California nonprofit corporation (the "Corporation"), was held on April 1, 2003 by teleconference.

BOARD MEMBERS IN ATTENDANCE:

Bertram P. Rosenthal, M.D.
Donald V. Allen
Michael Greenelsh
Gordon Gregory
James Thomas

OTHERS IN ATTENDANCE:

Leonard La Bella, Jr.

Robert J. Zimmerman, Esq., Foley & Lardner
Richard F. Seiden, Esq., Foley & Lardner
Edward J. Green, Esq., Foley & Lardner

I. CALL TO ORDER

Dr. Rosenthal called the Meeting to order at 3:00 p.m. and stated that he would serve as Chairman of the Meeting. Next, the Chairman appointed Mr. Thomas to act as Secretary of the Meeting.

A quorum being present, the Chairman presented the following items which were each discussed and resolved:

II. ASSET PURCHASE AGREEMENT

The Chairman reported that the Company had concluded negotiations of an Asset Purchase Agreement by and among the Company, Vista Hospital Systems, Inc. and Universal Health Services, Inc. The Board acknowledged that pursuant to its Forbearance Agreement with

bondholders, Cambio Health Solutions had prepare a request for proposal to a number of potential purchasers for the Company's assets, and that the transaction with Universal Health Services, Inc. represented the best offer to acquire its assets in response to the request for proposal. The Board also acknowledged that Universal Health Services, Inc. was anxious to have the form of agreement executed immediately.

After a discussion, upon motion duly made, seconded and unanimously approved, the following resolutions were adopted:

WHEREAS, a form of Asset Purchase Agreement ("Agreement") dated as of April 3, 2003, by and among VISTA HOSPITAL SYSTEMS, INC. (the "Corporation") and FRENCH HOSPITAL MEDICAL CENTER ("French"), each a California nonprofit public benefit corporation (together referred to as "Seller"), and UNIVERSAL HEALTH SERVICES, INC., a Delaware corporation ("UHS") and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS ("Buyer") (the "Agreement"), has been provided to this Board of Directors for consideration, and it is deemed to be in the best interests of this Corporation to enter into the Agreement, and that the Board of Directors approve and authorize the execution and delivery and performance of the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Agreement in substantially the form provided to the Board of Directors for consideration, be and they hereby are, approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word "thirty" shall be replaced with the word "sixty" and (b) in Paragraph 16.2., the word "thirty" shall be replaced with the word "sixty."

RESOLVED FURTHER, that this Corporation enter into the Agreement in substantially the form provided to and approved by the Board of Directors which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the "Hospital Businesses") and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and directed for and on behalf of the Corporation and in its name to execute and deliver the Agreement in substantially the form provided to and approved by the Board of Directors, but with such changes therein as the officer or officers of this Corporation executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

III. ADJOURNMENT

With nothing further to discuss, Dr. Rosenthal adjourned the Meeting.

The undersigned hereby certifies that the foregoing is a true and accurate copy of the minutes of the Meeting of the Board of Directors of Vista Hospital Systems, Inc., held on April 1, 2003.

FRENCH HOSPITAL MEDICAL CENTER

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS

APRIL 1, 2003

A Special Meeting (the "Meeting") of the Board of Directors (the "Board") of French Hospital Medical Center, a California nonprofit corporation (the "Corporation"), was held on April 1, 2003 by teleconference.

BOARD MEMBERS IN ATTENDANCE:

Bertram P. Rosenthal, M.D.
Donald V. Allen
Gordon Gregory
James Thomas

OTHERS IN ATTENDANCE:

Leonard La Bella, Jr.
Michael Greenelsh
Robert J. Zimmerman, Esq., Foley & Lardner
Richard F. Seiden, Esq., Foley & Lardner
Edward J. Green, Esq., Foley & Lardner

I. **CALL TO ORDER**

Dr. Rosenthal called the Meeting to order at 3:00 p.m. and stated that he would serve as Chairman of the Meeting. Next, the Chairman appointed Mr. Thomas to act as Secretary of the Meeting.

A quorum being present, the Chairman presented the following items which were each discussed and resolved:

II. **ASSET PURCHASE AGREEMENT**

The Chairman reported that the Company had concluded negotiations of an Asset Purchase Agreement by and among the Company, Vista Hospital Systems, Inc. and Universal Health Services, Inc. The Board acknowledged that pursuant to its Forbearance Agreement with bondholders, Cambio Health Solutions had prepare a request for proposal to a number of

potential purchasers for the Company's assets, and that the transaction with Universal Health Services, Inc. represented the best offer to acquire its assets in response to the request for proposal. The Board also acknowledged that Universal Health Services, Inc. was anxious to have the form of agreement executed immediately.

After a discussion, upon motion duly made, seconded and unanimously approved, the following resolutions were adopted:

WHEREAS, a form of Asset Purchase Agreement ("Agreement") dated as of April 3, 2003, by and among VISTA HOSPITAL SYSTEMS, INC. (the "Corporation") and FRENCH HOSPITAL MEDICAL CENTER ("French"), each a California nonprofit public benefit corporation (together referred to as "Seller"), and UNIVERSAL HEALTH SERVICES, INC., a Delaware corporation ("UHS") and UHS-Corona, Inc., a Delaware corporation and wholly-owned subsidiary of UHS ("Buyer") (the "Agreement"), has been provided to this Board of Directors for consideration, and it is deemed to be in the best interests of this Corporation to enter into the Agreement, and that the Board of Directors approve and authorize the execution and delivery and performance of the Agreement;

NOW, THEREFORE, BE IT RESOLVED, that the form, terms and provisions of the Agreement in substantially the form provided to the Board of Directors for consideration, be and they hereby are, approved, subject to the following amendments: (a) in Paragraph 6.20(a), the word "thirty" shall be replaced with the word "sixty" and (b) in Paragraph 16.2., the word "thirty" shall be replaced with the word "sixty."

RESOLVED FURTHER, that this Corporation enter into the Agreement in substantially the form provided to and approved by the Board of Directors which provides, among other things, that Buyer shall purchase Corona Regional Medical Center, Arroyo Grande Community Hospital, and French Hospital Medical Center and the medical office buildings and any other activity or business related thereto (collectively, together with the Hospitals, the "Hospital Businesses") and all of the equipment, fixtures and other real and personal property which are directly or indirectly related to, used in, necessary for or contribute to the operation of the Hospital Businesses, on the terms and conditions set forth in the Agreement; and

RESOLVED FURTHER, that the officers of the Corporation be, and they hereby are, authorized, empowered and

directed for and on behalf of the Corporation and in its name to execute and deliver the Agreement in substantially the form provided to and approved by the Board of Directors, but with such changes therein as the officer or officers of this Corporation executing the same shall deem to be necessary, appropriate or advisable, the execution thereof by such officer or officers to be deemed conclusive evidence of such approval and such officer or officers are further authorized, empowered and directed to cause the performance of the Agreement by this Corporation; and

RESOLVED FURTHER, that the officers of this Corporation be, and they hereby are, authorized, empowered and directed, for and on behalf of this Corporation and in its name to take all such further actions and to execute, deliver and cause the performance of all such further documents, certificates and instruments as such officers, or any of them, deem to be necessary, appropriate or advisable in order to carry out and perform the purposes of the foregoing resolutions, including but not limited to the preparation of a filing under the Antitrust Improvements Act of 1996 with the U. S. Department of Justice and Federal Trade Commission, and the submission of a report of the transaction contemplated by the Agreement to the California Attorney General.

III. ADJOURMENT

With nothing further to discuss, Dr. Rosenthal adjourned the Meeting.

The undersigned hereby certifies that the foregoing is a true and accurate copy of the minutes of the Meeting of the Board of Directors of Vista Hospital Systems, Inc., held on April 1, 2003.

SCHEDULE Z

RESPONSES TO THE REQUEST FOR PROPOSAL

***Proposal for the Purchase of Certain Assets
of
Vista Hospital Systems, Inc. and French Hospital
Medical Center
By
Doctors Community Healthcare Corporation***

August 2002

Introduction

The purpose of this proposal is to outline a plan for the purchase of certain assets of the Vista Hospital Systems, Inc. and French Hospital Medical Center, Inc. ("Hospitals"). Specifically, the transaction proposal is for the acquisition of the operating assets including accounts receivable, equipment and real estate for Vista Hospital Systems, Inc. and French Hospital Medical Center. This proposal is offered in response to an RFP offered by Cambio Health Solutions, LLC.

Doctors Community Healthcare Corporation ("DCHC"), is a family and employee owned hospital company. The mission of DCHC is to revitalize, nourish and operate hospitals primarily located in urban areas to enable them to provide quality healthcare for the poor and underprivileged. The strategy of DCHC is to enhance and provide effective leadership that is able to focus and maximize the physician, employee, community and capital resources available to its hospitals in ways that enable such hospitals to accomplish the mission of DCHC.

This proposal is set forth to establish DCHC's sincere desire to complete a transaction in which the Hospitals and DCHC work together to achieve the following goals:

- Enhance the financial performance and access to capital of each hospital so that they can continue to provide health care to the respective communities.
- Assure the stakeholders and physicians of each community DCHC will adhere to each hospital's past and present mission to provide healthcare to the communities poor and underprivileged.
- Assure the stakeholders and physicians of each community that DCHC will abide by the hospitals current ethical considerations with regard to treatment and the care of patients.
- Involve the Physicians in a meaningful way in operations and strategic management of these health care facilities.
- Maximize the opportunity for greater community participation in the activities of the health care providers which are included in each facility.

Background / Strategic Focus

Doctors Community Healthcare Corporation is a family and employee-owned healthcare management company that owns and operates six hospitals. Greater Southeast Community Hospital and Hadley Memorial Hospital in Washington, DC; Michael Reese Hospital in Chicago, Illinois; and Pacifica Hospital of the Valley, Pine Grove Hospital and Brea Community Hospital, all located in greater Los Angeles. DCHC's mission is to revitalize, nourish and operate hospitals located primarily in urban areas in order to help them provide high quality healthcare for the poor and medically underserved. The focus of DCHC is to provide community-centered care by keeping healthcare local and responsive to the needs of the people we serve. The strategy of DCHC is to combine high quality, physician directed, patient-centered healthcare and effective local leadership. Doctors Community HealthCare's goal is to provide quality healthcare in the communities where it is most needed, not to dominate a market or a hospital. The DCHC management team works with each hospital to support specific needs and to help such hospitals be more responsive to the unique communities they serve.

DCHC's commitment to the communities it serves is further evidenced by its leadership and development role in the creation of the DC Healthcare Alliance. On June 1, 2001, the District of Columbia's Control Board in concert with Mayor Anthony Williams and Community Care launched the implementation of the nation's first public-private partnership to privatize a safety net system through the development and implementation of a five-year contract to provide healthcare to the city's poor and indigent. In order to provide the most effective and accessible healthcare services to this population, the DC Healthcare Alliance was formed as a network of local community providers. This network consists of almost every major hospital and every Federally Qualified Health Center provider in the District. The Alliance also consists of Community Care's DC General Ambulatory and Emergency Care Center, with a freestanding emergency room similar to the Bowie campus. Successfully operating for more than 12 months, the DC Healthcare Alliance has provided services to or screened more than 38,000 District residents and currently has a membership of 27,000. Due to its success, the Alliance is becoming recognized by several state and local governments, as well as the federal government as one of the most appropriate and successful models for providing healthcare to uninsured populations.

DCHC views the mission and community of these hospitals as a perfect fit to carry out its continued mission of revitalizing hospitals in difficult settings and providing care for the communities that surround them.

Initial Transaction Price:

DCHC through a wholly owned subsidiary, in coordination with National Century Financial Enterprises, would propose to purchase specific assets of the Hospitals for approximately \$61.0 million dollars. This valuation takes into account the significant capital needs required by the facilities in the future in order to maintain licensed and quality healthcare facilities. These assets would include patient accounts receivable, equipment and real estate. DCHC would propose the consideration be a combination of cash and the assumption of most current liabilities. Based on the information received via Cambio Health Solutions and based on 2001 and 5 months YTD Fiscal information / financial statements. DCHC would propose the following combination:

1. A cash payment of \$22.0 million.
2. The assumption of up to \$16.477 million in accrued salaries and wages
3. The assumption of up to \$9.124 million in Accounts Payable
4. The assumption of up to \$1.0 million in capital leases
5. The assumption of up to \$12.465 million in third party liabilities
6. DCHC would work with Hospitals to identify specific contingent liabilities and equipment leases and make appropriate decisions regarding the assumption of these once they are identified.

Form / Structure of Transaction:

DCHC proposes two structures for the completion of the transaction:

1. DCHC would acquire the company through a wholly owned subsidiary of DCHC and the company would convert from non-profit corporation to a for-profit corporation.
2. DCHC has been working with Provident Group Inc., a longstanding successful non-profit corporation. This company has indicated an interest in the Vista and French Hospital facilities as well. DCHC currently manages one of Provident's acute care hospital facilities and is on line to begin , upon completion of the acquisitions, two more in the southern California market place. Provident's unique position in the market place would also provide flexible future financing for capital needs and may offer the ability to assume some current bond debt.

Impact on Operations:

Ethical, Community and Charity

DCHC's own history and current operations reflect its commitment to providing healthcare to the poor and underprivileged. Five of DCHC six acute care hospitals are located in federal empowerment zones and economically under served regions of California, Illinois and Washington, D.C. DCHC hospitals provide significant amounts

of free care each year. DCHC has committed capital and human resources to these facilities in order to renovate systems, equipment and provide community services. In return, these facilities perform with positive operating margins and receive high marks for quality of care. The mission of DCHC is to revitalize, nourish and operate hospitals primarily located in urban areas to enable them to provide quality healthcare for the poor and underprivileged. The strategy of DCHC is to provide and enhance effective leadership that is able to focus and maximize the physician, employee, community and capital resources available to its hospitals in ways that enable such hospitals to accomplish the mission of DCHC.

In connection with its proposal to acquire these health care facilities, DCHC would agree to maintain the mission, charity care and ethics currently in place at the Hospitals.

Medical Staff:

DCHC strongly believes that the physician / patient relationship is the core of the health care system. In each area in which it endeavors to carry out its mission, DCHC organizes formal or informal partnerships with physicians and includes them in discussions with community partners to develop appropriate health care delivery for the community.

DCHC's mission is to provide high quality, community-centered care by maintaining local managerial control in each DCHC facility and by ensuring that physicians have a powerful voice in the management and direction of patient care. This emphasis on local management and physician input has proven to be highly attractive to quality physicians who are seeking some means to respond to rapid changes in the healthcare marketplace. Combining this mission and approach to physician relationships with comprehensive tertiary care capability will enhance the ability of DCHC to attract superb clinicians. As part of the developing plan to enhance participation, DCHC proposes to establish special physician task forces that will concentrate on the following issues:

- *Physician Recruitment and Participation*
- *Prevention and Primary Care*
- *Women's health and Men's health*
- *Cardiac care*
- *Cancer care*
- *Patient self advocacy*
- *Physician Market Share Growth*

Employee Relationships:

DCHC clearly understands the vital and exclusive role of nursing and staff employees in a successful hospital. Having transitioned numerous facilities from one owner to another, DCHC has become adept at providing employees with pertinent information during the critical transaction phase. In addition to easing employee concerns, DCHC has demonstrated its commitment to its employees through benefit packages that include medical, dental, life insurance and pension benefits. Our corporate operational policies have no "cookie cutter" approach to staffing or FTE levels. In its experience, DCHC has learned that each facility has specific needs and staffing issues that must be addressed locally.

Emergency Services

DCHC is not in the business of closing hospitals or degrading essential services. DCHC views the emergency services as essential to the community. DCHC clearly understands the long standing commitment that both Vista and French have made to its community for these services and views them as essential for the prosperity of the hospital and its charity commitment.

Financial / Access to Capital:

As part of its mission, DCHC specializes in assisting communities and physicians gain access to capital for the purpose of preserving and enhancing financially threatened hospitals that play critical roles in meeting the healthcare needs of their communities. Since its inception in 1992, DCHC has provided for the investment of approximately \$300 million of capital in such hospitals.

The ability of DCHC to access capital is enhanced by its close relationship with National Century Financial Enterprises ("NCFE"), which currently owns 11.5 percent of the common stock of DCHC. NCFE is one of the largest healthcare financing firms in the United States with approximately \$4.0 billion in assets. It currently provides financing services for over 2,000 medical providers throughout the United States. Over the past five years NCFE has provided approximately \$300 million in capital for healthcare transactions involving DCHC. Certain of these transactions are highlighted below:

□ Greater Southeast Community Hospital

In December 1999, DCHC in coordination with NCFE, invested a \$23 million to rescue Greater Southeast Community Hospital from closing. This facility was one of two community hospitals serving the needs of the poor and working class of South East

Washington. In the 10 months DCHC has owned and operated this facility, it has become one of DCHC's most successful hospital facilities.

□ Michael Reese Medical Center

In November 1998, DCHC together with NCFE contributed approximately \$100 million of capital to finance the acquisition and initial working capital needs of Michael Reese Medical Center. Michael Reese was acquired from a large publicly traded hospital company which decided, for business reasons, that it no longer desired to act as a provider in the Chicago community. In addition, DCHC/NCFE have committed to invest an additional \$25.0 million in working capital and capital improvements over the next 18 months at Michael Reese.

□ Pacifica Hospital of the Valley

In January 1997, DCHC and NCFE also teamed together to invest approximately \$27.5 million to finance the acquisition of Pacifica of the Valley Hospital in Los Angeles. Since January 1997, DCHC and NCFE have invested an additional \$12.0 million of capital at Pacifica.

□ Serra Medical Clinic

In connection with the acquisition of Pacifica of the Valley DCHC / NCFE provided capital of \$7.5 million to finance the acquisition and development of Serra Medical Clinic a multispecialty clinic on the campus of Pacifica Hospital. NCFE continues to provide financing for this medical group.

□ Brea Community Hospital / Care Medical Group

In 1994 DCHC / NCFE contributed \$28 million toward the acquisition of Brea Community Hospital. NCFE also contribute \$5.0 million in equity capital toward this venture. As part of this transaction, DCHC also purchased Care Medical Group Independent Practice Association, ("IPA"). The ownership and management of this medical group is one method DCHC utilizes in continually renewing the hospital's primary care base.

□ Hadley Memorial Hospital

In June 1993, NCFE and DCHC began their close relationship with the financing of the Hadley Memorial Hospital acquisition. Approximately \$5.0 million was provided in order to complete this transaction.

DCHC also provides access to capital to its hospitals for renovations and improvement projects. For example, DCHC partnered with NCFE to finance the \$7.0 million expansion and remodel of Hadley's surgical suites and increasing its bed capacity from 81 to 147. In addition, 1999 brought a large demand for capital with regard to information systems and Year 2000 compliance programs. In order to maintain all of our hospitals and to provide each institution

with state-of-the-art technology, DCHC committed approximately \$10 million dollars toward information technology in 1999.

Rationale / Advantages of the Acquisition:

A. Mission / Ethics

DCHC is one of the only privately held healthcare companies that has a mission similar to non profit institutions. DCHC's daily adherence to its own mission and ethics is a reflection of its continued commitment to the poor and underprivileged in its communities. DCHC can provide the community with assurance of maintaining mission, ethics and charity care.

B. Creation of Unique and Innovative Community Based Health Care Delivery System for the Twenty First Century:

Historically, Vista Hospitals and French Hospital have been leaders in creating an effective model for community healthcare. Continuing this legacy and commitment with the talent, energy, access to capital and integrity of DCHC will create a unique, responsive, innovative community based health care provider for the twenty first century.

C. Strong Appreciation of Non Profit Health Care:

DCHC has strong ties to, and is particularly appreciative of, the role of non-profits in healthcare.

- For over 15 years, the founder of DCHC was involved as an attorney in the financing of hundreds of nonprofit hospitals.
- In Los Angeles, Chicago and Washington, DCHC is involved in creative community partnerships with nonprofit organizations.
- Works closely with Provident Group in managing non-profit health care facilities.

E. Strong Ties with Physicians:

DCHC strongly believes that the physician / patient relationship is the core of the health care system. In each area in which it endeavors to carry out its mission, DCHC organizes formal or informal partnerships with physicians and includes them in discussions with community partners to develop appropriate health care delivery for the community.

DCHC looks forward to working with physicians affiliated with all of the Hospital facilities.

Timing / Due Diligence / Approval Process:

This proposal has been approved by the Chairman and the Chief Executive Officer of DCHC. DCHC's Board of Directors and senior leader, NCFE, have been advised and consulted on this proposal, but no formal approval process has been initiated. As a closely held private company, DCHC would like to assure Vista and French Hospitals that any corporate approval process can be completed expeditiously.

DCHC is excited about working with Cambio and the Vista / French Hospital Systems on this transaction. DCHC timing should be consistent with Hospitals desires and advice from Cambio. However, DCHC feels that it can move quickly should both sides desire a quick close. Typically, DCHC can complete a purchasing process including due diligence and financing within two to four month. Outside influences on a closing, such as governmental issues and due diligence factors could add additional time to this process.

Strategic Summary:

DCHC is a committed, successful healthcare company that focuses on the revitalization of inner city healthcare and its historical institutions. DCHC believes in both the physicians and staff that have committed a majority of their lives to these institutions and believes strongly that the hospital facilities are assets to any community.

DCHC has never closed or purchased a hospital for other development ideas. As a hospital company, DCHC has no connection to publicly traded investment companies or required quarterly margins that have driven so many healthcare companies that are operating under a for-profit tax status.

Of all the hospital operators in existence today, DCHC can and will offer the Hospitals the best ability to maintain its mission, ethics and its healthcare directives for the Hospitals and their communities.

August 19, 2002

Mr. Jim Braley
Vice President
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, Tennessee 37027

Re: Vista Hospital Systems, Inc.

Dear Jim:

This letter is in response to conversations I have had with Ms. Glenda Daniel of your office concerning an extension of time for submission of a comprehensive proposal for acquisition by Star Healthcare Group, Inc ("SHG") of the hospital assets of Vista Hospital Systems, Inc. ("Vista"). Ms. Daniel confirmed that Vista would agree to extend the response date from August 19, 2002 until August 26, 2002 upon our written confirmation of each of the following items:

1. SHG's Level of Interest in the Acquisition. SHG has the highest level of interest in pursuing the acquisition of substantially all of Vista's assets that are used in the operation of its acute care hospitals.
2. Hospitals of Interest. SHG is interested in the acquisition of all three of Vista's acute care hospitals.
3. Submission Date. SHG is highly confident that, no later than August 26, 2002, it will present a viable, comprehensive proposal for Vista's review and consideration.

Upon your receipt of this letter, whether in hard copy or electronic form, please call me at 323-260-8659 to confirm that I have provided all written confirmations requested by Ms. Daniel, and to verify, on behalf of Vista, that SHG has until August 26, 2002 to deliver other information sought in the bid request of August 19, 2002. In my absence, please speak with my assistant Silvia.

If you need anything else as of August 19, 2002, please page me at 800-901-7465, and leave me a telephone number at which I might reach you.

Sincerely,

Richard ~~X~~ Yardley
Managing Director
Star Healthcare Group, Inc.

cc: G. Daniel, Cambio
J. Krave
J. Gordon

RECEIVED
AUG 26



Star Healthcare Group, Inc.
230 Newport Center Drive, Suite 300
Newport Beach, CA 92660
Tel (949) 210-8600 Fax (949) 640 1814

September 5, 2002

Mr. Jim Braley
Vice President
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Re: Vista Hospital Systems, Inc. & French Hospital Medical Center, Inc. - RFP

Dear Mr. Braley:

Star Healthcare Group, Inc. (SHG) is pleased to present our response to your RFP for the above mentioned Vista Hospital Systems, Inc. & French Hospital Medical Center, Inc.

