Proposed Transfer of Assets

of

Huntington East Valley Hospital

to

PanPacific Health Enterprises, Inc.

PREPARED FOR THE ATTORNEY GENERAL OF CALIFORNIA

March 21, 2001

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Huntington Hospital

A member of Southern California Healthcare System

February 14, 2001

RECEIVED

FEB 16 2001

J.R.B.

John R. Browning, Esq.
Musick, Peeler & Garrett
One Wilshire Boulevard, Suite 2000
Los Angeles, California 90017

Re: Huntington East Valley Hospital – Asset Sale Agreement

Dear John:

Enclosed for your file is a copy of the fully executed Asset Sale Agreement for Huntington East Valley Hospital.

Many thanks for your assistance on this transaction.

Sincerely,

Timothy W. Carmack
Vice President and CFO

Enclosure

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ASSET SALE AGREEMENT

THIS ASSET SALE AGREEMENT (" Agreement") is made and entered into as of February 14, 2001, by and between **HUNTINGTON EAST VALLEY HOSPITAL**, a California nonprofit public benefit corporation ("Seller") and **PanPacific Health Enterprises, Inc.**, a California corporation ("Buyer").

W I T N E S S E T H:

WHEREAS, Seller owns and operates Huntington East Valley Hospital located at 150 West Alosta Avenue, Glendora, California (the "Facility"); and

WHEREAS, Buyer desires to acquire substantially all of the assets of Seller associated with the Facility and assume certain liabilities, and Seller desires to sell such assets to Buyer, all as more fully set forth below.

NOW, THEREFORE, for and in consideration of the premises, and the agreements, covenants, representations and warranties hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. SALE OF ASSETS AND CERTAIN RELATED MATTERS

1.1 Sale and Transfer of the Assets. Subject to the terms and conditions of this Agreement, Seller agrees to sell, transfer, convey, and deliver to Buyer, and Buyer agrees to purchase at Closing all assets, real, personal and mixed, tangible and

intangible, other than the Excluded Assets (as hereinafter defined), owned or leased by Seller and used exclusively in the operations of the Facility, including, without limitation, the following items (collectively, the " Assets"): (i) fee title or leasehold interest to the real property described in **Schedule 4.7** hereto, together with all improvements, buildings and fixtures located thereon or therein (collectively, the " Real Property"); (ii) all major, minor or other equipment, whether movable or attached to the Real Property, vehicles, furniture and furnishings; (iii) all supplies and inventory; (iv) subject to applicable law, all current financial, patient, medical staff and personnel records; (v) all of the interest of Seller in all commitments, contracts, leases, and agreements outstanding in respect of the Assets, including, but not limited to, those which are listed and described on **Schedule 4.6** hereto (collectively, the " Contracts"), but specifically excluding the Excluded Contracts (as hereinafter defined); (vi) to the extent assignable, all licenses, provider numbers and permits held by Seller relating to the ownership, development and operations of the Facility and (vii) goodwill.

1.2 Excluded Assets. Notwithstanding anything herein to the contrary, the following assets which are associated with Seller's operations of the Facility and the Assets are not intended by the parties to be a part of the Assets that are being purchased by Buyer hereunder and shall be excluded from such purchase and the definition of Assets (collectively, the "Excluded Assets"): (i) restricted and unrestricted cash and cash equivalents, including, without limitation, investments in marketable securities, certificates of deposit, bank accounts, and promissory notes; (ii) accounts receivable generated by Seller in connection with the business or operation of the Facility or the Assets; (iii) rights to settlements and retroactive adjustments, if any, whether arising under a cost report of Seller or otherwise, for cost reporting periods ending on or prior to the Closing Date, whether open or closed, arising from or against the United States government under the terms of the Medicare program or the Civilian Health and Medical Program of the Uniformed Services ("CHAMPUS") or against the State of California under the Medi-Cal program, and against any third party payor programs which settle upon a basis other than an individual claims basis ("Agency Settlements"); (iv) all intercompany accounts of Seller and its affiliates; (v) all inventory, supplies and prepaid expenses disposed of or utilized prior to Closing in the ordinary course of business and items of equipment or activities transferred or disposed of in accordance with Section 6.2(b) hereof; (vi) any records which by law Seller or its affiliates are required to retain in their possession; provided, however, that

unless prohibited by applicable law and if requested by Buyer, Seller shall provide copies thereof to Buyer; (vii) any proprietary information of Seller or its affiliates, including, without limitation, that which is contained in Seller's employee or operation manuals, and all information that does not pertain to the continuing operations of the Facility; (viii) the Contracts listed on **Schedule 1.2(viii)** hereto; (ix) rights to tax refunds or claims under or proceeds of insurance policies related to the Facility or the Assets which relate to incidents or periods prior to the Closing; (x) the names and symbols used in connection with the Facility and the Assets including the name " Huntington" or any variants thereof or any other names which are proprietary to Seller or its affiliates; and (xi) such other assets as are set forth on **Schedule 1.2(xi)** hereto.

1.3 Disclaimer of Warranties. Except as expressly set forth in Article 4 hereof, the Assets will be transferred to Buyer and Buyer agrees to accept the Assets in their condition on the Closing Date, " AS IS," " WHERE IS" AND " WITH ALL FAULTS," WITH NO WARRANTY OF HABITABILITY, FITNESS FOR HABITATION OR ENVIRONMENTAL CONDITION, WITH RESPECT TO LAND, BUILDINGS AND IMPROVEMENTS, AND WITH NO WARRANTIES, INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO THE EQUIPMENT, INVENTORY, AND SUPPLIES, ANY AND ALL OF WHICH WARRANTIES (BOTH EXPRESS AND IMPLIED) SELLER HEREBY DISCLAIMS. All of the Assets shall be further subject to normal wear and tear on the buildings, improvements and equipment and normal and customary use of the

inventory and supplies up to the Closing.

1.4 **Interpretation**. In this Agreement, unless the context otherwise requires:

(a) References to this Agreement are references to this Agreement and to the Schedules and Exhibits hereto (as hereinafter defined);

(b) References to Articles and Sections are references to articles and sections of this Agreement;

(c) References to any party to this Agreement shall include references to its respective successors and permitted assigns;

(d) References to a judgment shall include references to any order, writ, injunction, decree, determination or award of any court or tribunal;

(e) References to a "Person" shall mean to any individual, company, body corporate, association, partnership, limited liability company, firm, joint venture, trust and governmental agency;

(f) The terms "hereof," "herein," "hereby," and any derivative or similar words will refer to this entire Agreement;

(g) References to any law are references to that law as of the Closing Date, unless clearly indicated otherwise, and shall also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise;

(h) The word "including" shall mean including without limitation;

(i) References to time are references to Pacific Standard or Daylight time (as in effect on the applicable day) unless otherwise specified herein; and

(j) The word " affiliate" shall mean, as to the entity in question, any person or entity that directly or indirectly controls, is controlled by, or is under common control with, the entity in question and any successors or assigns of such entities; and the term " control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity whether through ownership of voting securities, by contract or otherwise.

2. FINANCIAL ARRANGEMENTS

2.1 Purchase Price. Subject to the terms and conditions hereof, in reliance upon the representations and warranties of Seller herein set forth and as consideration for the sale and purchase of the Assets as herein contemplated, Buyer shall pay to Seller or its designee at Closing the purchase price in the amount of Six Million Five Hundred Thousand Dollars ($6,500,000) (the " Purchase Price"). In addition, Buyer shall assume the Assumed Liabilities.

2.2 Payment of the Purchase Price. The Purchase Price shall be payable as follows:

(a) Concurrently with execution of this Agreement, Buyer shall deliver to Seller a deposit in the amount of One Hundred Ninety-Five Thousand Dollars ($195,000) in the form of a certified or bank cashier's check made payable to Escrow Holder (the "Deposit"). Upon the opening of Escrow as defined in Section

3 below, Seller shall deliver the deposit to Escrow Holder. For the term of the Escrow, until released to Seller, the Deposit shall be invested by Escrow Holder in an interest-bearing account for the benefit of Buyer. The Deposit and all interest which shall accrue thereon shall be applied to the payment of the Purchase Price upon the close of Escrow. Provided that the conditions specified in Section 8 are satisfied or waived by Buyer, the entire Deposit plus interest accrued thereon shall become non-refundable to Buyer in the event the Escrow is cancelled by reason of Buyer's default under this Agreement.

(b) At least one day prior to the Close of Escrow, Buyer shall deposit or cause to be deposited with Escrow Holder, in the form of cash, a certified or bank cashier's check made payable to Escrow Holder, or a confirmed wire transfer of funds, in an amount equal to the net of (i) Five Million Dollars ($5,000,000), less (ii) the total amount of the Deposit and interest accrued thereon, plus (iii) such additional funds as may be required to pay Buyer's share of Closing Costs as hereinafter set forth.

(c) The balance of the Purchase Price in the amount of One Million Five Hundred Thousand Dollars ($1,500,000) shall be evidenced by a Promissory Note payable to Seller (the "Note") substantially in the form attached as **Schedule 2.2(i)**, which Note shall be due and payable within twelve (12) months following the Closing Date and shall bear interest at the Bank of America prime rate as publicly announced from time to time, and shall be secured by a third Deed of Trust on the Real Property, a security interest

in the Escrow Account to be established pursuant to a Gross Capitation Service Agreement by and among the Buyer, TMGI-Glendora (the proposed manager of the facility subsequent to the Closing) and Medical Pathways, Inc. and perfected in accordance with the provisions of the California Commercial Code. The Note shall be payable in equal quarterly payments of principal in the amount of $375,000 plus accrued interest, with the last such payment due and payable on the maturity date.

2.3 Allocation of Purchase Price. The Purchase Price shall be allocated among the various classes of Assets in accordance with and as provided by Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), and as set forth in **Schedule 2.3** hereto. The parties agree that any tax returns or other tax information they may file or cause to be filed with any governmental agency shall be prepared and filed consistently with such agreed upon allocation. In this regard, the parties agree that, to the extent required, they will each properly prepare and timely file Form 8594 in accordance with Section 1060 of the Code.

2.4 Assumed Liabilities. As of the Closing Date, Buyer shall assume and agree to pay, perform and discharge in accordance with their respective terms the following liabilities of Seller arising exclusively from the operations of the Facility and the Assets (collectively, the "Assumed Liabilities"): (i) all obligations and liabilities accruing, under, relating to or in connection with the Contracts, the Facility and the Assets arising after the Closing Date; (ii) the Permitted Encumbrances (as hereinafter defined); (iii) obligations and liabilities assumed by

Buyer under Section 10.1 herein; (iv) all obligations and liabilities of Seller in respect of capital leases. Buyer shall reimburse Seller within thirty (30) days of receipt of notice from Seller for any Assumed Liabilities paid by Seller.

2.5 Excluded Liabilities. Except as expressly provided to the contrary in Section 2.4 above, Buyer shall not assume or be liable for and under no circumstance shall Buyer be obligated to pay or assume, and none of the Assets shall be or become liable for or subject to, any liability of Seller or its Affiliates, whether fixed or contingent, recorded or unrecorded, known or unknown, currently existing or hereafter arising including, without limitation, the following (collectively, the " Excluded Liabilities"):

(a) all long-term liabilities and all indebtedness and obligations or guarantees of Seller or its Affiliates; provided, however, that the liability under capital leases shall not be an Excluded Liability;

(b) liabilities or obligations of Seller in respect of periods prior to Closing arising under the terms of the Medicare, Medi-Cal, CHAMPUS or other third party payor programs, including, without limitation, any retroactive denial of claims or civil monetary penalties;

(c) any federal, state or local tax liabilities or obligations of Seller in respect of periods prior to Closing including, without limitation, any income tax, any franchise tax and any ad valorem tax;

(d) liability for any and all claims by or on behalf

of any of Seller's employees or those of Seller's Affiliates relating to periods prior to Closing, including liability of or for any EEOC claim, wage and hour claim, unemployment compensation claim or workers' compensation claim ~~or pension~~, profit sharing, deferred compensation or other employee health and welfare benefit plans and liability and/or claims under the Employee Retirement Income Security Act;

(e) any liability arising out of or in connection with (i) Seller's or its Affiliates' ownership or possession of the Assets and/or the operations of the Facility; or (ii) claims for acts or omissions of Seller or its Affiliates or the employees, agents or independent contractors of Seller or its Affiliates which occurred prior to Closing, including, without limitation, all malpractice and general liability claims, whether or not same are pending, threatened, known or unknown; and

(f) any liability or obligation arising with respect to the Excluded Assets.

3. **ESCROW.**

3.1 Opening of Escrow. Promptly following the execution of this Agreement by Seller and Buyer, they shall deliver a fully executed counterpart of this Agreement to Commerce Escrow, 1545 Wilshire Boulevard, Los Angeles, California 90017, Attention: Phil Graf, President ("Escrow Holder"). For the purposes of this Agreement, the "Opening of Escrow" shall be deemed to be the date Escrow Holder shall have received an executed counterpart of this Agreement from both Buyer and Seller. Escrow Holder shall notify Buyer and Seller in writing of the date of the Opening of Escrow. In addition, Buyer and Seller agree to execute, deliver and be bound by any reasonable or customary supplemental escrow instructions of Escrow Holder or other instruments as may be reasonably required by Escrow Holder in order to consummate the transaction contemplated herein. The printed portions of any such supplemental instructions shall not amend or supersede any portions of this Agreement. In the event of any inconsistency between such supplemental instructions and this Agreement, this Agreement shall control.

3.2 Close of Escrow. For purposes of this Agreement, the "Close of Escrow" or the "Closing" shall occur on, with five business days' prior notice, the last business day of the month following the satisfaction and/or waiver by the appropriate party of the conditions precedent to Closing specified in Sections 8 and 9 hereof, or at such later date as the parties hereto may mutually designate in writing (the "Closing Date"). The Closing shall be effective as of 12:01 A.M. on the calendar day following the

Closing Date or such other date and time as the parties may mutually designate in writing.

3.3 Costs and Expenses. Seller shall pay that portion of the cost and expense of the premium for a standard CLTA Title Policy, and Buyer shall pay the additional premium for an ALTA Title Policy, if requested by Buyer. Buyer shall pay the cost of any new survey required in order to obtain such ALTA Title Policy. The escrow fees of Escrow Holder shall be divided evenly between Seller and Buyer and the Escrow Holder's charges for document drafting, recording and miscellaneous charges shall be allocated between Seller and Buyer in the manner customary.

3.4 Prorations. The following items shall be prorated between Buyer and Seller as of the Close of Escrow based upon an actual day month, three hundred sixty-five (365) day year:

(a) Real property taxes and personal property taxes with respect to the Assets based upon the latest available tax information such that Seller shall be responsible for all such taxes levied against the Assets to and including the Close of Escrow and if the Escrow closes, Buyer shall be responsible for all taxes levied against the Assets from and after the Close of Escrow.

(b) Seller shall be responsible for all installments of assessments levied against the Assets on or before the Close of Escrow.

(c) All other operating expenses for the Facility shall be prorated between the parties based upon the latest available information.

4. REPRESENTATIONS AND WARRANTIES OF SELLER

As of the date hereof and as of the Closing Date, Seller represents and warrants to Buyer the following:

4.1 Organization; Capacity. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Seller has the requisite corporate power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its businesses as now being conducted.

4.2 Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery and performance of this Agreement and all other agreements referenced in or ancillary hereto to which Seller is a party and the consummation of the transactions contemplated herein, as applicable:

(a) are not in contravention of law or of the terms of the articles or certificate of incorporation and bylaws, as amended, of Seller;

(b) except as otherwise provided herein, do not require Seller to obtain any approval or consent of, or make any filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority;

(c) except for the failure to obtain consent to the assignment to Buyer of the Contracts, will neither conflict with nor result in any material breach or contravention of, nor permit the acceleration of the maturity of the Assumed Liabilities, or the creation of any lien, charge or

encumbrance affecting any Assets;

(d) will not violate any statute, law, rule or regulation of any governmental authority to which Seller or the Assets may be subject and, to the best of Seller's knowledge, there are no such violations, except for such violations as would not have a material adverse effect on the Assets; and

(e) will not violate any judgment of any court or governmental authority to which Seller or the Assets may be subject.

4.3 Binding Agreement. This Agreement and all agreements to which Seller will become a party hereunder are and will constitute the valid and legally binding obligation of Seller and are and will be enforceable against the same in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as enforceability may be subject to general principles of equity.

4.4 Licensure. The Facility is licensed by the California Department of Health Services as a 128 bed general acute care hospital. The Facility's pharmacies, laboratories and other ancillary departments, located at the Facility or operated for the benefit of the Facility, which are required to be specially licensed, are so licensed by the appropriate licensing agency. Seller is in compliance, in all material respects, with its obligations under such licenses, and all such licenses are in full force and effect. Attached hereto, and made a part hereof as

Schedule 4.4, is a list of all material licenses and permits held by Seller in connection with the operation of the Facility. Seller has not received written notice from any governmental authority, with jurisdiction over the Facility, relating to the threatened or pending revocation, termination, suspension or limitation of any such license or permit, and, to Seller's knowledge, no such notice has been proposed or threatened against Seller.

4.5 Medicare Participation/Accreditation. Seller is receiving payment under Titles XVIII and XIX of the Social Security Act and is a "provider" under existing provider agreements with the Medicare, Medicaid and CHAMPUS Programs (the "Programs") through the applicable intermediaries. The Facility and Seller are in substantial compliance with the conditions for participation in the Programs. The cost reports of the Facility for the Programs for the fiscal years through December 31, 1999, were filed when due. True and correct copies of all such reports for the three (3) most recent fiscal years of the Facility have been made available to Buyer. Seller has made available to Buyer copies of the Facility's most recent JCAHO accreditation survey report.

4.6 The Contracts. Attached hereto as **Schedule 4.6** is a list of all commitments, contracts, leases and agreements (the "Contracts"), to which Seller is a party or by which Seller or any of the Assets are bound. Seller has made available to Buyer copies of the Contracts.

4.7 Real Property. Seller owns fee title to (or, where

indicated in **Schedule 4.7**, a valid leasehold interest in) the Real Property described in **Schedule 4.7** hereto, together with all buildings, improvements and fixtures thereon and all appurtenances and rights thereto. There exist no mortgages, liens, restrictions, agreements, claims or other encumbrances affecting the Real Property created by, through or under Seller except as identified in the preliminary title report dated as of _____, 200_, issued by Chicago Title Company, Order No. _____ (the "Title Report"), or which are not, in the aggregate, material. The Real Property will be conveyed to Buyer by Grant Deed subject only to (i) current taxes not yet due and payable, (ii) liens securing any indebtedness assumed by Buyer, (iii) any lease obligations assumed by Buyer (together with any liens or encumbrances affecting the underlying fee title), (iv) encumbrances and defects which have not materially interfered with Seller's use of the Assets in its operation of the Facility, (v) the exceptions to coverage in any title policy issued to Buyer or to Buyer's lender in this transaction and all matters shown on the surveys previously made available to Buyer by Seller or any survey to be performed on the Facility in this transaction, and (vi) easements and other restrictions of record (the foregoing items (i) through (vi) being referred to herein as the " Permitted Encumbrances"). Except as described on **Schedule 4.7**, Seller has not received written notice of an outstanding violation of any applicable ordinance or other law, order, regulation or requirement, and has not received written notice of condemnation, lien, assessment or the like, relating to any part of the Real

Property or the operation thereof. With respect to the leased Real Property, all leases are in full force and effect; complete copies of the leases have been provided to Buyer and no default known to Seller exist under any lease. No condemnation proceedings are pending or, to Seller's knowledge, threatened against the Real Property.

4.8 Title. At Closing, Seller will convey to Buyer good title to the Assets other than the Real Property, subject to no mortgage, lien, pledge, security interest, conditional sales agreement, right of first refusal, option, restriction, liability, encumbrance or charge created by, through or under Seller, other than (a) the Permitted Encumbrances, (b) the Contracts, and (c) the Assumed Liabilities.

4.9 Quality and Condition of the Assets. Other than with respect to warranties of title and the other representations and warranties expressly provided herein, Seller shall transfer the Assets to Buyer, and Buyer shall accept the Assets from Seller on an "**AS IS, WHERE IS**" basis, with no representations or warranties as to (i) the physical or operational condition of the Assets or (ii) the environmental condition of the Real Property. Notwithstanding the foregoing, however, except as disclosed on **Schedule 4.9** hereto, Seller does not know of any material defect, structural or other, in any of the Assets, including, without limitation, the Real Property and equipment used in the operation of the Facility.

4.10 Insurance. Seller maintains adequate insurance to cover the ownership and operation of the Facility based upon the

experience of Seller. All of such policies are now and will be until Closing in full force and effect with no premium arrearages. Seller will obtain and maintain an extended reporting endorsement with respect to professional and general liability insurance for periods following the Closing.

4.11 Litigation or Proceedings. Seller has delivered to Buyer an accurate list and summary description (**Schedule 4.11**) of all litigation or proceedings with respect to the Facility and the Assets to which Seller is a party. Except to the extent set forth on **Schedule 4.11**, there are no claims, actions, suits, proceedings or investigations pending or, to the best of Seller's knowledge, threatened against or affecting Seller with respect to the Facility, at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality wherever located which may have a material adverse effect on the operations or financial condition of Seller.

4.12 Tax Liabilities. Seller has not taken and will not take any action, and Seller has not failed to take and will not fail to take any action, in respect of any federal, state or local taxes (including, without limitation, any withholdings required to be made in respect of employees) which will have an adverse effect upon the Assets as of or subsequent to Closing.

4.13 Employees and Employee Relations. Except as set forth on **Schedule 4.13(a)**, as of the date hereof, (i) there is no pending or, to the best of Seller's knowledge, threatened employee strike, work stoppage or labor dispute, (ii) no union

representation question exists respecting any employees of Seller, no demand has been made for recognition by a labor organization by or with respect to any employees of Seller, no union organizing activities by or with respect to any employees of Seller are taking place, and none of the employees of Seller are represented by any labor union or organization, (iii) no collective bargaining agreement exists or is currently being negotiated by Seller, (iv) there is no unfair practice claim pending, or, to the best of Seller's knowledge, threatened against Seller before the National Labor Relations Board, and (v) there are no pending or, to the best of Seller's knowledge, threatened complaints or charges before any governmental entity regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, workers' compensation claims or the like. Attached hereto as **Schedule 4.13(b)** is a list of all of Seller's employees at the Facility.

4.14 Financial Statements. **Schedule 4.14**, attached hereto and made a part hereof, contains copies of the following financial statements of Seller, in respect of the Facility (the "Financial Statements"):

(a) Unaudited Balance Sheet and Income Statement, dated as of December 31, 2000 (the "Balance Sheet Date"); and

(b) Audited Combined Financial Statements and other Financial Information of Southern California Healthcare Systems for years ended December 31, 1999 and 1998.

Such Financial Statements have been prepared in accordance with

generally accepted accounting principles, applied on a consistent basis throughout the periods indicated, except that such financial statements do not contain footnotes or year-end adjustments with respect to Seller. The balance sheets present fairly the financial condition of Seller, in respect of the Facility, as of the dates indicated thereon, subject to Seller's customary year-end adjustments, and the income statements present fairly the results of Seller's operations, in respect of the Facility, for the periods indicated thereon, subject to Seller's customary year-end adjustments.

5. REPRESENTATIONS AND WARRANTIES OF BUYER

As of the date hereof and as of the Closing Date, except as disclosed in the Schedules, Buyer represents and warrants to Seller the following:

5.1 Organization; Capacity. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Buyer has the requisite corporate power and authority to enter into this Agreement, perform its obligations hereunder and to conduct its businesses as now being conducted.

5.2 Powers; Consents; Absence of Conflicts With Other Agreements, Etc. The execution, delivery and performance of this Agreement by Buyer and all other agreements referenced in or ancillary hereto to which it is a party and the consummation of the transactions contemplated herein by Buyer:

(a) are within Buyer's powers, are not in contravention of law or of the terms of its articles or

certificate of incorporation and bylaws, as amended, and have been duly authorized by all appropriate action;

(b) to the best of Buyer's knowledge, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority other than as required of the California Department of Health Services and the Attorney General;

(c) will neither conflict with nor result in a breach or contravention of, or the creation of any lien under any indenture, agreement, lease, instrument or understanding to which Buyer is a party or by which Buyer is bound;

(d) will not violate any statute, law, rule or regulation of any governmental authority to which Buyer may be subject and which would affect Buyer's ability to consummate the transaction described herein; and

(e) will not violate any judgment of any court or governmental authority to which Buyer may be subject and which would affect Buyer's ability to consummate the transaction described herein.

5.3 Binding Agreement. This Agreement and all agreements to which Buyer will become a party hereunder are and will constitute the valid and legally binding obligation of Buyer, and are and will be enforceable against it in accordance with the respective terms hereof or thereof, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally and except as

enforceability may be subject to general principles of equity.

5.4 Litigation. There is no claim, action, suit, proceeding or investigation pending or, to the knowledge of Buyer, threatened against or affecting Buyer that has or would reasonably be expected to have a material adverse effect on Buyer's ability to perform this Agreement or any aspect of the transactions contemplated hereby.

5.5 Investigation. Buyer has conducted its own independent review and analysis of the business, operations, assets, liabilities, results of operations, financial condition, software, technology and prospects of the Facility, the Assets and the Assumed Liabilities, and Buyer acknowledges that it has been provided access to the personnel, properties, premises and records of Seller for such purpose. In entering into this Agreement, Buyer has relied upon its own investigation and analysis; provided, however, that each of the representations and warranties and covenants and agreements herein shall be deemed to be material and have been relied upon by Buyer, and shall be binding and enforceable notwithstanding such investigation.

6. COVENANTS OF SELLER

6.1 Operations. From the date hereof until the Closing Date, Seller, in respect of the Facility, will use its best efforts to:

(a) carry on the business and operations of the Facility in substantially the same manner as Seller has heretofore and not make any material change in personnel, operations, finance, accounting policies, or real or personal

property of the Facility;

(b) perform all of Seller's obligations under agreements relating to or affecting the Assets, the Facility or the Facility's operations;

(c) take all actions necessary and appropriate to render title to the Assets free and clear of all liens, security agreements, claims, charges and encumbrances (except for the Permitted Encumbrances, the Contracts and the Assumed Liabilities);

(d) keep in full force and effect present insurance policies or other comparable insurance;

(e) maintain the Assets and all parts thereof in as good working order and condition as at present, ordinary wear and tear excepted;

(f) maintain and preserve its business organization with respect to the Facility intact, retain its present employees at the Facility and maintain its relationship with physicians, medical staff, suppliers, customers and others having business relations with the Facility;

(g) permit and allow reasonable access by Buyer to make offers of post-Closing employment to any of Seller's personnel, which personnel shall be allowed to accept such offers without penalty, competing offer or interference, and to establish relationships with physicians, medical staff and others having business relations with Seller; provided that Seller shall have complied with the terms of Section 6.1 in connection with such access; and

(h) provide notice to Buyer of any development that would materially affect the Assets, the Facility or the Facility's operations or businesses, as well as any fact rendering any representation or warranty contained herein untrue;

(i) endeavor to obtain all necessary consents and approvals and satisfy the remaining conditions to Closing;

(j) reasonably cooperate with Buyer's efforts to obtain financing; and

(k) make the Facility and applicable personnel reasonably available for seismic, environmental, mechanical and structural inspection.

6.2 Negative Covenants. Except as disclosed on **Schedule 6.2** hereto, from the date hereof to the Closing Date, Seller in respect of the Facility, will not, without the prior written consent of Buyer:

(a) enter into any material contract, or commitment or transaction, or incur or agree to incur any liability, except in the ordinary course of business or amend any contract listed on **Schedule 4.6**;

(b) remove or transfer any of the Assets, except in the ordinary course of business;

(c) make any change in the business or operation of the Facility not in the ordinary course of business;

(d) increase Seller's employees' or agents' compensation or pay, or become liable to pay, a bonus to Seller's employees or agents, except in the ordinary course

of business, and in accordance with Seller's existing policies and procedures; or

(e) create or suffer to exist any new mortgage, deed of trust, pledge or other lien on the Assets.

6.3 Notification of California Attorney General. As soon as practicable following execution of this Agreement, Seller shall notify the California Attorney General of the proposed sale of assets pursuant to Section 5914 of the California Corporations Code.

6.4 Governmental Approvals. Seller shall assist and cooperate with Buyer and Buyer's representatives and counsel in obtaining all governmental consents, approvals and licenses which Buyer reasonably deems necessary or appropriate and in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions contemplated herein.

6.5 Third Party Consents. Seller shall use its reasonable best efforts to obtain all third party consents set forth on **Schedule 6.5** hereto.

6.6 Title Policy. Seller shall, at its expense, obtain a CLTA Owner's Policy of Title Insurance covering the Real Property in a form reasonably acceptable to Buyer; provided, however, that Buyer shall have the right to obtain, at its sole cost and in its sole discretion a survey of the Real Property and shall pay the additional cost of an ALTA Owner's Policy of Title Insurance, if requested by Buyer.

7. COVENANTS OF BUYER

7.1 Governmental Approvals. Promptly following execution of this Agreement, Buyer shall initiate and subsequently diligently pursue such reasonable action as may be required to promptly obtain all governmental consents, approvals and licenses which are required in order for Buyer to own and operate the Facility in a manner consistent with the manner in which Seller has operated the Facility.

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER

The obligations of Buyer hereunder are, at the option of Buyer, subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Buyer:

8.1 Assurance of Facility License. Buyer shall have received assurances reasonably satisfactory to Buyer from the California Department of Health Services that Buyer will be issued a license to operate the Facility.

8.2 Representations/Warranties. The representations and warranties of Seller contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Seller on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

8.3 **Governmental Approvals**. Buyer shall have no reasonable basis to believe that it will not receive all governmental approvals necessary for Buyer to consummate the transactions described herein.

8.4 **Action/Proceeding**. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated, and no governmental agency or body shall have taken any other action or made any request of Buyer or Seller as a result of which Buyer reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

8.5 **Vesting/Recordation**. Seller shall have furnished to Buyer in form reasonably acceptable to Buyer deeds, bills of sale and assignments or other instruments of transfer necessary or appropriate to transfer to and effectively vest in Buyer all of Seller's right, title and interest in and to the Assets, in proper statutory form for recording if such recording is necessary or appropriate.

8.6 **Title to Real Estate**. Seller shall have furnished to Buyer a CLTA Owner's Policy of Title Insurance covering the Real Property in a form reasonably acceptable to Buyer.

8.7 **Closing Documents**. Seller shall have executed and delivered to Buyer all of the documents, agreements and certificates required to be executed or delivered by Seller pursuant to any term or provision of this Agreement.

8.8 **Covenant Not to Compete**. Seller shall have executed and delivered to Buyer the Non-Compete Agreement in substantially

the form attached hereto as **Schedule 8.8**.

8.9 Attorney General Approval. Buyer shall have obtained the written consent of the Attorney General of the State of California to the sale of the Assets pursuant to Section 5914 of the California Corporations Code.

8.10 No Material Adverse Change. There shall not have been a material adverse change in the Assets or the Facility's business or operations.

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLER

The obligations of Seller hereunder are, at the option of Seller, subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Seller:

9.1 Assurance of Facility License. Buyer shall have received assurances reasonably satisfactory to Seller from the California Department of Health Services that Buyer will be issued a license to operate the Facility.

9.2 Representations/Warranties. The representations and warranties of Buyer contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Buyer on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

9.3 Attorney General Approval. Seller shall have obtained

the written consent of the Attorney General of the State of California to the sale of the Assets pursuant to Section 5914 of the California Corporations Code.

9.4 Action/Proceeding. No action or proceeding before a court or any other governmental agency or body shall have been instituted or threatened to restrain or prohibit the transactions herein contemplated, and no governmental agency or body shall have taken any other action or made any request of Buyer or Seller as a result of which Seller reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.

9.5 Purchase Price/Closing Documents. Buyer shall have tendered the cash portion of the Purchase Price and delivered the Note to Seller and shall have executed and delivered to Seller all of the documents, agreements and certificates required to be executed or delivered by Buyer pursuant to any term or provision of this Agreement.

10. ADDITIONAL AGREEMENTS

10.1 Employees.

(a) Except as set forth in Section 10.1(e) herein, as of the Closing Date, Seller shall terminate all employees of Seller at the Facility, and, as of the Closing Date, Buyer shall, subject to Section 10.1(v) herein, offer employment to substantially all employees of Seller at the Facility at positions, salaries and wages substantially consistent with the position, salaries and wages of each such employee while in the employ of Seller. The term "Employee," as used in this Agreement, shall mean all employees of Seller who accept

employment with Buyer as of the Closing Date. Buyer shall require, as a condition of employment with Buyer, that each employee execute and deliver to Buyer a written consent and waiver (the "Consent and Waiver"), pursuant to which each Employee (i) waives such Employee's rights to any severance benefits payable to Employee upon Seller's termination of such Employee and (ii) consents to the transfer of such Employee's personnel records to Buyer, upon Buyer's employment of such Employee. Buyer shall use its best efforts to obtain a Consent and Waiver from each Employee.

(b) As of the Closing Date, Buyer shall provide benefits to the Employees at levels substantially consistent with the benefits provided such Employees by Seller. Buyer shall honor each Employee's rights in respect of accrued paid time off and give each Employee credit therefor and recognize the tenure of each Employee while in the employ of Seller for purposes of determining benefits available to Employees under Buyer's employee benefit plans (which shall include a waiver of preexisting condition exclusions for Employees and their dependents and recognition of or credit for all deductibles paid by such Employee during the current period while in the employ of Seller). Without limiting the foregoing, Buyer shall provide credit for eligibility, benefit accrual and vesting purposes for all such Employees' periods of service with Seller for purposes of any Buyer employee benefit plan or program, including all qualified and non-qualified retirement or savings programs, vacation, sick leave and

holiday; provided, however, that, with respect to active defined benefit plans maintained by Buyer, the existing seniority of such Employees shall only be recognized for eligibility and vesting purposes and not for benefit accrual purposes. Any future plans created by Buyer that provide for benefit and vesting service to the Employees from their original date of hire shall include all vesting and benefit service credit as would be included by recognizing such Employee's original date of hire as recognized by Seller. The service credited under Buyer welfare and other benefit plans will include all service credited under the welfare and other benefit plans of Seller.

(c) Seller shall be solely responsible for providing all notices and continuation of coverage (within the meaning of Code Section 4980B and Part 6 of Subtitle B of Title 1 of ERISA (collectively, "COBRA")), if any, required by COBRA and any similar state laws to any of its employees, whose employment with Seller is terminated prior to or as a result of the transactions contemplated in this Agreement. Immediately following the Closing Date, and as a result of the transactions contemplated by this Agreement, Seller shall cease to offer COBRA benefits for any applicable group health plan to former employees who are employed by Buyer at the Facility as of or subsequent to Closing. Seller will thereby be released from COBRA responsibility and liability for such employees. Buyer shall be solely responsible for providing all notices and continuation coverage required by COBRA and

any similar state law to any Employees employed by Buyer and terminated after Closing.

(d) As of the Closing Date, Seller will, at its expense or at the expense of the applicable employee welfare benefit plan, (i) terminate the active participation of all Employees from all such plans and (ii) take such actions as are necessary and appropriate to allow distributions to be made from such plans to Employees in accordance with such plans and applicable law.

(e) The provisions of Sections 10.1(a)-(d) shall not apply with respect to the salary continuation or retention and severance agreements between the Seller and its current Chief Executive Officer, Vice President of Operations, Chief Financial Officer, and Director of Human Resources.

10.2 Seller's Cost Reports. Seller will timely prepare all cost reports relating to the Facility for periods ending on or prior to the Closing Date or required as a result of the consummation of the transactions set forth herein, including, without limitation, terminating cost reports for the Programs (the "Seller Cost Reports"). Buyer shall forward to Seller any and all correspondence relating to Seller Cost Reports within five (5) business days after receipt by Buyer. Buyer shall remit any receipts of funds relating to Seller Cost Reports or Agency Settlements promptly after receipt by Buyer (and in all events within five (5) business days) and shall forward to Seller any demand for payments within five (5) business days after receipt by Buyer. Seller shall retain all rights to or in respect of Agency

Settlements and to Seller Cost Reports including any amounts receivable or payable in respect of such reports. Such rights shall include, without limitation, the right to appeal any Medicare determinations relating to Agency Settlements and Seller Cost Reports. Buyer, upon reasonable notice, during normal business hours and at the sole cost and expense of Seller, will cooperate with Seller in regard to the preparation, filing, processing and appeals of the Seller's Cost Reports. Such cooperation shall include the providing of statistics and obtaining files and the coordination with Seller pursuant to adequate notice of Medicare and Medi-Cal exit conferences or meetings. Seller shall retain the originals of Seller's Cost Reports, correspondence, work papers and other documents relating to Seller's Cost Reports and Agency Settlements. Upon Buyer's reasonable request, Seller shall provide to Buyer copies of such documents as are necessary or desirable for Buyer's operations and/or future Cost Reports.

10.3 Termination Prior to Closing. Notwithstanding anything herein to the contrary, this Agreement may be terminated at any time: (i) on or prior to the Closing Date by mutual written consent of Buyer and Seller; (ii) by Buyer if on the Closing Date any of the conditions specified in Section 8 of this Agreement have not been satisfied and shall not have been waived in writing by Buyer; (iii) by Seller if on the Closing Date any of the conditions specified in Section 9 of this Agreement have not been satisfied and shall not have been waived in writing by Seller; (iv) by Buyer or Seller if the Close of Escrow shall not have

taken place on or before 11:59 p.m. on June 30, 2001 (which date may be extended by mutual agreement of Buyer and Seller); or (v) upon destruction of the Facility; unless the party desiring to terminate as above provided is in default hereunder.