We look forward to working with you on this project leading to SHG's purchase of all three facilities and their related entities.

Please feel free to call us with any questions or comments.

Respectfully,

Andrea Kofl
Managing Director



Star Healthcare Group, Inc.
230 Newport Center Drive, Suite 300
Newport Beach, CA 92660
Tel (949) 219-6600 Fax (949) 640-1814

Vista Hospital Systems, Inc.

&

French Hospital Medical Center, Inc.

Request For Proposal

1. **Legal Description of Proposed Transaction.**

The transaction shall be in the form of a sale of assets (the "Sale"), whereby SHG shall purchase substantially all of the assets, and shall assume substantially all of the liabilities, of Vista used in the operation of French Hospital Medical Center ("French"), Corona Regional Medical Center ("Corona"), and Arroyo Grande Community Hospital ("Arroyo Grande", and together with French and Corona, the "Hospitals").¹ The parties shall exercise their best efforts to consummate the Sale on or before January 31, 2003, or the earliest appropriate date thereafter (the "Closing Date").

2. **Terms of Proposed Transaction.**

a. **Amount of Consideration.** On the Closing Date (as defined below), SHG shall tender total cash consideration of \$115,000,000 (the "Purchase Price"), minus the amount of Assumed Liabilities (defined below). That portion of the Purchase Price which is necessary to fully defease the tax-exempt bonds for which Vista or any of the Hospitals are obligors shall be placed in an Irrevocable Escrow (defined below) acceptable to counsel for bondholders. The balance of the Purchase Price, if any, minus the amount of other assumed liabilities, shall be paid directly to Vista.

b. **Preconditions to SHG's Offer.** Closing of the Sale will be contingent upon the successful completion of each of the following:

(1) **Due Diligence.** Commencing immediately upon the execution of the LOI, SHG will have ninety (90) days in which to conduct due diligence of the Purchased Assets (as described below). During this ninety (90) day period, Vista will provide SHG and its representatives with access to and copies of the financial, operational and statistical books and records of the Purchased Assets, including without limitation the campuses, businesses, and operations of each of the Hospitals. Due diligence activities shall occur only at such times as will not disrupt the delivery of care to patients at the Hospital.

(2) **Corporate Approvals.** The Boards of Directors of Vista and each of the Hospitals will approve the Sale.

(3) **Government Approvals.** Vista will, at its own expense, obtain the written consent of the California Attorney General for the Sale pursuant to the California Nonprofit Corporation Law. The parties shall cooperate to obtain the consent to the Sale of all state and federal agencies and reimbursement authorities, including without limitation the Department of Health Services and the Medicare and Medi-Cal programs.

¹ The term "Vista" as used in paragraphs 1 and 2 below includes reference to the Affiliates of Vista (defined below) which operate the Hospitals.

(4) Title Insurance. Vista will provide, at Vista's sole cost and expense, an ALTA title insurance policy in favor of SHG in a negotiated amount with respect to all real estate included among the Purchased Assets.

(5) Financing. The physical and financial condition of the Hospitals will be in such condition as to permit SHG to obtain financing sufficient to complete the Sale.

c. Specific Assets and Liabilities to be Included in Sale. SHG proposes to purchase and assume from Vista, all of the assets, properties and rights of Vista that are owned by Vista, of every type and description, tangible and intangible, wherever located and whether or not reflected on the books of Vista and used in the operation of the Hospitals, including, without limitation, all of the following categories of assets and properties of Vista (collectively, the "Purchased Assets"):

(1) All inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables located on the Hospital campuses or otherwise used in the operation of the Hospitals;

(2) All prepaid expenses, deposits and the like which the parties mutually determine in their reasonable discretion would provide benefit to SHG after the Closing;

(3) Patient accounts receivable and other accounts receivable of Vista, other than (i) any intercompany receivables, and (ii) any receivable from Medicare, Medi-Cal or other government payment program in respect of cost reports filed for periods ended on or prior to the Closing (collectively, "Acquired Accounts Receivable");

(4) All real property, plant, furniture, fixtures, machinery, vehicles and equipment of Vista, including the real property which comprises the Hospital campuses (together with all manufacturer and vendor warranties associated with such assets), in each instance free and clear of all liens, mortgages, security interests and other encumbrances;

(5) All right, title and interest, to the extent assignable or transferable, in and to all purchase orders, leases and other contracts of Vista (the "Contracts"), exclusive of those with any party that is an Affiliate of Vista, or that are determined to be illegal in the reasonable judgment of SHG's counsel, including, without limitation, any capital lease to which Vista is a party ("Capital Leases"), subject to such additions, substitutions or deletions thereto as shall occur in the ordinary course of business prior to the Closing Date (for purposes of this Agreement an "Affiliate of Vista" is defined as any person or entity that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Vista, whether through the ownership of securities, election or appointment of directors, by contract or otherwise);

(6) To the extent assignable or transferable, the licenses, permits, approvals, accreditations and registrations related to the Purchased Assets;

(7) The patient and other records of Vista, other than any records associated with the Retained Assets (as defined below);

(8) All goodwill and other intangible assets associated with the Hospitals, including the right to use of their respective names; and

(9) All claims, and insurance proceeds resulting from such claims, which Vista has or could have against third parties in respect of any of the Purchased Assets, including, without limitation, any claims relating to warranties of vendors or manufacturers of the Purchased Assets or of any assets leased by Vista under a Contract.

d. Retained Assets. The Purchased Assets will not include, and SHG will not acquire, nor would Vista sell, any of the following assets (collectively, the "Retained Assets"):

(1) Cash and cash equivalents of Vista, including assets that are limited or restricted as to use;

(2) Accounts receivable of Vista which do not constitute Acquired Accounts Receivable, including, without limitation, those from Medicare, Medi-Cal or any other government payment program in respect of cost reports filed for periods ended on or prior to the Closing and all intercompany receivables of any type;

(3) Any contracts with an Affiliate of Vista;

(4) Rights of Vista in bequests, donor-restricted and other similar assets;

(5) Any other assets excluded by mutual written agreement of the Parties.

e. Assumed Liabilities. At the Closing, SHG proposes to assume and agree to pay, discharge or perform in accordance with the terms thereof the following liabilities, obligations and commitments of SMH, and only the following liabilities, obligations and commitments of Vista (collectively, the "Assumed Obligations"):

(1) Accrued payroll and related expenses, including, without limitation, accrued paid time off;

(2) Accounts payable and other accrued expenses and/or liabilities due under the Contracts; and

(3) Obligations arising under the Contracts from and after the Closing, including, without limitation, all obligations under the capital leases.

f. Excluded Liabilities. SHG does not intend to assume, and Vista will remain liable for, any and all of its debts, liabilities, obligations and other commitments of Vista that arise prior to the Closing (the "Excluded Liabilities"), including, without limitation, the following:

(1) Liabilities relating to claims against Vista arising from acts or omissions by Vista occurring prior to the Closing, including, without limitation, on account of (i) environmental matters, (ii) workers' compensation claims, (iii) the pension and welfare benefit plans maintained by Vista, (iv) malpractice claims, (v) unpaid employment and other taxes, or

(vi) any violation by Vista of any law, rule, regulation, judgment, order or other legal requirement applicable to Vista;

(2) Liabilities under, relating to or arising from any governmental health care payment program, including, without limitation, the Medicare and Medi-Cal programs, in all cases relating to periods prior to the Closing;

(3) Liabilities related to the Retained Assets;

(4) Liabilities for repayment of funds under the Hill-Burton program, if applicable;

(5) Accounts payable and other amounts due to affiliates of Vista, including, without limitation, the inter-company obligation and other liabilities of the Hospitals; and

(6) Liabilities or obligations for taxes resulting from the consummation of the Sale, to the extent any exist.

g. Reciprocal Indemnities. SHG shall indemnify and hold Vista harmless from all liability, loss, cost, damage, fines, penalties, or expenses, including without limitation attorney's fees, that result from (i) SHG's failure or refusal to pay the Assumed Liabilities, or (ii) SHG's breach of any representation or warranty provided pursuant to the Sale. Vista shall indemnify and hold SHG harmless from all liability, loss, cost, damage, fines, penalties, or expenses, including without limitation attorney's fees, that result from (i) Vista's failure or refusal to pay the Excluded Liabilities; (ii) SHG's breach of any representation or warranty provided pursuant to the Sale.

h. Employee Contracts and Pension Obligations. At the Closing, SHG anticipates that it will extend an offer of employment to substantially all of the employees of Vista on terms comparable to those in effect with respect to such employees immediately prior to the Closing and, in any event, to provide such employees with market wages and benefits. SHG proposes to retain all such employees who accept such offer for not less than 90 days (unless SHG terminates any such employee for good cause or such employee voluntarily terminates such employment during this period. SHG intends to offer employee benefits, including pension plans, reasonably comparable to those currently in place at the Hospitals. SHG intends to review employment contracts on an individual basis during the course of due diligence, and shall make independent determinations of whether to continue such arrangements after the Closing Date; nonetheless, SHG intends to fully honor the terms of all employment contracts which are included among the Assumed Agreements and are not otherwise terminable.

i. Escrow Account. SHG anticipates the establishment of two escrow accounts:

(1) The parties will establish a general escrow account for the purpose of facilitating the closing of the Sale in accordance with a Definitive Agreement which includes the terms of Sale as described here. The escrow agent will coordinate the funding of the Purchase Price upon satisfaction of conditions of closing as described in the Definitive Agreement.

- (2) The parties will establish an irrevocable escrow account (the "Irrevocable Escrow") for the sole purpose of ensuring the defeasance of the Bonds relating to the Hospitals and for which Vista or Vista Affiliates are obligors

3. Mission and Strategy

Star Healthcare Group, Inc. exists to acquire and manage hospitals and health systems. Our vision is to become one of the top 10 hospital healthcare systems within the next 5 years. The acquisition of Vista Health Systems and French Hospital Medical Center positions SHG to achieve its growth goals at an accelerated rate.

(a) Short Term: Year 1

Our philosophy during Year 1 would be to institute our operations improvement process and complete our strategic planning for each hospital in the system focusing on the unique needs of the communities served and the medical staff's vision for the provision of healthcare. It is our belief that the institution of a system's improvement process focusing on key service lines is essential for aligning hospital operations with market dynamics to increase productivity, profitability, enhanced user satisfaction and provide needed and meaningful quality improvement. In summary, Year 1 will be focused on including all stakeholders within the hospitals internal and external community to plan and set a strategic vision for the future.

(b) Mid-Term: Year 2-3

In post acquisition years 2 and 3 the implementation of strategic business initiatives, as well as, capital technology acquisition will be our primary focus.

(c) Beyond 3 Years

It is our experience that as a result of our initial planning and operations improvement process the development of a master facility plan will be required.

4. Governance

SHG, Inc. is committed to a model emphasizing strong local control for the delivery of healthcare within its hospitals. In specific terms, the Board of Directors will consist of the new corporate ownership as well as the development of a community council which will provide valuable input and serve as an advisory function. This group will consist of a broad cross section of the community served (i.e. local government officials, the business community, legal and physician community, etc.). Star Healthcare Group, Inc. will provide corporate oversight and support for each hospital CEO, Chief Financial Officer and hospital physician leadership. SHG, Inc. will assure governance according to industry benchmarks while taking into account the unique nature of each of its hospital's operating environment.

5. Management

SHG believes that the successful operation of each hospital will result from the development of annual plans describing fiscal responsibility, operational and performance benchmarking, etc. Although SHG recognizes the uniqueness of each facility and will capitalize on such, certain standard criteria will be a part of each hospital's operating guidelines. One such criteria will be to incorporate a flat organizational model allowing streamline decision making and eliminating large executive payrolls. SHG believes in the centralization of business office functions. Benchmarking cost to national standards will be a prime objective for the management of SHG hospitals. SHG will place a CEO, CFO and Vice President of Business Development/Marketing at each of its facilities. These individuals will be SHG employees.

6. Managed Care

Each SHG principal possess extensive experience in the managed care arena. Each principal has acquired or negotiated the complete array of managed care financing vehicles. We believe that Vista Health Systems/French Hospital Medical Center Inc. are well placed from a geographic standpoint to compete for contracts within their local marketplaces. For example, Corona Regional Medical Center sits at the hub of the 91 freeway corridor which runs from Orange County all the way through Eastern Riverside County. Population growth estimates for this area are projected to be enormous over the next 5 to 10 year planning horizon. Each SHG principal has lived or worked in the Riverside County and has negotiated managed care contracts for hospitals in those areas. In addition, SHG has long standing relationships with the payers and medical groups in those regions. While SHG does not possess any experience in the San Luis Obispo marketplace, our experience well-equips us to negotiate financially sound and strategically effective managed care relationships. Our company often finds managed care contracting to be one of the greatest areas of exposure relative to the financial and strategic health of many hospitals and health systems.

7. Medical Services/Operations

SHG believes that improvements in hospital/medical services delivery must be based on sound systems theory, information technology and the effective development of people and processes. We are a performance improvement based organization that believes in aligning hospital operations, medical delivery systems within a service line methodology. For example:

- 1) The hospital will achieve improved efficiencies by reorganizing each service area and flattening its leadership structure. We will place service line directors within each defined enterprise and they will be responsible for developing service line specific business plans including operational improvement process/cost reduction and user service satisfaction initiatives.
- 2) The retention, discharge or retraining of employees is a high priority for Star Healthcare Group, Inc. We believe that each hospital's human resource comprises the "critical success factor" for the organization. Therefore, significant resources will be allocated to improve leadership and skill sets on a regular basis for all sectors of the hospital. As we look at developing service lines we will be especially interested in the recruitment of much needed or underserved medical services, through recruitment packages and other regulatory -approved

means, we will achieve service integration within our facilities through the development of the service line model, strong case management, user friendly and relevant information systems which provide useful financial and decision support data for the hospital. Finally, we believe in developing the team approach which includes an empowering environment for all stakeholders.

8. Competition

SHG does not subscribe the "cookie cutter" approach to hospital operations. We believe that we must identify and encourage collaboration within a defined marketplace. Specifically, we believe it makes sound strategic and financial sense for 2 hospitals which operate within the same geographic area to carefully assess duplication of services and explore collaboration or contraction based on demographics, market share, clinical expertise, technology, etc. SHG will facilitate such sharing of services or redirection therein as dictated by market dynamics and the stakeholders involved.

9. Closing Process Schedule.

SHG anticipates that, within three (3) business days following invitation by Vista in response to the proposal described here, SHG and Vista shall commence negotiations of a letter of intent (the "LOI") which (i) includes terms consistent with terms of this proposal, (ii) includes such other terms and conditions which are commercially reasonable under the circumstances; and (iii) obligates the parties to negotiate the terms of a definitive agreement (the "Definitive Agreement") consistent with the LOI, which Definitive Agreement shall be binding upon the parties in all respects. Based on the experience of its principals, SHG believes that the parties shall be able to (i) negotiate and document the terms of the LOI within five (5) business days following the commencement of negotiations, and (ii) negotiate and document the terms of the Definitive Agreement within twenty (20) business days following the execution of the LOI. SHG also believes that it can cause the Closing Date to occur within 120 days following execution of the LOI, contingent upon timely completion of the Attorney General review process required by California law and other governmental approvals. SHG and its legal counsel have successfully petitioned government agencies to expedite approval processes to satisfy closing schedules in previous transactions, and intends to do so as necessary in this instance as well.



Star Healthcare Group, Inc.
230 Newport Center Drive, Suite 300
Newport Beach, CA 92660
Tel (949) 319-8600 Fax (949) 640-1814

September 20, 2002

Mr. Jim Braley
Cambio Health Solutions LLC
105 Continental Place
Brentwood, Tennessee 37027

Re: Vista Hospital Systems, Inc

Dear Mr. Braley,

We would like to direct you to our financial advisor, Melinda McIntyre-Kolpin as it relates to our financial business relationships. Melinda is the CEO of Network-Health Financial Services. In this capacity, she represents our interests by working with appropriate capital and financial services vendors. She is negotiating the selection of the correct vehicle for funding the Vista Hospital Systems, Inc. acquisition as well as several other transactions

Melinda can be reached at (310) 312-8202. She can provide the information you requested in the September 9, 2002 letter to Peter Spiers.

We continue to have a high level of interest in acquiring Vista Hospital Systems. We are anxious to proceed and look forward to hearing from you regarding the next steps.

Sincerely,

Andrea S. Kofl
Managing Director

Cc Melinda McIntyre-Kolpin

**AKIN GUMP
STRAUSS HAUER & FELD LLP**

Attorneys at Law

JOHN P. KRAVE
310 229 1029/fax: 310 229 3898
JKrave@Akingump.com

September 11, 2002

VIA FACSIMILE AND REGULAR MAIL.

Mr. Jim Braley
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, Tennessee 37027

Re: Vista Hospital Systems, Inc.

Dear Mr. Braley:

Star Healthcare Group, Inc. ("Star") has asked us to respond to your letter dated September 9, 2002 to Mr. Peter Spiers, in which you request additional information related to the ability of Star to finance the acquisition of three hospitals from Vista Health Systems, Inc. ("Vista"). Preliminarily, representatives of several commercial lenders have indicated to Star that financing for the proposed transaction is indeed feasible. As a result, Star is presently evaluating various financing alternatives that are available to it, and shall provide you with the requested information on or before September 20, 2002.

Please do not hesitate to contact me or Mr. Spiers if Vista requires the requested information at an earlier date, or with any other comments or questions you may have concerning Star or the proposed transaction.

Sincerely,

John P. Krave

cc: Andrea Kofl
Richard A. Yardley
Peter J. Spiers



September 9, 2002

Mr. Peter Spiers
Star Healthcare Group, Inc
230 Newport Center Drive
Newport Beach, CA 92660

Via Fax: 949-640-1814

Dear Peter:

We have received your proposal for the three hospitals of Vista Hospital Systems, Inc and we request that you provide additional information related to the ability of Star Healthcare Group, Inc to finance the acquisition. The information provided should include any financing contingencies.

If you have any questions, please feel free to contact me at 1-877-515-5354.

Sincerely,

Jim Braley

AKIN GUMP
STRAUSS HAUER & FELD LLP

Attorneys at Law

JOHN P. KRAVE
310.229.1029/fax: 310.229.3896
JKrave@Akingump.com

September 25, 2002

VIA FACSIMILE AND FEDERAL EXPRESS

Mr. Jim Braley
Ms. Glenda Daniel
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, Tennessee 37027

Re: Vista Hospital Systems, Inc.; French Hospital Medical Center, Inc.

Dear Mr. Braley:

Star Healthcare Group, Inc. ("Star") wishes to further amend its response to Request for Proposal submitted to Vista Hospital Systems, Inc. ("Vista") and French Hospital Medical Center, Inc. ("French") on September 5, 2002, as amended by my letter to you dated September 24, 2002 (as amended, the "Amended Response"). At the Closing Date, Star shall pay to Vista the amount of \$152,000,000 as the minimum Purchase Price for French Hospital Medical Center, Corona Regional Medical Center, and Arroyo Grande Community Hospital (collectively, the "Hospitals"). **In addition to the minimum Purchase Price**, Star shall pay to Vista a sum equal to 20% of the amount by which the Consolidated EBITDA (i.e., earnings before interest, taxes, depreciation, and amortization determined on a cash basis) of the Hospitals exceeds \$20,000,000 (the "EBITDA Bonus") in any year of the first five full fiscal years after the Closing Date. The EBITDA Bonus payable to Vista shall not exceed \$2,000,000 in any year. The EBITDA Bonus shall be payable to Vista no later than 90 days after the conclusion of each full fiscal year following the Closing Date.

All capitalized terms used herein shall have the same meaning as in the Amended Response.

Please communicate this revised offer to the Boards of Directors of Vista and French at your earliest opportunity. Please do not hesitate to contact Peter Spiers, Managing Director of Star ([949] 640-9992) or me if Vista has any further comments or questions concerning Star or the Sale.

Sincerely,

John P. Krave

AKIN GUMP
STRAUSS HAUER & FELD LLP

Attorneys at Law

Mr. Jim Braley
Page 2
September 25, 2002

cc: Andrea Kofl
Richard A. Yardley
Peter J. Spiers

AKIN GUMP
STRAUSS HAUER & FELD LLP

Attorneys at Law

JOHN P. KRAVE
310.229.1029/fax: 310.229.3896
JKrave@Akingump.com

September 24, 2002

VIA FACSIMILE AND FEDERAL EXPRESS

Mr. Jim Braley
Ms. Glenda Daniel
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, Tennessee 37027

Re: Vista Hospital Systems, Inc.; French Hospital Medical Center, Inc.

Dear Mr. Braley:

Star Healthcare Group, Inc. ("Star") wishes to increase the Purchase Price in its response to Request for Proposal (the "Response") submitted to Vista Hospital Systems, Inc. ("Vista") and French Hospital Medical Center, Inc. ("French") on September 5, 2002 by substituting the amount of "\$130,000,000" in place of the amount of "\$115,000,000" as originally stated in Paragraph 2(a) of the Response. All other terms of the Response shall remain unchanged. Please communicate this revised offer to the Boards of Directors of Vista and French at your earliest opportunity

Please do not hesitate to contact Peter Spiers, Managing Director of Star ([949] 640-9992) or me if Vista has any further comments or questions concerning Star or the proposed transaction.

Sincerely,

John P. Krave

cc: Andrea Kofl
Richard A. Yardley
Peter J. Spiers



Eric Tuckman
Vice President
Acquisition & Development

Western Division

August 19, 2002

Jim Braley
C/O Glenda Daniel
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Dear Mr. Braley:

On behalf of Tenet Healthcare Corporation, I want to express our appreciation for the opportunity to respond to the RFP issued by Vista Hospital Systems, Inc. and French Hospital Medical Center, Inc.

The purpose of this correspondence is to generally advise you of our interest in exploring the opportunity to acquire Arroyo Grande Community Hospital. Consistent with the understanding we reached with your office, we will provide you with a more detailed response, including our proposed purchase price on or before August 28, 2002.

In an effort to facilitate the process being coordinated by Cambio, I have included a non binding summary of the principal non economic terms and conditions we would propose for this transaction. As you will note, we are prepared to structure this transaction as a cash transaction. As one of the largest hospital operating companies in the country, we are capable of funding this transaction without the use of external sources. Enclosed I have provided copies of Tenet's latest annual report and additional background materials regarding our operations in California and throughout the country.

I will be in contact with your office to obtain the additional information necessary to complete our proposal. Once again thank you for this opportunity. I look forward to working with you.

Sincerely,

Eric Tuckman

Non-Binding Preliminary Proposal

Arroyo Grande Community Hospital and Tenet HealthSystem

Description of Proposed Transaction

Tenet HealthSystem ("Tenet") or its designated affiliate proposes to acquire from Vista Hospital System, Inc. and Arroyo Grande Community Hospital certain assets and assume certain identified liabilities (see below) of Arroyo Grande Community Hospital relating to the operation of Arroyo Grande Community Hospital, including interests in certain businesses ancillary thereto (hereinafter referred to as the "Arroyo Grande Community Hospital").

Form

Asset purchase agreement with customary warranties, representations, covenants and conditions.

Total Consideration (To Be Determined)

Total consideration to be determined. The consideration however will be structured to consist of a cash payment at Closing plus the book value of the "net working capital" (defined below) of the Arroyo Grande Community Hospital as of the Closing date. The term "net working capital" is defined for purposes of this nonbinding proposal as an amount equal to the difference between (i) the current assets of the Arroyo Grande Community Hospital, which shall include only useable inventories and prepaid expenses which provide benefit to Tenet after Closing as set forth on the unaudited balance sheet dated immediately prior to the Closing (the "Balance Sheet") and (ii) the current liabilities of the Arroyo Grande Community Hospital, which shall include only accrued payroll and related employee expenses as set forth on the Balance Sheet. All entries to the foregoing items shall be made in accordance and consistent with Arroyo Grande Community Hospital's historical accounting policies and practices with respect to the Assets.

Acquired Assets

Assets to be acquired or assigned include, but are not limited to (collectively, the "Assets"):

- The property, plant and equipment used in the operation of the Arroyo Grande Community Hospital

- The Arroyo Grande Community Hospital' prepaid expenses, useable inventory and supplies as of the Closing date;
- The Arroyo Grande Community Hospital' patient records, commercially reasonable and legal contracts and leases, and, to the extent transferable, all licenses, accreditations and permits; provided, that Tenet reserves the right to obtain new provider numbers for any and all state and federal health care reimbursement programs.
- Assets used in various operations supportive of and ancillary to the Arroyo Grande Community Hospital's operations.

- All names, including derivatives thereof, associated with the Arroyo Grande Community Hospital.

Retained Assets

The Assets shall not include the following (the "Retained Assets").

- Cash and other investments, including assets whose use is limited;
- The Arroyo Grande Community Hospital' accounts receivable, including estimated payments due under private third-party payment programs; ~~provided, however, Tenet~~ would, at Arroyo Grande Community Hospital's option, collect Arroyo Grande Community Hospital' accounts receivable through a mutually agreeable agency service contract; and
- Rights in bequests, donor restricted gifts and the like.

Assumed Liabilities

Subject to due diligence, Tenet will assume the following liabilities with respect to the Arroyo Grande Community Hospital:

- Accrued payroll and related employee expenses;
- All commercially reasonable contracts and leases material to the Arroyo Grande Community Hospital's current operations and other operating obligations of the Arroyo Grande Community Hospital as mutually agreeable.

Excluded Liabilities

Liabilities to be excluded from the transaction include:

- Long-term debt and other long-term obligations including the current portion thereof. Vista Hospital Systems, Inc and Arroyo Grande Community Hospital would retain sole responsibility for tendering, defeasing or otherwise discharging all long term indebtedness, including the payment of all costs related thereto.
- Medical malpractice liabilities to the extent arising before Closing and all liabilities related to Arroyo Grande Community Hospital's employment and benefit programs;
- All other liabilities arising prior to Closing including, without limitation, liability for all acts, omissions and occurrences prior to Closing; and
- Liabilities associated with Retained Assets.

Governance

As is its custom, Tenet would establish a local governing body ("Governing Body") at the Arroyo Grande Community Hospital comprised of local community leaders, and medical staff members. The local Governing Body would have authority relative to the hiring of the CEO, medical staff appointments, maintenance of JCAHO requirements, ensuring quality of care and review of all capital and operating budgets.

Charity Care

The first tenet of Tenet's Vision Statement is to "meet the needs of each and every patient whose care is our primary purpose and mission." Tenet, therefore, is prepared to adopt Arroyo Grande Community Hospital's existing charity care practices.

Employee Matters

Each active Arroyo Grande Community Hospital employee in good standing with Arroyo Grande Community Hospital will be offered employment by Tenet in accordance with Tenet's usual and customary policies. Employees will be given credit for length of service for purposes of determining eligibility for participation in various benefits plans and seniority as such is considered under Tenet policies.

Covenant Not to Compete

The terms of a covenant not to compete will be negotiated as part of a Definitive Purchase Agreement and subject to regulatory approval.

No Shop

If selected to pursue this opportunity, Tenet would request a 90 day exclusive right to complete both its due diligence activities and negotiate a definitive asset purchase agreement. During that period, Vista Hospital Systems, Inc and Arroyo Grande Community Hospital would agree not to pursue or entertain any other offers of purchase, joint venture, merger or affiliation with respect to the Arroyo Grande Community Hospital or the Assets.

Conditions to Close

Conditions to close will include:

- No material adverse change in operations or business prospects of the Arroyo Grande Community Hospital;
- Completion of satisfactory operational, legal, fraud and abuse, and financial due diligence;
- Receipt of a favorable Phase I environmental survey to be delivered to Tenet by Arroyo Grande Community Hospital;
- Receipt of necessary state and federal licensure and regulatory approvals.
- Receipt of approvals or waivers under the Hart-Scott-Rodino Antitrust Improvement Act;
- Receipt of approval from the Federal Trade Commission

- Receipt of an acceptable ALTA title insurance policy;
- The assignment of material contracts related to the operation of the Arroyo Grande Community Hospital; and
- The approval of the Board of Directors of Tenet.

THIS PROPOSAL IS A NON-BINDING EXPRESSION OF CERTAIN MATTERS ONLY FOR DISCUSSION PURPOSES AND SHALL NOT GIVE RISE TO ANY OBLIGATIONS OR LIABILITY BETWEEN THE PARTIES. UNTIL THE EXECUTION OF A MUTUALLY AGREEABLE DEFINITIVE AGREEMENT, NO BINDING AGREEMENT WILL EXIST BETWEEN THE PARTIES.



Eric Tuckman
Vice President
Acquisition & Development

Western Division

September 10, 2002

Jim Braley
C/O Glenda Daniel
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Dear Mr. Braley:

Per our letter of August 19, 2002 and our recent telephone conversation, I am enclosing our revised Non-Binding Preliminary Proposal that includes our purchase price of \$18.5 million to acquire Arroyo Grande Community Hospital.

On behalf of Tenet Healthcare Corporation, I want to again express our appreciation for the opportunity to respond to the RFP issued by Vista Hospital Systems, Inc. and French Hospital Medical Center, Inc.

Sincerely,

Eric Tuckman

Arroyo-rev

Non-Binding Preliminary Proposal

Arroyo Grande Community Hospital and Tenet HealthSystem

Description of Proposed Transaction

Tenet HealthSystem (“Tenet”) or its designated affiliate proposes to acquire from Vista Hospital System, Inc. and Arroyo Grande Community Hospital certain assets and assume certain identified liabilities (see below) of Arroyo Grande Community Hospital relating to the operation of Arroyo Grande Community Hospital, including interests in certain businesses ancillary thereto (hereinafter referred to as the “Arroyo Grande Community Hospital”).

Form

Asset purchase agreement with customary warranties, representations, covenants and conditions.

Total Consideration

Total consideration shall consist of a cash payment of \$18.5 million plus the book value of the “net working capital” (defined below) of the Arroyo Grande Community Hospital as of the Closing date. The term “net working capital” is defined for purposes of this nonbinding proposal as an amount equal to the difference between (i) the current assets of the Arroyo Grande Community Hospital, which shall include only useable inventories and prepaid expenses which provide benefit to Tenet after Closing as set forth on the unaudited balance sheet dated immediately prior to the Closing (the “Balance Sheet”) and (ii) the current liabilities of the Arroyo Grande Community Hospital, which shall include only accrued payroll and related employee expenses as set forth on the Balance Sheet. All entries to the foregoing items shall be made in accordance and consistent with Arroyo Grande Community Hospital’s historical accounting policies and practices with respect to the Assets.

Acquired Assets

Assets to be acquired or assigned include, but are not limited to (collectively, the “Assets”):

- The property, plant and equipment used in the operation of the Arroyo Grande Community Hospital
- The Arroyo Grande Community Hospital’ prepaid expenses, useable inventory and supplies as of the Closing date;
- The Arroyo Grande Community Hospital’ patient records, commercially reasonable and legal contracts and leases, and, to the extent transferable, all licenses, accreditations and permits; provided, that Tenet reserves the right to obtain new provider numbers for any and all state and federal health care reimbursement programs.
- Assets used in various operations supportive of and ancillary to the Arroyo Grande Community Hospital’s operations.
- All names, including derivatives thereof, associated with the Arroyo Grande Community Hospital.

Retained Assets

The Assets shall not include the following (the “Retained Assets”).

- Cash and other investments, including assets whose use is limited;
- The Arroyo Grande Community Hospital’ accounts receivable, including estimated payments due under private third-party payment programs; provided, however, Tenet would, at Arroyo Grande Community Hospital’s option, collect Arroyo Grande Community Hospital’ accounts receivable through a mutually agreeable agency service contract; and
- Rights in bequests, donor restricted gifts and the like.

Assumed Liabilities

Subject to due diligence, Tenet will assume the following liabilities with respect to the

Arroyo Grande Community Hospital:

- Accrued payroll and related employee expenses;
- All commercially reasonable contracts and leases material to the Arroyo Grande Community Hospital's current operations and other operating obligations of the Arroyo Grande Community Hospital as mutually agreeable.

Excluded Liabilities

Liabilities to be excluded from the transaction include:

- Long-term debt and other long-term obligations including the current portion thereof. Vista Hospital Systems, Inc and Arroyo Grande Community Hospital would retain sole responsibility for tendering, defeasing or otherwise discharging all long term indebtedness, including the payment of all costs related thereto.
- Medical malpractice liabilities to the extent arising before Closing and all liabilities related to Arroyo Grande Community Hospital's employment and benefit programs;
- All other liabilities arising prior to Closing including, without limitation, liability for all acts, omissions and occurrences prior to Closing; and
- Liabilities associated with Retained Assets.

Governance

As is its custom, Tenet would establish a local governing body ("Governing Body") at the Arroyo Grande Community Hospital comprised of local community leaders, and medical staff members. The local Governing Body would have authority relative to the hiring of the CEO, medical staff appointments, maintenance of JCAHO requirements, ensuring quality of care and review of all capital and operating budgets.

Charity Care

The first tenet of Tenet's Vision Statement is to "meet the needs of each and every patient whose care is our primary purpose and mission." Tenet, therefore, is prepared to adopt Arroyo Grande Community Hospital's existing charity care practices.

Employee Matters

Each active Arroyo Grande Community Hospital employee in good standing with Arroyo Grande Community Hospital will be offered employment by Tenet in accordance with Tenet's usual and customary policies. Employees will be given credit for length of service for purposes of determining eligibility for participation in various benefits plans and seniority as such is considered under Tenet policies.

Covenant Not to Compete

The terms of a covenant not to compete will be negotiated as part of a Definitive Purchase Agreement and subject to regulatory approval.

No Shop

If selected to pursue this opportunity, Tenet would request a 90 day exclusive right to complete both its due diligence activities and negotiate a definitive asset purchase agreement. During that period, Vista Hospital Systems, Inc and Arroyo Grande Community Hospital would agree not to pursue or entertain any other offers of purchase, joint venture, merger or affiliation with respect to the Arroyo Grande Community Hospital or the Assets.

Conditions to Close

Conditions to close will include:

- No material adverse change in operations or business prospects of the Arroyo Grande Community Hospital;
- Completion of satisfactory operational, legal, fraud and abuse, and financial due diligence;
- Receipt of a favorable Phase I environmental survey to be delivered to Tenet by Arroyo Grande Community Hospital;
- Receipt of necessary state and federal licensure and regulatory approvals.
- Receipt of approvals or waivers under the Hart-Scott-Rodino Antitrust Improvement Act;
- Receipt of approval from the Federal Trade Commission

- Receipt of an acceptable ALTA title insurance policy;
- The assignment of material contracts related to the operation of the Arroyo Grande Community Hospital; and
- The approval of the Board of Directors of Tenet.

THIS PROPOSAL IS A NON-BINDING EXPRESSION OF CERTAIN MATTERS ONLY FOR DISCUSSION PURPOSES AND SHALL NOT GIVE RISE TO ANY OBLIGATIONS OR LIABILITY BETWEEN THE PARTIES. UNTIL THE EXECUTION OF A MUTUALLY AGREEABLE DEFINITIVE AGREEMENT, NO BINDING AGREEMENT WILL EXIST BETWEEN THE PARTIES.



UHS of Delaware, Inc.

7000 West William Cannon Drive
Building One, Suite 150

Austin
Texas
78735

512.330.9858
Fax: 512.330.9848

August 19, 2002

Mr. Jim Braley
Vice President
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Re: Vista Hospital Systems, Inc. and French Hospital Medical Center

Dear Mr. Braley:

This letter expresses Universal Health Services, Inc.'s ("UHS") interest in purchasing substantially all of the assets of Vista Hospital Systems, Inc. and French Hospital Medical Center (Hospitals) and related entities, from the owners of the Hospitals ("Seller") as more particularly described below, and upon terms and conditions set forth in the enclosed materials.

1. Assets to be Purchased.

A. We understand that the assets consist of Corona Regional Medical Center, located in Corona, California; Arroyo Grande Community Hospital, located in Arroyo Grande, California; and French Hospital Medical Center, located in San Luis Obispo, California and other related entities. We propose to purchase all of the assets (with the exception of Cash and Cash Equivalents, Assets is Limited As to use, and Other Assets including Deferred Financing Costs, Deposits and Goodwill and those assets which UHS, in its sole discretion, determines not to purchase (the "Excepted Assets")) (the "Assets").

B. Both UHS and the Seller will use their respective best efforts to structure the transaction to comply with all the federal and state laws and regulations and to assist each party to minimize federal and state tax liabilities.

2. Consideration. Based upon audited financial statements for 12-months ended December 31, 2001 and unaudited financial statements for 5-months ended June 30, 2001 and assuming no material adverse change from these financial statements, UHS will pay an aggregate of \$115 million in cash, for all the Assets at Closing. Assets to be purchased include without limitation, all current assets (other than Excepted Assets, if any), real property and improvements.

tangible and intangible personal property and going concern value of the Assets. All Assets of the Seller will be free and clear of all liens and encumbrances except easements, rights of way, servitudes, restrictions and any other matter which does not materially impact the use or value of the assets. The working capital computed in accordance with generally accepted accounting principles and prepared on a basis consistent with the balance sheet of June 30, 2001 (excluding items not assumed by UHS) transferred at the Closing Date shall not be less than reflected on the June 30, 2001 balance sheet with any shortfall to be paid in cash to UHS and any excess to be paid to the Seller. UHS will not assume any other liabilities, including without limitation, Current Installments on Long-Term Debt, Current Capital Lease Obligations Accrued Interest, Accrued Interest Payable, Other Accrued Liabilities, Due to Third Party Payors, Long-term debt, including Certificates of Participation, Capital leases, Malpractice Insurance, Notes Payable and Deferred Revenue or any environmental liabilities of the Seller or any claims arising out of any act or omission of the Seller prior to the Closing Date including, without limitation, any malpractice or worker's compensation liabilities or any other liabilities not specifically assumed.

3. Non-Competition. The Seller would deliver to UHS a binding agreement that Seller will not build, invest in, assist in the development of, or have any management role in another healthcare facility within fifty miles of each Asset for five years after closing of the Definitive agreement without the written consent of UHS.

4. Books and Records. Prior to closing, the Seller will allow UHS during normal business hours, upon reasonable notice, to review books, records and other information as UHS may reasonably request and shall have access to the employees and medical staff of the Seller and community leaders. If requested by UHS, the Seller will cooperate and cause their independent accountants to cooperate in the preparation of an audit of the Seller's financial statements and with filing such financial statements with UHS's filings with the Securities and Exchange Commission if requested by UHS.

5. Medicare Recapture. UHS and Seller will make every effort to minimize Medicare Recapture liability.

6. Conditions. The terms set forth in this letter are based upon and subject to our completion of due diligence to the reasonable satisfaction of UHS prior to signing the Definitive Agreement. In addition to the foregoing, this proposal is conditioned upon the following:

A. The Seller shall have conducted their business in the ordinary course since June 30, 2001, and no material adverse changes in the operations, condition of the real or personal property or financial condition or prospects of the Seller between June 30, 2001 and the date of closing shall have occurred;

B. Approval by all necessary federal, state and city regulatory agencies, including without limitation the U.S. Department of Justice, the Federal Trade Commission and the state agencies responsible for Seller licensing and the sale of the Seller without imposition of material burdensome conditions on UHS;

C. Receipt of reasonable satisfactory environmental surveys and reports relating to the real property of the Seller;

D. The preparation of, and agreement to, Definitive Agreements for this transaction which would include customary warranties and representations (including without limitation those relating to the condition, financial and otherwise, of the Seller and the Assets and representations regarding the level and methodology and formulae of third party reimbursement arrangements), covenants and conditions and indemnities all of which will survive the Closing, as well as other terms documenting the agreement between UHS and the Seller.

E. Approval by the Seller's Board of Directors.

F. Approval by the UHS Board of Directors.

There will be no financing contingency.

7. Exclusivity. Inasmuch as we will expend substantial effort and expense in connection with this matter, if this proposal is acceptable to you, you will not solicit, negotiate or provide information concerning the sale or other disposition of all or any part of the Assets to any third party until the earlier of ninety days after the date of your acceptance of this Letter or until UHS advises you that it does not wish to proceed with this transaction.

8. Confidentiality.

A. All proprietary and confidential information furnished by one party to the other before and after the date of this letter agreement shall, unless otherwise required by law, be held by the receiving party in confidence and disclosed only to its directors, officers, employees, counsel, and accountants involved in the proposed transaction. In the event that the transaction discussed in this letter is not completed, each party shall promptly return all documents and other written information received from the other party. Without the consent of the Seller, UHS shall not discuss any aspect of the proposed transaction with any person affiliated with the Seller, including any physician, board member, employee, officer or public official, until consummation of the transaction.

✓

Vista Hospital Systems, Inc. and French Hospital Medical Center
August 19, 2002
Page 4

B. The proposed financial terms, the terms and conditions of our proposal and our identity are not to be disclosed to anyone, including any other prospective purchaser, other than the Seller, and their respective advisors, or as required by law or regulatory authorities.

9. Guaranty. UHS will purchase the Assets through one or more subsidiaries. All obligations of any such subsidiary would be guaranteed by UHS regardless of which UHS subsidiary is involved in the Definitive Agreement.

10. Assignment. UHS shall have the right in its sole discretion to assign its rights to purchase Arroyo Grande Community Hospital and French Hospital Medical Center to one or more parties. Seller shall cooperate in such assignment and with such other parties to the same extent it cooperates with UHS pursuant to Paragraph 4 hereof.

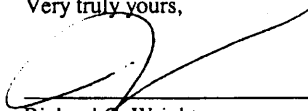
11. Expenses. UHS and the Seller shall each bear their respective legal accounting and other expenses in connection with the transaction contemplated hereby whether or not the transaction is consummated. Notwithstanding the foregoing, the Seller shall be responsible for all closing costs, including without limitation title costs, title insurance, recording fees and transfer and other taxes arising from the transactions contemplated hereby.

This letter expresses our interest in proceeding with our work on this transaction toward an execution of a Definitive Agreement on the terms set forth herein but this is not an offer capable of acceptance and, except as set forth in paragraphs 7, 8 and 11 hereof, no binding agreement shall exist between the parties until the execution of a Definitive Agreement as set forth in paragraph 6D hereof.

We are prepared to devote substantial efforts to complete the transaction. Upon the execution of this letter by the Seller, UHS would proceed with due diligence activities and simultaneously commence negotiation of a Definitive Agreement. In the absence of any unforeseen regulatory or other external delays, UHS would be prepared to execute a Definitive Agreement within ninety days.

I look forward to hearing from you.

Very truly yours,



Richard C. Wright
Vice President - Development

Vista Hospital Systems, Inc. and French Hospital Medical Center
August 19, 2002
Page 5

AGREED TO AND ACCEPTED:

Vista Hospital Systems, Inc. and French Hospital Medical Center

Signature

Date

Print Name and Title

Additional Responses

Mission and Strategy

UHS would continue the mission at each of the facilities as desired by the seller. At the facility level, the development of a complete strategic plan will be constructed in consultation with hospital management, medical staff, employees, board and community members.

The following is a summary of UHS's anticipated strategy for the future operations of the facilities.

Short-term

An important component of a successful long-term relationship is a solid foundation. To that end, UHS will focus on integration with the community, employees and physicians. The integration will include mutually agreed upon operating goals regarding clinical service development, medical staff needs and community health initiatives between all constituents. A complete assessment of the healthcare needs of the community

will be performed to assist in planning and goal setting.

Throughout the transition, UHS will seek input and participation from the community. It is the intent of UHS to continue the focus on health improvement through existing and new outreach programs and services.

Medium-Term

As the markets develop the demand for facilities and services will escalate. UHS would support this growth with capital and other resources to position to hospital as a market leader. It is this ability, together with our strong ethical business practices that has set UHS apart in the industry.

Long-term

For twenty-five years, UHS has led the hospital management industry through a philosophy that emphasizes superior-quality healthcare services at an affordable cost. Over the long term, the company's uncommon commitment to this philosophy has produced an equally uncommon track record of financial performance. As one of the recognized leaders and innovators in the healthcare industry, UHS has developed a business plan based on our strength, experience, and foresight. Community-based hospitals

will remain the focal point of the healthcare delivery network and UHS is committed to a philosophy of self-determination for both the company and our hospitals. UHS will also continue our record of success by ~~remaining committed to a program of rational growth~~ around our core businesses and seek opportunities complementary to our goals - while still retaining the mission of the hospitals we manage and the communities we serve.

The UHS strategy has served the company well in recent years. As we look ahead, we will continue to ~~fine-tune our approach in response to the rapid changes~~ in regulatory trends and market conditions and fulfill the UHS commitment to patients, physicians, employees and communities.

Governance

UHS works jointly with hospital management and community leaders to establish or retain the local governing board. The governing board would be made up of members of the community, the medical staff and UHS. The members of the governing board are considered key advisors and are closely involved with issues surrounding the hospital and the community.

The governing board typically provides direction for purposes of (a) establishing and maintaining JCAHO

requirements relating to medical staff credentialing, quality assurance, and oversight of responsibilities; (b) amending the Hospital's medical staff by-laws, rules, or regulations; (c) performing other functions common to hospital boards of trustees.

Management/ Employees

Continuity of management is a critical component of the transition process. Selection and retention of hospital management is evaluated during the transition and post-transition phase. UHS has a history of retaining hospital management and believes that strong existing hospital managers have an important role in the ongoing success of the hospital.

UHS places a strong emphasis on the value of the employee relationship particularly during a transitional phase. All employees are offered employment on an at-will basis at substantially the same wage rates to all employees of the UHS System. Compliance with fair wage standards is constantly monitored. A comprehensive benefit package is offered to employees comparable to the benefits provided to employees at other UHS facilities. Historically, the benefit packages of acquired facilities have remained the same or are enhanced. Retirement or pension plans are also replaced with current plans in place at UHS.

UHS has repeatedly demonstrated an exceptional ability to maintain staffing levels at newly acquired facilities. For example, staffing levels remained steady at Northwest Texas Healthcare System after more than a year following the transition and post-transition phase. Similar results were also accomplished at George Washington University Hospital.

Managed Care

UHS anticipates an improved ability to effectively negotiate managed care contracts, particularly at the Corona facility in tandem with the UHS hospitals located in nearby Murrieta and Wildomar.

Because UHS is national in scope we have been able to establish relationships with insurance companies and payors around the country. These relationships, firmed by our solid reputation for quality and ethical business practices, have aided in obtaining managed care contracts. UHS has been able to use this leverage in

larger markets to gain once unobtainable contracts in smaller communities thus opening additional revenue sources for the hospital and physicians. Additionally, patients no longer had to seek care in area outside of their community.

Facility/Capital Improvements

UHS realizes that the facilities must have capital infusion to upgrade facilities and remain competitive.