If this Agreement is validly terminated pursuant to this Section 10.3, this Agreement (other than Sections 13.6 and 13.7) will immediately become null and void, and there will be no liability or obligation on the part of the parties hereto (or any of their respective officers, directors, employees, agents or other representatives or affiliates).

10.4 Post-Closing Access to Information. Each party acknowledges that, subsequent to the Closing, the other party may need access to the Assets or the Facility and to information, documents or computer data in the control or possession of the other party for purposes of concluding the transactions contemplated herein and for audits, investigations, compliance with governmental requirements, regulations and requests, and the prosecution or defense of third party claims. Accordingly, each party agrees that it will make available to the other party and its agents, independent auditors and/or governmental entities such documents and information as may be available relating to the Assets and Facility in respect of periods prior to Closing and will permit such other party to make copies of such documents and information at such other party's expense.

10.5 Preservation and Access to Records After the Closing. After the Closing, Buyer shall keep and preserve the documents, computer data, medical records and other records and information

of the Facility existing as of the Closing and which constitute a part of the Assets delivered to Buyer at Closing in accordance with applicable law. Buyer acknowledges that as a result of entering into this Agreement and operating the Assets it will gain access to patient and other information which is subject to rules and regulations concerning confidentiality. Buyer shall abide by any such rules and regulations relating to the confidential information it acquires. Buyer shall maintain the patient records delivered to Buyer at Closing at the Facility after Closing in accordance with applicable law (including, if applicable, Section 1861(v)(i)(l) of the Social Security Act (42 U.S.C. §1395(v)(i)(l)), and requirements of relevant insurance carriers, all in a manner consistent with the maintenance of patient records generated at the Facility after Closing. Upon reasonable written notice, during normal business hours and upon Buyer's receipt of appropriate consents and authorizations, Buyer shall afford to the representatives of Seller, including its counsel and accountants, full and complete access to, and the right to make copies of, the records transferred to Buyer at the Closing (including, without limitation, access to patient records in respect of patients treated by Seller at the Facility). Upon reasonable written notice and during normal business hours, Buyer shall make its officers and employees available to Seller at reasonable times and places after the Closing. In addition, Seller shall be entitled to remove from the Facility copies of any patient records, but only for purposes of pending litigation involving a patient to whom such records refer, as certified in writing prior to removal

by counsel retained by Seller in connection with such litigation. Any patient records so removed from the Facility shall be promptly returned to Buyer following its use by Seller.

10.6 Cooperation on Tax Matters. Following the Closing, the parties shall cooperate fully with each other and shall make available to the other, as reasonably requested and at the expense of the requesting party, and to any taxing authority, all information, records or documents relating to tax liabilities or potential tax liabilities of such parties for all periods on or prior to the Closing, and shall preserve all such information, records and documents (to the extent a part of the Assets delivered by Seller at Closing) at least until the expiration of any applicable statute of limitations or extensions thereof.

10.7 Collection Procedure for Government Patient Receivables. To compensate Seller for services rendered and medicine, drugs and supplies provided, on or before the Closing Date (the "Transition Services"), with respect to patients admitted to the Facility, on or before the Closing Date, but who are not discharged until after the Closing Date (such patients being referred to herein as the "Transition Patients"), the parties shall take the following actions:

(a) Medicare, Medicaid, CHAMPUS and Other DRG Transition Patients. As soon as practicable after the Closing Date, Seller shall deliver to Buyer a statement itemizing the Transition Services provided by Seller, on or through the Closing Date, to Transition Patients, whose care is reimbursed by the Programs on a diagnostic related group

basis ("DRG Transition Patients"). Buyer shall pay to Seller an amount equal to the DRG and outlier payments received by Buyer on behalf of a DRG Transition Patient, multiplied by a fraction, the numerator of which shall be the total charges for Transition Services provided to such DRG Transition Patient by Seller, and the denominator of which shall be the sum of the total charges for all services provided to such DRG Transition Patient, both before and after the Closing Date. Such payment shall be made to Seller within forty-five (45) days after receipt of such DRG or outlier payments, accompanied by copies of remittances and other supporting documentation, as reasonably required by Seller.

(b) Other Patients. Immediately prior to the Closing Date, Seller shall prepare cut-off billings for all patients not covered by Section 10.7(a) herein (which shall include Program patients whose care is reimbursed on a cost basis). Seller shall be entitled to receive all amounts collected in respect of such cut-off billings. With respect to Program and other cost-based Transition Patients, where cut-off billings cannot be completed at the time of Closing, Buyer shall pay to Seller an amount equal to the payment actually received or to be received by Buyer after the Closing, multiplied by a fraction, the numerator of which shall be the total charges for Transition Services provided to such Transition Patient by Seller, and the denominator of which shall be the total charges for all services provided to such Transition Patients, both before and after the Closing Date.

(c) **Misdirected Payments**. If either party receives any amount from patients or third party payors which is the property of the other party, the party receiving such amount shall remit said full amount to the other party within five (5) business days following the date on which said amount was received.

10.8 Public Announcements. Except as required by law, prior to Closing any release by a party to the public of information concerning this Agreement and the transactions contemplated hereby will be made only with the prior written consent of the other in the form and manner approved by the parties and their respective counsel. Each of the parties shall furnish the other drafts of all releases prior to publication. Notwithstanding the foregoing, in the event a party hereto determines, based upon the opinion of its legal counsel, that this Agreement or the terms hereof will be the subject of discovery in any litigation involving such party, such party shall promptly notify the other parties hereto of such determination, then (i) the parties will make a public announcement of the terms hereof prior to such discovery taking place, (ii) such public announcement shall be made in a manner and at a time mutually agreed by the parties, and (iii) all parties hereto shall be represented at and permitted to participate in such announcement.

10.9 Unemployment Insurance Funds. Any funds which are in group accounts for the purpose of paying reimbursable unemployment benefits will not be transferred to Buyer.

10.10 Certain Assignments. Notwithstanding any other

provision herein to the contrary, this Agreement shall not constitute an agreement to assign any Contract if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any material way affect the rights of Seller thereunder, unless such consent is obtained. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially affect Seller's rights thereunder so that Buyer would not in fact receive all such rights, Seller shall upon the request of Buyer cooperate in any reasonable arrangement designed to provide for Buyer the benefits under any such Contract, including, without limitation, enforcement of any and all rights of Seller against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

10.11 Damage or Condemnation Prior to Closing. Seller shall promptly notify Buyer of any damage or casualty to the Facility prior to the Close of Escrow or of any condemnation proceeding threatened or commenced prior to the Close of Escrow. If by reason of any such condemnation proceeding, the value of the Assets (or any of them), in Buyer's reasonable judgment, is significantly impaired or reduced, Buyer may, at its option, elect either to: (a) terminate this Agreement, in which event the Deposit and all accrued interest shall be refunded to Buyer and neither party shall have any further rights or obligations hereunder; or (b) continue the Agreement in effect and upon receipt of insurance proceeds relating to such damage or casualty, Seller shall be obligated to surrender such proceeds to Buyer

within five business days following receipt thereof.

11. INDEMNIFICATION

11.1 Indemnification by Seller. Subject to and to the extent provided in this Article 11, Seller shall indemnify and hold harmless Buyer and its officers, directors, shareholders, employees, agents and affiliates during the Indemnity Period (as defined in Section 11.10) from and against any damages, claims, costs, liabilities, expenses or obligations (including, without limitation, reasonable attorneys' fees and associated expenses) incurred or suffered by any of them as a result of or arising from:

(a) any breach of, misrepresentation associated with or failure to perform under any covenant, representation, warranty or agreement under this Agreement on the part of Seller;

(b) the Excluded Liabilities; and

(c) the acts or omissions of Seller, its employees, agents and independent contractors.

11.2 Limitations/Seller.

(a) Seller shall not be under any liability or claim arising under this Agreement that shall:

(i) accrue to Buyer against Seller under Section 11.1(a) hereof unless and except to the extent that the total liability of Seller would in respect of claim(s) under Section 11.1(a) hereof exceed $15,000, it being the intent of the parties that Seller shall have no liability in respect of the first $15,000 of claims

under Section 11.1(a); or

(ii) be made to the extent that any loss shall be recovered under a policy of insurance in force on the date of loss, except that Seller shall be liable to the extent of any deductibles or to the extent such recovery causes an increase in applicable premiums.

(b) Seller shall not be liable for such claims as may arise after the date hereof which arise solely as a result of a voluntary and knowing act, omission or transaction carried out after the date hereof by Buyer (or persons deriving title under Buyer).

(c) Only Buyer or an affiliate of Buyer may bring an action against Seller under this Article 11.

(d) The maximum liability of Seller for indemnification under Section 11.1(a) shall be an amount equal to the Purchase Price.

11.3 Recovery from Third Parties/Buyer.

(a) In the event that Buyer is entitled to recover any sum (whether by payment, discount, credit or otherwise) from any third party (which shall include, without limitation, insurers) in respect of any matter for which a claim could be made against Seller, Buyer shall use commercially reasonable efforts to recover such sum from such third party and any sum actually recovered by Buyer (less any reasonable costs and expenses incurred by Buyer in recovering such sum) will reduce the amount of such claim. If Seller pays to Buyer an amount in respect of, and Buyer subsequently receives from a third party a sum which is referable to that payment, Buyer shall forthwith repay to Seller so much of the amount paid by Seller as does not exceed the sum recovered by Buyer from the third party less all reasonable costs, charges and expenses incurred by Buyer in obtaining that payment and in recovering that sum from the third party.

(b) If, after Seller has paid in full any claim hereunder in respect of a tax liability, Buyer receives a payment in respect of such tax liability, Buyer shall repay to Seller a sum corresponding to the amount of such refund after deduction from such repayment of an amount equal to any reasonable costs incurred by Buyer in obtaining it and any tax liability incurred by Buyer in respect of the receipt of payment.

11.4 Indemnification by Buyer. Subject to and to the extent provided in this Article 11, Buyer shall indemnify and hold

harmless Seller and its officers, directors, employees, agents and affiliates during the Indemnity Period (as defined in Section 11.10) from and against any damages, claims, costs, liabilities, expenses or obligations (including, without limitation, reasonable attorneys' fees and associated expenses) incurred or suffered by any of them as a result of or arising from:

(a) any breach of or failure to perform under any covenant, representation, warranty or agreement under this Agreement on the part of Buyer;

(b) the Assumed Liabilities; and

(c) the acts or omissions of Buyer and its employees, agents and independent contractors.

11.5 Limitations/Buyer.

(a) Buyer shall not be under any liability or claim arising under this Agreement that shall:

(i) accrue to Seller against Buyer under Section 11.4(a) hereof unless and except to the extent that the total liability of Buyer would in respect of claim(s) under Section 11.4(a) hereof exceed $15,000, it being the intent of the parties that Buyer shall have no liability in respect of the first $15,000 of claims under Section 11.4(a); or

(ii) be made to the extent that any loss shall be recovered under a policy of insurance in force on the date of loss, except that Buyer shall be liable to the extent of any deductibles or to the extent such recovery causes an increase in applicable premiums.

(b) Buyer shall not be liable for such claims as may arise after the date hereof which arise solely as a result of a voluntary and knowing act, omission or transaction carried out after the date hereof by Seller (or persons deriving title under Seller).

(c) Only Seller or an affiliate of Seller may bring an action against Buyer under this Article 11.

(d) The maximum liability of Buyer for indemnification under Section 11.4(a) shall be an amount equal to the Purchase Price.

11.6 Recovery from Third Parties/Seller.

(a) In the event that Seller is entitled to recover any sum (whether by payment, discount, credit or otherwise) from any third party in respect of any matter for which a claim could be made against Buyer, Seller shall use commercially reasonable efforts to recover such sum from such third party and any sum actually recovered by Seller (less any reasonable costs and expenses incurred by Seller in recovering such sum) will reduce the amount of such claim. If Buyer pays to Seller an amount in respect of, and Seller subsequently receives from a third party a sum which is referable to that payment, Seller shall forthwith repay to Buyer so much of the amount paid by it as does not exceed the sum recovered by Seller from the third party less all reasonable costs, charges and expenses incurred by Seller in obtaining that payment and in recovering that sum from the third party.

(b) If, after Buyer has paid in full any claim hereunder in respect of a tax liability, Seller receives a payment in respect of such tax liability, Seller shall repay to Buyer a sum corresponding to the amount of such refund after deduction from such repayment of an amount equal to any reasonable costs incurred by the Seller in obtaining it and any tax liability incurred by the Seller in respect of the receipt of payment.

11.7 Notice and Procedure.

(a) Any person seeking indemnity under any provision of this Agreement (the " Indemnitee") shall promptly notify the party from whom indemnity is sought (the " Indemnitor") as to (i) the nature of any claims, damages, losses or liabilities asserted by or against the Indemnitee for which the Indemnitee intends to seek indemnity hereunder (" Claims") and (ii) the commencement of any suit or proceeding brought to enforce any Claims. The Indemnitor shall assume the defense of any such suit or other proceeding and the Indemnitee shall cooperate fully, at the Indemnitor's sole cost and expense, and shall be entitled reasonably to consult with the Indemnitor with respect to such defense; provided, however, that if the defendants in any such action include both the Indemnitor and Indemnitee and the Indemnitee reasonably shall have concluded that there may be a conflict between the positions of the Indemnitor and the Indemnitee in conducting the defense of any such action or that there may be legal defenses available to it that are different from or

additional to those available to the Indemnitor, the Indemnitee shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such Indemnitee, in which case the reasonable fees and expenses of such counsel shall be at the expense of the Indemnitor.

(b) Indemnitee, at the sole cost and expense of Indemnitor, shall assist and cooperate with Indemnitor in the conduct of litigation, the making of settlements and the enforcement of any right of contribution to which the Indemnitee may be entitled from any person or entity in connection with the subject matter of any litigation subject to indemnification hereunder. In addition, Indemnitee shall, upon request by Indemnitor or counsel selected by Indemnitor and at the sole cost and expense of Indemnitor, attend hearings and trials, assist in the securing and giving of evidence, assist in obtaining the presence or cooperation of witnesses, make available its own personnel, and effect settlements, and shall do whatever else is reasonably necessary and appropriate in connection with such litigation. Indemnitee shall not make any demand upon Indemnitor or counsel for Indemnitor in connection with any litigation subject to indemnification hereunder, except a general demand for indemnification as provided hereunder. Indemnitee shall not, except at its own cost, voluntarily make any payment, assume any obligation, incur any expense, or settle or compromise any claim without the express written approval of

Indemnitor, in connection with any litigation subject to indemnification hereunder. Notwithstanding the foregoing, the Indemnitee shall have the right to join in the defense of any litigation or claim at such Indemnitee's own cost and expense, and, if the Indemnitee agrees in writing to be bound by and promptly to pay the full amount of any final judgment from which no further appeal may be taken and if the Indemnitor is reasonably assured of the Indemnitee's ability to satisfy such agreement, then, at the option of the Indemnitee, such Indemnitee may take over the defense of such litigation or claim.

(c) If the Indemnitee shall fail to notify promptly the Indemnitor as to (i) the nature of any Claims or (ii) the commencement of any suit or proceeding brought to enforce any Claims, or the Indemnitee shall fail to perform its obligations as Indemnitee hereunder or to cooperate fully with Indemnitor in Indemnitor's defense of any suit or proceeding, then, except where such failure does not have a materially adverse effect on Indemnitor's defense of such claims, Indemnitor shall be released from all of its obligations under this Agreement with respect to that particular suit or proceeding and any other claims which had been raised in such suit or proceeding.

11.8 Limitation on Liabilities. NO PARTY SHALL BE RESPONSIBLE FOR OR HAVE ANY OBLIGATION TO INDEMNIFY, DEFEND OR HOLD HARMLESS THE OTHER PARTY OR ANY OTHER PERSON FOR SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, INCIDENTAL OR INDIRECT

DAMAGES, COSTS, EXPENSES, CHARGES OR CLAIMS, except to the extent that losses resulting from a third party claim include special, consequential, punitive, exemplary, incidental or indirect damages, costs, expenses, charges, or claims of the third party and then, only to the extent of such losses, subject, however, to all of the limitations set forth herein.

11.9 Limitation on Claims. The parties hereto hereby agree that any and all claims or causes of action that may arise under this Agreement or as a result of the transactions contemplated hereunder shall only be brought against the other pursuant to the terms and conditions of this Article 11.

11.10 Survival/Indemnity Period. Except for the representations and warranties of Seller set forth in Sections 4.6, 4.8, 4.12 and 4.13 hereof (which shall survive until the expiration of the applicable statute of limitations), the representations and warranties of Seller set forth herein shall survive Closing for a period of two (2) years after the Closing Date.

12. RESOLUTION OF DISPUTES

12.1 Good Faith Negotiation. The parties will attempt in good faith to resolve through negotiation any dispute, claim or controversy arising out of or relating to this agreement. Either party may initiate negotiations by providing written notice in letter form to the other party, setting forth the subject of the dispute and the relief requested. The recipient of such notice will respond in writing within five days with a statement of its position on and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority will meet a mutually agreeable time and place within ten days of the date of the initial notice in order to exchange relevant information and perspectives, and to attempt to resolve the dispute. If the dispute is not resolved by these negotiations, either party shall be entitled to pursue all remedies available under California Law.

12.2 Attorneys' Fees. In the event either party commences legal action to enforce any provision of this Agreement, the prevailing party shall be entitled to an award of all costs, fees and expenses, including attorneys fees, to be paid by the party against whom enforcement is ordered.

13. **GENERAL**

13.1 **Consented Assignment**. Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, right, contract, license, lease, commitment, sales order or purchase order if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any material way affect the rights of the assigning party thereunder, or if an attempted assignment would be ineffective or would materially affect the assigning party's rights thereunder so that the assignee would not in fact receive all such rights.

13.2 **Consents, Approvals and Discretion**. Except as herein expressly provided to the contrary, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

13.3 **Choice of Law; Consent to Jurisdiction**. The parties agree that this Agreement shall be governed by and construed in accordance with the laws of the State of California, excluding any conflict-of-laws rule or principle that might refer the governance or the construction of this Agreement to the laws of another jurisdiction. **BUYER AND SELLER HEREBY WAIVE THE RIGHT TO ANY JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER BUYER OR SELLER AGAINST THE OTHER.**

13.4 **Benefit/Assignment**. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their

respective successors and permitted assigns. Except as provided in the following sentence, neither party may assign this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld. Buyer may assign this Agreement to a California limited partnership of which Buyer is the sole general partner.

13.5 Accounting Date. The transactions contemplated hereby shall be effective for accounting purposes as of 12:01 a.m. on the day immediately following the Closing Date, unless otherwise agreed in writing by Buyer and Seller.