~~To support these facility improvements a dedicated effort to expand volumes through the recruitment of physicians should also occur simultaneously with physical plant improvements. Capital spending allocations should be aimed at developing a committed physician base for the hospital. Consistent with UHS's operating philosophy, the hospitals should focus on delivering healthcare services that are differentiated both clinically and on a cost to consumer basis in order~~

to effectively compete all healthcare providers in the service area. Further, the hospital should develop business relationships with large purchasers of healthcare involved in the integration of clinical delivery capacity with managed care products in order to capture market share.



UHS of Delaware, Inc.

7000 West William Cannon Drive
Building One, Suite 150

Austin
Texas
78735

512.330.9858
Fax: 512.330.9848

September 12, 2002

Mr. Jim Braley
Vice President
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Re: Vista Hospital Systems, Inc. and French Hospital Medical Center

Dear Mr. Braley:

This letter expresses Universal Health Services, Inc.'s ("UHS") interest in purchasing substantially all of the assets of Vista Hospital Systems, Inc. and French Hospital Medical Center (Hospitals) and related entities, from the owners of the Hospitals ("Seller") as more particularly described below, and upon terms and conditions set forth in the enclosed materials.

1. Assets to be Purchased.

A. We understand that the assets consist of Corona Regional Medical Center, located in Corona, California; Arroyo Grande Community Hospital, located in Arroyo Grande, California; and French Hospital Medical Center, located in San Luis Obispo, California and other related entities. We propose to purchase all of the assets (with the exception of Cash and Cash Equivalents, ~~Assets is Limited As to use, and Other Assets including Deferred Financing Costs, Deposits and Goodwill~~ and those assets which UHS, in its sole discretion, determines not to purchase (the "Excepted Assets")) (the "Assets").

B. Both UHS and the Seller will use their respective best efforts to structure the transaction to comply with all the federal and state laws and regulations and to assist each party to minimize federal and state tax liabilities.

2. Consideration. Based upon audited financial statements for 12-months ended December 31, 2001 and unaudited financial statements for 5-months ended May 31, 2002 and assuming no material adverse change from these financial statements, UHS will pay an aggregate of \$140.6 million in cash, for all the Assets at Closing. The Seller will use \$25.6 million of the purchase price to retire Accounts Payable and Accrued Expenses. Assets to be purchased include without limitation, all current assets (other than Excepted Assets, if any), real property and improvements, tangible and intangible personal property and going concern value of the Assets. All

improvements, tangible and intangible personal property and going concern value of the Assets. All Assets of the Seller will be free and clear of all liens and encumbrances except easements, rights of way, servitudes, restrictions and any other matter which does not materially impact the use or value of the assets. The current assets computed in accordance with generally accepted accounting principles and prepared on a basis consistent with the balance sheet of May 31, 2002 (excluding items not assumed by UHS) transferred at the Closing Date shall not be less than reflected on the May 31, 2002 balance sheet with any shortfall to be paid in cash to UHS and any excess to be paid to the Seller. UHS will not assume any liabilities, whatsoever, including without limitation, Accounts Payable, Accrued Expenses, Current Installments on Long-Term Debt, Current Capital Lease Obligations Accrued Interest, Accrued Interest Payable, Other Accrued Liabilities, Due to Third Party Payors, Long-term debt, including Certificates of Participation, Capital leases, Malpractice Insurance, Notes Payable and Deferred Revenue or any environmental liabilities of the Seller or any claims arising out of any act or omission of the Seller prior to the Closing Date including, without limitation, any malpractice or worker's compensation liabilities or any other liabilities not specifically assumed.

3. Non-Competition. The Seller would deliver to UHS a binding agreement that Seller will not build, invest in, assist in the development of, or have any management role in another healthcare facility within fifty miles of each Asset for five years after closing of the Definitive agreement without the written consent of UHS.

4. Books and Records. Prior to closing, the Seller will allow UHS during normal business hours, upon reasonable notice, to review books, records and other information as UHS may reasonably request and shall have access to the employees and medical staff of the Seller and community leaders. If requested by UHS, the Seller will cooperate and cause their independent accountants to cooperate in the preparation of an audit of the Seller's financial statements and with filing such financial statements with UHS's filings with the Securities and Exchange Commission if requested by UHS.

5. Medicare Recapture. UHS and Seller will make every effort to minimize Medicare Recapture liability.

6. Conditions. The terms set forth in this letter are based upon and subject to our completion of due diligence to the reasonable satisfaction of UHS prior to signing the Definitive Agreement. In addition to the foregoing, this proposal is conditioned upon the following:

A. The Seller shall have conducted their business in the ordinary course since May 31, 2002, and no material adverse changes in the operations, condition of the real or personal property or financial condition or prospects of the Seller between May 31, 2002 and the date of closing shall have occurred;

B. Approval by all necessary federal, state and city regulatory agencies, including without limitation the U.S. Department of Justice, the Federal Trade Commission and the state agencies responsible for Seller licensing and the sale of the Seller without imposition of material burdensome conditions on UHS;

C. Receipt of reasonable satisfactory environmental surveys and reports relating to the real property of the Seller;

D. The preparation of, and agreement to, Definitive Agreements for this transaction which would include customary warranties and representations (including without limitation those relating to the condition, financial and otherwise, of the Seller and the Assets and representations regarding the level and methodology and formulae of third party reimbursement arrangements), covenants and conditions and indemnities all of which will survive the Closing, as well as other terms documenting the agreement between UHS and the Seller.

E. Approval by the Seller's Board of Directors.

F. Approval by the UHS Board of Directors.

There will be no financing contingency.

7. Exclusivity. Inasmuch as we will expend substantial effort and expense in connection with this matter, if this proposal is acceptable to you, you will not solicit, negotiate or provide information concerning the sale or other disposition of all or any part of the Assets to any third party until the earlier of sixty days after the date of your acceptance of this Letter or until UHS advises you that it does not wish to proceed with this transaction.

8. Confidentiality.

A. All proprietary and confidential information furnished by one party to the other before and after the date of this letter agreement shall, unless otherwise required by law, be held by the receiving party in confidence and disclosed only to its directors, officers, employees, counsel, and accountants involved in the proposed transaction. In the event that the transaction discussed in this letter is not completed, each party shall promptly return all documents and other written information received from the other party. Without the consent of the Seller, UHS shall not discuss any aspect of the proposed transaction with any person affiliated with the Seller, including any physician, board member, employee, officer or public official, until consummation of the transaction.

B. The proposed financial terms, the terms and conditions of our proposal and our identity are not to be disclosed to anyone, including any other prospective purchaser, other than the Seller, and their respective advisors, or as required by law or regulatory authorities.

9. Guaranty. UHS will purchase the Assets through one or more subsidiaries. All obligations of any such subsidiary would be guaranteed by UHS regardless of which UHS subsidiary is involved in the Definitive Agreement.

10. Assignment. UHS shall have the right in its sole discretion to assign its rights to purchase Arroyo Grande Community Hospital and French Hospital Medical Center to one or more parties. Seller shall cooperate in such assignment and with such other parties to the same extent it cooperates with UHS pursuant to Paragraph 4 hereof.

11. Expenses. UHS and the Seller shall each bear their respective legal accounting and other expenses in connection with the transaction contemplated hereby whether or not the transaction is consummated. Notwithstanding the foregoing, the Seller shall be responsible for all closing costs, including without limitation title costs, title insurance, recording fees and transfer and other taxes arising from the transactions contemplated hereby.

This letter expresses our interest in proceeding with our work on this transaction toward an execution of a Definitive Agreement on the terms set forth herein but this is not an offer capable of acceptance and, except as set forth in paragraphs 7, 8 and 11 hereof, no binding agreement shall exist between the parties until the execution of a Definitive Agreement as set forth in paragraph 6D hereof.

We are prepared to devote substantial efforts to complete the transaction. Upon the execution of this letter by the Seller, UHS would proceed with due diligence activities and simultaneously commence negotiation of a Definitive Agreement. In the absence of any unforeseen regulatory or other external delays, UHS would be prepared to execute a Definitive Agreement within sixty days.

I look forward to hearing from you.

Very truly yours,

Richard C. Wright
Vice President - Development

Vista Hospital Systems, Inc. and French Hospital Medical Center
September 12, 2002
Page 5

AGREED TO AND ACCEPTED:
Vista Hospital Systems, Inc. and French Hospital Medical Center

Signature _____ Date _____

Print Name and Title _____



UHS of Delaware, Inc.

Central Region
7000 West William Cannon Drive
Building One, Suite 150

Austin
Texas
78735

(512) 347-3499 (Phone)
(800) 887-2005
(512) 330-9872 (Facsimile)

September 20, 2002

Mr. Jim Braley
Vice President
Cambio Health Solutions, LLC
105 Continental Place
Brentwood, TN 37027

Re: Vista Hospital Systems, Inc. and French Hospital Medical Center

Dear Mr. Braley:

This letter expresses Universal Health Services, Inc.'s ("UHS") interest in purchasing substantially all of the assets of Vista Hospital Systems, Inc. and French Hospital Medical Center (Hospitals) and related entities, from the owners of the Hospitals ("Seller") as more particularly described below, and upon terms and conditions set forth in the enclosed materials.

1. Assets to be Purchased.

A. We understand that the assets consist of Corona Regional Medical Center, located in Corona, California; Arroyo Grande Community Hospital, located in Arroyo Grande, California; and French Hospital Medical Center, located in San Luis Obispo, California and other related entities. We propose to purchase all of the assets (with the exception of Cash and Cash Equivalents, Assets is Limited As to use, and Other Assets including Deferred Financing Costs, Deposits and Goodwill and those assets which UHS, in its sole discretion, determines not to purchase (the "Excepted Assets")) (the "Assets").

B. Both UHS and the Seller will use their respective best efforts to structure the transaction to comply with all the federal and state laws and regulations and to assist each party to minimize federal and state tax liabilities.

2. Consideration. Based upon audited financial statements for 12-months ended December 31, 2001 and unaudited financial statements for 5-months ended May 31, 2002 and assuming no material adverse change from these financial statements, UHS will pay an aggregate of \$140.6 million in cash, for all the Assets at Closing. The Seller will use up to \$25.6 million of the

purchase price to retire Accounts Payable and Accrued Expenses for which it is legally liable. Assets to be purchased include without limitation, all current assets (other than Excepted Assets, if any), real property and improvements, tangible and intangible personal property and going concern value of the Assets. All Assets of the Seller will be free and clear of all liens and encumbrances except easements, rights of way, servitudes, restrictions and any other matter which does not materially impact the use or value of the assets. The current assets computed in accordance with generally accepted accounting principles and prepared on a basis consistent with the balance sheet of May 31, 2002 (excluding items not assumed by UHS) transferred at the Closing Date shall not be less than reflected on the May 31, 2002 balance sheet with any shortfall to be paid in cash to UHS and any excess to be paid to the Seller. UHS will not assume any liabilities, whatsoever, including without limitation, Accounts Payable, Accrued Expenses, Current Installments on Long-Term Debt, Current Capital Lease Obligations Accrued Interest, Accrued Interest Payable, Other Accrued Liabilities, Due to Third Party Payors, Long-term debt, including Certificates of Participation, Capital leases, Malpractice Insurance, Notes Payable and Deferred Revenue or any environmental liabilities of the Seller or any claims arising out of any act or omission of the Seller prior to the Closing Date including, without limitation, any malpractice or worker's compensation liabilities or any other liabilities not specifically assumed.

3. Non-Competition. The Seller would deliver to UHS a binding agreement that Seller will not build, invest in, assist in the development of, or have any management role in another healthcare facility within fifty miles of each Hospital for five years after closing of the Definitive agreement without the written consent of UHS.

4. Books and Records. Prior to closing, the Seller will allow UHS during normal business hours, upon reasonable notice, to review books, records and other information as UHS may reasonably request and shall have access to the employees and medical staff of the Seller. If requested by UHS, the Seller will cooperate and cause their independent accountants to cooperate in the preparation of an audit of the Seller's financial statements and with filing such financial statements with UHS's filings with the Securities and Exchange Commission if requested by UHS.

5. Medicare Recapture. UHS and Seller will make every effort to minimize Medicare Recapture liability.

6. Conditions. The terms set forth in this letter are based upon and subject to our completion of due diligence to the reasonable satisfaction of UHS prior to signing the Definitive Agreement. In addition to the foregoing, this proposal is conditioned upon the following:

A. The Seller shall have conducted their business in the ordinary course since May 31, 2002, and no material adverse changes in the operations, condition of the real or personal property or financial condition or prospects of the Seller between May 31, 2002 and the date of closing shall have occurred;

B. Approval by all necessary federal, state and city regulatory agencies, including without limitation the U.S. Department of Justice, the Federal Trade Commission and the state agencies responsible for Seller licensing and the sale of the Asset without imposition of material burdensome conditions on UHS;

C. Receipt of reasonable satisfactory environmental surveys and reports relating to the real property of the Seller;

D. The preparation of, and agreement to, Definitive Agreements for this transaction which would include customary warranties and representations (including without limitation those relating to the condition, financial and otherwise, of the Seller and the Assets and representations regarding the level and methodology and formulae of third party reimbursement arrangements), covenants and conditions and indemnities all of which will survive the Closing, as well as other terms documenting the agreement between UHS and the Seller.

E. Approval by the Seller's Board of Directors.

F. Approval by the UHS Board of Directors.

There will be no financing contingency.

7. Exclusivity. Inasmuch as we will expend substantial effort and expense in connection with this matter, if this proposal is acceptable to you, you will not solicit, negotiate or provide information concerning the sale or other disposition of all or any part of the Assets to any third party until the earlier of sixty days after the date of your acceptance of this Letter or until UHS advises you that it does not wish to proceed with this transaction.

8. Confidentiality.

A. All proprietary and confidential information furnished by one party to the other before and after the date of this letter agreement shall, unless otherwise required by law, be held by the receiving party in confidence and disclosed only to its directors, officers, employees, counsel, and accountants involved in the proposed transaction. In the event that the transaction discussed in this letter is not completed, each party shall promptly return all documents and other written information received from the other party. Without the written consent of the Seller, UHS shall not discuss any aspect of the proposed transaction with any person affiliated with the Seller, including any physician, board member, employee, community leader, officer, or public official, until consummation of the transaction.

B. The proposed financial terms, the terms and conditions of our proposal and our identity are not to be disclosed to anyone, including any other prospective purchaser, other than the Seller, and their respective advisors, or as required by law or regulatory authorities.

9. Guaranty. UHS will purchase the Assets through one or more subsidiaries. All obligations of any such subsidiary would be guaranteed by UHS regardless of which UHS subsidiary is involved in the Definitive Agreement.

10. Assignment. UHS shall have the right in its sole discretion to assign its rights to purchase Arroyo Grande Community Hospital and French Hospital Medical Center to one or more parties. Seller shall cooperate in such assignment and with such other parties to the same extent it cooperates with UHS pursuant to Paragraph 4 hereof.

11. Expenses. UHS and the Seller shall each bear their respective legal accounting and other expenses in connection with the transaction contemplated hereby whether or not the transaction is consummated. Notwithstanding the foregoing, the Seller shall be responsible for all closing costs, including without limitation title costs, title insurance, recording fees and transfer and other taxes arising from the transactions contemplated hereby.

This letter expresses our interest in proceeding with our work on this transaction toward an execution of a Definitive Agreement on the terms set forth herein but this is not an offer capable of acceptance and, except as set forth in paragraphs 7, 8 and 11 hereof, no binding agreement shall exist between the parties until the execution of a Definitive Agreement as set forth in paragraph 6D hereof.

We are prepared to devote substantial efforts to complete the transaction. Upon the execution of this letter by the Seller, UHS would proceed with due diligence activities and simultaneously commence negotiation of a Definitive Agreement. In the absence of any unforeseen regulatory or other external delays, UHS would be prepared to execute a Definitive Agreement within sixty days.

I look forward to hearing from you.

Very truly yours,

~~Richard C. Wright~~
Vice President - Development

Vista Hospital Systems, Inc. and French Hospital Medical Center
September 20, 2002
Page 5

AGREED TO AND ACCEPTED:

Vista Hospital Systems, Inc. and French Hospital Medical Center

Signature

Date

Print Name and Title

SCHEDULE AA

TWO PRIOR YEARS' ANNUAL AUDITED FINANCIAL STATEMENTS

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER
COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Combined Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5-25

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, 2002 and 2001, 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, 2002 and 2001, 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.

The accompanying financial statements for the year ended December 31, 2002 have been prepared assuming that the Group will continue as a going concern, which contemplates continuity of business, realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in Note 15 to the financial statements, the Group, subsequent to year-end, filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. This filing has raised substantial doubt about the Group's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CERTIFIED PUBLIC ACCOUNTANTS

San Francisco, California
June 25, 2003

Santa Monica
1620 26th St., Suite 400 South
Santa Monica, CA 90404-4041
Tel: (310) 453-9400
Fax: (310) 453-1187

Irvine
18500 Von Karman Ave., Suite 560
Irvine, CA 92612-0540
Tel: (949) 653-9400
Fax: (949) 833-3582

San Francisco
655 Montgomery St., Suite 1220
San Francisco, CA 94111-2646
Tel: (415) 981-9400
Fax: (415) 391-2310

Walnut Creek
1331 N. California Blvd., Suite 790
Walnut Creek, CA 94596-4536
Tel: (925) 938-9400
Fax: (925) 930-0107

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

COMBINED STATEMENTS OF FINANCIAL POSITION

ASSETS	Year ended December 31,	
	2002	2001
Current assets:		
Cash and cash equivalents	\$ 4,459,258	\$ 2,721,744
Assets limited as to use	5,557,323	5,730,111
Patient accounts receivable, less uncollectible and contractual allowances of \$48,448,850 for 2002 and \$30,178,189 for 2001	24,060,604	19,919,325
Other receivables	1,144,918	1,448,206
Inventory	3,070,369	2,912,213
Prepaid expenses and other current assets	2,039,664	1,188,067
Total current assets	40,332,136	33,919,666
Other assets:		
Property, plant and equipment, net	74,506,224	75,843,148
Deferred financing costs, net	5,126,828	5,619,946
Goodwill, net	463,353	463,353
Other	458,889	828,508
Total other assets	80,555,294	82,754,955
Total	\$ 120,887,430	\$ 116,674,621
LIABILITIES AND NET DEFICIT		
Current liabilities:		
Current maturities:		
Notes payable	\$ 24,207	\$ 771,828
Capitalized leases	1,216,111	951,906
Certificates of participation	180,475,145	-
Accounts and medical claims payable	15,484,256	11,308,576
Accrued payroll and benefits	4,611,868	4,501,332
Accrued interest, current	42,641,436	2,172,000
Accrued expenses	1,790,423	9,222,643
Due to third-party payors	3,879,950	7,948,140
Total current liabilities	250,123,396	36,876,425
Long-term liabilities:		
Certificates of participation	-	180,392,942
Notes payable, net of current maturities	4,027,140	4,089,506
Capitalized leases, net of current maturities	2,038,377	1,707,220
Accrued interest, net of current portion	-	26,222,025
Accrued malpractice insurance	3,474,000	2,165,680
Other liabilities, principally deferred revenue	8,380,246	8,892,063
Total long-term liabilities	17,919,763	223,469,436
Total liabilities	268,043,159	260,345,861
Unrestricted net deficit	(147,155,729)	(143,671,240)
Total	\$ 120,887,430	\$ 116,674,621

The accompanying notes are an integral part of these financial statements.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

**COMBINED STATEMENTS OF ACTIVITIES AND
CHANGES IN NET DEFICIT**

	Year ended December 31,	
	2002	2001
Revenues:		
Net patient service revenue	\$ 176,158,772	\$ 156,488,350
Other revenue, net	5,833,065	4,848,768
Total revenues	181,991,837	161,337,118
Expenses:		
Salaries and temporary help	62,465,465	58,282,959
Employee benefits	16,612,092	12,682,454
Supplies	28,712,061	26,270,467
Purchased services and professional fees	24,876,547	20,280,097
Interest	16,950,559	14,299,277
Depreciation and amortization	6,680,348	7,345,717
Provision for uncollectible accounts	14,817,765	15,668,723
Repairs, rent and utilities	8,903,064	6,921,440
Insurance	3,474,225	1,523,087
Other operating expenses	2,724,057	2,566,379
Total expenses	186,216,183	165,840,600
Loss from continuing operations before Bond interest rate restatement	(4,224,346)	(4,503,482)
Bond interest rate restatement (Note 8)	—	7,469,801
Loss from continuing operations	(4,224,346)	(11,973,283)
Non-operating revenue	739,857	609,305
Decrease in unrestricted net assets	(3,484,489)	(11,363,978)
Unrestricted net deficit, beginning of year	(143,671,240)	(132,307,262)
Unrestricted net deficit, end of year	\$ (147,155,729)	\$ (143,671,240)

The accompanying notes are an integral part of these financial statements.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

COMBINED STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u> <u>2002</u>	<u>2001</u>
Cash flows used for operating activities:		
Decrease in unrestricted net assets	\$ (3,484,489)	\$ (11,363,978)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided by operating activities and nonoperating gains:		
Depreciation and amortization	6,680,348	7,345,717
Provision for uncollectible accounts	14,817,765	15,668,723
Gain on sale of equipment	-	105,851
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Patient accounts receivable	(18,959,044)	(13,632,340)
Other receivables	303,288	(480,693)
Inventory	(158,156)	217,600
Prepaid expenses and other current assets	(851,597)	1,248,135
Other assets	344,907	(63,642)
Increase (decrease) in liabilities:		
Accounts and medical claims payable	4,175,680	(1,951,078)
Accrued payroll and benefits	110,536	428,703
Accrued interest	14,247,411	15,338,346
Accrued expenses	(6,123,900)	(765,915)
Due to third-party payors	(4,068,190)	(3,793,466)
Other liabilities	(511,817)	(380,759)
Net cash provided by operating activities	<u>6,522,742</u>	<u>7,921,204</u>
Cash flows provided by (used for) investing activities:		
Purchase of property and equipment	(2,949,806)	(2,201,378)
Decrease in assets limited as to use	172,788	5,108,468
Net cash provided by (used for) investing activities	<u>(2,777,018)</u>	<u>2,907,090</u>
Cash flows used for financing activities:		
Payments on current notes payable, net	(809,987)	(8,511,726)
Payments on capital lease obligations, net	(1,198,223)	(929,617)
Net cash used for financing activities	<u>(2,008,210)</u>	<u>(9,441,343)</u>
Net increase (decrease) in cash and cash equivalents	1,737,514	1,386,951
Cash and cash equivalents, beginning of year	<u>2,721,744</u>	<u>1,334,793</u>
Cash and cash equivalents, end of year	<u>\$ 4,459,258</u>	<u>\$ 2,721,744</u>

The accompanying notes are an integral part of these financial statements.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

(1) Organization:

Vista Hospital Systems, Inc. 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"). 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. The interest was terminated by FHMC, who received a cash payment of \$328,000, on November 29, 2002. The \$78,000 difference is included in other revenue.

(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.

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, 2002 and 2001, actual results could differ from those estimates.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

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.

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:

Assets limited as to use are comprised of assets set aside per the requirements of the certificates of participation trust agreements.

These investments consist primarily of money market funds and U.S. Agency Securities meeting the definition of cash and cash equivalents and are stated at fair value.

Inventory:

Inventory consists primarily of pharmaceuticals and medical supplies and is stated at the lower of cost (determined using the first-in, first-out (FIFO) method) 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:

Buildings and improvements	5 to 30 years
Equipment and furniture	5 to 15 years
Equipment under capital lease	5 to 15 years

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(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 \$493,118 and \$474,898 for 2002 and 2001, 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 \$82,203 and \$80,253 for 2002 and 2001, respectively, and is included in interest expense.

Goodwill:

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.

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.

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 will be no financial effect or recourse taken by the beneficiaries as a result of the monetization agreement defaults.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

Net Patient Service Revenue:

The Group has agreements with third-party payors that provide for payments to the Group at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient services revenue is reported at the estimated net realizable amounts from patients and third-party payors. Adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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, 2002, Medicare cost reports for the years 2002, 2001, and 2000 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.

Capitation Revenue:

Historically, the Group has agreements with various health maintenance organizations ("HMO's") to provide medical services to subscribing participants. Under these arrangements, the Group receives monthly capitation payments based on the number of each HMO's participants, regardless of services performed by the Group. In addition, the HMOs make fee-for-service payments to the Hospital for certain covered services based upon discounted fee schedules, per diem rates, and case rates. The Group terminated all its capitation agreements by December 31, 2002.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

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, 2002 and 2001 totaled approximately \$1,045,000 and \$1,163,000, 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 revenue.

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. A claims-made policy covers only claims that occur and are filed in the period during which the policy is in force.

For claims made during 2001, there is a deductible of \$25,000 per incident with an annual aggregate deductible of \$200,000. Effective for the short period December 31, 2001, the Hospitals entered into a new policy. For claims made from December 31, 2001 through June 30, 2002, and for the twelve month period July 1, 2002 through June 30, 2003, 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. In addition, effective for the July 1, 2002 through June 30, 2003 policy year, there is a Group aggregate limit of \$10 million of coverage; in the prior period there was no aggregate limit.

As of December 31, 2002 and 2001, the Hospitals accrued for both incurred and reported as well as for potential claim losses incurred but not yet reported. This accrual was estimated based on historical information and an analysis of open claims.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

Medical Service Cost Recognition:

Historically, the Group contracted 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 compensated the providers on a capitated or other fee-for-service basis. Health care services were accrued as services were rendered, including an estimate for claims incurred but not yet reported, which was 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. The Group terminated all its capitation agreements by December 31, 2002.

Purchased Services and Obligations Under Management Services Agreement:

The Group has a three-year management services agreement with an 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.

The Group also has executed an agreement with the same party to provide investment-banking services to the Group as required in its June 10, 2002 forbearance agreement. Fees for the investment banking services per the agreement are as follows: \$50,000 initial fee, \$40,000 monthly fee, \$75,000 fee for a definitive sales agreement, and a \$400,000 success fee.

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.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

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, 2002 and 2001.

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, 2004, 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 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 adoption of FASB Statement No. 145 did not have a material impact to the Group's financial position or results of operations.

In June 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. The adoption of this Statement did not have a material impact on the Groups financial position or results of operations.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires that the guarantor recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing such guarantee. FIN 45 also requires additional disclosure requirements about the guarantor's obligations under certain guarantees that it has issued. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statement periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on the Groups financial position, results of operations or cash flows.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement amends Statement 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, (2) in connection with other Board projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative, in particular, the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, the meaning of underlying, and the characteristics of a derivative that contains financing components. The Group does not anticipate that the adoption of this pronouncement will have a material effect on the financial statements.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(2) Summary of Significant Accounting Policies, Continued:

New Accounting Pronouncements, Continued:

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, Elements of Financial Statements. The remaining provisions of this Statement are consistent with the Board's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. While the Board still plans to revise that definition through an amendment to Concepts Statement 6, the Board decided to defer issuing that amendment until it has concluded its deliberations on the next phase of this project. That next phase will deal with certain compound financial instruments including puttable shares, convertible bonds, and dual-indexed financial instruments. The Group does not anticipate that the adoption of this pronouncement will have a material effect on the financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." Interpretation 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Group does not expect the adoption to have a material impact to the Company's financial position or results of operations.

Reclassification:

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(3) Assets Limited As To Use:

Assets limited as to use are comprised of the following:

	2002	2001
Reserve fund	\$ 3,834,749	\$ 3,818,025
Interest	1,722,574	1,905,630
Revenue fund	-	6,456
Total assets held by trustee, all current	\$ 5,557,323	\$ 5,730,111

These funds, which are under indenture agreements held by the trustee, are comprised of all cash equivalents.

(4) Property, Plant and Equipment:

Property, plant and equipment are comprised of the following:

	2002	2001
Building and improvements	\$ 65,765,686	\$ 65,605,177
Equipment and furniture	33,577,055	31,505,210
Equipment under capital leases	12,400,221	10,428,218
	111,742,962	107,538,605
Less accumulated depreciation and amortization	56,487,399	50,449,875
	55,255,563	57,088,730
Land	17,941,513	17,941,513
Construction-in-progress	1,309,148	812,905
Property, plant and equipment, net	\$ 74,506,224	\$ 75,843,148

Depreciation and amortization expense related to property, plant and equipment totaled \$6,292,278 and \$6,775,300 for the years ended December 31, 2002 and 2001, respectively.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(5) Notes Payable:

A summary is as follows:

	<u>2002</u>	<u>2001</u>
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 principal 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
Various notes payable, collateralized by respective Group assets, bearing interest ranging from 7% to 9%. Payments due through 2005.	51,347	249,421
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.	<u>—</u>	<u>611,913</u>
Less current maturities	4,051,347 <u>24,207</u>	4,861,334 <u>771,828</u>
	<u>\$ 4,027,140</u>	<u>\$ 4,089,506</u>

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

Year ending December 31,	
2003	\$ 24,207
2004	15,565
2005	11,575
2006	-
2007	<u>4,000,000</u>
	<u>\$ 4,051,347</u>

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(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 \$9,400,000 and \$7,500,000 at December 31, 2002 and 2001, respectively, and is included in the amount in Note 4.

Obligations under capitalized equipment leases are as follows:

Year ending December 31,	
2003	\$ 1,646,794
2004	734,216
2005	617,606
2006	373,935
Thereafter	<u>586,112</u>
	3,958,663
Less amounts representing interest	<u>704,175</u>
Present value of net minimum lease payments under capital leases	3,254,488
Less current maturities	<u>1,216,111</u>
	<u><u>\$ 2,038,377</u></u>

(7) Certificates of Participation:

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 previous 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. As no events of default arose during 2002, the forbearance agreement expired January 1, 2003, and the Group is again in default under the Master Indenture Agreement.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(7) Certificates of Participation, 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% in 2000, but was restated during 2001 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.

Balance of principle maturities of the 1997

Series A Certificates as of December 31, 2002	\$ 53,160,000
Less unamortized bond discount	<u>531,559</u>
	<u>\$ 52,628,441</u>

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.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(7) Certificates of Participation, Continued:

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

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% in 2000, but was restated during 2001 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.

Balance of the principle maturities of the 1996	
Certificates as of December 31, 2002	\$ 45,400,000
Less unamortized bond discount	<u>80,449</u>
	<u>\$ 45,319,551</u>

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% in 2000, but was restated in 2001 to its original rate with retroactive treatment (Note 8).

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(7) Certificates of Participation, Continued:

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

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.

Balance of the principal maturities of the 1992 Certificates at December 31, 2002	\$ 83,000,000
Less unamortized bond discount	<u>472,847</u>
	<u>\$ 82,527,153</u>

(8) Forbearance Agreements:

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. As of March 2002, the Group defaulted on the August 7, 2001 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. The Revised Forbearance Agreement set forth the following provisions:

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(8) Forbearance Agreements, Continued:

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.

- The Bondholders will forbear from accelerating principal and interest payments during the forbearance period.
- Interest and principal payments during the forbearance period will be deferred.
- 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.

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 Group, as a result of this agreement, is actively pursuing the refinancing of the Hospitals with various government and private funding sources. Subsequent to year-end, the Group has accepted an offer to sell the Hospitals, see Note 15. As this offer was after the expiration of the last Forbearance Agreement, they are in default to the holders of the Certificates.

(9) Non-operating Revenue:

Non-operating revenue for both years is composed of contributions received.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(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, 2002 and 2001, were \$556,758 and \$505,131, respectively.

(11) Functional Expenses:

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

	2002	2001
Patient care	\$ 143,851,055	\$ 130,572,056
General and administrative, including bond interest restatement of \$7,469,801 in 2001	42,365,128	42,738,345
	\$ 186,216,183	\$ 173,310,401

(12) Supplemental Cash Flow Information:

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

	2002	2001
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 2,703,148	\$ 6,362,979
Supplemental noncash investing and financing activities:		
Capital lease obligation incurred for new equipment	\$ 1,793,585	\$ 857,084
Gain (loss) on sale of equipment	\$ —	\$ 105,851

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(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, 2002, are as follows:

Year ending December 31,	
2003	\$ 3,454,108
2004	3,463,340
2005	3,518,817
2006	3,586,415
Thereafter	<u>96,903,976</u>
	110,926,656
Income – sublease for commitments in place through 2003	<u>2,053,103</u>
Net commitments	<u>\$ 108,873,553</u>

Rent expense for all operating leases for 2002 and 2001 (net of sublease income of \$2,053,103 and \$2,299,948, respectively) amounted to \$1,265,683 and \$1,218,949, respectively.

(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, 2002.

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**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(15) Subsequent Events:

Agreement to Sell Certain Group Assets and Liabilities

Subsequent to year-end, on April 3, 2003, the Group signed an agreement with a National Health Services Organization (Buyer) to sell certain of the Hospitals' assets and have certain of the Hospitals' liabilities assumed. The sales price will be \$120.6 million less certain specified adjustments. Buyer will buy all hospitals, AGCH, CRMC and FHMC unless the Group obtains exit financing and working capital funds for AGCH and FHMC. The sales prices will be reduced accordingly for the Hospitals not purchased. There is a \$1 million breakup fee due the Buyer if the sale closing does not occur before December 31, 2003, and the Buyer elects to terminate the agreement. There is a \$5 million breakup fee if the Hospitals are sold to another buyer or if the Group pursues another transaction.

The Group is required to commence a voluntary bankruptcy filing within sixty days from the signed Asset Purchase Agreement ("APA"). An extension was granted on the sixty-day requirement. Approval for the sale is required from the California Attorney General, as the Buyer is a "For-Profit" organization.

Voluntary Bankruptcy Filing

Also subsequent to year-end, on June 10, 2003, the Group (Debtor) filed a voluntary petition for re-organization (the "Filing") under Chapter 11 of the United State Bankruptcy Code in the United States Bankruptcy Court for the Central District of California. Under Chapter 11, the Debtor expects to continue to operate as a debtor-in-possession under court protection from their creditors and claimants, while using the Chapter 11 process to develop and implement a plan to reorganize in order to address the previously identified operating problems.

Background of Filing

The Group has certificates of participation (the "Bonds") (Note 7) totaling approximately \$180,000,000, which are secured by a first priority lien on substantially all of the Group's assets. The Bonds were issued to finance the Group's acquisitions of CRMC, AGCH, FHMC, as well as the acquisition of Vista Medical Foundation ("VMF"). VMF accounts for approximately \$32,000,000 of the Bonds. VMF, in 1998, withdrew from the Group with the consent of the master trustee and the bondholders, but the Group remained obligated for the Bonds. In addition, shortly after the acquisition of FHMC, which accounted for approximately \$53,000,000 of the Bonds, a significant revenue-producing program of FHMC was found to be not in compliance with applicable law. With the loss of revenue from this FHMC revenue program and the added obligation of the VMF Bonds without any offsetting revenue, the Group could not generate sufficient cash flow to pay the interest on the Bonds, resulting in a monetary default under the Master Indenture Agreement.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(15) Subsequent Events, Continued:

Background of Filing, Continued

While new management was brought in at the end of 2000 to evaluate the operations of the Hospitals and plan for its continued operations, in an economically sound environment, the prior depletion of working capital and the inability to renegotiate the debt service on \$180 million of Bonds, with interest rates higher than current market conditions, necessitated the search for a buyer; even with an approximate combined increase of earnings before interest, depreciation and amortization of \$27 million for years 2002 and 2001 over the year 2000.

As mentioned above, the Group has found a buyer for the Hospitals and part of that agreement necessitated the Filing.

Consequence of Filing

As a consequence of the Filing, all pending litigation and prior creditor claims are stayed and no party may take action to realize its pre-petition claims except pursuant to an order of the Bankruptcy Court. It is the Debtor's intention to address all pre-petition claims in a plan of reorganization. However, it is currently impossible to predict with any degree of certainty how the plan will treat pre-petition claims and the impact the Filing will have on the reorganization and continued operations of the Hospital. The formulation and implementation of a plan of reorganization could take a significant period of time.

The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Filing, such realization of certain Debtor's assets and liquidation of certain Debtor's liabilities are subject to significant uncertainty. Further, a plan of reorganization could materially change the amounts and classifications reported in the financial statements, which do not give effect to any adjustments to the carrying value or classification of assets or liabilities that might be necessary as a consequence of a plan of reorganization.

All of the Debtor's pre-petition debt is now in default due to the Filing. Accordingly, the unaudited proforma Statement of Financial Position as of December 31, 2002, as presented below, reflects the classification of the Debtor's pre-petition debt as current.

The Debtor has received approval from the Bankruptcy Court to pay or otherwise honor certain of its pre-petition obligations, including claims for employee wages and benefits payable in the ordinary course of business. The Debtor has not yet received approval from the Bankruptcy Court for the breakup fees to the potential Buyer of the Hospitals.

**VISTA HOSPITAL SYSTEMS, INC.
FRENCH HOSPITAL MEDICAL CENTER**

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

YEARS ENDED DECEMBER 31, 2002 AND 2001

(15) Subsequent Events, Continued:

Accounting Impact

As a result of the Filing, the Debtor will be required to follow Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization under the Bankruptcy Code." Pursuant to SOP 90-7, the Debtor's pre-petitions liabilities that are subject to compromise will be reported separately on the Statement of Financial Position at the estimated amount that will ultimately be allowed by the Bankruptcy Court. SOP 90-7 also requires separate reporting of certain expenses, realized gains and losses, and provisions for losses related to the Filing as reorganization items.

Proforma Statement of Financial Position (Unaudited)

The condensed unaudited proforma statement of financial position of the Debtor as if the Debtor had filed petitions for reorganization under Chapter 11 at December 31, 2002, is as follows:

Proforma Condensed Combined Statement of Financial Position of Vista Hospital Systems, Inc. and French Hospital Medical Center:

	<u>(Unaudited)</u>
Current assets:	
Cash and cash equivalents	\$ 4,459,258
Assets limited as to use	5,557,323
Patient accounts receivable, less uncollectible and Contractual allowances of \$48,448,850	24,060,604
Other receivables	1,144,918
Inventory	3,070,369
Prepaid expenses and other current assets	2,039,664
Total current assets	40,332,136
Property, plant and equipment, net	74,506,224
Deferred financing costs, net	5,126,828
Goodwill	463,353
Other assets	458,889
Total	\$ 120,887,430
Liabilities subject to compromise:	
Debt	184,526,492
Other liabilities	83,516,667
Total liabilities	268,043,159
Fund deficit	(147,155,729)
Total	\$ 120,887,430

SCHEDULE BB

True and correct copies of the Articles of Incorporation and Bylaws for:

Corona Regional Medical Center Foundation

Arroyo Grande Community Hospital Foundation

French Hospital Medical Center Foundation

A479373

ENDORSED
FILED

in the office of the Secretary of State
of the State of California

JUL 3 0 1996

RESTATED

ARTICLES OF INCORPORATION

GILL JONES, Secretary of State

Marlene Woodworth and Linda Pearson certify that:

1. They are the President and the Secretary, respectively, of CORONA COMMUNITY HOSPITAL AND CARE CENTER FOUNDATION, a California nonprofit public benefit corporation.

2. The Articles of Incorporation of the Corporation are amended and restated to read as follows:

I.

The name of this corporation is CORONA REGIONAL MEDICAL CENTER FOUNDATION.

II.

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

III.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

IV.

The property of this Corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the required vote of the Board of Directors.

4. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by this Corporation's sole member.

We further declare under penalty of perjury under the laws of the State of California the matters set forth in this certificate are true and correct of our own knowledge.

Marlene Woodworth, President

Linda Pearson, Secretary

BY-LAWS
OF
CORONA REGIONAL MEDICAL CENTER FOUNDATION

(a California nonprofit
public benefit corporation)

ARTICLE I
NAME: PURPOSES

Section 1.1. Name. The name of this corporation shall be Corona Regional Medical Center Foundation.

Section 1.2. Purposes. The purpose of the corporation is to maintain and operate a California nonprofit public benefit corporation organized to generate resources and financial assets in order to fund and/or assist the operations of Permian Health Care, Inc., including Vista Hospital Systems, Inc. d.b.a. Corona Regional Medical Center (the “Hospital”). To that end, this corporation shall solicit and receive contributions, gifts, bequests and any other form of financial assets that may be deemed valuable for the purposes of the corporation.

ARTICLE II
PRINCIPAL OFFICE

The principal office of the corporation shall be located in Corona, Riverside County, California. The board of directors of the corporation (the “Board”) may change the principal office to another location within or outside of California. The Board may at any time establish one or more other offices at any place or places within or outside of California.

ARTICLE III
MEMBERSHIP

Section 3.1. The Member. The sole member of this corporation, as the term “member” is defined in Section 5056 of the California Nonprofit Corporation Law, shall be Permian Health Care, Inc., a Colorado not for profit corporation (the “Member”). No amendment of this Article III shall be valid or effective unless approved in writing by the Member.

Section 3.2. Associates. The Board may by appropriate resolution from time to time define and establish auxiliaries, friends and other support groups for the corporation, but none of such auxiliaries, friends, groups or constituents thereof shall be or have the rights and privileges of “members” within the meaning of Section 5056 of the California Nonprofit Corporation Law with respect to the corporation.

ARTICLE IV
BOARD OF DIRECTORS

Section 4.1. Management of Corporation's Business by the Board. Subject to the provisions of any applicable law and any limitations in the Articles of Incorporation of the corporation (the "Articles") or these By-Laws relating to action required to be approved by the Member, the activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the corporation's activities to any person or persons, management company or committee, however comprised, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 4.2. Number of Directors.

(a) The number of the corporation's directors shall be not less than nine (9) or more than thirty (30). The exact number of directors shall be fixed, within the limits specified, by approval of the Member.

(b) At least one director, other than the ex officio directors identified in Section 4.3 herein, must be a member of the Governing Board of the Hospital (the "Hospital Governing Board").

(c) No more than forty-nine percent (49%) of the persons serving on the Board of Directors may be interested persons. An interested person is (a) any person compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor or otherwise, excluding any reasonable compensation paid to a director as director; and (b) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person. However, any violation of the provisions of this paragraph shall not affect the validity or enforceability of any transaction entered into by the Corporation.

Section 4.3. Ex Officio Directors. The Chief Executive Officer of the Hospital shall serve as an ex officio voting director . The immediate past Chairman of the Board shall also serve as an ex officio voting director, for a term equal to the longer of (i) one year or (ii) the remaining portion of such person's three (3) year term as a director. Thereafter, such person may serve as a director only if approved as a director, pursuant and subject to the provisions of these Bylaws.

Section 4.4. The Board Officers. The Board officers shall consist of the Chairman of the Board, a General Vice-chairman and Vice-chairmen for finance, development and public relations, immediate past Chairman, and such other Vice-chairmen as the Board or the Member may direct. . Names of potential Board officers shall be presented by the Nominating

Committee to the Board. After consideration, the Board shall make Board officer recommendations to the Hospital Governing Board. The Hospital Governing Board shall make its Board officer recommendations to the Member. Only the Member may approve the Board officers.

Section 4.5. Approval of Directors. Names of potential directors for nomination shall be presented by the Nominating Committee to the Board. After consideration, the Board shall make director recommendations to the Hospital Governing Board. The Hospital Governing Board shall make its director recommendations to the Member. Only the Member may approve the directors.

Section 4.6. Term of Directors. Each director shall be elected to serve three (3) year terms. No director shall serve more than four (4) consecutive terms. The ex officio directors, referred to in Section 4.3 herein shall not be subject to any term restriction, except as set forth therein.

Section 4.7. Compensation of Directors. The directors shall serve without compensation for their services. However, the directors may be allowed reasonable reimbursement of expenses incurred in the performance of their regular duties as directors. A director shall be subject to all of the duties and obligations imposed by the Articles, these By-Laws or by law, whether or not that director receives any compensation from the corporation. Nothing in this Section shall preclude any director from serving the corporation in any capacity other than as a director, and receiving compensation for such other service.

Section 4.8. Removal of Director. The Board may recommend to the Hospital Governing Board the removal of any director, for any reason. The Hospital Governing Board may recommend the removal of any such director to the Member. Only the Member may remove a director.

Section 4.9. Resignation of Director. Any director may resign, effective upon giving written notice to the Chairman of the Board, the General Vice Chairman or the Board, unless the notice specifies a later time for the effectiveness of such resignation, which resignation effective date shall not be later than the earlier of 90 days from the date of such resignation notice or the end of such director's term as a director.

Section 4.10. Filling Vacancies on the Board. A vacancy on the Board shall exist when any authorized position of director is not then filled, whether by reason by death, resignation, removal, increase in the authorized number of directors, or otherwise. Unless otherwise provided in the Articles or these By-Laws, except for a vacancy created by the removal of a director, which may only be filled by the appointment of the Member, vacancies on the Board may be filled only by the appointment of the Member.

Section 4.11. Chairman of the Board of Directors. The Chairman of the Board shall preside over all meetings of the Board, shall be an ex officio member of all committees, and may execute with his or her signature all instruments authorized by the Board. In the case of a vacancy in this office, the General Vice-chairman shall automatically succeed to this office.

Section 4.12. General Vice-chairman. In the event that the Chairman resigns or is unable to fulfill his or her duties, the General Vice-chairman shall assume the duties of the Chairman. If both the office of the Chairman and the General Vice-chairman are vacant, the immediate past Chairman shall serve as the Chairman, or if he/she is unable to so serve, the President shall serve as the Chairman, until a new Chairman is approved . The General Vice-chairman shall have such duties and powers as provided in these Bylaws, by the Articles and by the applicable laws. In addition, the General Vice-chairman shall have any other duties assigned by the Chairman or the Board. The General Vice-Chairman shall be an ex-officio voting director on the Hospital Governing Board.

Section 4.13. Vice-Chairman for Finance. The Vice-chairman for Finance shall chair the Finance Committee. The Vice-chairman for Finance shall work with the Chief Financial Officer to ensure that the books of the corporation are maintained and are accurate and that an annual audit is performed. The Vice-chairman for Finance shall ensure that the Finance Committee works with the planning committee of the Hospital to determine Hospital projects to benefit from the corporation's efforts. In addition, the Vice-chairman for Finance shall have any other duties assigned by the Chairman or the Board.

Section 4.14. Vice-Chairman for Development. The Vice-chairman for Development shall chair the Development Committee, which shall undertake all fund-raising programs and activities. In addition, the Vice-chairman for Development shall have any other duties assigned by the Chairman or the Board.

Section 4.15. Vice-Chairman for Public Relations. The Vice-chairman for Public Relations shall chair the Public Relations Committee. The Public Relations Committee shall oversee the development of all public relations, promotional and marketing materials, which articulate the corporation's mission. In addition, the Vice-chairman for Public Relations shall have any other duties assigned by the Chairman or the Board.

Section 4.16. Qualifications of Directors. Except as otherwise provided herein, a director, at the time of election and during the entire term of office must possess skills, training and experience, which will benefit the corporation, and shall be interested in the affairs of the corporation, willing to devote sufficient time to its direction and exercise reasonable fiduciary commitment and support in favor of the corporation.