13.6 Brokers. Seller has agreed to pay a fee to Shattuck Hammond Partners in connection with this transaction. Except for Seller's agreement with Shattuck Hammond Partners for which Buyer shall have no liability whatsoever, neither Seller nor Buyer has entered into any contracts, agreements, arrangements or understandings with any person or firm that could give rise to any claim for a broker's, finder's or agent's fee or commission or other similar payment in connection with the negotiations leading to this agreement or the consummation of the transactions contemplated hereby. Each of Seller and Buyer agree to indemnify the other against any such fees or commissions arising out of an alleged agreement with the indemnifying party.

13.7 Costs of Transaction. Whether or not the transactions contemplated hereby shall be consummated and except as otherwise provided herein, the parties agree as follows: (i) Seller shall pay the fees, expenses and disbursements of Seller and its agents, representatives, accountants and counsel incurred in connection

with the subject matter hereof and any amendments hereto, the expenses associated with obtaining a CLTA Owner's Policy of Title Insurance covering the Real Property and any surcharges, transfer taxes, sales or use tax and document recording fees associated with the conveyance of the Assets, including the Real Property, and (ii) Buyer shall pay the fees, expenses and disbursements of Buyer and its agents, representatives, accountants and counsel incurred in connection with the subject matter hereof and any amendments hereto, and shall pay for the cost of a survey of the Real Property, any additional premiums required to obtain an ALTA policy of title insurance if Buyer elects to obtain such additional coverage, its due diligence (which may include, without limitation, structural and environmental surveys and reports, and a Phase I environmental assessment), any costs, fees, expenses, loan commitment fees and other charges of Buyer's lender.

13.8 LIQUIDATED DAMAGES. PROVIDED THAT THE CONDITIONS SPECIFIED IN SECTION 8 ARE SATISFIED OR WAIVED BY BUYER, IN THE EVENT THAT ESCROW FAILS TO CLOSE SOLELY BY REASON OF BUYER'S DEFAULT, THEN IN ANY SUCH EVENT, THE ESCROW HOLDER MAY BE INSTRUCTED BY SELLER TO CANCEL THE ESCROW AND SELLER SHALL THEREUPON BE RELEASED FROM ITS OBLIGATIONS HEREUNDER. BUYER AND SELLER AGREE THAT BASED UPON THE CIRCUMSTANCES NOW EXISTING, KNOWN AND UNKNOWN, IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO ESTABLISH SELLER'S DAMAGE BY REASON OF BUYER'S DEFAULT. ACCORDINGLY, BUYER AND SELLER AGREE THAT IT WOULD BE REASONABLE AT SUCH TIME TO AWARD SELLER "LIQUIDATED DAMAGES" EQUAL TO THE AMOUNT OF THE DEPOSIT PLACED INTO ESCROW BY BUYER PURSUANT TO SECTION

2.2(a) HEREOF.

SELLER AND BUYER ACKNOWLEDGE AND AGREE THAT THE APPLICABLE FOREGOING AMOUNTS OF LIQUIDATED DAMAGES ARE REASONABLE AS LIQUIDATED DAMAGES AND SHALL BE SELLER'S SOLE AND EXCLUSIVE REMEDY IN LIEU OF ANY OTHER RELIEF, RIGHT OR REMEDY, AT LAW OR IN EQUITY, TO WHICH SELLER MIGHT OTHERWISE BE ENTITLED BY REASON OF BUYER'S DEFAULT, EXCEPT ONLY SUCH AS MAY BE CAUSED TO SELLER BY REASON OF ANY CLOUD ON TITLE RECORDED OR CAUSED TO BE RECORDED BY OR ON BEHALF OF BUYER. ACCORDINGLY, IF BUYER FAILS TO COMPLETE THE PURCHASE OF THE ASSETS FOLLOWING SATISFACTION OF THE CONDITIONS SET FORTH IN SECTION 8 HEREOF, SELLER MAY INSTRUCT THE ESCROW HOLDER TO CANCEL THE ESCROW, WHEREUPON SELLER SHALL BE RELIEVED FROM ALL LIABILITY HEREUNDER, AND, PROMPTLY FOLLOWING ESCROW HOLDER'S RECEIPT OF SUCH INSTRUCTION, ESCROW HOLDER SHALL (A) CANCEL THE ESCROW, (B) PAY ALL OF ESCROW HOLDER'S CHARGES FROM THE TOTAL AMOUNT OF THE DEPOSIT THEN HELD BY ESCROW HOLDER AND (C) DISBURSE TO SELLER THE REMAINING BALANCE OF THE DEPOSIT AND ACCRUED INTEREST THEREON. IF THE CLOSE OF ESCROW FAILS TO OCCUR FOR ANY REASON OTHER THAN BUYER'S DEFAULT UNDER THIS AGREEMENT, ESCROW HOLDER SHALL DISBURSE TO BUYER ALL OF THE DEPOSIT THEN HELD BY ESCROW HOLDER, PLUS THE ACCRUED INTEREST THEREON, LESS BUYER'S SHARE OF ESCROW CANCELLATION CHARGES. SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS SECTION 13.7 AND BY THEIR INITIALS IMMEDIATELY BELOW, AGREE TO BE BOUND BY ITS TERMS.

Seller's initials

Buyer's initials

13.9 Confidentiality. It is understood by the parties hereto that the information, documents and instruments delivered to Seller by Buyer or Buyer's agents and the information, documents and instruments delivered to Buyer by Seller or Seller's agents including, without limitation, this Agreement and all documents delivered hereunder are of a confidential and proprietary nature (" Confidential Information"). Each of the parties hereto agrees that both prior and subsequent to Closing it will maintain, and will take all reasonable measures to assure that each party's respective agents and employees maintain, the confidentiality of all such Confidential Information delivered to it by the other party hereto or its agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only disclose such Confidential Information, documents and instruments to its duly authorized officers, directors, representatives and agents unless (i) compelled to disclose by judicial or administrative process (including without limitation in connection with obtaining the necessary approvals of this Agreement and the transactions contemplated hereby) or by other requirements of law or (ii) disclosed in an action or proceeding brought by a party hereto in pursuit of its rights or in the exercise of its remedies hereunder; provided, however, that the parties hereto shall not disclose any Confidential Information not required to be disclosed as part of such permitted disclosure. Each of the parties hereto further agrees that it will not use such Confidential Information for its advantage and if the transactions contemplated hereby are not consummated, it will

return all such documents and instruments and all copies thereof in its possession to the other party to this Agreement. Each of the parties hereto recognizes that any breach of this Section would result in irreparable harm to the other parties to this Agreement and their affiliates and that therefore either Buyer or Seller shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash or otherwise, in addition to all of their other legal and equitable remedies. Nothing in this Section, however, shall prohibit the use of such Confidential Information for such governmental filings as in the mutual opinion of Seller's counsel and Buyer's counsel are (i) required by law or governmental regulations or (ii) otherwise appropriate. This Section shall not apply to any information known to a party prior to its disclosure to such party as contemplated under this Agreement, or was, is or becomes generally available to the public other than by disclosure by the parties or any of their respective agents in violation of this Section.

13.10Waiver of Breach. The waiver by either party of breach or violation of any provision of this Agreement shall not operate as, or be construed to constitute, a waiver of any subsequent breach of the same or other provision hereof.

13.11Notice. Any notice, demand or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, when received by telegraphic or other electronic means (including telecopy and telex) or overnight courier, or five (5) days after being

deposited in the United States mail, with postage prepaid thereon, certified or registered mail, return receipt requested, addressed as follows:

Seller: Huntington East Valley Hospital
c/o Southern California Healthcare Systems
100 West California Boulevard
Pasadena, California 91105
Attn: Timothy W. Carmack,
Vice President, Finance
Fax No. (626) 397-2995

with copies to: Musick, Peeler & Garrett LLP
One Wilshire Boulevard
Suite 2000
Los Angeles, California 90017
Attn: John R. Browning, Esq.
Fax No. (213) 624-1376

Buyer: PanPacific Health Enterprises, Inc.
1842 West Dr.
San Marino, California
Fax No. (626) 281-5127

with copies to: Olsen & Pershing LLP
Oak Brook Executive Plaza
1315 West 22nd Street, Suite 225
Oak Brook, Illinois 60523
Attn: Michael E. Olsen, Esq.
Fax No. (630) 472-5115

Escrow Holder: Commerce Escrow
1545 Wilshire Boulevard
Suite 600
Los Angeles, California 90017
Attn: Phil Graf, President
Fax No. (213) 484-0417

or to such other address, and to the attention of such other person or officer as any party may designate.

13.12 Severability. In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb

the validity of the remainder of this Agreement, which shall be and remain in full force and effect, enforceable in accordance with its terms.

13.13 Gender and Number. Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words herein shall include the singular and plural.

13.14 Divisions and Headings. The division of this Agreement into sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

13.15 Exhibits and Schedules. The exhibits and schedules attached to this Agreement constitute an integral part hereof. However, in the event of an inconsistency between an exhibit or schedule and the terms and provisions of the Agreement, the terms and provisions of the Agreement shall govern.

13.16 No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties hereto to confer third-party beneficiary rights upon any other person.

13.17 No Inferences. Inasmuch as this Agreement is the result of negotiations between sophisticated parties of equal bargaining power represented by counsel, no inference in favor of, or against, either party shall be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such party.

13.18Tax and Medicare Advice and Reliance. Except as expressly provided in this Agreement, neither of the parties (nor any of the parties' respective counsel, accountants or other representatives) has made or is making any representations to any other party (or to any other party's counsel, accountants or other representatives) concerning the consequences of the transactions contemplated hereby under applicable tax laws or under the laws governing the Medicare program. Each party has relied solely upon the tax and Medicare advice of its own employees or of representatives engaged by such party and not on any such advice provided by any other party hereto.

13.19Knowledge. Whenever any statement herein or in any schedule, exhibit, certificate or other documents delivered to any party pursuant to this Agreement is made " to its knowledge" or words of similar intent or effect of any party or its representative, such person shall make such statement only if such facts and other information which, as of the date the representation is given, are actually known to the party making such statement, which, with respect to persons that are corporations, means the knowledge of its executive officers.

13.20Entire Agreement/Amendment. This Agreement supersedes all previous contracts, and constitutes the entire agreement of whatsoever kind or nature existing between or among the parties in respect of the within subject matter and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically incorporated herein shall be of any

force and effect. The parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. All prior representations or agreements, whether written or oral, not expressly incorporated herein are superseded and no changes in or additions to this Agreement shall be recognized unless and until made in writing and signed by all parties hereto. This Agreement may be executed in two or more counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their authorized officers, all as of the date and year first above written.

SELLER:

HUNTINGTON EAST VALLEY HOSPITAL

By: _____
Title: President and CEO

BUYER:

PANPACIFIC HEALTH ENTERPRISES, INC.

By: _____
Title: C. Joseph Chang, President

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement

SCHEDULES

1.2(viii)	Excluded Contracts
1.2(xi)	Excluded Assets
2.2(i)	Promissory Note
4.4	Material Licenses & Permits
4.6	Operating Commitments, Contracts, Leases and Agreements
4.7	Real Property
4.9	Material defects, structural or other in any of the assets
4.11	Litigation or Proceedings with Respect to Facility and Assets
4.13 (a)	Employee Relations
4.13 (b)	Employee Roster
4.14	December 2000 Unaudited Financial Statements and 1999 Audit Report
6.2	Negative Covenants
6.5	3rd Party Consents
8.8	Non-Compete Agreement

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 1.2(viii)
Excluded Contracts

1 - Huntington Memorial Hospital - Laundry service agreement
2 - Genesys - Biomedical Equipment Maintenance contract
3 - Sodexho USA - Dietary/EVS Management contract
4 - VHA/Novation - Owens & Minor - Supply contract

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 1.2(xi)
Excluded Assets

1 - Huntington Memorial Hospital - Lab results reporting software/hardware
2 - Huntington Memorial Hospital - e-mail/internet access system
3 - Notes Receivable
4 - Real Estate Deposits
5 - Deferred financing costs
6 - Joint Venture ownership in Hill Diagnostic Imaging Center
7 - 26 patient beds on loan from Methodist Hospital

HUNTINGTON EAST VALLEY HOSPITAL
Schedule 2.2(i)

PROMISSORY NOTE

$1,500,000

Pasadena, California
_____, 2001

On or before _____, 2002 (the "Maturity Date"), for Value Received the undersigned, PanPacific Health Enterprises, Inc. ("Maker"), promises to pay to Huntington East Valley Hospital ("Payee"), or order, at c/o Southern California Healthcare Systems, 100 West California Boulevard, Pasadena, California 91105, Attn: Timothy W. Carmack, Vice President, Finance, or at such other place as Payee may from time to time designate by written notice to Maker, the principal sum of $1,500,000, together with interest at the prime rate of Bank of America as publicly announced from time to time.

This Promissory Note is payable in equal quarterly installments of principal in the amount of $375,000, plus accrued interest on each of the _____ day of _____, _____ and _____, with the balance, together with all accrued, but unpaid interest, due and payable on _____, 2002.

Maker acknowledges that late payment of the amount due under this Note will cause Payee to incur costs not contemplated by this loan. Such costs include, without limitation, processing and accounting charges. Therefore, if such amount is not received by Payee within ten (10) days following the due date, Maker shall pay to Payee an additional sum of 3% of the overdue amount as a late charge. Maker agrees that this late charge represents a reasonable sum considering all of the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs that Payee will incur by reason of late payment. Maker further agrees that proof of actual damages would be costly or inconvenient. Acceptance of any late charge shall not constitute a waiver of the default with respect to the overdue amount, and shall not prevent Payee from exercising any of the other rights and remedies available to it.

After each of the quarterly payment dates and Maturity Date, any and all unpaid sums shall bear interest at the rate of 10% per annum until paid.

Maker agrees to pay the following costs, expenses, and attorneys' fees paid or incurred by Payee (including attorneys' fees paid in connection with preparation of this Note), or adjudged by a court: (a) reasonable costs of collection, costs and expenses (including attorneys' fees) paid or incurred in connection with the collection or enforcement of or the declaration of rights under this Note, whether or not suit is filed; and (b) costs of suit and such sums as the court may adjudge as attorneys' fees in any action involving the declaration of rights under or the enforcement of this Note or any part of it.

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

This Note is secured by a Deed of Trust of even date herewith and a security interest in the escrow account established pursuant to the Gross Capitation Service Agreement referred to in Sections 8.11 and 9.6 of the Asset Sale Agreement dated February 14, 2001.

"Maker"

_____

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.4
Material licenses and Permits

1 Glendora City Business License
2 State of California Department of Health Services - General Acute Care Hospital License
3 State of California Hazardous Waste Permit
4 State of California Medi-Cal License
5 Pharmacy License
6 CLIA Laboratory
7 Radioactive Material License

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.6
Operating Commitments, Contracts, Leases and Agreements

Operating Commitments, Contracts and Agreements	Cancellation	Term Date
Pacific Medical Imaging - Nuclear Medicine	60 days	3/1/2001
United Therapy Network -Physical/Occupational Therapy	30 days	11/1/2001
Hirsch & Associates - Infection Control Services	60 days	2/1/2001
ProIntermed - Patient Billing/Collections Services	60 days	7/1/2001
Your Office Genie - Medical Dictation/Transcription Services	30 days	4/7/2001
CMBS - Radiology Dictation/Transcription Services	60 days	2/14/2001
Smart Corporation - Medical Records Copy Service	30 days-for cause(1)	3/30/2001
Discharge Summary - Dictation	30 days	no term date
Access Family TV - Patient Cable TV	90 days (2)	3/31/2005
THM Management - Telephone Service Contract	30 days-for cause	12/15/01
Document Storage - Offsite Medical Records Storage	60 days	4/11/01
BFI - Waste Management	not addressed	21/02
Meditech - Information System - Service contract	30 days	month/month
3M - coding software license	anniversary	5/4/2003
LM Systems - alarm monitoring	anniversary	8/21/01
Automated Vital Statistics System - LA County AVSS	not addressed	8/31/01
CK Imaging - Echocardiograms	60 days	no term date

(1) Can only be cancelled for cause, 30 days prior to termination date
(2) Can only be cancelled for cause, 90 days prior to termination date

MEDICAL DIRECTOR CONTRACTS

Name	Specialty	Term	Cancellation
K. Saeger	Laboratory		90 days
R. Eto	Radiology		120 days
M. Agron	Emergency	09/01/01	30 days
C. Atil	UR, Assoc Director	12/31/01	30 days
R. Betts	Pharmacy	12/31/01	30 days
M. Domaguing	Chief of Staff	03/01/01	30 days
H. Hsu	Womens Health	12/31/01	30 days
K. Eldridge	Medicine	12/31/01	30 days
J. Lee	OB/GYN/Peds	12/31/01	30 days
B. Leon	Orthopedic & PT	12/31/01	30 days
D. Patel	Pulmonary	12/31/01	30 days
P. Patel	Cardiology	12/31/01	30 days
O. Quijada	Anesthesia	12/31/01	30 days
F. Sahhar	UR, Director	12/31/01	30 days
F. Soria	U.R.	12/31/01	30 days

Schedule 4.6, cont'd

OPERATING LEASES AND RENTALS

Name	Term
Air Liquide - airgas and tank rental	month to month/as needed
Ikon - copier rental	09/30/2005
Matheny - laser surgery equipment rental	month to month/as needed
MK Smith Chevrolet - patient transportation vans x 2	03/31/2002
Olympus - surgery equipment rental	600 procedures
Pitney Bowes - mail processing equipment rental	09/10/2003
Pyxis - drug and supply dispensing equipment	month to month
Roche Diagnostic - lab equipment	08/05/20025
Mediq/PRN - specialty bed rental	month to month/as needed
Hanns On Software - pharmacy program	month to month
Office space - MOB - 16,658 sq. feet - detailed schedule attached	month to month & 8/1/2001

CAPITAL LEASES

Name	Term
Video processor with xenon light	1/1/2002
Beckman Coulter lab equipment	3/1/2005
CAT Scan	8/1/2001

MANAGED CARE CONTRACTS

See Schedule on next page.