ARTICLE V BOARD COMMITTEES

Section 5.1. Creation of Board Committees. In addition to the Executive Committee, the Nominating Committee, the Finance Committee, the Development Committee, the Public Relations Committee and the Bylaws Committee established pursuant to these Bylaws, the Board may establish, by the affirmative action of a majority of the directors then in office, one or more additional Board committees. The Board shall have the power to appoint the members of each such committee, the purpose and power of such committees and the manner of the proceedings of such committees; provided, however, that all such Board actions shall be consistent with the Article, these Bylaws and applicable laws.. Unless the Board or a committee shall provide otherwise, the regular and special meetings and other actions of such committee shall be

governed by the provisions of Article VI herein. Minutes shall be kept of each meeting of each committee, and shall be given to the Board and maintained by the Secretary.

Unless otherwise specified by the Board, each committee shall be chaired by a Vice-chairman of the Board named to such committee. Each committee chairman shall perform the duties and exercise the powers usually vested in such office, subject to the limitations specified in this Article V.

Section 5.2. Powers of Board Committees. Board Committees will only have the powers, rights, duties and obligations specifically provided and permitted pursuant to these Bylaws; provided, however, that no committee shall take any action which may only be exercised by the Board or the Member, including, but not limited to the following: (i) The approval of any action for which the California Nonprofit Corporation Law or these By-laws also/or requires approval of the Board and/or the Member.

- (ii) The filling of vacancies on the Board or.
- (iii) The compensation of the directors for serving on the Board or on any committee.
- (iv) The amendment or repeal of these By-Laws or the adoption of new By-Laws.
- (v) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable.
- (vi) The appointment of Board committees or the committee members thereof.

Section 5.3. Executive Committee. The Executive Committee shall consist of the Chairman, the General Vice-chairman, the Vice-Chairman for Finance, Vice-Chairman for Public Relations and Vice-chairman for Development immediate past Chairman and the President, or the President's designee, which shall be either the Vice-President or the Chief Financial Officer. The Executive Committee shall have the power to transact all regular business of the corporation during the period between the meetings of the Board, subject to any limitation imposed by the Board and these By-Laws, and shall exercise such additional power and authority as may be delegated to it, from time to time, by the Board and the Member.

Section 5.4. Nominating Committee. The Nominating Committee shall advise the Board and shall submit nominations for officers and directors of the corporation to the Hospital Governing Board, which shall make recommendations to the Member for approval. This committee shall interview and identify potential members, orient directors to director responsibilities, programs and purposes. This committee shall provide ongoing educational programs to assure sound policy-making decisions for program direction and to endeavor to assure that the Board represents the community's interest and is sufficiently diversified in areas of expertise to accomplish policy-making decisions which achieve corporate purpose in an efficient and adequate manner. The Chairman and members of this committee shall be appointed

annually by the Chairman of the Board of Directors. The Nominating Committee shall be chaired by the Vice-Chairman of the Nominating Committee.

Section 5.5. Finance Committee. The Chief Financial Officer shall provide reports to the Finance Committee at least three (3) days before the meeting of the Board at which such reports will be considered. The Vice-chairman for Finance shall have available copies of such reports at the Board meeting .

The Finance Committee shall make their determination of the funding goals and distribution of funds of the corporation for the current year, with input from the Hospital and the Member funds shall be dispersed to the Hospital upon a vote of the Board.

Other duties of the Finance Committee shall include, but not be limited to, development of the annual budget and development of policies and procedures governing the receipt, deposit and investment of gifts; the disbursement of gifts and other resources, donor prospects and gift records, and donor recognition. The Finance Committee shall be chaired by the Vice-chairman for Finance.

Section 5.6. Development Committee. The Development Committee shall advise the Board on all fund-raising activities and programs. The nature of each such activity or program shall be determined by the Development Committee, subject to the Board's approval. Hospital personnel shall provide the appropriate services, as requested by the corporation, to accomplish any such activity or program. Sub-committees overseeing these activities or programs may also be created shall will report to the Development Committee. The Development Committee shall be chaired by the Vice-Chairman for Development.

Section 5.7. Public Relations Committee. The Public Relations Committee shall advise the Board on all public relations, promotional and marketing materials related to the business of the corporation. The mission of these materials will be to document and articulate the corporation's purposes, goals, objectives and operations; , which shall be subject to the Board's approval. Hospital personnel shall provide the appropriate services, as requested by the corporation, to develop such materials and all work will be coordinated with the Hospital's marketing and public relations programs. Examples of these materials may include, but are not limited to, case statements, brochures, newsletters, and videos. The Public Relations Committee shall be chaired by the Vice-Chairman for Public Relations.

Section 5.8. Bylaws Committee. There shall be established and maintained , a Bylaws Committee, which shall advise and make recommendations to the Board regarding the corporation's Bylaws. The Board shall make recommendations regarding the corporation's Bylaws to the Hospital Governing Board; provided, however, that not less than two-thirds (2/3) of the directors then in office shall have approved the proposed change prior to making such recommendations to the Hospital Governing Board. The Hospital Governing Board shall make recommendations regarding the corporation's Bylaws to the Member. Only the Member may approve changes to the corporation's Bylaws. The Bylaws Committee shall propose any change to the corporation's Bylaws to the Board not less than thirty (30) days prior to the meeting during which such proposed changes are to be addressed. The Bylaws Committee shall be comprised of the President, the immediate past Chairman of the Board (or, if he/she is unable to so serve, the

Chairman of the Board who served immediately prior thereto.), who shall also serve as the chair of the Bylaws Committee, and four (4) other Committee members to be appointed by the current Chairman of the Board. All members of the Bylaws Committee shall be voting members.

ARTICLE VI MEETINGS OF THE BOARD

Section 6.1. Place of Board Meetings. Meetings of the Board shall be held at the principal office of the corporation or at such other place within or without California which has been designated in the notice of the meeting or by resolution of the Board.

Section 6.2. Regular Meetings and Annual Meeting. Regular meetings of the Board may be held without notice if the time and place of such meetings are fixed by the Board. Unless otherwise determined by the Board, the final meeting of the Board during each year shall be the “annual meeting” of the Board.

Section 6.3. Special Meetings. Special meetings of the Board may be called by the Chairman or any Vice-chairman or any five-(5) directors. Special meetings of the Board shall be held upon four (4) days notice by first-class mail or forty-eight (48) hours notice delivered personally or by telephone or telegraph. The notice or waiver of notice shall generally state the purpose of any special meeting of the Board.

Section 6.4. Quorum. The majority of the number of directors then in office shall constitute a quorum of the Board, in person or by the use of a proxy, for the transaction of business. However, notwithstanding the foregoing, in no event shall a quorum be less than a majority of the directors. Subject to the provisions of the California Nonprofit Corporation Law, and Section 5.8 herein, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting or such greater number as is required by the Articles, the California Nonprofit Corporation Law or these By-Laws.

Section 6.5. Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any Board meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 6.6 Waiver of Notice and Consent to Board Meetings. Notice of a Board meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 6.7. Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all directors shall individually or collectively consent, in writing, to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors.

Section 6.8. Board Meeting by Conference Telephone and Use of Facsimilies. Directors may participate in a Board meeting through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a meeting pursuant to this Section constitutes presence “in person” at such a meeting. For all purposes of these Bylaws, a facsimile signature, shall be deemed an original signature for determining evidence of consent or approval.

ARTICLE VII CORPORATION OFFICERS

The officers of the Corporation shall consist of the President, the Vice-President, , the Chief Financial Officer and the Secretary.

Section 7.1. President. The President shall conduct all business as chief executive officer of the corporation. Unless otherwise designated by the Member, the President shall be the Chief Executive Officer of the Hospital.

Section 7.2. Vice-President. In the absence or inability of the President to perform the President’s duties herein, the Vice-President shall perform all duties and exercise all authority herein delegated to the President. Unless otherwise designated by the Member, the Director of Development of the Hospital shall be the Vice-President.

Section 7.3. Chief Financial Officer. The Chief Financial Officer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, revenues and losses. The books of account shall at all times be open to inspection by any director. The Chief Financial Officer shall deposit all monies and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board. The Chief Financial Officer shall disburse the funds of the corporation as ordered by the Board. The Chief Financial Officer shall render to the directors upon their request a full accounting of the financial condition of the corporation. The Chief Financial Officer shall make proper vouchers for all disbursements of the funds of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board and by these By-Laws. Unless otherwise designated by the Member, the Chief Financial Officer shall be the Chief Financial Officer of the Hospital.

Section 7.4. Secretary. The Secretary shall keep or cause to be kept, at the principal office of the corporation in the State of California, the original or a copy of the corporation’s Articles and By-Laws, as amended to date. The Secretary shall also keep or cause to be kept a book of minutes at the principal office, or at such other place as the Board may order of all meetings of the Board and the Board committees with the time and place of holding. Unless

otherwise designated by the Member, the Secretary shall be the Vice-President . The Secretary shall attend all Board and Board committee meetings for the purpose of recording and maintaining the minutes thereof.

Section 7.5. Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall only be filled by the Member.

ARTICLE VIII RECORDS, REPORTS AND INSPECTION RIGHTS

Section 8.1. Annual Report. The Board shall cause an annual report to be sent to the Member not later than one hundred fifty (150) days after the close of the corporation's fiscal year. Such report shall contain, in appropriate detail, the following: (i) the asset and liabilities, including the trust funds, of the corporation as of the end of the fiscal year; (ii) the principal changes in assets and liabilities, including trust funds, during the fiscal year; (iii) the revenue's or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year; and (iv) the expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year;. The report required by this Section shall be accompanied by any report or letter thereon of the corporation's auditors.

Section 8.2. Inspection Rights. The Member and every director shall have the right, during the corporation's regular business hours, to inspect the corporation's books, records documents and physical properties .

Section 8.3. Inspection by Agent; Extracts. Any inspection under this Article VIII may be made in person or by agent or attorney. If any record subject to inspection, pursuant to this Article VIII, is not maintained in written form, a request for inspection is not complied with unless and until the corporation, at its expense, makes such record available in written form.

ARTICLE IX CONFLICT OF INTEREST; INDEMNIFICATION AND INSURANCE OF CORPORATE AGENTS

Section 9.1. Statement of General Policy on Conflicts of Interest. No transactions involving remuneration or benefit to a director or an officer, or to any organization in which such director or officer has a material financial interest or of which the director or officer is a member, officer, director, general partner, principal or controlling stockholder, shall be entered into by the corporation unless the same is approved in accordance with Section 5233 of the California Nonprofit Corporation Law (or any successor provision thereof).

Section 9.2. Disclosure. Every director and officer shall be required, as a condition of the office, to disclose fully any conflict of interest, as referenced in this Article IX, pursuant to the corporation's conflict of interest policies and procedures.

ARTICLE X INDEMNIFICATION

Section 10.1. Basic Indemnification. The corporation shall, to the fullest extent to which it is empowered to do so by, and in accordance with the requirements of, applicable provisions of the California Nonprofit Corporation Law, or any other applicable laws, as may, from time to time, be in effect, indemnify any person who was or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that he or she is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against all expenses, including attorneys' fees, judgments, fines and amounts incurred by him or her in connection with such action, suit or proceeding.

Section 10.2. Contract with the Corporation. The provisions of this Article X shall be deemed to be a contract between the corporation and each director or officer who serves in any such capacity, at any time, while this Article X is in effect, and any repeal or modification of this Article X shall not affect any state or statement of facts then or theretofore existing or any action, suit or proceeding theretofore existing or thereafter brought or threatened based, in whole or in part, upon any such state or statement of facts. The corporation further agrees that, in the event a person entitled to indemnification under this Article X claims indemnification, the corporation shall take all required action to effect a prompt and good faith determination of such person's right to indemnification hereunder.

Section 10.3. Indemnification of Employees and Agents. Persons who are not covered by the foregoing provisions of this Article X and who are or were employees or agents of the corporation, or who were serving at the request of the corporation as employees or agents of another corporation, joint venture, partnership, trust or other enterprise, may be indemnified to the extent that the corporation is empowered to do so by applicable provisions of the California Nonprofit Corporation Law, or any other applicable laws, when and as authorized, at any time and from time to time, by the Board, in its sole discretion.

Section 10.4. Advance of Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon the receipt of a written agreement by or on behalf of a director and/or an officer to undertake to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation as authorized in this Article X. The provisions of this Section 10.4 shall apply to employees or agents when the Board has authorized, in writing, such indemnification under the provisions of these Bylaws.

Section 10.5. Other Rights of Indemnification. The indemnification provided or permitted by this Article X shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled by law, agreement or otherwise, and shall continue as to a person who ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such persons.

Section 10.6. Liability Insurance. The corporation shall have the power to purchase and maintain, on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee

or agent of another corporation, partnership, joint venture, trust or other enterprise, insurance against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Article X, subject to applicable limitations of the California Nonprofit Corporation Law.

ARTICLE XI MISCELLANEOUS PROVISIONS

Section 11.1. Interpretation of By-Laws. Unless defined differently herein or unless the context requires a different meaning, terms used in these By-Laws shall have the same meaning as may be given to them in the California Nonprofit Corporation Law, as amended from time to time. To the extent possible, these By-Laws shall be construed as supplemental to all laws applicable to the same subject matter and shall be fully complied with unless such compliance shall be illegal. Any provision of these By-Laws which is inconsistent with any applicable law shall not be complied with, but such inconsistency shall not affect the validity of any other provision of these By-Laws.

Section 11.2. Notices. Unless otherwise expressly provided herein, any notice required or permitted to be given under these By-Laws shall be deemed effectively given (i) when deposited in the United States Mail, addressed to the recipient at his or her last address, if any, appearing on the corporation's books and with first-class postage thereon prepaid; (ii) when personally delivered, in writing, to the recipient; (iii) when delivered, in writing, to the recipient; (iv) when delivered, in writing, to a common carrier for transmission, or actually transmitted to the person giving notice by electronic means, to the recipient; or (v) when communicated orally, in person or by telephone or radio, to the recipient or to a person at the recipient's office who the person giving notice has reason to believe will promptly communicate it to the recipient.

Section 11.3. Fiscal Year. The fiscal year end of the corporation shall be December 31.

Section 11.4. Instruments in Writing. All checks, drafts, demands for money and notes of the corporation, and all written contracts of the corporation, shall be signed by such officer or officers, agent or agents, as the Board may, from time to time, designate. No officer, agent or employee of the corporation shall have power to bind the corporation by contract or otherwise unless authorized to do so by these By-Laws or by the Board. Any corporation indebtedness must have the prior approval of the Member.

Section 11.5. Audit of Books. The financial records of the corporation shall be audited annually by a certified public accounting firm. The public accounting firm shall be recommended by the Chief Financial Officer to the Board. The Board shall make its recommendation thereof to the Hospital Governing Board. The Hospital Governing Board shall make its recommendation to the Member. Only the Member may approve the corporation's public accounting firm.

Section 11.6. Rules of Order. Roberts Rules of Order, as amended from time to time, shall be used for conducting business meetings of the corporation.

BYLAWS EFFECTIVE DATES

The foregoing Bylaws were approved, as to form, by the Board, the Hospital Governing Board and the Board of Directors of the Member on the dates indicated below and become effective on the effective date of approval by the Permian Healthcare, Inc. Board of Directors.

Approving Entity	Effective Date of Approval	Secretary Confirmation
Corona Regional Medical Center Foundation		
Corona Regional Medical Center Board of Directors		
Permian Health Care, Inc. Board of Directors		

2411520

ARTICLES OF INCORPORATION
OF
ARROYO GRANDE COMMUNITY HOSPITAL FOUNDATION

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

APR 16 2002

BILL JONES, Secretary of State

I.

The name of this corporation is ARROYO GRANDE COMMUNITY HOSPITAL FOUNDATION.

II.

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

III.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent federal tax laws (the "Code"), for the benefit of, to perform the functions of, or to carry out the purposes of Arroyo Grande Community Hospital.

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of (or in opposition to) any candidate for public office.

C. This corporation is not organized, nor shall it be operated, for pecuniary gain or profit, and it does not contemplate the distribution of gains, profits or dividends to the members thereof or to any private shareholder, as defined for purposes of Section 501(c)(3) of the Code.

IV.

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Code.

V.

This corporation shall have as its sole voting member Permian Health Care, Inc., a Colorado nonprofit corporation which is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

VI.

The name in the State of California of this Corporation's initial agent for service of process is:

F & L CORP. WHICH WILL DO BUSINESS IN CALIFORNIA
AS FLWA SERVICE CORP.

Jason N. Barglow, Incorporator



**BYLAWS
OF
ARROYO GRANDE COMMUNITY HOSPITAL FOUNDATION**

**(a California nonprofit
public benefit corporation)**

**ARTICLE I
NAME; PURPOSES**

Section 1.1. Name. The name of this corporation shall be Arroyo Grande Community Hospital Foundation (the “Corporation”).

Section 1.2. Purposes. The purpose of the Corporation is to maintain and operate a California nonprofit public benefit corporation organized to generate resources and financial assets in order to fund and/or assist the operations of Arroyo Grande Community Hospital (the “Hospital”). To that end, this Corporation shall solicit and receive contributions, gifts, bequests and any other form of financial assets that may be deemed valuable for the purposes of the Corporation.

**ARTICLE II
PRINCIPAL OFFICE**

The principal office of the Corporation shall be located at Arroyo Grande, San Luis Obispo County, California. The board of directors (the “Board”) may change the principal office to another location within or outside of California. The Board may at any time establish one or more other offices at any place or places within or outside of California.

**ARTICLE III
MEMBERSHIP**

Section 3.1. The Member. The sole member of this Corporation, as the term “member” is defined in Section 5056 of the California Nonprofit Corporation Law, shall be Permian Health Care, Inc., a Colorado nonprofit corporation (the “Member”). No amendment of this Article III shall be valid or effective unless and until approved in writing by the Member.

Section 3.2. Associates. The Board may by appropriate resolution from time to time define and establish auxiliaries, friends and other support groups for the Corporation, but none of such auxiliaries, friends, or groups, or constituents thereof shall be or have the rights and privileges of “members” within the meaning of Section 5056 of the California Nonprofit Corporation Law with respect to the Corporation.

Categories of associates include, but are not limited to:

<u>Category of Associate</u>	<u>Amount of Contribution</u>	<u>Term</u>
Sponsor	\$1,000	Lifetime
Patron	\$2,500	Lifetime
Benefactor	\$5,000	Lifetime
Fellow	\$10,000	Lifetime
Ambassador	\$50,000	Lifetime
Philanthropist	\$100,000	Lifetime

ARTICLE IV **BOARD OF DIRECTORS**

Section 4.1. Management of Corporation's Business by the Board. Subject to the provisions of any applicable law and any limitations in the Articles of Incorporation of the Corporation (the "Articles") or these Bylaws relating to action required to be approved by the Member, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the Corporation's activities to any person or persons, management company, or committee however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 4.2. Number of Directors. The number of the Corporation's directors shall be not less than six (6) nor more than twenty-five (25), until changed by a duly adopted amendment of this Section. The exact number of directors shall be fixed, within the limits specified, by approval of the Member.

Section 4.3. Ex Officio Directors. The President, Chief Operating Officer, Chief Financial Officer and the Director of Development of the Hospital all shall serve as nonvoting, ex officio members of the Board. The ex officio members of the Board shall not be considered directors for the purposes of Section 4.2 above.

Section 4.4. Composition of the Board. The Board shall include the Chairman of the Board, a General Vice-Chairman, and Vice-Chairmen for finance, development and public relations, and such other Vice-Chairmen as the Member may create. The immediate past Chairman of the Board shall also serve as a director. One person can hold two or more positions, except that neither the Vice-Chairman for finance nor the General Vice-Chairman can serve concurrently as Chairman.

Section 4.5. Election of Directors. Except as provided in Section 4.3, the directors shall be elected at the annual meeting of the Board of Directors of the Member, but if any such annual meeting is not held or the directors of the Corporation are not elected thereat, the directors may be elected at a special meeting of the Board of Directors of the Member for that purpose. The Board shall decide which of its members shall serve as Chairman of the Board, General Vice-Chairman, Vice-Chairman for finance, Vice-Chairman for development, Vice-Chairman for public relations and any other Vice-Chairmen that the Member creates. Names for nomination shall be presented by the Nomination and Board Development Committee.

Section 4.6. Term of Directors. Initially, each director shall be assigned a term such that approximately one-third of the directors (which number shall be determined by dividing the total number of directors by three, rounding up in the event the total number of directors is not divisible by three) shall have one (1) year remaining on their term of office as a director, one-third of the directors shall have two (2) years remaining on their term of office as a director and one-third of the directors shall have three (3) years remaining on their term of office as a director. Thereafter, each director shall be elected to serve three (3) year terms. No director shall serve more than four (4) consecutive terms. The ex officio, nonvoting directors referred to in Section 4.3 herein shall not be subject to the consecutive term restriction.

Section 4.7. Compensation of Directors. Directors shall serve without compensation for their services as directors. However, they may be allowed reasonable reimbursement of expenses incurred in the performance of their regular duties as directors. A director shall be subject to all of the duties and obligations imposed by the Articles, these Bylaws or by law, whether or not that director receives any compensation from the Corporation. Nothing in this Section shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such other service.

Section 4.8. Removal of Director. Before removing any director, the Member shall consult with the Board, either individually or at a duly scheduled board meeting.

Section 4.9. Resignation of Director. Any director may resign effective upon giving written notice to the Chairman of the Board, Vice Chairman of the Board or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. Except upon notice to the Attorney General of the State of California (the "Attorney General"), no director may resign where the Corporation would then be left without a duly elected director or directors in charge of its affairs.

Section 4.10. Filling Vacancies on the Board. A vacancy on the Board shall exist when any authorized position of director is not then filled by a duly elected or chosen director, whether caused by death, resignation, removal, an increase in the authorized number of directors, or otherwise. Unless otherwise provided in the Articles or these Bylaws and except for a vacancy created by the removal of a director, vacancies on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director. A vacancy on the Board created by the removal of a director may be filled only by the

Member. The Member may elect a director at any time to fill any vacancy not filled by the directors.

Section 4.11. “Interested Person” as Director. Not more than forty-nine percent (49%) of the persons serving on the Board may be interested persons. For the purpose of this Section, “interested person” means either: (1) any person currently being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full or part-time employee, independent contractor, or otherwise, excluding any reasonable expense reimbursement paid to a director as director; or (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 4.12. Chairman of the Board of Directors. The Chairman of the Board shall preside over all meetings of the Board, shall be an ex officio member of all committees, and shall execute with his or her signature all instruments authorized by the Board. In the case of a vacancy in this office, the General Vice-Chairman shall automatically succeed to this office.

Section 4.13. General Vice-Chairman. In the event that the Chairman resigns or is unable to fulfill his or her duties, the General Vice-Chairman shall assume the duties of the Chairman. In addition, the General Vice-Chairman shall have any other duties which the Chairman has delegated to the General Vice-Chairman.

Section 4.14. Vice-Chairman for Finance. The Vice-Chairman for Finance shall chair the Finance Committee. The Vice-Chairman for Finance shall work with the Treasurer to ensure that the books of the Corporation are maintained and are accurate and that an annual audit is performed. The Vice-Chairman for Finance will also work with the Planning Committee of the Member to determine Hospital projects to benefit from the Corporation’s efforts. In addition, the Vice-Chairman for Finance shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Finance.

Section 4.15. Vice-Chairman for Development. The Vice-Chairman for Development shall chair the Development Committee which shall undertake all fund-raising programs and activities. In addition, the Vice-Chairman for Development shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Development.

Section 4.16. Vice-Chairman for Public Relations. The Vice-Chairman for Public Relations shall chair the Public Relations Committee. The Public Relations Committee shall oversee the development of all public relations, promotional and marketing materials which articulate the Corporation’s mission. In addition, the Vice-Chairman for Public Relations shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Public Relations.

Section 4.17. Qualifications of Directors. Except as otherwise provided herein, a director, at the time of election and during the entire term of office, must possess natural talents, special training or experience which will benefit the Corporation, and shall be interested in the affairs of the Corporation and willing to devote sufficient time to its direction.

ARTICLE V
BOARD COMMITTEES

Section 5.1. Creation of Board Committees. Any such committee shall be created, and the members thereof appointed, by resolution adopted by a majority of the number of directors then in office, provided a quorum is present. The Board in the same manner may appoint alternate members of any committee, who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall provide otherwise, the regular and special meetings and other actions of such committee shall be governed by the provisions of Article VI applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee, and shall be given to the Board.

Unless otherwise specified by the Board, each committee shall be chaired by a Vice-Chairman of the Board named to such committee. Each committee chairman shall perform the duties and exercise the powers usually vested in this office subject to the limitations as specified in this Article V.

Section 5.2. Powers of Board Committees. Any such committee, to the extent provided in the resolution of the Board or in these Bylaws, shall have all the authority of the Board, except with respect to:

- (a) The approval of any action for which the California Nonprofit Corporation Law or these Bylaws also requires approval of the Member.
- (b) The filling of vacancies on the Board or in any committee.
- (c) The fixing of compensation of the directors for serving on the Board or on any committee.
- (d) The amendment or repeal of these Bylaws or the adoption of new Bylaws.
- (e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable.
- (f) The appointment of Board committees or the members thereof.
- (g) The expenditure of funds of the Corporation to support a nominee for director after there are more people nominated for director than can be elected.
- (h) The approval of any self-dealing transaction, as defined in Section 5233 of the California Nonprofit Corporation Law.

“Approved” means approved or ratified by the vote of the Board or by the vote of a committee authorized to exercise the powers of the Board, except as to matters not within the competence of the committee under this Section.

Section 5.3. Other Committees. Notwithstanding any other provision in this Article, the Board may at any time establish one or more other committees whose members may, but need not be, directors. Such a committee may perform such duties and take such actions as may be authorized by the Board, except that it may not take any action which, under any applicable law or these Bylaws, may be taken only by the Board or a committee of the Board established pursuant to Section 5.1.

Section 5.4. Executive Committee. The Executive Committee shall consist of the Chairman, the General Vice-Chairman, the Vice-Chairman for Finance, the Vice-Chairman for Public Relations and the Vice-Chairman for Development. The Executive Committee shall establish rules for the conduct of its affairs and shall have the power to transact all regular business of the Corporation during the period between the meetings of the Board, subject to any prior limitation imposed by the Board and these Bylaws, and shall exercise such additional power and authority as may be delegated to it from time to time by the Board.

Section 5.5. Nominating and Board Development Committee. The Nominating and Board Development Committee shall advise the Board and shall submit nominations for officers and directors of the Corporation to the Board of Directors of the Member for election at the annual meeting of the Member. This committee shall interview and select potential members, and orient Board members to Board member responsibilities, programs and purposes. This committee shall provide ongoing educational programs to assure sound policy-making decisions for program direction and to assure that the Board represents the community’s interest and is sufficiently diversified in areas of expertise to accomplish policy-making decisions which achieve corporate purposes in a most efficient and adequate manner. This committee shall also serve as the Bylaws Committee. The members of this committee shall be appointed annually by the Executive Committee.

Section 5.6. Finance Committee. The Hospital shall provide reports to the Finance Committee at least sixty days (60) before the date of the annual meeting of the Hospital Board. Such reports shall set out the respective financial needs of the Hospital. The Vice-Chairman for Finance of the Corporation shall then provide copies of each such report to the Board.

Based upon such reports, the Finance Committee shall make their written determination of the funding goals of the Corporation for the following year, including recommending, with input from the Member, the projects to benefit from these funds. Such report shall be made at least thirty (30) days before the date set for the annual meeting of the Board. Additionally, based upon such reports, funds either collected or anticipated by the Corporation shall be disbursed to the Hospital upon a vote of the Board.

Other duties of the Finance Committee shall include, but not be limited to, development of the annual budget and development of policies and procedures governing the

receipt, deposit and investment of gifts; the disbursement of gifts and other resources; donor prospect and gift records; and donor recognition.

The Finance Committee shall be chaired by the Vice-Chairman for Finance.

Section 5.7. Development Committee. The Development Committee shall advise the Board on all fund-raising activities and programs. The nature of each such activity or program shall be determined by the Development Committee, subject to the Board's approval. Hospital personnel shall provide the necessary services, as requested by the Corporation, to accomplish any such activity or program. Sub-committees overseeing these activities or programs may also be created and will report to the Development Committee. The Development Committee shall be chaired by the Vice-Chairman for Development.

Section 5.8. Public Relations Committee. The Public Relations Committee shall advise the Board on all public relations, promotional and marketing materials related to the business of the Corporation. The mission of these materials will be to document and articulate the Member's case for support; they will be subject to the Board's approval; Hospital personnel shall provide the necessary services, as requested by the Corporation, to develop such materials; and all work will be coordinated with the Member's marketing and public relations programs. Examples of these materials may include, but are not limited to, case statements, brochures, newsletters and videos. The Public Relations Committee shall be chaired by the Vice-Chairman for Public Relations.

ARTICLE VI

MEETINGS OF THE BOARD

Section 6.1. Place of Board Meetings. Meetings of the Board shall be held at the principal office of the Corporation or at such other place within or without California which has been designated in the notice of the meeting or by resolution of the board.

Section 6.2. Regular Meetings. Regular meetings of the Board may be held without notice if the time and place of such meetings are fixed by the Board.

Section 6.3. Special Meetings. Special meetings of the Board may be called by the Chairman or any Vice-Chairman or any two directors. Special meetings of the Board shall be held upon four (4) days' notice by first-class mail or 48 hours' notice delivered personally or by telephone or telegraph. A notice or waiver of notice need not specify the purpose of any regular or special meeting of the board.

Section 6.4. Quorum. The majority of the number of directors then in office shall constitute a quorum of the Board for the transaction of business. However, notwithstanding the foregoing, in no event shall a quorum be less than two directors. Subject to the provisions of California Nonprofit Corporation Law Section 5212 (relating to the creation of committees), Section 5233 (relating to self-dealing transactions), Section 5234 (relating to transactions between corporations having common directorships), Section 5235 (relating to compensation of directors and officers) and Section 5238(e) (relating to indemnification of corporate agents), every act or decision done or made by a majority of the directors present at a meeting duly held

at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting or such greater number as is required by the Articles, the California Nonprofit Corporation Law or these Bylaws.

Section 6.5. Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any Board meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 6.6. Waiver of Notice and Consent to Board Meetings. Notice of a Board meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.7. Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors. For the purposes of this section only, "all members of the Board" shall not include any "interested director" as defined in Section 5233 of the California Nonprofit Corporation Law.

Section 6.8. Board Meeting by Conference Telephone. Directors may participate in a Board meeting through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a meeting pursuant to this Section constitutes presence in person at such a meeting.

ARTICLE VII

OFFICERS

Section 7.1. President. The President shall conduct all business as Chief Executive Officer of the Corporation. Unless otherwise designated by the Member, the President shall be the Chief Executive Officer of the Hospital.

Section 7.2. Senior Vice-President. In the event of the absence or inability of the President of the Corporation, the Senior Vice-President shall perform all duties and exercise all authority herein delegated to the President of the Corporation. Unless otherwise designated by the Member, the Vice-President shall be the Chief Operating Officer of the Hospital.

Section 7.3. Vice-President. In the absence or inability of either the President of the Corporation or the Senior Vice-President to perform their duties as herein provided, the

Vice-President shall perform all duties and exercise all authority herein delegated to the President of the Corporation. Unless otherwise designated by the Member, the Director of Development of the Hospital shall be the Vice-President of the Corporation.

Section 7.4. Treasurer. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, revenues and losses. The books of account shall at all times be open to inspection by any director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Corporation as ordered by the Board. The Treasurer shall render to the directors upon their request a full accounting of the financial condition of the Corporation. The Treasurer shall make proper vouchers for all disbursements of the funds of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board and by these Bylaws. Unless otherwise designated by the Member, the Treasurer shall be the Chief Financial Officer of the Hospital.

Section 7.5. Secretary. The Secretary shall keep or cause to be kept, at the principal office of the Corporation in the State of California, the original or a copy of the Corporation's Articles and Bylaws, as amended to date. The Secretary shall also keep or cause to be kept a book of minutes of all meetings of the Board at the principal office, or at such other place as the Board may order. Unless otherwise designated by the Member, the Secretary shall be the Director of Development of the Hospital.

Section 7.6. Election of Officers. The officers of the Corporation, except such officers as may hold office according to the provisions of Sections 7.1 through 7.5, inclusive, shall be appointed by the Board, and each shall serve at the pleasure of the Board.

Section 7.7. Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for the regular appointment to that office.

ARTICLE VIII

RECORDS, REPORTS AND INSPECTION RIGHTS

Section 8.1. Annual Report. The Board shall cause an annual report to be sent to the Member not later than one hundred twenty (120) days after the close of the Corporation's fiscal year. Such report shall contain in appropriate detail the following: (1) the assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year; (2) the principal changes in assets and liabilities, including trust funds, during the fiscal year; (3) the revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year; (4) the expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year; and (5) any information required by Section 8.2 below. The report required by this Section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of the Vice-Chairman for Finance or other authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation. A report with the information

required by this Section shall also be furnished annually to directors of the Corporation. If the Corporation solicits contributions in writing from 500 or more persons, it need not send the report otherwise required by this Section if it does all of the following:

(1) includes with any written material used to solicit contributions a written statement that its latest annual report will be mailed upon request and that such request may be sent to the Corporation at a name and address which is set forth in the statement. The term “annual report” as used in this Section refers to the report required by this Section;

(2) promptly mails a copy of its latest annual report to any person who requests a copy thereof; and

(3) causes its annual report to be published not later than one hundred twenty (120) days after the close of its fiscal year in a newspaper of general circulation in the county in which its principal office is located.

Section 8.2. Annual Statement of Certain Transactions and Indemnifications.

Any provision of the Articles or these Bylaws notwithstanding, the Corporation shall furnish annually to the Member and directors a statement of any transaction or indemnification of a kind described below, if any such transaction or indemnification took place. If the Corporation issues an annual report to the Member, this Section shall be satisfied by including the required information in the annual report. If the Corporation does not issue an annual report to the Member pursuant to Section 8.1, it shall satisfy this Section by mailing or delivering to the Member the required statement within one hundred twenty (120) days after the close of the Corporation’s fiscal year. Except as provided below, a “covered transaction” under this Section is a transaction in which the Corporation, its parent, or its subordinate corporation was a party, and in which either of the following had a direct or indirect material financial interest: (1) any director or officer of the Corporation, or its parent or subordinate corporation; or (2) any holder of more than ten percent (10%) of the voting power of the Corporation, its parent or its subordinate corporation. For the purpose of this Section, (1) an “interested person” is any person described in item (1) or (2) of the preceding sentence, and (2) a mere common trusteeship is not a material financial interest.

The statement required by this Section shall describe briefly: (1) any covered transaction during the previous fiscal year involving more than Fifty Thousand Dollars (\$50,000), or any transaction which was one of a number of covered transactions in which the same interested person had a direct or indirect material financial interest, and which transactions in the aggregate involved more than Fifty Thousand Dollars (\$50,000); and (2) the names of the interested persons involved in such transactions, stating such person’s relationship to the Corporation, the nature of such person’s interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated. The statement required by this Section shall describe briefly the amount and circumstances of any indemnifications or advances aggregating more than Ten Thousand Dollars (\$10,000) paid during the fiscal year to any officer or director pursuant to Section 5238 of the California

Nonprofit Corporation Law, provided that no such report need be made in the case of indemnification approved by the voting members as provided in Section 5238(e) of that Law.

Section 8.3. Inspection Rights. The Member and every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of the Corporation of every kind, and to inspect the physical properties of the Corporation and each of its subordinate corporations, if any.

Section 8.4. Inspection by Agent; Extracts. Any inspection under this Article VIII may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts. If any record subject to inspection pursuant to this Article VIII is not maintained in written form, a request for inspection is not complied with unless and until the Corporation at its expense makes such record available in written form.

ARTICLE IX

INDEMNIFICATION AND INSURANCE OF CORPORATE AGENTS

Section 9.1. Definitions Applicable to this Section. For the purposes of this Section, “Agent” means any person who is or was a director, officer, employee or other agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise. “Proceeding” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, except as provided in subsection 9.10; and “Expenses” includes, without limitation, attorneys’ fees and any expenses of establishing a right to indemnification under Section 9.4 or 9.5.

Section 9.2. Actions Brought by Persons Other than the Corporation. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Nonprofit Corporation Law, or an action brought by the Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that such person is or was an Agent of the Corporation, against Expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person’s conduct was unlawful.

Section 9.3. Actions Brought By or on Behalf of the Corporation. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Corporation or brought under Section 5233 of the California Nonprofit Corporation Law or brought by the

Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an Agent of the Corporation, against Expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this section:

(1) in respect of any claim, issue or matter as to which such person shall have been adjudicated to be liable to the Corporation in the performance of such person's duty to the Corporation, unless and only to the extent that the court in which such Proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the Expenses which such court shall determine;

(2) of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(3) of Expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval unless it is settled with the approval of the Attorney General.

Section 9.4. Indemnification Where Agent Successful on Merits. To the extent that an Agent of the Corporation has been successful on the merits in defense of any Proceeding referred to in Section 9.2 or 9.3 or in defense of any claim, issue or matters therein, the Agent shall be indemnified against Expenses actually and reasonably incurred by the Agent in connection therewith.

Section 9.5. Procedure for Approval of Indemnification. Except as provided in Section 9.4, any indemnification under this Section shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the Agent is proper in the circumstances because the Agent has met the applicable standard of conduct set forth in Section 9.2 or 9.3, by:

(1) a majority vote of a quorum consisting of directors who are not parties to such Proceeding;

(2) approval of the Member, with the persons to be indemnified not being entitled to vote thereon; or

(3) the court in which such Proceeding is or was pending upon application made by the Corporation or the Agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the Agent, attorney or other person is opposed by the Corporation.

Section 9.6. Advancement of Expenses to Agent. Expenses incurred in defending any Proceeding may be advanced by the Corporation prior to the final disposition of

such Proceeding upon receipt of an undertaking by or on behalf of the Agent to repay such amount unless it shall be determined ultimately that the Agent is entitled to be indemnified as authorized in this Section.

Section 9.7. Limitations on Corporation's Power to Indemnify Agents. No indemnification or advance shall be made under this Section, except as provided in Sections 9.4 or 9.5, in any circumstance where it appears:

(1) that it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Member or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the Proceeding in which the Expenses were incurred or other amount were paid, which prohibits or otherwise limits indemnification; or

(2) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 9.8. Insurance of Agents by Corporation. The Corporation shall have the power to purchase and maintain insurance on behalf of any Agent of the Corporation against any liability asserted against or incurred by the Agent in such capacity or arising out of the Agent's status as such, whether or not the Corporation would have the power to indemnify the Agent against such liability under the provisions of this Section; provided, however, that the Corporation shall have no power to purchase and maintain such insurance to indemnify any Agent of the Corporation for a violation of Section 5233 of the California Nonprofit Corporation Law.

Section 9.9. Scope of this Section. No provision made by the Corporation to indemnify its or its subordinate corporations' directors or officers for the defense of any Proceeding, whether contained in the Articles, these Bylaws, a resolution of the Member or directors, an agreement or otherwise, shall be valid unless consistent with this Section. Nothing contained in this Section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

Section 9.10. Fiduciaries of Employee Benefit Plan. This Section does not apply to any Proceeding against any director, investment manager, or other fiduciary of any employee benefit plan in such person's capacity as such, even though such person may also be an Agent as defined in this Section. The Corporation shall have power to indemnify such director, investment manager or other fiduciary to the extent permitted by Section 207(f) of the California General Corporation Law.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1. Interpretation of Bylaws. Unless defined differently herein or unless the context requires a different meaning, terms used in these Bylaws shall have the same meaning as may be given to them in the California Nonprofit Corporation Law, as amended from time to time. To the extent possible, these Bylaws shall be construed as supplemental to all laws applicable to the same subject matter and shall be fully complied with unless such compliance

shall be illegal. Any provision of these Bylaws which is inconsistent with any applicable law shall not be complied with, but such inconsistency shall not affect the validity of any other provision of these Bylaws.

Section 10.2. Notices. Unless otherwise expressly provided herein, any notice required or permitted to be given under these Bylaws shall be deemed effectively given (1) when deposited in the United States Mail, addressed to the recipient at his last address, if any, appearing on the Corporation's books and with first-class postage thereon prepaid; (2) when personally delivered in writing to the recipient; (3) when delivered in writing to a common carrier for transmission, or actually transmitted to the person giving notice by electronic means, to the recipient; or (4) when communicated orally, in person or by telephone or radio, to the recipient or to a person at the recipient's office who the person giving notice has reason to believe will promptly communicate it to the recipient.

Section 10.3. Fiscal Year. The fiscal year end of the Corporation shall be December 31.

Section 10.4. Instruments in Writings. All checks, drafts, demands for money and notes of the Corporation, and all written contracts of the Corporation, shall be signed by such officer or officers, agent or agents, as the Board may from time to time designate. No officer, agent, or employee of the Corporation shall have power to bind the Corporation by contract or otherwise unless authorized to do so by these Bylaws or by the Board. Any indebtedness exceeding One Hundred Thousand Dollars (\$100,000) must have prior approval by the Member.

Section 10.5. Amendment by the Member or the Board of Directors. These Bylaws and any part thereof may be amended or repealed, and new Bylaws may be adopted, only by the affirmative vote of two-thirds (2/3) of the authorized number of directors of the Corporation and by written approval of the Member; provided, however, that amendments so approved by the Board shall become effective without the approval of the Member if the Member does not provide written disapproval of such amendment within ninety (90) days of the Board providing notice to the Member that the Board has approved such amendment. Notwithstanding the foregoing, the power of the Board under this Section 10.5 is subject to the rights of the Member as set forth within these Bylaws and as set forth in Sections 5151 (number of directors), 5220 (term of office of directors), 5224 (filling vacant directorships), 5512 (quorum at meetings of members), 5613 (proxies), 5813 (voting rights of class of members) and 5616 (cumulative voting) of the California Nonprofit Corporation Law, as well as any other provision of law conferring upon members the unconditional right to approve changes to bylaws.

Section 10.6. Audit of Books. The financial records of the Corporation shall be audited annually by a certified public accounting firm appointed by the Board.

Section 10.7. Rules of Order. Robert's Rules of Order, as amended from time to time, shall be used for conducting business meetings of the Corporation.

ADOPTION. The foregoing Bylaws were reviewed, accepted and recommended for adoption by the Board of Directors of Arroyo Grande Community Hospital Foundation on _____.

Chairman, Board of Directors, Arroyo Grande
Community Hospital Foundation

ARTICLES OF INCORPORATION
OF
FRENCH HOSPITAL MEDICAL CENTER FOUNDATION

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

MAR 28 2002

BILL JONES, Secretary of State

I.

The name of this corporation is FRENCH HOSPITAL MEDICAL CENTER FOUNDATION.

II.

This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

III.

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any subsequent federal tax laws (the "Code"), for the benefit of, to perform the functions of, or to carry out the purposes of French Hospital Medical Center, a California nonprofit public benefit corporation.

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of (or in opposition to) any candidate for public office.

C. This corporation is not organized, nor shall it be operated, for pecuniary gain or profit, and it does not contemplate the distribution of gains, profits or dividends to the members thereof or to any private shareholder, as defined for purposes of Section 501(c)(3) of the Code.

IV.

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person. Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3) of the Code.

V.

This corporation shall have as its sole voting member Permian Health Care, Inc., a Colorado nonprofit corporation which is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code.

VI.

The name in the State of California of this Corporation's initial agent for service of process is:

F & L CORP. WHICH WILL DO BUSINESS IN CALIFORNIA
AS FLWA SERVICE CORP.

Jason N. Barglow, Incorporator



**BYLAWS
OF
FRENCH HOSPITAL MEDICAL CENTER FOUNDATION**

**(a California nonprofit
public benefit corporation)**

**ARTICLE I
NAME; PURPOSES**

Section 1.1. Name. The name of this corporation shall be French Hospital Medical Center Foundation (the “Corporation”).

Section 1.2. Purposes. The purpose of the Corporation is to maintain and operate a California nonprofit public benefit corporation organized to generate resources and financial assets in order to fund and/or assist the operations of French Hospital Medical Center, a California nonprofit public benefit corporation in San Luis Obispo, California (the “Hospital”). To that end, this Corporation shall solicit and receive contributions, gifts, bequests and any other form of financial assets that may be deemed valuable for the purposes of the Corporation.

**ARTICLE II
PRINCIPAL OFFICE**

The principal office of the Corporation shall be located at San Luis Obispo, San Luis Obispo County, California. The board of directors (the “Board”) may change the principal office to another location within or outside of California. The Board may at any time establish one or more other offices at any place or places within or outside of California.

**ARTICLE III
MEMBERSHIP**

Section 3.1. The Member. The sole member of this Corporation, as the term “member” is defined in Section 5056 of the California Nonprofit Corporation Law, shall be Permian Health Care, Inc., a Colorado nonprofit corporation (the “Member”). No amendment of this Article III shall be valid or effective unless and until approved in writing by the Member.

Section 3.2. Associates. The Board may by appropriate resolution from time to time define and establish auxiliaries, friends and other support groups for the Corporation, but none of such auxiliaries, friends, or groups, or constituents thereof shall be or have the rights and privileges of “members” within the meaning of Section 5056 of the California Nonprofit Corporation Law with respect to the Corporation.

Categories of associates include, but are not limited to:

<u>Category of Associate</u>	<u>Amount of Contribution</u>	<u>Term</u>
Sponsor	\$1,000	Lifetime
Patron	\$2,500	Lifetime
Benefactor	\$5,000	Lifetime
Fellow	\$10,000	Lifetime
Ambassador	\$50,000	Lifetime
Philanthropist	\$100,000	Lifetime

ARTICLE IV
BOARD OF DIRECTORS

Section 4.1. Management of Corporation's Business by the Board. Subject to the provisions of any applicable law and any limitations in the Articles of Incorporation of the Corporation (the "Articles") or these Bylaws relating to action required to be approved by the Member, the activities and affairs of the Corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the Corporation's activities to any person or persons, management company, or committee however composed, provided that the activities and affairs of the Corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board.

Section 4.2. Number of Directors. The number of the Corporation's directors shall be not less than six (6) nor more than twenty-five (25), until changed by a duly adopted amendment of this Section. The exact number of directors shall be fixed, within the limits specified, by approval of the Member.

Section 4.3. Ex Officio Directors. The President, Chief Operating Officer, Chief Financial Officer and the Director of Development of the Hospital all shall serve as nonvoting, ex officio members of the Board. The ex officio members of the Board shall not be considered directors for the purposes of Section 4.2 above.

Section 4.4. Composition of the Board. The Board shall include the Chairman of the Board, a General Vice-Chairman, and Vice-Chairmen for finance, development and public relations, and such other Vice-Chairmen as the Member may create. The immediate past Chairman of the Board shall also serve as a director. One person can hold two or more positions, except that neither the Vice-Chairman for finance nor the General Vice-Chairman can serve concurrently as Chairman.