Schedule 4.6, cont'd

Name	Type	Original Effective Date	Last Amended	Status/Comments	Assignability	Term Notice Days
Health Net	Medi-Cal	02/01/1992	07/01/1997		With written consent (12.2)	90 days
Aetna/US Healthcare Select	Commercial - Per diem	01/01/1996	01/01/1996		With written consent (7A)	90 days
BPS, Inc.	Commercial - Per diem	12/01/1996	12/01/1999		With written consent (6.12)	120 days
Blue Cross California Care	Commercial - Per diem	05/01/1996	01/01/1999		With written consent (13.1)	180 days
Blue Shield HMO/Care America	Commercial - Per diem	08/01/1995	09/01/2000		With written consent (10.2)	90 days
CIGNA Health Care of California	Commercial - Per diem	06/01/1992	02/01/2000		With written consent (III.F)	90 days
Health Net	Commercial - Per diem	04/01/1997	11/15/1999		With written consent (15.01)	120 days
Maxicare	Commercial - Per diem	06/01/2000	none		With written consent (2.2)	90 days
One Health Plan	Commercial - Per diem	10/01/1996	none		With written consent (15b)	90 days
Pacificare/FHP	Commercial - Per diem	06/01/1997	none	in process of reneg.	With written consent (12.05)	120 days
PruCare	Commercial - Per diem	08/01/1996	11/01/1996		With written consent (V.M)	60 days
Tower Health	Commercial - Per diem	10/01/1998	none		With written consent (9.14)	120 days
UHP Healthcare	Commercial - Per diem	10/01/1996	07/01/1998		With written consent (28)	60 days
Aetna/ US Healthcare	Senior - Per Diem	01/01/1996	01/01/1996		With written consent (5B)	120 days
Blue Cross Senior Secure	Senior - Per Diem	05/01/1996	01/01/1999		With written consent (13.1)	180 days
Blue Shield 65+ (CareAmerica)	Senior - Per Diem	04/01/2000	09/01/2000		With written consent (14.4)	90 days
Health Net	Senior - Per Diem	04/01/1997	11/15/1999		With written consent (15.01)	120 days
Medicare	Senior - Per Diem	06/01/2000	none		With written consent (2.2)	90 days
Secure Horizons	Senior - Per Diem	06/01/1997	in process		With written consent (12.05)	120 days
Blue Cross	Managed MCAL - Per Diem	03/01/1997	03/01/1998		With written consent (15.14)	120 days
Care 1st Health Plan	Managed MCAL - Per Diem	05/01/1997	none		With written consent (XVI.A)	90 days
Molina Medical Centers	Managed MCAL - Per Diem	02/01/1997	none		With written consent (XV.e)	120 days
Tower Health	Managed MCAL - Per Diem	10/01/1998	none		With written consent (9.14)	120 days
Blue Cross	Healthy Families	03/01/1997	03/01/1998	see Med-Cal agreement	With written consent (15.14)	120 days
Care 1st	Healthy Families	05/01/1997	07/01/1999	see Med-Cal agreement	With written consent (XVI.A)	90 days
UHP Healthcare	Healthy Families	10/01/1992	07/01/1998	see Med-Cal agreement	With written consent (28)	60 days
501 Industrial Trust Fund	PPO	05/01/1990	10/01/1996		With written consent (12)	90 days
Admar Industries	PPO	02/01/1991	07/01/1999		With written consent (11)	90 days
Aetna/US Healthcare Open Choice	PPO	12/01/1996	none	provision cited (2.4) is for delegation of duties	With written consent (2.4)	90 days
Affiliated Health Funds	PPO	10/01/1997	01/01/2000		With written consent (10.2)	90 days
Affordable Healthcare Concepts/First Health	PPO	12/01/1995	11/01/1999		no assignment provision	60 days
Affordable Health Networks/First Health (Worker's Compensation)	PPO	12/01/1995	11/01/1999		no assignment provision	60 days
American Insurance Consultants	PPO	04/17/1985	06/01/1996	Consented to earlier assignment	no assignment provision	60 days
Beech Street	WC	11/01/1998	11/01/1998		With written consent (10.5)	90 days
Beech Street (Worker's Compensation)	PPO	09/01/1994	01/01/1996		Not assignable (11.7)	30 days
Benefit Panel Services (BPS)	PPO	02/01/1996	12/01/1999		With written consent (8.9)	90 days
Blue Cross Prudent Buyer	PPO	05/01/1996	01/01/1999	(same as commercial k)	With written consent (13.1)	180 days
Blue Shield	PPO	08/01/1995	09/01/2000	(part of commercial k)	With written consent (10.2)	90 days
CAPP Care	PPO	05/01/1996	09/01/1998		no assignment provision	90 days
CIGNA	PPO	06/01/1994	04/01/2000		With written consent (III.F)	60 days
Community Care Network (CCN)	PPO	08/01/1995	08/01/1997		With written consent (3.8)	120 days
CCN Elect (Worker's Compensation)	WC	08/01/1995	08/01/1997	same as CCN PPO k	With written consent (3.8)	120 days
Foundation/Health Net (CHAMPUS)	PPO	07/01/1994	01/01/1996		Not assignable (15)	90 days
Foundation/Health Net (Worker's Compensation	WC	04/01/1997	none	same as POS/PPO k	With written consent (15.01)	90 days

Name	Type	Original Effective Date	Last Amended	Status/Comments	Assignability	Term Notice Days
Health Net (POS & PPO)	PPO	04/01/1997	none		With written consent (15.01)	90 days
Health Payors Organization, Ltd.	PPO	10/17/1994	10/01/1998		With written consent (5.14)	90 days
Interplan Corporation	PPO	03/01/1995	10/01/1998		no assignment provision	90 days
Interplan Corporation (Worker's Compensation)	WC	03/01/1995	10/01/1998	same as PPO k	no assignment provision	90 days
Little Company of Mary Health Services (Workers Compensation)	PPO	12/01/1995	none		With written consent (13.6)	90 days
Los Angeles Foundation for Medical Care	PPO	10/30/1984	03/13/2000		With written consent (XIX.C)	60 days
Los Angeles Foundation for Medical Care (Worker's Compensation)	WC	10/30/1984	03/13/2000		With written consent (XIX.C)	60 days
MultiPlan, Inc.	PPO	12/01/1999	none	MOU	no assignment provision	90 days
MultiPlan, Inc. (Worker's Compensation)	WC	12/01/1999	none	MOU	no assignment provision	90 days
One Health Plan	PPO	05/01/1997	none		With written consent (12.6)	90 days
Pacific Health Alliance	PPO	03/01/1992	10/01/1998		With written consent (15.01)	90 days
Preferred Health Network	PPO	07/01/1999	none		With written consent (13.02)	90 days
Preferred Health Network (Worker's Compensation)	WC	07/01/1999	none		With written consent (13.02)	90 days

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.7
Real Property

LEGAL DESCRIPTION OF PROPERTY

Parcel 1:

The Westerly 100 feet of the North 270 feet of lot "A" of tract No. 2998, of Le Mar's addition to the town of Alosta, in the City of Glendora, County of Los Angeles, State of California, as per map recorded in Book 36 page81 of maps, in the office of the county recorder of said county.

Except therefrom, the southerly 15 feet.

Also except therefrom that portion of described as follows:

Beginning at the Northwest corner of said West 100 feet of the South 235 feet of the North 255 feet of aforementioned lot A, said corner being on the Southerly line of Alosta Avenue and said corner being also on the Easterly line of Santa Fe Avenue; thence Easterly along the Southerly line of Alosta Avenue 24.63 feet to the beginning of a tangent curve concave Southeasterly having a radius of 25 feet and an arc length of 38.88 feet; thence Southwesterly along said curve 38.88 feet to a point on the Easterly line of Santa Fe Avenue, thence Northerly along said Easterly line of Santa Fe Avenue 24.63 feet to the point of beginning, as granted to the City of Glendora, County of Los Angeles, State of California, by a deed recorded February 10, 1964 as instrument No. 3791.

Parcel 2:

The Easterly 100 feet to the Westerly 200 feet of the North 270 feet of lot A, of tract No. 2998, in Le Mar's addition to the town of Alosta, in the City of Glendora, county of Los Angeles, State of California, as per map recorded in Book 36 page 81 of maps, in the office of the county recorder of said county.

Parcel 3:

The Westerly 200 feet of the South 50 feet of the North 320 feet of lot A in tract No. 2998, in the City of Glendora, County of Los Angeles, State of California, as per map recorded in Book 36 page 81, in the office of the county recorder of said county.

Parcel 4:

The Southerly 15 feet of the Westerly 100 feet of the Westerly 100 feet of the North 270 feet of lot A of tract No. 2998, of Le Mar's addition to the town of Alosta, in the City of Glendora, county of Los Angeles, State of California, as per map recorded in Book 36 page 81 of maps, in the office of the county recorder of said county.

Parcel 5:

Parcel 2 of parcel map No. 13990 in the City of Glendora, county of Los Angeles, State of California, as per map filed in Book 146 pages 21 and 22 of parcel maps, in the office of the county recorder of said county.

Schedule 4.7, cont'd

Parcel 6:

Lots 2 and 3 block 12 of Le Mar's addition to the town of Alosta, in the City of Glendora, county of Los Angeles, State of California, as per map recorded in Book 16 pages 75 and 76 of Miscellaneous Records, in the Office of the County Recorder of said county.

Parcel 7:

Lots 1 and 2 of tract 8387, in the City of Glendora, County of Los Angeles, State of California, as per map recorded in Book 118 page 19 of maps, in the Office of the County Recorder of said county.

Parcel 8:

Lot 3, of tract 8387, in the City of Glendora, county of Los Angeles, State of California; as per map recorded in Book 188 page 19 of maps, in the Office of the County Recorder of said county.

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.9
Material Defects, Structural or Other in any Assets

1 2 - 550 gallon underground diesel fuel storage tanks do not conform to current code requirements.

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.11
Litigation or Proceedings with Respect to Facility and Assets

NONE

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.13 (a)
Employee Relations

NONE

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.13 (b)
Employee Roster - 11/2000

Last Name	First Name	Date of Hire	Position
Abrasaldo	Paul	6/30/90	Technologist
Aclan-Kim	Elena	1/12/81	Registered Nurse
Acosta	Eneida	5/11/99	Admitting Rep
Afable	Zenaida	4/29/95	Registered Nurse
Agbong	Maritess	6/24/97	Director
Agravante	Angielyn	6/1/00	Clerk
Aispuro	Marylou	10/20/00	Admitting Rep
Alarcon	Rosa	8/21/00	Certified Nurse's Assistant
Alcudia	Gloria	8/21/00	Clerk
Alcudia	MaryAnn	3/11/91	Financial Analyst
Aldrett	Hector	7/7/97	OR Technician
Ali	Sirtaj	8/18/00	Technologist
Almachar	Eva	9/6/77	Registered Nurse
Almonte	Aldine	10/19/93	Registered Nurse
Alvarez	Annette	1/14/99	Diet Technician
Ang-Baldovino	Cristina	3/7/89	Licensed Vocational Nurse
Angeles	Helen	9/27/00	Registered Nurse
Antonio	Theresa	9/29/94	Registered Nurse
Aquino	Adan	6/15/98	Certified Nurse's Assistant
Aquino	Avelino	3/1/98	
Aquino	Vladimir	11/15/93	Maintenance Engineer
Aquino	Alma	3/6/98	Registered Nurse
Aquino	Susan	3/6/98	Registered Nurse
Aquino	Eunice	2/2/97	File Clerk
Arevalo	Emily	5/17/99	OR Technician
Arriaga	Sharon	4/29/76	Respiratory Care Practitioner
Ashbaugh	Donna	9/19/94	Director
Atkins	Fe	2/25/00	Registered Nurse
Austin	Helene	11/8/90	Registered Nurse
Auth	Jeanette	3/23/98	Director
Avila	Lucy	10/29/97	Registered Nurse
Awan	Zulfiqar	6/25/98	Admitting Representative
Ayala	Rosa	8/23/99	Director
Ballecer	Fe	2/3/93	Registered Nurse
Ballesteros	Roda	9/21/98	Certified Nurse's Assistant
Bataclan	Francisca	1/27/98	Coder
Bautista	Ernestina	10/25/00	Certified Nurse's Assistant
Bayless	Jennifer	3/6/98	Physical Therapist Assistant
Benetiz	Luis	10/20/00	Transport
Beseth	Roseann	3/29/98	Registered Nurse
Blaine	Sherry	11/11/90	Coder
Bockoven	John	5/11/98	Licensed Vocational Nurse
Boggs	Eva	8/17/98	Driver
Boswell	Nina	8/30/77	OB Technician
Brandt	Grace	6/24/91	Registered Nurse

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Briones	Precilla	12/17/90	Registered Nurse
Briones	Catheryn	2/21/98	Surgical Services Clerk
Brummitt	Barbara	10/29/79	PBX Operator
Bucklew	Lucille	4/25/90	Respiratory Care Technician
Buscaino	Pacita	4/3/85	Registered Nurse
Cabrera	Ian	7/31/00	Technician
Cajimat	Marivi	8/18/00	Registered Nurse
Calaycay	Norma	1/12/98	Coder
Calimbus	Thelma	11/3/99	Registered Nurse
Caponong	Marilyn	3/18/91	Supervisor
Castillo	Christy	11/24/00	Lab Assistant
Castle	Lilli	9/1/00	Registered Nurse
Catoera	Ruth	11/20/98	Registered Nurse
Chairez	Angelica	4/13/98	Admitting Representative
Chang	Jamellee	6/30/96	Registered Nurse
Chatman	Barbara	2/4/00	Certified Nurse's Assistant
Chua	Resurreccion	8/5/90	Technologist
Cisneros	Paula	5/1/00	ESD Aide
Clark	Doris	7/10/70	Registered Nurse
Cocum	Urbano	12/9/90	Cook
Coe	Kimberly	11/6/00	Technician
Concepcion	Pilar	8/7/92	Technician
Contreras	Edith	8/14/00	Clerk
Corpus	Carlos	10/26/79	Dishwasher
Corpus	Johnny	10/1/79	Material Clerk
Cortes	Ken	7/12/92	Technician
Cortez	Fernando	1/20/00	Aide
Crossman	Barbara	8/16/99	Registered Nurse
Culata	Josephine	1/19/98	Certified Nurse's Assistant
Dabe	Melanie	4/17/00	Registered Nurse
De La Cruz	Ricky		Respiratory Care Practitioner
DeCastro	Natividad	9/4/90	ESD Aide
Degusman	Odette	5/14/99	Pharmacy Intern
DeGuzman	Marilu	11/3/00	Data Analyst
Dela Cruz	Teresita	12/5/97	Registered Nurse
DeLaCruz	Bella	7/14/94	Registered Nurse
Delacruz	Enrique	6/1/00	Respiratory Care Practitioner
Demartino	Angela	8/25/00	Licensed Vocational Nurse
Diaz	Maria	8/11/00	ESD Aide
Dimaranan	Adelaida	7/14/96	Registered Nurse
Dingle	Lyra	1/30/97	Registered Nurse
Dominguez	Joseph	9/29/00	ESD Aide
Dumrongmanee	Saisun	12/14/93	Registered Nurse
Duncan	Annazilta	5/15/97	Registered Nurse
Espadero	Restituto	7/1/95	Pharmacist
Estipona	Cindy	2/3/00	Registered Nurse
Eugenio	Jessica	7/12/00	Registered Nurse
Evans	Sylvia	9/27/95	Disbursement Clerk
Facundo	Rosephil	12/30/98	Registered Nurse

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Fakhoury	Mariam	9/27/95	Registered Nurse
Fakhoury	Susan	12/14/00	Registered Nurse
Farraj	Nuha	6/24/91	Registered Nurse
Feng	Rosa	7/14/93	Registered Nurse
Ford	Silvia	5/7/92	Diet Clerk
Formano	Carrie	9/10/90	Senior Accountant
Foster	Patricia	4/3/00	Director
Freeman	Earlene	4/3/00	Director
Fuchs	Cynthia	3/5/79	Registered Nurse
Galicia	Mila	11/25/97	Registered Nurse
Gapasin	Maricon	11/8/00	Registered Nurse
Garcia	Paulette	4/21/99	Certified Nurse's Assistant
Garcia	Carlos	5/15/00	Technician
Gatapia	Cherry	5/14/91	Registered Nurse
Gerard	Michele	5/28/96	Director
Gerberg	Scott	1/23/98	Technician
Gillian	Norma	10/15/87	Laboratory Aide
Ginunas	Virginia	6/15/98	Registered Nurse
Gomez	Belle	2/3/97	Registered Nurse
Graham	Lydia	3/8/85	ESD Aide
Greenblatt	Diane	11/10/94	Registered Nurse
Greer	Jennifer	7/17/00	Technician
Griffith	James		Director
Guevara	Vivian	9/1/00	Registered Nurse
Guevarra	Noemi	3/13/95	Registered Nurse
Gumbleton	Patrick	11/27/00	Clinical Director
Gutierrez	Iris	2/4/97	Admitting Representative
Habtesellassie	Temnit	3/15/99	Certified Nurse's Assistant
Hancock	Roger	7/17/00	Registered Nurse
Hanson	Jerry	12/12/94	Director
Harinath	Geetha	8/18/99	
Harper	Marge	3/7/96	UR Nurse
Harris	Blanch	11/12/99	Registered Nurse
Hathi	Preeti	5/25/90	Technologist
Hayes	Tamara	11/3/98	Infection Control Practitioner
Hechanova	Mila	8/26/91	Registered Nurse
Henriquez	Ricardo	8/17/99	Licensed Vocational Nurse
Hernandez	Sheri	8/12/96	Registered Nurse
Herrera	Louana	2/7/00	Unit Secretary
Herrick	Dinah	9/8/98	Coordinator
Higuera	Virginia	9/29/97	Registered Nurse
Hinojos	Maria	6/24/98	Diet Technician
Howard	Judy	2/20/81	OR Technician
Jacob	Rajobala	7/23/98	Registered Nurse
Janairo	Florentino	10/6/88	Technologist
Janairo	Elizabeth	2/23/88	Technologist
Johnson	Deborah	7/24/98	Secretary
Jones	Barbara	12/29/99	Registered Nurse
Kaliher	Mark	12/4/96	Registered Nurse

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Kalugdan	John	8/10/99	Licensed Vocational Nurse
Kelsey	Robert	1/15/70	Food Service Worker
Kemp	Charleen	2/18/88	Human Resources Generalist
Kim	Paul	6/6/87	Respiratory Care Practitioner
King	Jane	10/89	Technician
King	Monica	6/28/99	Central Technician
Kluse	Peter	10/6/95	Emergency Services Technician
Kokinis	Thomas	10/10/95	Pharmacist
Kumar	Reeta	10/21/90	Nursing Supervisor
Kuo	Irene	2/1/99	Registered Nurse
Ladia	Wilma	8/4/93	Registered Nurse
Lampa	Faustino	11/9/00	Technician
Landicho	Erlinda	6/12/98	Registered Nurse
Lao	Elizabeth		
Lauron	Libby	7/21/97	Registered Nurse
Lavarez	DeeDee	8/10/99	Registered Nurse
Leal	Victor	1/13/00	Licensed Vocational Nurse
Lewis	Walter	7/1/95	Pharmacist
Lewis	Phoebean	8/23/90	Licensed Vocational Nurse
Liddell	Maria	3/21/00	Food Service Worker
Lin	Young	8/2/88	Registered Nurse
Llanes	Flor	10/11/88	Registered Nurse
Loera	Robert	6/1/76	Material Clerk
Lombardi	Doris	7/29/72	Nursing Supervisor
Longmire	Nelle	4/20/91	Registered Nurse
Lopez	Rafael	7/3/99	ESD Aide
Luetum	Chusri	2/7/00	Registered Nurse
MacArthur	Carol		Infection Control Practitioner
Maki	Jim	1/25/95	Administrator
Mango	Jane	12/7/00	Registered Nurse
Manigault	John	5/26/98	Licensed Psychiatric Technician
Maradiaga	Rafael	4/2/91	Maintenance Engineer
Mariano	Marissa	1/4/00	Registered Nurse
Marks	Tamaynga	3/30/98	Pharmacy Technician
Martin	Kimberly	5/22/00	Admitting Representative
Mathers	David	1/20/86	Cook
Maya	Jorge	3/27/95	Plant Operations Coordinator
Mayo	Virginia	11/14/96	Registered Nurse
Mbaabu	Alice	5/25/92	Registered Nurse
McCrary	Cathy	9/16/96	Admitting Representative
Medina	Emelita	11/2/00	Registered Nurse
Mendivil	William	2/23/98	Technician
Mercado	Roselle	2/20/00	Certified Nurse's Assistant
Mercurio	Florencia	10/14/97	Registered Nurse
Merry	Tamara	10/10/94	Secretary
Mettler	Sharon	9/10/97	Diet Technician
Miau	Kathy	1/1/94	Registered Nurse
Michael	Lily	5/25/99	Registered Nurse
Miklush	Lisa	6/5/00	Director