Section 4.5. Election of Directors. Except as provided in Section 4.3, the directors shall be elected at the annual meeting of the Board of Directors of the Member, but if any such annual meeting is not held or the directors of the Corporation are not elected thereat, the directors may be elected at a special meeting of the Board of Directors of the Member for that purpose. The Board shall decide which of its members shall serve as Chairman of the Board, General Vice-Chairman, Vice-Chairman for finance, Vice-Chairman for development, Vice-Chairman for public relations and any other Vice-Chairmen that the Member creates. Names for nomination shall be presented by the Nomination and Board Development Committee.

Section 4.6. Term of Directors. Initially, each director shall be assigned a term such that approximately one-third of the directors (which number shall be determined by dividing the total number of directors by three, rounding up in the event the total number of directors is not divisible by three) shall have one (1) year remaining on their term of office as a director, one-third of the directors shall have two (2) years remaining on their term of office as a director and one-third of the directors shall have three (3) years remaining on their term of office as a director. Thereafter, each director shall be elected to serve three (3) year terms. No director shall serve more than four (4) consecutive terms. The ex officio, nonvoting directors referred to in Section 4.3 herein shall not be subject to the consecutive term restriction.

Section 4.7. Compensation of Directors. Directors shall serve without compensation for their services as directors. However, they may be allowed reasonable reimbursement of expenses incurred in the performance of their regular duties as directors. A director shall be subject to all of the duties and obligations imposed by the Articles, these Bylaws or by law, whether or not that director receives any compensation from the Corporation. Nothing in this Section shall preclude any director from serving the Corporation in any other capacity and receiving compensation for such other service.

Section 4.8. Removal of Director. Before removing any director, the Member shall consult with the Board, either individually or at a duly scheduled board meeting.

Section 4.9. Resignation of Director. Any director may resign effective upon giving written notice to the Chairman of the Board, Vice Chairman of the Board or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective. Except upon notice to the Attorney General of the State of California (the "Attorney General"), no director may resign where the Corporation would then be left without a duly elected director or directors in charge of its affairs.

Section 4.10. Filling Vacancies on the Board. A vacancy on the Board shall exist when any authorized position of director is not then filled by a duly elected or chosen director, whether caused by death, resignation, removal, an increase in the authorized number of directors, or otherwise. Unless otherwise provided in the Articles or these Bylaws and except for a vacancy created by the removal of a director, vacancies on the Board may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director. A vacancy on the Board created by the removal of a director may be filled only by the

Member. The Member may elect a director at any time to fill any vacancy not filled by the directors.

Section 4.11. “Interested Person” as Director. Not more than forty-nine percent (49%) of the persons serving on the Board may be interested persons. For the purpose of this Section, “interested person” means either: (1) any person currently being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full or part-time employee, independent contractor, or otherwise, excluding any reasonable expense reimbursement paid to a director as director; or (2) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person.

Section 4.12. Chairman of the Board of Directors. The Chairman of the Board shall preside over all meetings of the Board, shall be an ex officio member of all committees, and shall execute with his or her signature all instruments authorized by the Board. In the case of a vacancy in this office, the General Vice-Chairman shall automatically succeed to this office.

Section 4.13. General Vice-Chairman. In the event that the Chairman resigns or is unable to fulfill his or her duties, the General Vice-Chairman shall assume the duties of the Chairman. In addition, the General Vice-Chairman shall have any other duties which the Chairman has delegated to the General Vice-Chairman.

Section 4.14. Vice-Chairman for Finance. The Vice-Chairman for Finance shall chair the Finance Committee. The Vice-Chairman for Finance shall work with the Treasurer to ensure that the books of the Corporation are maintained and are accurate and that an annual audit is performed. The Vice-Chairman for Finance will also work with the Planning Committee of the Member to determine Hospital projects to benefit from the Corporation’s efforts. In addition, the Vice-Chairman for Finance shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Finance.

Section 4.15. Vice-Chairman for Development. The Vice-Chairman for Development shall chair the Development Committee which shall undertake all fund-raising programs and activities. In addition, the Vice-Chairman for Development shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Development.

Section 4.16. Vice-Chairman for Public Relations. The Vice-Chairman for Public Relations shall chair the Public Relations Committee. The Public Relations Committee shall oversee the development of all public relations, promotional and marketing materials which articulate the Corporation’s mission. In addition, the Vice-Chairman for Public Relations shall have any other duties which the Chairman shall delegate to the Vice-Chairman for Public Relations.

Section 4.17. Qualifications of Directors. Except as otherwise provided herein, a director, at the time of election and during the entire term of office, must possess natural talents, special training or experience which will benefit the Corporation, and shall be interested in the affairs of the Corporation and willing to devote sufficient time to its direction.

ARTICLE V
BOARD COMMITTEES

Section 5.1. Creation of Board Committees. Any such committee shall be created, and the members thereof appointed, by resolution adopted by a majority of the number of directors then in office, provided a quorum is present. The Board in the same manner may appoint alternate members of any committee, who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall provide otherwise, the regular and special meetings and other actions of such committee shall be governed by the provisions of Article VI applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee, and shall be given to the Board.

Unless otherwise specified by the Board, each committee shall be chaired by a Vice-Chairman of the Board named to such committee. Each committee chairman shall perform the duties and exercise the powers usually vested in this office subject to the limitations as specified in this Article V.

Section 5.2. Powers of Board Committees. Any such committee, to the extent provided in the resolution of the Board or in these Bylaws, shall have all the authority of the Board, except with respect to:

- (a) The approval of any action for which the California Nonprofit Corporation Law or these Bylaws also requires approval of the Member.
- (b) The filling of vacancies on the Board or in any committee.
- (c) The fixing of compensation of the directors for serving on the Board or on any committee.
- (d) The amendment or repeal of these Bylaws or the adoption of new Bylaws.
- (e) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable.
- (f) The appointment of Board committees or the members thereof.
- (g) The expenditure of funds of the Corporation to support a nominee for director after there are more people nominated for director than can be elected.
- (h) The approval of any self-dealing transaction, as defined in Section 5233 of the California Nonprofit Corporation Law.

“Approved” means approved or ratified by the vote of the Board or by the vote of a committee authorized to exercise the powers of the Board, except as to matters not within the competence of the committee under this Section.

Section 5.3. Other Committees. Notwithstanding any other provision in this Article, the Board may at any time establish one or more other committees whose members may, but need not be, directors. Such a committee may perform such duties and take such actions as may be authorized by the Board, except that it may not take any action which, under any applicable law or these Bylaws, may be taken only by the Board or a committee of the Board established pursuant to Section 5.1.

Section 5.4. Executive Committee. The Executive Committee shall consist of the Chairman, the General Vice-Chairman, the Vice-Chairman for Finance, the Vice-Chairman for Public Relations and the Vice-Chairman for Development. The Executive Committee shall establish rules for the conduct of its affairs and shall have the power to transact all regular business of the Corporation during the period between the meetings of the Board, subject to any prior limitation imposed by the Board and these Bylaws, and shall exercise such additional power and authority as may be delegated to it from time to time by the Board.

Section 5.5. Nominating and Board Development Committee. The Nominating and Board Development Committee shall advise the Board and shall submit nominations for officers and directors of the Corporation to the Board of Directors of the Member for election at the annual meeting of the Member. This committee shall interview and select potential members, and orient Board members to Board member responsibilities, programs and purposes. This committee shall provide ongoing educational programs to assure sound policy-making decisions for program direction and to assure that the Board represents the community’s interest and is sufficiently diversified in areas of expertise to accomplish policy-making decisions which achieve corporate purposes in a most efficient and adequate manner. This committee shall also serve as the Bylaws Committee. The members of this committee shall be appointed annually by the Executive Committee.

Section 5.6. Finance Committee. The Hospital shall provide reports to the Finance Committee at least sixty days (60) before the date of the annual meeting of the Hospital Board. Such reports shall set out the respective financial needs of the Hospital. The Vice-Chairman for Finance of the Corporation shall then provide copies of each such report to the Board.

Based upon such reports, the Finance Committee shall make their written determination of the funding goals of the Corporation for the following year, including recommending, with input from the Member, the projects to benefit from these funds. Such report shall be made at least thirty (30) days before the date set for the annual meeting of the Board. Additionally, based upon such reports, funds either collected or anticipated by the Corporation shall be disbursed to the Hospital upon a vote of the Board.

Other duties of the Finance Committee shall include, but not be limited to, development of the annual budget and development of policies and procedures governing the

receipt, deposit and investment of gifts; the disbursement of gifts and other resources; donor prospect and gift records; and donor recognition.

The Finance Committee shall be chaired by the Vice-Chairman for Finance.

Section 5.7. Development Committee. The Development Committee shall advise the Board on all fund-raising activities and programs. The nature of each such activity or program shall be determined by the Development Committee, subject to the Board's approval. Hospital personnel shall provide the necessary services, as requested by the Corporation, to accomplish any such activity or program. Sub-committees overseeing these activities or programs may also be created and will report to the Development Committee. The Development Committee shall be chaired by the Vice-Chairman for Development.

Section 5.8. Public Relations Committee. The Public Relations Committee shall advise the Board on all public relations, promotional and marketing materials related to the business of the Corporation. The mission of these materials will be to document and articulate the Member's case for support; they will be subject to the Board's approval; Hospital personnel shall provide the necessary services, as requested by the Corporation, to develop such materials; and all work will be coordinated with the Member's marketing and public relations programs. Examples of these materials may include, but are not limited to, case statements, brochures, newsletters and videos. The Public Relations Committee shall be chaired by the Vice-Chairman for Public Relations.

ARTICLE VI

MEETINGS OF THE BOARD

Section 6.1. Place of Board Meetings. Meetings of the Board shall be held at the principal office of the Corporation or at such other place within or without California which has been designated in the notice of the meeting or by resolution of the board.

Section 6.2. Regular Meetings. Regular meetings of the Board may be held without notice if the time and place of such meetings are fixed by the Board.

Section 6.3. Special Meetings. Special meetings of the Board may be called by the Chairman or any Vice-Chairman or any two directors. Special meetings of the Board shall be held upon four (4) days' notice by first-class mail or 48 hours' notice delivered personally or by telephone or telegraph. A notice or waiver of notice need not specify the purpose of any regular or special meeting of the board.

Section 6.4. Quorum. The majority of the number of directors then in office shall constitute a quorum of the Board for the transaction of business. However, notwithstanding the foregoing, in no event shall a quorum be less than two directors. Subject to the provisions of California Nonprofit Corporation Law Section 5212 (relating to the creation of committees), Section 5233 (relating to self-dealing transactions), Section 5234 (relating to transactions between corporations having common directorships), Section 5235 (relating to compensation of directors and officers) and Section 5238(e) (relating to indemnification of corporate agents), every act or decision done or made by a majority of the directors present at a meeting duly held

at which a quorum is present is the act of the Board. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting or such greater number as is required by the Articles, the California Nonprofit Corporation Law or these Bylaws.

Section 6.5. Adjourned Meetings. A majority of the directors present, whether or not a quorum is present, may adjourn any Board meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 6.6. Waiver of Notice and Consent to Board Meetings. Notice of a Board meeting need not be given to any director who signed a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 6.7. Action Without a Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors. For the purposes of this section only, "all members of the Board" shall not include any "interested director" as defined in Section 5233 of the California Nonprofit Corporation Law.

Section 6.8. Board Meeting by Conference Telephone. Directors may participate in a Board meeting through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear one another. Participation in a meeting pursuant to this Section constitutes presence in person at such a meeting.

ARTICLE VII

OFFICERS

Section 7.1. President. The President shall conduct all business as Chief Executive Officer of the Corporation. Unless otherwise designated by the Member, the President shall be the Chief Executive Officer of the Hospital.

Section 7.2. Senior Vice-President. In the event of the absence or inability of the President of the Corporation, the Senior Vice-President shall perform all duties and exercise all authority herein delegated to the President of the Corporation. Unless otherwise designated by the Member, the Vice-President shall be the Chief Operating Officer of the Hospital.

Section 7.3. Vice-President. In the absence or inability of either the President of the Corporation or the Senior Vice-President to perform their duties as herein provided, the

Vice-President shall perform all duties and exercise all authority herein delegated to the President of the Corporation. Unless otherwise designated by the Member, the Director of Development of the Hospital shall be the Vice-President of the Corporation.

Section 7.4. Treasurer. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, revenues and losses. The books of account shall at all times be open to inspection by any director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Corporation as ordered by the Board. The Treasurer shall render to the directors upon their request a full accounting of the financial condition of the Corporation. The Treasurer shall make proper vouchers for all disbursements of the funds of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board and by these Bylaws. Unless otherwise designated by the Member, the Treasurer shall be the Chief Financial Officer of the Hospital.

Section 7.5. Secretary. The Secretary shall keep or cause to be kept, at the principal office of the Corporation in the State of California, the original or a copy of the Corporation's Articles and Bylaws, as amended to date. The Secretary shall also keep or cause to be kept a book of minutes of all meetings of the Board at the principal office, or at such other place as the Board may order. Unless otherwise designated by the Member, the Secretary shall be the Director of Development of the Hospital.

Section 7.6. Election of Officers. The officers of the Corporation, except such officers as may hold office according to the provisions of Sections 7.1 through 7.5, inclusive, shall be appointed by the Board, and each shall serve at the pleasure of the Board.

Section 7.7. Vacancies in Office. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for the regular appointment to that office.

ARTICLE VIII

RECORDS, REPORTS AND INSPECTION RIGHTS

Section 8.1. Annual Report. The Board shall cause an annual report to be sent to the Member not later than one hundred twenty (120) days after the close of the Corporation's fiscal year. Such report shall contain in appropriate detail the following: (1) the assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year; (2) the principal changes in assets and liabilities, including trust funds, during the fiscal year; (3) the revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year; (4) the expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year; and (5) any information required by Section 8.2 below. The report required by this Section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of the Vice-Chairman for Finance or other authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation. A report with the information

required by this Section shall also be furnished annually to directors of the Corporation. If the Corporation solicits contributions in writing from 500 or more persons, it need not send the report otherwise required by this Section if it does all of the following:

(1) includes with any written material used to solicit contributions a written statement that its latest annual report will be mailed upon request and that such request may be sent to the Corporation at a name and address which is set forth in the statement. The term “annual report” as used in this Section refers to the report required by this Section;

(2) promptly mails a copy of its latest annual report to any person who requests a copy thereof; and

(3) causes its annual report to be published not later than one hundred twenty (120) days after the close of its fiscal year in a newspaper of general circulation in the county in which its principal office is located.

Section 8.2. Annual Statement of Certain Transactions and Indemnifications.

Any provision of the Articles or these Bylaws notwithstanding, the Corporation shall furnish annually to the Member and directors a statement of any transaction or indemnification of a kind described below, if any such transaction or indemnification took place. If the Corporation issues an annual report to the Member, this Section shall be satisfied by including the required information in the annual report. If the Corporation does not issue an annual report to the Member pursuant to Section 8.1, it shall satisfy this Section by mailing or delivering to the Member the required statement within one hundred twenty (120) days after the close of the Corporation’s fiscal year. Except as provided below, a “covered transaction” under this Section is a transaction in which the Corporation, its parent, or its subordinate corporation was a party, and in which either of the following had a direct or indirect material financial interest: (1) any director or officer of the Corporation, or its parent or subordinate corporation; or (2) any holder of more than ten percent (10%) of the voting power of the Corporation, its parent or its subordinate corporation. For the purpose of this Section, (1) an “interested person” is any person described in item (1) or (2) of the preceding sentence, and (2) a mere common trusteeship is not a material financial interest.

The statement required by this Section shall describe briefly: (1) any covered transaction during the previous fiscal year involving more than Fifty Thousand Dollars (\$50,000), or any transaction which was one of a number of covered transactions in which the same interested person had a direct or indirect material financial interest, and which transactions in the aggregate involved more than Fifty Thousand Dollars (\$50,000); and (2) the names of the interested persons involved in such transactions, stating such person’s relationship to the Corporation, the nature of such person’s interest in the transaction and, where practicable, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partnership need be stated. The statement required by this Section shall describe briefly the amount and circumstances of any indemnifications or advances aggregating more than Ten Thousand Dollars (\$10,000) paid during the fiscal year to any officer or director pursuant to Section 5238 of the California

Nonprofit Corporation Law, provided that no such report need be made in the case of indemnification approved by the voting members as provided in Section 5238(e) of that Law.

Section 8.3. Inspection Rights. The Member and every director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents of the Corporation of every kind, and to inspect the physical properties of the Corporation and each of its subordinate corporations, if any.

Section 8.4. Inspection by Agent; Extracts. Any inspection under this Article VIII may be made in person or by agent or attorney, and the right of inspection includes the right to copy and make extracts. If any record subject to inspection pursuant to this Article VIII is not maintained in written form, a request for inspection is not complied with unless and until the Corporation at its expense makes such record available in written form.

ARTICLE IX

INDEMNIFICATION AND INSURANCE OF CORPORATE AGENTS

Section 9.1. Definitions Applicable to this Section. For the purposes of this Section, “Agent” means any person who is or was a director, officer, employee or other agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust or other enterprise. “Proceeding” means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, except as provided in subsection 9.10; and “Expenses” includes, without limitation, attorneys’ fees and any expenses of establishing a right to indemnification under Section 9.4 or 9.5.

Section 9.2. Actions Brought by Persons Other than the Corporation. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Nonprofit Corporation Law, or an action brought by the Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that such person is or was an Agent of the Corporation, against Expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person’s conduct was unlawful.

Section 9.3. Actions Brought By or on Behalf of the Corporation. The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action by or in the right of the Corporation or brought under Section 5233 of the California Nonprofit Corporation Law or brought by the

Attorney General or a person granted relator status by the Attorney General for any breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an Agent of the Corporation, against Expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this section:

(1) in respect of any claim, issue or matter as to which such person shall have been adjudicated to be liable to the Corporation in the performance of such person's duty to the Corporation, unless and only to the extent that the court in which such Proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the Expenses which such court shall determine;

(2) of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(3) of Expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval unless it is settled with the approval of the Attorney General.

Section 9.4. Indemnification Where Agent Successful on Merits. To the extent that an Agent of the Corporation has been successful on the merits in defense of any Proceeding referred to in Section 9.2 or 9.3 or in defense of any claim, issue or matters therein, the Agent shall be indemnified against Expenses actually and reasonably incurred by the Agent in connection therewith.

Section 9.5. Procedure for Approval of Indemnification. Except as provided in Section 9.4, any indemnification under this Section shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the Agent is proper in the circumstances because the Agent has met the applicable standard of conduct set forth in Section 9.2 or 9.3, by:

(1) a majority vote of a quorum consisting of directors who are not parties to such Proceeding;

(2) approval of the Member, with the persons to be indemnified not being entitled to vote thereon; or

(3) the court in which such Proceeding is or was pending upon application made by the Corporation or the Agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the Agent, attorney or other person is opposed by the Corporation.

Section 9.6. Advancement of Expenses to Agent. Expenses incurred in defending any Proceeding may be advanced by the Corporation prior to the final disposition of

such Proceeding upon receipt of an undertaking by or on behalf of the Agent to repay such amount unless it shall be determined ultimately that the Agent is entitled to be indemnified as authorized in this Section.

Section 9.7. Limitations on Corporation's Power to Indemnify Agents. No indemnification or advance shall be made under this Section, except as provided in Sections 9.4 or 9.5, in any circumstance where it appears:

(1) that it would be inconsistent with a provision of the Articles, these Bylaws, a resolution of the Member or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the Proceeding in which the Expenses were incurred or other amount were paid, which prohibits or otherwise limits indemnification; or

(2) that it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

Section 9.8. Insurance of Agents by Corporation. The Corporation shall have the power to purchase and maintain insurance on behalf of any Agent of the Corporation against any liability asserted against or incurred by the Agent in such capacity or arising out of the Agent's status as such, whether or not the Corporation would have the power to indemnify the Agent against such liability under the provisions of this Section; provided, however, that the Corporation shall have no power to purchase and maintain such insurance to indemnify any Agent of the Corporation for a violation of Section 5233 of the California Nonprofit Corporation Law.

Section 9.9. Scope of this Section. No provision made by the Corporation to indemnify its or its subordinate corporations' directors or officers for the defense of any Proceeding, whether contained in the Articles, these Bylaws, a resolution of the Member or directors, an agreement or otherwise, shall be valid unless consistent with this Section. Nothing contained in this Section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

Section 9.10. Fiduciaries of Employee Benefit Plan. This Section does not apply to any Proceeding against any director, investment manager, or other fiduciary of any employee benefit plan in such person's capacity as such, even though such person may also be an Agent as defined in this Section. The Corporation shall have power to indemnify such director, investment manager or other fiduciary to the extent permitted by Section 207(f) of the California General Corporation Law.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1. Interpretation of Bylaws. Unless defined differently herein or unless the context requires a different meaning, terms used in these Bylaws shall have the same meaning as may be given to them in the California Nonprofit Corporation Law, as amended from time to time. To the extent possible, these Bylaws shall be construed as supplemental to all laws applicable to the same subject matter and shall be fully complied with unless such compliance

shall be illegal. Any provision of these Bylaws which is inconsistent with any applicable law shall not be complied with, but such inconsistency shall not affect the validity of any other provision of these Bylaws.

Section 10.2. Notices. Unless otherwise expressly provided herein, any notice required or permitted to be given under these Bylaws shall be deemed effectively given (1) when deposited in the United States Mail, addressed to the recipient at his last address, if any, appearing on the Corporation's books and with first-class postage thereon prepaid; (2) when personally delivered in writing to the recipient; (3) when delivered in writing to a common carrier for transmission, or actually transmitted to the person giving notice by electronic means, to the recipient; or (4) when communicated orally, in person or by telephone or radio, to the recipient or to a person at the recipient's office who the person giving notice has reason to believe will promptly communicate it to the recipient.

Section 10.3. Fiscal Year. The fiscal year end of the Corporation shall be December 31.

Section 10.4. Instruments in Writings. All checks, drafts, demands for money and notes of the Corporation, and all written contracts of the Corporation, shall be signed by such officer or officers, agent or agents, as the Board may from time to time designate. No officer, agent, or employee of the Corporation shall have power to bind the Corporation by contract or otherwise unless authorized to do so by these Bylaws or by the Board. Any indebtedness exceeding One Hundred Thousand Dollars (\$100,000) must have prior approval by the Member.

Section 10.5. Amendment by the Member or the Board of Directors. These Bylaws and any part thereof may be amended or repealed, and new Bylaws may be adopted, only by the affirmative vote of two-thirds (2/3) of the authorized number of directors of the Corporation and by written approval of the Member; provided, however, that amendments so approved by the Board shall become effective without the approval of the Member if the Member does not provide written disapproval of such amendment within ninety (90) days of the Board providing notice to the Member that the Board has approved such amendment. Notwithstanding the forgoing, the power of the Board under this Section 10.5 is subject to the rights of the Member as set forth within these Bylaws and as set forth in Sections 5151 (number of directors), 5220 (term of office of directors), 5224 (filling vacant directorships), 5512 (quorum at meetings of members), 5613 (proxies), 5813 (voting rights of class of members) and 5616 (cumulative voting) of the California Nonprofit Corporation Law, as well as any other provision of law conferring upon members the unconditional right to approve changes to bylaws.

Section 10.6. Audit of Books. The financial records of the Corporation shall be audited annually by a certified public accounting firm appointed by the Board.

Section 10.7. Rules of Order. Robert's Rules of Order, as amended from time to time, shall be used for conducting business meetings of the Corporation.

ADOPTION. The foregoing Bylaws were reviewed, accepted and recommended for adoption by the Board of Directors of French Hospital Medical Center Foundation on _____.

Chairman, Board of Directors, French Hospital
Medical Center Foundation