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Miller	Ann Marie	12/10/99	Educator
Minnihan	Tim	4/1/93	Registered Nurse
Mitchell	Eloise	2/10/94	Admitting Representative
Mitchell	Pauline	9/11/00	Director
Montes	Elizabeth	7/15/99	Medical Staff Clerk
Montes	Stella	6/27/99	Admitting Representative
Montgomery	Susan	10/26/00	Registered Nurse
Moore	Lynn	9/16/99	Registered Nurse
Morales	Gilberto	5/19/95	Unit Secretary
Morris	Dennice	4/11/93	Registered Nurse
Murin	Shirley	12/30/93	Registered Nurse
Nandee	Uthaiwan	11/5/99	Registered Nurse
Ngueyn	Binh	2/12/90	Technologist
Nguyen	Son	1/4/88	Technologist
Nordstrom	Marge	9/10/90	OB Technician
Norwood	Lynn	3/30/92	Social Worker
Obeto	Elizabeth	6/27/00	Registered Nurse
Ocampo	Cynthia	2/23/95	Registered Nurse
Ochsner	Judith	2/24/99	Registered Clinical Dietician
Olson	Curtis	7/6/98	Controller
Oppenheim	John	5/30/00	Risk Manager
Ortiz	Juan	9/21/98	Mental Health Worker
Overlock	Tracy	12/1/98	OR Secretary
Padilla	Margarita	1/19/98	Emergency Services Technician
Paet	Thelma	8/3/81	Registered Nurse
Pagtakhan	Nazarina	/1/94	Food Service Worker
Paik	David	3/24/87	Technologist
Palacio	Filomena	9/7/00	Registered Nurse
Palacio	Rosalinda	10/18/93	Food Service Worker
Pasahol	Agnes	2/7/00	Registered Nurse
Pediangco	Teresita	3/6/00	Registered Nurse
Peig	Lyra-June	11/25/97	Licensed Vocational Nurse
Perez	David	9/27/00	ESD Aide
Peterson	Robert	3/8/99	Registered Nurse
Pineira	Ray	1/14/89	Respiratory Care Practitioner
Pleto	Jovita	10/1/86	Technician
Powell	Denise	4/7/99	Secretary
Pradit	Pratoum	/27/78	Registered Nurse
President	Vernon	9/26/00	Mental Health Worker
Quinoveva	Lucia	9/21/98	Registered Nurse
Rada	Imelda	6/2/98	Registered Nurse
Ramirez	Consuelo	11/19/90	ESD Aide
Ramirez	Joseph	8/17/98	Registered Nurse
Ramirez	Carmen	11/22/93	Admitting Representative
Ramos	Madonna	/25/99	Registered Nurse
Ramos	Avelino	6/26/00	ESD Aide
Ramos	Martha	9/3/97	Data Entry
Rangel	Victoria	11/16/87	ESD Aide
Reddy	Chandra	2/28/00	Technician

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Reed	Gerilyn	6/16/99	Registered Nurse
Reogelio	Merilyn	11/25/96	Registered Nurse
Reyes	Maria	11/5/99	Admitting Representative
Reyes	Antonio	12/20/00	Registered Nurse
Rezkalla	Rick	5/27/87	Director
Rhee	Minja	9/24/96	Registered Nurse
Rico	Shirlinda	5/27/99	Registered Nurse
Rico	Rizalino	8/22/00	Registered Nurse
Rivera	Lynn	7/27/98	Nursing Supervisor
Rivera	Robert	6/15/98	Registered Nurse
Rivera	Mila	8/29/94	Registered Nurse
Rizo	Mariana	7/13/98	Nursing Assistant/CPHW
Robitaille	Marie	1/2/98	
Robles	Lily	10/1/99	Pharmacy Technician
Robles	Denise	12/8/00	Certified Nurse's Assistant
Rodil	JoJo	7/26/99	OR Technician
Rodil	Elizabeth	6/18/96	Registered Nurse
Roshan	Anita	11/1/97	Physical Therapist
Ross	Marcia	7/26/70	PBX Operator
Ross	Mayra		Radiology Technician
Ross	Susana	6/5/00	Certified Nurse's Assistant
Ross	Geoffrey	10/31/00	Registered Nurse
Rowland	Scott	1/10/00	Technician
Rubio	Mariam	7/1/00	Registered Nurse
Ruiz	Patricia	6/15/88	Registered Nurse
Rutt	Georgina	2/20/98	Registered Nurse
Sales	Luxmi	8/6/93	Registered Nurse
Sales	Jennifer	9/21/98	Certified Nurse's Assistant
Salsedo	Albert		Chaplain
Sampang	Neil	9/13/88	Cook
Scholl	Keith	6/26/98	Materials
Schourup	Stanley	8/4/97	Registered Nurse
Scott	Warlita	1/4/96	Certified Nurse's Assistant
Seawalker	Ruby	8/21/00	Technician
Sebastian	Cresencia	6/7/82	Registered Nurse
Sein	Htway	3/13/91	Technician
Sermons	Joyce	11/10/97	Technician
Sethi	Ishprett	7/28/99	Registered Dietician (Contract)
Silva	Clarita	6/9/90	Respiratory Care Practitioner
Silva	Edwin	5/5/00	Respiratory Care Practitioner
Silva	Anna	5/19/94	Administrative Assistant
Silva	RoseMarie	9/26/00	Pharmacist
Singh	Jagtinder		
Smith	Nenita	3/8/99	Registered Nurse
Smith	Embra	1/24/94	Linen Clerk
Soriano	Lilibeth	2/26/99	Registered Nurse
Spencer	Wesley	10/30/00	Technician
Stockdale	Mona	1/17/74	Director
Sucayan	Rebecca	8/24/94	Registered Nurse

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Tabangay	Concepcion	4/3/78	Registered Nurse
Tacazon	Feliitas	10/27/99	Nursing Supervisor
Tahir	Elizabeth	1/30/95	Registered Nurse
Talah	Madeline	8/10/99	Registered Nurse
Taylor	Karen	9/19/90	Nursing Supervisor
Taylor	Susan	8/30/00	Director
Thomas	Santhamma	11/25/97	Registered Nurse
Thompson	Lilie	2/8/89	Licensed Vocational Nurse
Threadgill	Jaime	11/1/99	Director
Tirador	Tina	7/21/90	Unit Secretary
Tomas	Mike	6/10/98	Registered Nurse
Torrico	Maria	9/21/98	Admitting Representative
Torrico	Steven	6/30/99	
Trapasso	Donna	2/22/94	Registered Nurse
Trevino	Susan	10/8/92	Registered Nurse
Trinidad	Evelyn	5/26/95	Registered Nurse
Trollman	Patricia	8/9/99	LCSW
Trousdale	Cindy	6/23/97	VP, Finance
Turner	Patricia	12/4/00	Unit Secretary
Turner	Gala	9/28/98	Admitting Representative
Udeshi	Surbhi	6/16/88	Technician
Umali	Romulo	5/17/89	Technologist
Uncanin	Alicia	8/6/90	Director
Vali-Ferdowski	Rosa	3/15/99	Registered Nurse
Vallo	Vicente	2/2/82	Storeroom Clerk
Van Den Vrijhoef	Marc	10/12/98	Maintenance Engineer
Varughese	Abraham	12/22/86	Technician
Vega	Ricardo	10/30/98	OR Tech
Vela	Jesse	5/23/96	Driver
Velasquez	Sylvia	2/26/99	Registered Nurse
Velasquez	Michelle	12/27/97	Admitting Representative
Vergara	Carmelita	7/14/97	Registered Nurse
Vicente	Perry	9/18/78	Registered Nurse
Victoria	Noliby	1/28/00	Registered Nurse
Villamena	Nina	5/15/97	Pt. Care Coordinator
Viray	Maria	6/16/93	Registered Nurse
Viray	Joy	9/17/99	Diet Technician
Welu	Janet	4/13/94	Registered Nurse
West	Marcia	11/15/99	Registered Nurse
Wilkins	Jerry	2/5/00	Emergency Services Technician
Williams	Frances	6/12/72	Registered Nurse
Williams	Barbara	8/18/90	Diet Clerk
Williams	Rena	7/5/00	Certified Nurse's Assistant
Wong	Wan	9/29/99	Registered Nurse
Yahn	Jim	9/8/81	Director
Yost	Dawn	10/19/98	Licensed Vocational Nurse
Yu	Cammy	6/3/98	Registered Nurse
Yuentrakul	Somnit	1/28/83	Cook
Zamoranos	Virginia	9/4/98	Registered Nurse

Schedule 4.13(b), cont'd.

Last Name	First Name	Date of Hire	Position
Zimmerman	John	8/21/00	V P, Nursing and Operations

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 4.14
November 2000 Unaudited Financial Statements and 1999 Audited Financial Statements

HUNTINGTON EAST VALLEY HOSPITAL
FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2000

INCOME STATEMENT

CURRENT MONTH						YEAR TO DATE				
DOLLARS			VARIANCE FR BUDGET			DOLLARS			VARIANCE FR BUDGET	
ACTUAL	BUDGET	LAST YEAR	AMOUNT	%		ACTUAL	BUDGET	LAST YEAR	AMOUNT	%
1,878,122	2,003,731	3,548,264	(125,609)	-6.3%	Net Patient Service Revenue	20,524,273	20,000,000	20,613,607	524,273	2.6%
(79,313)	(8,784)	(1,273,403)	(70,529)	802.9%	Net Capitation Revenue	58,801	660,000	494,288	(601,199)	-91.1%
1,798,809	1,994,947	2,274,861	(196,138)	-9.8%	Total Patient Service Revenue	20,583,074	20,660,000	21,107,895	(76,926)	-0.4%
10,616	29,091	(29,897)	(18,475)	-63.5%	Total Other Operating Revenue	31,965	349,100	364,103	(317,135)	-90.8%
1,809,425	**2,024,038**	**2,244,964**	**(214,613)**	**-10.6%**	**TOTAL OPERATING REVENUE**	**20,615,039**	**21,009,100**	**21,471,998**	**(394,061)**	**-1.9%**
					Operating Expenses :					
1,183,289	934,780	909,823	248,509	26.6%	Salaries, Wages & Benefits	11,764,752	10,963,359	11,262,495	801,393	7.3%
341,944	439,418	778,833	(97,474)	-22.2%	Outside Services	4,575,841	5,273,053	6,030,086	(697,212)	-13.2%
232,883	250,857	273,565	(17,974)	-7.2%	Supplies	2,992,852	2,961,731	2,846,775	31,121	1.1%
88,148	68,767	74,684	19,381	28.2%	Depreciation & Amortization	915,399	825,176	818,684	90,223	10.9%
47,905	43,047	43,202	4,858	11.3%	Interest	553,081	516,559	583,929	36,522	7.1%
3,390	33,015	43,990	(29,625)	-89.7%	Rental - Building & Equipment	419,045	396,186	401,942	22,859	5.8%
17,990	17,961	19,000	29	0.2%	Parent Allocation	215,880	215,528	219,658	352	0.2%
(56,857)	22,917	596,699	(79,774)	-348.1%	Provision for Bad Debt	411,169	275,000	983,242	136,169	49.5%
14,725	108,914	125,851	(94,189)	-86.5%	Other	1,098,562	1,306,922	1,430,721	(208,360)	-15.9%
1,873,417	**1,919,676**	**2,865,647**	**(46,259)**	**-2.4%**	**TOTAL OPERATING EXPENSES**	**22,946,581**	**22,733,514**	**24,577,532**	**213,067**	**0.9%**
(63,992)	**104,362**	**(620,683)**	**(168,364)**	**-161.3%**	**SURPLUS (DEFICIT) FROM OPERATIONS**	**(2,331,542)**	**(1,724,414)**	**(3,105,534)**	**(607,128)**	**35.2%**
88,148	68,767	74,684	19,381	28.2%	Add : Depreciation & Amortization	915,399	825,176	818,684	90,223	10.9%
24,156	**173,129**	**(545,999)**	**(148,973)**	**-86.0%**	**CASH FLOW**	**(1,416,143)**	**(899,238)**	**(2,286,850)**	**(516,905)**	**57.5%**

HUNTINGTON EAST VALLEY HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000

	CURRENT MONTH	AUDITED 12/31/1999	NET $ CHANGE
CURRENT ASSETS -			
Cash & Cash Equivalents	26,625	483,194	(456,569)
Patient Accounts Receivable	6,029,637	3,794,376	2,235,261
Due From Third Party - Payors	1,319,363	1,267,419	51,944
Due From Methodist - HEVH POD	48,387	813,929	(765,542)
Due From Affliates - Other	1,097	17,415	(16,318)
Current Portion Bond Trust Funds	60,651	45,647	15,004
Other Receivables	186,916	303,759	(116,843)
Supplies at Cost	464,267	506,351	(42,084)
Prepaid Expenses	168,386	280,115	(111,729)
Deposits	122,730	125,502	(2,772)
TOTAL CURRENT ASSETS	**8,428,059**	**7,537,707**	**790,352**
Cash Restricted As To Use	84,414	233,543	(149,129)
Board Designated - Other Assets	-	45,000	(45,000)
Other Investments - Joint Venture	120,227	120,227	-
Investment In Lab - CHSO	(24,884)	181,214	(206,098)
Deferred Refinance Costs (Net Amort)	380,198	394,267	(14,069)
PLANT AND EQUIPMENT -			
Plant Assets	12,921,975	12,592,059	329,916
Allowance for Depreciation	(3,792,352)	(2,957,129)	(835,223)
Construction in Progress	81,798	33,201	48,597
TOTAL PLANT AND EQUIPMENT	**9,211,421**	**9,668,131**	**(456,710)**
TOTAL ASSETS	**18,199,435**	**18,280,089**	**(80,654)**

HUNTINGTON EAST VALLEY HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000

	CURRENT MONTH	AUDITED 12/31/1999	NET $ CHANGE
CURRENT LIABILITIES -			
Accounts Payable	3,213,798	3,442,771	(228,973)
Other Current Liabilities	109,513	159,550	(50,037)
Wages & Amounts Withheld	704,307	441,714	262,593
Interest Payable	67,296	60,362	6,934
Due to Third Party Payors	(51,009)	677,473	(728,482)
Due to Affilates - Hunt. Foundation	300,000	453,343	(153,343)
Due to Affilates - Other	1,591,996	42,108	1,549,888
Claims Payable	133,496	2,779,648	(2,646,152)
Current Portion of Long Term Debt	223,506	550,194	(326,688)
TOTAL CURRENT LIABILITIES	**6,292,903**	**8,607,163**	**(2,314,260)**
LONG TERM DEBT -			
1997 Bonds Payable	9,100,000	9,100,000	-
Due to Affiliates - SCHS	1,269,442	1,214,612	54,830
Due to Affilates - Hunt. Foundation	111,748	-	111,748
Due to Affiliates - Other	3,233,888	2,475,399	758,489
GMAC Payable	-	3,142	(3,142)
Sumitomo Payable	7,171	34,007	(26,836)
Leases Payable	115,072	46,174	68,898
TOTAL LONG TERM DEBT	**13,837,321**	**12,873,334**	**963,987**
TOTAL LIABILITIES	**20,130,224**	**21,480,497**	**(1,350,273)**
NET ASSETS (DEFICIT):			
Unrestricted			
Beginning balance (deficit)	(1,466,041)	1,639,493	(3,105,534)
Contributions from/(to) Affiliates	1,866,794	(1,770,289)	3,637,083
Current year surplus (deficit)	(2,331,542)	(3,105,534)	773,992
DECREASE IN UNRESTRICTED NET ASSET	**(1,930,789)**	**(3,236,330)**	**1,305,541**
Temporarily restricted	-	35,922	(35,922)
TOTAL NET ASSETS	**(1,930,789)**	**(3,200,408)**	**1,269,619**
TOTAL LIAB AND NET ASSETS	**18,199,435**	**18,280,089**	**(80,654)**

HUNTINGTON EAST VALLEY HOSPITAL
FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2000

FINANCIAL INDICATORS

CURRENT MONTH						YEAR TO DATE				
AMOUNTS			VARIANCE FR BUDGET			AMOUNTS			VARIANCE FR BUDGET	
ACTUAL	BUDGET	LAST YEAR	AMOUNT	%		ACTUAL	BUDGET	LAST YEAR	AMOUNT	%
					VOLUMES					
1,896	1,930	1,776	-34	-1.76%	Adjusted Patient Days, ex NB	21,907	23,160	22,303	-1,253	-5.41%
1,404	1,462	1,387	-58	-3.97%	Patient Days, ex NB	15,412	17,156	16,501	-1,744	-10.17%
401	429	384	-28	-6.59%	Adjusted Patient Admissions, ex NB	4,763	5,036	4,725	-273	-5.41%
297	318	300	-21	-6.60%	Patients Admitted, ex NB	3,351	3,741	3,493	-390	-10.43%
45	47	45	-2	-4.58%	Average Daily Census, ex NB	42	47	45	-4.7	-10.14%
4.7	4.6	4.6	0.1	2.82%	Length of Stay, ex NB, includes Gero	4.6	4.6	4.7	0.0	-0.03%
3.5	3.7	4.1	-0.2	-5.23%	Length of Stay, ex NB and Gero	3.6	3.7	3.9	-0.1	-3.96%
521	272	332	249	91.54%	Outpatient Visits	5,334	3,205	3,346	2,129	66.43%
120	195	110	-75	-38.46%	PHP-Horizon Visits	1,691	2,332	1,881	-641	-27.49%
30	43	28	-13	-30.23%	OP- Horizon Visits	465	538	430	-73	-13.57%
837	612	789	225	36.76%	Emergency Visits	8,334	7,234	7,421	1,100	15.21%
91	99	95	-8	-8.08%	Inpatient Surgical Procedures	1,118	1,181	1,163	-63	-5.33%
132	145	116	-13	-8.97%	Outpatient Surgical Procedures	1,843	1,732	1,571	111	6.41%
223	244	211	-21	-8.61%	Total Surgical Procedures	2,961	2,913	2,726	48	1.65%
93	108	79	-15	-13.89%	Total Deliveries	938	1,273	1,123	-335	-26.32%
					GROSS PATIENT REVENUE					
24.92%	28.02%	25.64%		-3.10%	Medicare	27.21%	28.57%	29.33%		-1.36%
28.17%	30.33%	19.72%		-2.16%	Medi-Cal	24.58%	29.37%	27.38%		-4.79%
40.99%	38.78%	51.05%		2.20%	HMO/PPO	43.91%	39.06%	39.30%		4.85%
1.60%	0.00%	0.35%		1.60%	Insurance	1.12%	0.13%	1.37%		0.98%
4.32%	2.87%	3.24%		1.45%	Self Pay	3.18%	2.87%	2.62%		0.32%
100.00%	100.00%	100.00%		0.00%	Total Gross Patient Revenue	100.00%	100.00%	100.00%		0.00%
					DEDUCTION FR REV AS % OF GR Pt.REV					
14.53%	16.11%	14.29%		-1.58%	Medicare	14.72%	15.48%	15.54%		-0.76%
17.44%	20.14%	4.27%		-2.69%	Medi-Cal	17.76%	21.66%	19.63%		-3.89%
30.15%	26.39%	39.88%		3.76%	HMO/PPO	33.39%	30.53%	32.34%		2.86%
3.33%	1.82%	4.85%		1.50%	Other	1.41%	1.81%	3.00%		-0.40%
65.45%	64.46%	63.28%		0.99%	Total Deductions fr Rev as % of Gr Pt. Rev	67.29%	69.49%	70.51%		-2.19%
					COST - LABOR & TOTAL					
230.84	220.09	216.63	10.75	4.88%	Total Paid FTE's	226.68	220.21	228.25	6.47	2.94%
214.42	200.57	193.10	13.85	6.91%	Total Productive FTE's	207.25	200.62	206.85	6.63	3.30%
3.51	3.22	3.37	0.29	8.95%	Total Prod FTE's per Adjusted Occupied Bed	3.46	3.17	3.39	0.29	9.13%
5,519	4,661	4,712	858	18.41%	Labor Cost per Total Prod FTE	56,766	54,647	54,448	2,119	3.88%
988	995	1,614	-7	-0.66%	Total Cost per Adjusted Patient Day	1,047	982	1,102	66	6.71%
4,672	4,472	7,463	200	4.48%	Total Cost per Adjusted Admit	4,818	4,515	5,202	303	6.71%

AUDITED COMBINED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Southern California Healthcare Systems

Years ended December 31, 1999 and 1998

with Report of Independent Auditors

Southern California Healthcare Systems

Audited Combined Financial Statements and Other Financial Information

Years ended December 31, 1999 and 1998

Contents

ERNST & YOUNG

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

■ Phone: (213) 977-3200
www.ey.com

Report of Independent Auditors

Board of Directors
Southern California Healthcare Systems

We have audited the accompanying combined balance sheets of Southern California Healthcare Systems as of December 31, 1999 and 1998, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Southern California Healthcare Systems at December 31, 1999 and 1998, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying combining balance sheets at December 31, 1999 and 1998, and the combining statements of operations for the years then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst + Young LLP

March 3, 2000, except as to Note 11, as to
which the date is May 24, 2000

Southern California Healthcare Systems

Combined Balance Sheets

	December 31	
	1999	**1998**
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 11,087**	$ 8,329
Investments *(Note 3)*	**42,405**	19,964
Patient accounts receivable, less allowance for uncollectible accounts of $17,422 in 1999 and $19,947 in 1998	**68,765**	70,572
Inventories	**4,565**	3,966
Current portion of assets limited as to use *(Note 3)*	**14,443**	11,366
Prepaid expenses and other current assets	**5,789**	6,394
Total current assets	**147,054**	120,591
Other assets:		
Assets limited as to use, less current portion *(Note 3)*:		
By Board	**19,047**	86,509
Under bond indenture	**1,598**	1,363
	20,645	87,872
Property, plant and equipment, net of accumulated depreciation and amortization *(Note 6)*	**243,945**	240,182
Investments restricted for the acquisition of property, plant and equipment and to provide a permanent source of income *(Note 3)*	**13,463**	9,809
Deferred financing costs	**4,680**	4,911
Investments in affiliates	**2,701**	1,250
Other assets	**9,426**	15,209
Total assets	**$ 441,914**	$ 479,824

	December 31	
	1999	1998
	(In thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 35,087**	$ 31,295
Accrued expenses and other liabilities	**32,755**	23,615
Accrued self-insurance claims	**19,093**	15,482
Due to third-party payors	**6,234**	5,445
Due to affiliates	**7,282**	225
Current maturities of long-term debt *(Note 7)*	**12,144**	10,137
Current maturities of notes payable to affiliate *(Note 5)*	**1,999**	967
Total current liabilities	**114,594**	87,166
Long-term debt, less current maturities *(Note 7)*	**108,137**	110,057
Notes payable to affiliate, less current maturities *(Note 5)*	**11,247**	12,328
Charitable remainder annuity trusts payable	**2,105**	2,418
Commitments and contingencies *(Notes 7 and 9)*		
Net assets:		
Unrestricted	**164,232**	229,885
Temporarily restricted	**31,617**	30,109
Permanently restricted	**9,982**	7,861
Total net assets	**205,831**	267,855
Total liabilities and net assets	**$ 441,914**	$ 479,824

See accompanying notes.

Southern California Healthcare Systems

Combined Statements of Operations

	Year ended December 31	
	1999	**1998**
	(In thousands)	
Unrestricted revenues, gains and other support:		
Net patient service revenue	**$ 319,515**	$ 333,614
Premium revenue	**75,663**	50,474
Management fees	**145**	4,327
Equity in earnings of affiliates	**364**	–
Other operating revenue	**16,929**	17,888
Net assets released from restrictions	**2,393**	2,300
Total unrestricted revenues, gains and other support	**415,009**	408,603
Expenses:		
Salaries and benefits	**205,718**	200,285
Supplies and other	**96,355**	101,382
Purchased services	**61,984**	52,250
Medical claims expense	**61,330**	37,301
Insurance	**4,192**	6,065
Depreciation and amortization	**24,775**	21,251
Rental charges *(Note 5)*	**7,253**	6,490
Provision for bad debts	**10,780**	16,501
Interest	**7,004**	4,185
Total expenses	**479,391**	445,710
Operating loss before asset impairment	**(64,382)**	(37,107)
Asset impairment and other charges *(Note 4)*	**(4,066)**	(5,263)
Operating loss	**(68,448)**	(42,370)
Other income:		
Investment income *(Note 3)*	**11,632**	18,088
Net unrealized losses on investments	**(12,338)**	(7,064)
Donations	**1,299**	4,936
Excess of expenses over revenues	**(67,855)**	(26,410)
Net assets released from restrictions for the acquisition of property, plant and equipment	**1,829**	9,129
Contributions from affiliates *(Note 5)*	**233**	4,152
Other	**140**	–
Decrease in unrestricted net assets	**$ (65,653)**	$ (13,129)

See accompanying notes.

Southern California Healthcare Systems

Combined Statements of Changes in Net Assets

	Year ended December 31	
	1999	1998
	(In thousands)	
Unrestricted net assets		
Excess of expenses over revenues	**$ (67,855)**	$ (26,410)
Net assets released from restrictions for the acquisition of property, plant and equipment	**1,829**	9,129
Contributions from affiliates *(Note 5)*	**233**	4,152
Other	**140**	–
Decrease in unrestricted net assets	**(65,653)**	(13,129)
Temporarily restricted net assets		
Contributions and grants	**4,383**	4,707
Interest, dividends and realized gains	**1,822**	1,942
Unrealized losses on investments	**(876)**	(820)
Changes in liability under Unitrust agreements	**401**	398
Net assets released from restrictions	**(4,222)**	(11,429)
Increase (decrease) in temporarily restricted net assets	**1,508**	(5,202)
Permanently restricted net assets		
Contributions and grants	**1,943**	1,224
Interest, dividends and realized gains	**106**	253
Unrealized losses on investments	**72**	(33)
Increase in permanently restricted net assets	**2,121**	1,444
Decrease in net assets	**(62,024)**	(16,887)
Net assets at beginning of year	**267,855**	284,742
Net assets at end of year	**$ 205,831**	$ 267,855

See accompanying notes.

Southern California Healthcare Systems

Combined Statements of Cash Flows

	Year ended December 31	
	1999	1998
	(In thousands)	
Operating activities		
Decrease in net assets	**$ (62,024)**	$ (16,887)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	**24,534**	20,906
Amortization of goodwill and intangible assets	**241**	125
Unrealized losses on investments	**13,142**	7,917
Asset impairment and other charges	**4,066**	5,263
Loss on disposal of equipment	**257**	298
Amortization of deferred financing costs	**231**	220
Contribution from affiliates	**(233)**	(4,152)
Equity in earnings of affiliates	**(364)**	–
Changes in operating assets and liabilities:		
Patient accounts receivable	**1,807**	(2,793)
Inventories	**(599)**	(267)
Prepaid expenses and other current assets	**605**	4,075
Accounts payable and accrued expenses	**8,583**	15,752
Accrued self-insurance claims	**279**	(67)
Due to/from third-party payors	**789**	3,072
Net cash (used in) provided by operating activities	**(8,686)**	33,462
Investing activities		
Purchases of property, plant and equipment	**(28,554)**	(79,703)
Decrease in investments, assets limited as to use and investments restricted for the acquisition of property and equipment and to provide a permanent source of income	**24,913**	34,354
Increase in investment in affiliates	**(1,216)**	(1,413)
Distributions from affiliates	**129**	163
Decrease in other assets	**9,157**	1,559
Decrease in charitable remainder annuity trusts payable	**(313)**	(343)
Net cash provided by (used in) investing activities	**4,116**	(45,383)

Southern California Healthcare Systems

Combined Statements of Cash Flows (continued)

	Year ended December 31	
	1999	1998
	(In thousands)	
Financing activities		
Principal payments on long-term debt	$ (3,879)	$ (4,853)
Payments of note payable to affiliate	(273)	(1,053)
Proceeds from issuance of long-term debt	3,966	6,300
Proceeds from issuance of notes payable to affiliate, net	224	247
Decrease in due to affiliates	7,057	2,585
Increase in deferred financing costs	–	(26)
Contribution from affiliates	233	4,152
Net cash provided by financing activities	7,328	7,352
Net increase (decrease) in cash and cash equivalents	2,758	(4,569)
Cash and cash equivalents at beginning of year	8,329	15,348
Cash and cash equivalents at end of year	$ 11,087	$ 10,779
Supplemental disclosure of cash flow information:		
Interest paid	$ 6,157	$ 5,680
Capital leases	$ –	$ 175
Details of business acquired in purchase transaction:		
Acquisition of physician practice (APPA):		
Fair value of assets acquired (goodwill)	$ 7,681	$ –
Liabilities assumed, net	7,681	–
Cash consideration	$ –	$ –

See accompanying notes.

Southern California Healthcare Systems

Notes to Combined Financial Statements

December 31, 1999

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies

Organization

Southern California Healthcare Systems (SCHS or Company) is a California not-for-profit Corporation which was formed in 1992 to serve the health care needs of the people of the San Gabriel Valley. Under the SCHS bylaws, each of the entities are members of SCHS with each entity designating a number of the voting directors to the SCHS board of directors. The hospitals are referred to as "Member Hospitals." SCHS has certain reserved powers over the Member Hospitals as defined in the Affiliation Agreements. The following related entities are included in the combined financial statements:

Huntington Memorial Hospital (Huntington), a member since 1992, operates a 589-bed hospital and medical center in Pasadena, California. Huntington is the sole corporate member of the Huntington Medical Foundation (Huntington Foundation), which operates as a management services organization and arranges for the provision of medical services to patients through contracting arrangements with medical groups. Huntington also owns Congress Services Corporation, a for-profit corporation providing pharmacy, laboratory, temporary labor, accounting and management services. Huntington is affiliated with the Collis P. and Howard Huntington Memorial Hospital Trust (Trust), a California not-for-profit corporation which engages in the administration of funds for the benefit of Huntington. The five trustees of the Trust serve for life and control the board of Huntington.

Methodist Hospital of Southern California (Methodist), a member since 1992, operates a 347-bed hospital in Arcadia, California. Methodist is the sole corporate member of the Methodist Hospital Foundation (Methodist Foundation), which is organized to engage in the solicitation, receipt and administration of funds and property for the benefit of Methodist, and of Sierra Madre Skilled Nursing Facility, which provides long-term care services to the general public.

Huntington East Valley Hospital (Huntington East), acquired by SCHS in 1994 and converted to non-profit status, operates a 128-bed hospital in Glendora, California. SCHS is the sole corporate member of Huntington East.

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

Organization (continued)

Arcadia Health Services dba Southern California Medical Management (SCMM), a for-profit corporation owned by SCHS, owns *Foothill Physician Services*, which operates as a management services organization providing management and administrative services to physicians in the local community.

SCHS Medical Value Plan (MVP), a for-profit corporation owned by SCHS which is organized to obtain a limited provider license under Knox-Keene regulations that will enable SCHS to obtain global capitation directly from the payors.

Southern California Clinical Laboratories (SoCal Clinilab), a non-profit corporation established to provide clinical laboratory services for individuals who are patients of SCHS member hospitals (CHSO), and a for-profit corporation established to provide clinical laboratory services for individuals who are referred by physicians and other providers of health care services (LLC). The Members of SCHS are members of the CHSO and they own the stock of the LLC.

Principles of Combination

The combined financial statements include the accounts of SCHS, its subsidiaries and Member Hospitals (excluding the Trust). All significant balances and transactions have been eliminated in the accompanying combined financial statements.

Use of Estimates

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

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

Net Patient Service Revenue

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

The Member Hospitals are reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Affiliates believe that they are in compliance with all applicable laws and regulations and they are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

During 1998, Huntington received final settlements on its 1996 and 1997 Medicare cost reports and for appeals of previously settled Medicare cost reports. In addition, Huntington East increased its estimated obligation pertaining to the 1997 Medicare cost report. The effect of these settlement adjustments increased net patient service revenue and decreased operating loss/excess of expenses over revenues in 1998 by $2,776.

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

Net Patient Service Revenue (continued)

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

Premium Revenue

The Member Hospitals have agreements with various health maintenance organizations (HMOs) to provide medical services to subscribing participants. Under these agreements, the Member Hospitals receive fixed monthly payments based on the number of participants, regardless of services actually performed by the Member Hospitals or other health care providers. Such payments are recorded as premium revenue. The HMOs make additional payments to the Member Hospitals for certain covered services based upon discounted fee schedules. These payments are recorded as net patient service revenue.

The Member Hospitals participate in risk sharing programs (Programs) which are designed to control the utilization of inpatient services. The Member Hospitals record settlements for the Programs, based in part on estimates, in the period in which the related inpatient services are rendered. A $2,000 receivable has been recorded for the combined 1998 and 1997 estimated amounts due Methodist under the Programs. The receivable is included in other assets since Methodist expects to receive quarterly interest payments only through September 30, 2000, and quarterly interest and principal payments of $193 beginning December 31, 2000.

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

Medical Claims Expense

The cost of health services provided by other health care providers to the participants, including administrative costs, out-of-area or emergency services and services contracted for but not provided by the Member Hospitals are accrued in the period which the services are provided, based in part on estimates, including amounts for services provided by others but not reported to the Member Hospitals. The accruals amounted to $18,078 and $13,568 at December 31, 1999 and 1998, respectively, and are included in accounts payable.

During 1998, Methodist recorded additional medical claims expense totaling $3,612 representing the cost of prior year claims. The additional costs were accounted for as a change in estimate and were included in medical claims expense in 1998.

Charity Care

A policy of the Member Hospitals is to provide care without charge to patients who meet certain criteria under their charity-care policies. Because the Member Hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Member Hospitals maintain records to identify and monitor the level of charity care they provide. These records include the amount of charges foregone for services and supplies furnished under their charity-care policies. Combined charity care provided, based on established rates, totaled $13,184 and $11,578 for the years ended December 31, 1999 and 1998, respectively. In addition, the Member Hospitals provide a number of ongoing services to the community at below or no cost through community support groups, chaplaincy, auxiliary, senior, maternity and education/outreach programs.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet. Fair value is established based on quoted prices from recognized securities exchanges. Management determines the appropriate classification of all marketable securities at the date of purchase and re-evaluates such designations at each balance sheet date. The Affiliates determined that all

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

Investments (continued)

marketable securities held at December 31, 1999 and 1998, are designated as trading securities. Accordingly, unrealized gains or losses on marketable securities are reported in excess of expenses over revenues.

Investment income or loss on marketable securities included in temporarily restricted net assets (including realized and unrealized gains and losses on investments, interest and dividends) are part of excess of expenses over revenues unless the income or loss is restricted by donor or law.

Concentration of Credit Risk

Financial instruments which potentially subject the Member Hospitals to concentration of credit risk consist primarily of investments and accounts receivable. The investment portfolio is managed by each of the Member Hospitals within the guidelines established by each Member Hospital's board of directors which, as a matter of policy, limit the amounts which may be invested in any one issue. Concentration of credit risk with respect to accounts receivable are limited due to the large number of payors comprising the patient base.

Inventories

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

Assets Limited as to Use

Assets limited as to use include board-designated funds, funds held by trustee under bond indenture to secure the payment of principal and interest on the bonds, and deposits with the state of California to secure the payment of self-insured workers' compensation claims. Current portion of assets limited as to use includes amounts which will be used to pay principal and interest on the tax-exempt certificates of participation and workers' compensation claims that are classified as current liabilities.

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

Assets Limited as to Use (continued)

Through December 31, 1998, assets limited as to use at Huntington also included unrestricted resources designated by the board of directors, including unrestricted gifts and bequests and earnings on investments other than operating funds. These assets had been designated for purposes of replacing or making additions to plant and equipment, providing patient care, research and for other health care purposes. During 1999, the board decided to limit the board-designated assets to specific unrestricted gifts and investment earnings. As a result, the board undesignated the majority of its previously designated investments in 1999. The remaining assets are generally designated for patient and senior care.

At Methodist, assets limited to use also includes unrestricted resources designated by the board of directors, including unrestricted gifts and bequests and earnings and investments other than operating funds. These assets have been designated for purposes of replacing or making additions to property, plant and equipment. Current portion of assets limited as to use includes amounts which will be used to pay the cost of additions to property, plant and equipment included in accounts payable at each year-end.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess of expenses over revenue, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as

1. Organization and Summary of Significant Accounting Policies (continued

Property, Plant and Equipment (continued)

restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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

The Member Hospitals account for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. Except as disclosed in Note 4, SCHS and its Member Hospitals have determined that no material long-lived assets are impaired at December 31, 1999 and 1998.

Goodwill

Goodwill represents the unamortized excess of the cost of acquiring subsidiary companies and physician practices over the fair values of acquired assets at the dates of acquisition. Goodwill at December 31, 1999 and 1998, totaled approximately $2,826, and is included in other assets. Goodwill is amortized on a straight-line basis over periods not to exceed 20 years. As of December 31, 1999 and 1998, accumulated amortization totaled $2,826 and $2,345, respectively.

Charitable Remainder Trusts

Methodist Foundation is the trustee and beneficiary of various irrevocable charitable remainder annuity trusts (the trusts). The fair market value of the trusts' assets and the related trusts' liabilities to other beneficiaries are included in the combined balance sheets. The differences between the carrying amount of the trusts' assets and the related liabilities are recognized as donations in temporarily restricted net assets in the year received.

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

Deferred Financing Costs

Deferred financing costs are being amortized over the terms of the related debt using the effective-interest method. Total deferred financing costs at December 31, 1999 and 1998, amounted to $5,538. The related accumulated amortization at December 31, 1999 and 1998, amounted to $858 and $627, respectively.

Fair Value of Financial Instruments

The Member Hospitals' balance sheets include the following financial instruments: cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term obligations. The Member Hospitals consider the carrying amounts of current assets and liabilities in the balance sheets to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization. The carrying amount of tax-exempt financings at December 31, 1999 and 1998, was $108,595 and $111,070, respectively. This carrying amount approximates the fair value, based on current market rates of debt of the same risks and maturities.

The notational amount of derivative instruments (interest rate swap agreements) at December 31, 1999 and 1998, was $50,000 and $70,000, respectively. The fair value of the derivative instruments is based on quotes from dealers. At December 31, 1999 and 1998, the derivative instruments' fair value would represent an asset of approximately $714 and $2,690, respectively.

Derivative Instruments

The Association enters into interest rate swap agreements to manage its fixed/floating debt profile. The Association specifically designates the interest rate swap agreements as hedges of debt instruments and recognizes interest rate differentials as adjustments to interest expense in the period they occur. The Association does not hold or issue financial instruments for trading purposes.

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

Accrued Self-Insurance Claims

The Member Hospitals are self-insured for certain employee health care claims. Employee health care claims are accrued, including an estimate for incurred but not reported claims, based on claims experience. Reinsurance is purchased to cover individual claims that exceed specified limits.

The Member Hospitals have purchased workers' compensation insurance policies with self-insured retention limits ranging from $75 to $250 per claims. Workers' compensation claims are accrued, including an estimate for incurred but not reported claims, based on claims experience.

The Member Hospitals have purchased general and professional liability claims-made insurance policies with self-insured retention limits ranging from $50 to $100 per claim. Accruals for the self-insured retention limits, uninsured claims and claims incurred but not reported are estimated by actuaries based upon the related claims experience and are discounted at rates ranging from 5.5% to 6.5%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Member Hospitals has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Member Hospitals in perpetuity.

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

(Dollars in Thousands)

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

Cash Equivalents

All highly liquid debt instruments with original maturities of three months or less are considered to be cash equivalents.

Reclassifications

Certain 1998 amounts have been reclassified to be consistent with current year classifications.

2. Retirement Plans

Huntington has a contributory defined benefit retirement plan (Huntington Plan) which is available to its employees who have completed one year of service and who meet certain additional eligibility requirements.

The following tables summarize the Huntington Plan's funded status, amounts recognized in the balance sheets for the years ended December 31, 1999 and 1998, weighted average assumptions to determine the benefit obligation, and other benefit information:

	December 31	
	1999	**1998**
Benefit obligation	**$ 38,139**	$ 44,357
Fair value of plan assets at end of year held in separate pooled investment accounts consisting of stocks, bonds, real estate and other securities	**50,004**	41,176
Funded (unfunded) status of plan	**$ 11,865**	$ (3,181)
Prepaid pension cost recognized in balance sheets (included in other assets)	**$ 2,223**	$ 4,549
Weighted average assumptions:		
Discount rate	**7.75%**	7.25%
Expected return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**5.00%**	5.00%

(Dollars in Thousands)

2. Retirement Plans (continued)

	Year ended December 31	
	1999	**1998**
Pension cost	**$ 2,326**	$ 1,496
Benefits paid	**2,317**	2,401

Methodist has a defined contribution plan (Methodist Plan) covering substantially all employees. The Methodist Plan allows employees to contribute up to 16% of their compensation, as defined, with Methodist matching up to a maximum of 5% of an employee's annual compensation. Amounts charged to expense applicable to the Methodist Plan totaled $1,022 and $954 for the years ended December 31, 1999 and 1998, respectively.

3. Investments

Investments, except for assets limited as to use, stated at fair value are summarized as follows:

	December 31	
	1999	**1998**
Cash and cash equivalents	**$ 7,480**	$ 1,789
Marketable equity securities	**33,837**	15,135
Debt securities:		
U.S. government and agencies	**3,467**	2,493
Corporate and other	**5,797**	4,043
Mortgage-backed	**5,287**	4,383
	55,868	27,843
Less:		
Investments restricted for the acquisition of property, plant and equipment, and to provide a permanent source of income	**13,463**	7,879
	$ 42,405	$ 19,964

(Dollars in Thousands)

3. Investments (continued)

Assets limited as to use, stated at fair value, are summarized as follows:

	December 31	
	1999	**1998**
Cash and cash equivalents	**$ 11,309**	$ 16,208
Marketable equity securities	**10,108**	49,046
Debt securities:		
U.S. government and agencies	**–**	5,487
Corporate	**8,469**	11,150
Mortgage-backed	**–**	9,628
Other	**5,202**	7,199
	35,088	98,718
Less current portion	**14,443**	11,366
	$ 20,645	$ 87,352

Investment income includes the following:

	Year ended December 31	
	1999	**1998**
Interest and dividends	**$ 2,150**	$ 4,612
Realized gains	**9,482**	13,476
	$ 11,632	$ 18,088

4. Asset Impairment and Other Charges

The Methodist Foundation is the beneficiary and trustee of eight charitable remainder trusts (CRTs). The donors delivered to the trusts the assets of the CRTs including the outstanding shares of a medical group in 1993, shares of several other medical groups and a management company in 1994, and other assets received at various dates, including assets invested in cash, marketable equity securities, a managed asset account and shares of a financial institution. These assets are held in irrevocable trust estates, which are managed, administered, and distributed by the Foundation as trustee. The CRTs require annuity payments to the donors as specified in the trust agreements.

4. Asset Impairment and Other Charges (continued)

The medical groups contributed in 1993 and 1994 were combined to form Affiliated Physician Practice Association (APPA) and were immediately sold to an independent physician (Physician) for consideration in the form of interest-bearing notes (Physician Notes) totaling $2,353. The Physician also received a "Put" option which, upon exercise, required SCMM to purchase the shares and assume the Physician Notes. During 1998, the medical groups experienced significant losses. SCMM concluded it was probable that the "Put" option would be exercised, requiring SCMM to assume the Physician Notes. As a result, SCMM recognized a charge of $2,353 in the accompanying statement of operations to reserve for the Physician Notes.

On May 1, 1999, the Physician exercised the "Put" option requiring SCMM to purchase the APPA shares and assume the Physician Notes for no consideration. SCMM accounted for the acquired deficiency in net assets of APPA of $7,681 as an increase in goodwill. SCMM concluded that $4,066 of the goodwill was not recoverable and recorded an impairment charge. On October 1, 1999, SCMM sold certain assets of APPA in exchange for $250 in cash and the assumption by the buyer of $2,000 of shared-risk liabilities. The shared-risk liabilities were converted to an interest bearing note payable over four years. The sale resulted in no gain or loss to SCMM.

During 1998, SCHS concluded that it would no longer finance the losses of its acquired management company. SCMM concluded that the carrying value of goodwill was impaired. As a result, an asset impairment charge of $2,910 was recognized in the accompanying statements of operations.

5. Transactions with Related Parties

The Trust owns and leases to Huntington land and buildings which comprise the hospital facilities under a noncancelable operating lease expiring in 2026. The annual rent is equal to the depreciation of building and leaseholds as recorded on the books of the Trust, plus 6% of land cost until the Trust has recouped its land investment. Rent is payable monthly. During the years ended December 31, 1999 and 1998, Huntington paid the Trust $4,409 and $4,456, respectively, for rent of the facilities which is included in rental charges.

(Dollars in Thousands)

5. Transactions with Related Parties (continued)

Prior to 1998, the Huntington Foundation entered into a loan agreement (Working Capital Loan) with the Trust, which allowed the Huntington Foundation to borrow up to $13,134. The Working Capital Loan bears interest at 7%; however, a portion of the Working Capital Loan is interest free until January 1, 1999. The Working Capital Loan is payable over a 10-year period. At December 31, 1999 and 1998, the Huntington Foundation had borrowed the entire $13,134. Interest cost incurred during 1999 totaled $908,000.

During 1998, the Huntington Foundation entered into a loan agreement (Construction Loan) with the Trust. This Construction Loan totaled $161 and is secured by tenant improvements. The principal balance outstanding at December 31, 1999 and 1998, was $112 and $161, respectively. These funds were used to pay for tenant improvements. The Construction Loan bears interest at 8% beginning November 1, 1998, and is payable over 42 months.

Principal payments on these loans are due as follows: 2000 – $1,999; 2001 – $1,127; 2002 – $1,174; 2003 – $1,242; 2004 – $1,333; and thereafter – $6,371.

During 1999 and 1998, the Trust contributed $2,586 and $2,640, respectively, to Huntington to offset the unreimbursed costs of its medical education programs. The contributions by the Trust was accounted for as an increase in unrestricted net assets.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31	
	1999	**1998**
Land	**$ 4,163**	$ 4,163
Buildings and land improvements	**249,435**	238,104
Equipment	**187,499**	177,734
	441,097	420,001
Accumulated depreciation and amortization	**(220,261)**	(198,089)
Construction in progress	**23,109**	18,270
	$ 243,945	$ 240,182

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt consists of the following:

	December 31 1999	1998
California Statewide Communities Development Authority Certificates of Participation, principal payments of $2,820 to $4,915 due annually through 2006, $22,465 due 2010, $9,200 due 2016, and $24,235 due 2026, interest payable annually at 4.8% to 5.75%	**$ 85,160**	$ 87,360
California Statewide Communities Development Authority Certificates of Participation, principal payments of $165 to $220 due annually beginning in 2001 through 2008, $500 due by 2010, $2,095 due 2017, and $4,950 due 2027, interest payable annually at 4.25% to 5.40%	**9,100**	9,100
City of Arcadia, California Hospital Revenue Bonds, Series 1992, principal payments of $260 to $345 due annually through 2003, $4,295 due 2012, and $8,770 due 2022, interest payable semiannually at 5.0% to 6.625%	**14,335**	14,610
Term loan payable to bank	**7,475**	6,322
Other (including capitalized lease obligations)	**4,211**	2,802
	120,281	120,194
Less current maturities	**12,144**	10,137
	$ 108,137	$ 110,057

Huntington and Methodist

During 1996, Huntington and Methodist (the Hospitals) issued $91,410 principal amount of California Statewide Communities Development Authority Certificates of Participation (Certificates). Approximately $32,000 of the proceeds were used by Huntington to: (1) reimburse Huntington for the construction of a parking structure completed in 1995 which was funded from operating capital; (2) partially fund the construction of three additional floors to an existing building; and (3) acquire additional equipment. Approximately $36,600 of the proceeds were used by Huntington to repay the

7. Long-Term Debt (continued)

Huntington and Methodist (continued)
California Health Facilities Financing Authority Customized Purchased Hospital Revenue Bonds, 1985 Series. Commencing July 1, 2006, the Hospitals' Certificates are subject to optional redemption prior to their stated maturity at redemption prices ranging from 100% to 102% of the principal amount of the Certificates being redeemed. The Hospitals are required to establish a sinking fund with the trustee to pay the principal on the Certificates which mature on July 1, 2010, 2016 and 2026. Deposits with the trustee to satisfy the sinking fund requirements will be made in annual installments of $3,250 to $6,070 beginning July 1, 2006.

During 1992, Methodist issued $15,795 of City of Arcadia, California, Hospital Revenue Bonds, Series 1992 (Series 1992 Bonds). Series 1992 Bond proceeds were deposited into a trust to finance the construction of a new patient tower (Tower) which was substantially completed in 1998. Commencing November 15, 2002, the Series 1992 Bonds are subject to optional redemption prior to their stated maturity at redemption prices ranging from 100% to 102% of the principal amount of the Series 1992 Bonds being redeemed. Methodist is required to establish a sinking fund with the trustees to pay the principal of the Series 1992 Bonds which mature on November 15, 2012 and 2022. Deposits with the trustee to satisfy the sinking fund requirements will be made in annual installments of $365 to $1,115 beginning November 2004.

The Certificates and Series 1992 Bonds are collateralized by the revenues of Huntington and Methodist. Pursuant to the Master Indentures of Trust (Indenture), each hospital must comply with certain restrictive financial and other covenants, including the maintenance of certain required funds, limitations on acquisition of properties, limitations on additional indebtedness, and maintenance of service rates and annual debt service requirement. During the year ended December 31, 1999, Huntington had a debt service coverage ratio of less than the 1.10 times required by the Indenture. This deficiency represents an "event of default" as that term is defined in the Indenture. The insurer of Huntington's tax-exempt Certificates agreed to waive any remedy available under the Indenture, including the remedy permitting repayment acceleration, through the period ended January 2, 2001.

7. Long-Term Debt (continued)

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

The Huntington East Certificates are collateralized by the revenues of Huntington East. Pursuant to the loan agreement, Huntington East must comply with certain restrictive financial and other covenants, including the maintenance of certain required funds, limitations on acquisition of properties, limitations on additional indebtedness, and maintenance of service rates and annual debt service requirements. During the year ended December 31, 1999, Huntington East had a debt service coverage ratio of less than the 1.10 times required by the loan agreement. This deficiency represents an "event of default" as that term is defined in the loan agreement. The insurer of the Huntington East Certificates agreed to waive any remedy available under the loan agreement, including the remedy permitting repayment acceleration, through the period ended January 2, 2001. The Trust is a guarantor of the Certificates. However, SCHS has agreed to indemnify the Trust.

SoCal CliniLab
During 1997, SoCal Clinilab obtained a credit line totaling $6,300 from a bank for the construction of a laboratory facility. The credit line was increased to $7,500 in December 1998. Interest on the credit line is payable quarterly at 8%, with principal payable on demand and, if demand is not made, on June 1, 2000. At December 31, 1999, $7,475 was outstanding on the credit line.

(Dollars in Thousands)

7. Long-Term Debt (continued)

Other

Interest cost of $302 and $2,294 for the years ended December 31, 1999 and 1998, respectively, was capitalized as part of the cost of construction in progress. Interest income of $74 for the year ended December 31, 1998, on bond-related funds held by trustee has been offset against interest cost capitalized so that only the cumulative net interest costs were added to the cost of construction.

During 1999 and 1998, the Association was party to two interest rate swaps. These swaps changed fixed interest rate exposure to floating interest rate exposure on $70,000,000 of the Certificates. The first agreement hedges $50,000,000 at a 4.875% fixed interest rate against a variable rate index (5.46% and 4.00% at December 31, 1999 and 1998, respectively). This agreement terminates on July 1, 2003. The second agreement hedges $20,000,000 at a 4.466% fixed interest rate against a variable rate index (3.62% and 4.00% at June 30, 1999, and December 31, 1998, respectively). This agreement terminated on July 1, 1999. The use of interest rate swap agreements had a favorable impact on interest expense of $969,000 and $890,000 in 1999 and 1998, respectively.

On February 2, 2000, the Association entered into a new interest swap agreement which hedges $15,000,000 of the Certificates at a 4.58% fixed interest rate against a variable rate index. The swap agreement expires February 1, 2003.

The aggregate amounts of annual maturities of long-term debt and capital lease obligations for the years subsequent to December 31, 1999, are as follows:

2000	**$ 12,144**
2001	**5,147**
2002	**5,242**
2003	**5,357**
2004	**5,451**
Thereafter	**86,940**
	$ 120,281

(Dollars in Thousands)

8. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31	
	1999	**1998**
Patient care services	**$ 22,962**	$ 22,296
Time restricted under charitable remainder trust	**4,657**	4,390
Construction or acquisition of property, plant and equipment	**3,481**	1,948
Time restricted under other arrangements	**191**	998
Research	**326**	477
	$ 31,617	$ 30,109

Permanently restricted net assets of $9,982 and $7,861 at December 31, 1999 and 1998, respectively, are restricted to investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income).

During the years ended December 31, 1999 and 1998, net assets totaling $4,222 and $11,429, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes of patient care services, research and acquisition of property, plant and equipment.

9. Commitments and Contingencies

The Member Hospitals are defendants in various legal actions arising from the normal conduct of business. Management believes that the ultimate resolution of the various proceedings will not have a material adverse effect upon the financial position or results of operations of the Member Hospitals.

(Dollars in Thousands)

10. Functional Expenses

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

	Year ended December 31	
	1999	**1998**
Health care services	**$ 355,916**	$ 341,816
General and administrative	**123,475**	103,894
	$ 479,391	$ 445,710

11. Subsequent Events

On March 17, 2000, Southern California Clinical Laboratories, LLC, a provider of laboratory services to physicians and physician groups, completed the sale of certain of its assets to Unilab Corporation for approximately $5,200. Proceeds from the sale included a cash payment of $2,600 at closing, with payments of $650 due every six months thereafter. The sale did not result in a material gain or loss.

On May 24, 2000, SCHS announced that it was evaluating alternatives for Huntington East for the purpose of focusing Huntington East's strategic direction and to secure its financial viability. SCHS's goal is to secure a stable future for Huntington East with new ownership that will allow Huntington East to continue its mission of providing high quality services to patients in communities it serves.

Other Financial Information

Southern California Healthcare Systems

Combining Balance Sheet

December 31, 1999

(Dollars in Thousands)

	SCHS Members										
	Huntington Consolidated	Methodist Consolidated	Huntington East	Combining Entries	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Assets											
Current assets:											
Cash and cash equivalents	$ 4,252	$ 3,960	$ 483	$ –	$ 8,695	$ 1,082	$ 22	$ 955	$ 333	$ –	$ 11,087
Investments	42,066	–	–	–	42,066	–	339	–	–	–	42,405
Patient accounts receivable, net	39,339	23,415	3,794	–	66,548	504	–	–	1,713	–	68,765
Due from affiliates	–	–	336	(336)	–	544	656	647	3,385	(5,232)	–
Inventories	1,741	2,218	506	–	4,465	–	–	–	100	–	4,565
Current portion of assets limited as to use	9,886	4,511	46	–	14,443	–	–	–	–	–	14,443
Prepaid expenses and other current assets	3,325	849	1,299	–	5,473	97	–	27	192	–	5,789
Total current assets	100,609	34,953	6,464	(336)	141,690	2,227	1,017	1,629	5,723	(5,232)	147,054
Other assets:											
Assets limited as to use, less current portion:											
By board	1,652	17,395	–	–	19,047	–	–	–	–	–	19,047
Under bond indenture	–	1,319	279	–	1,598	–	–	–	–	–	1,598
	1,652	18,714	279		20,645	–	–	–	–	–	20,645
Property, plant and equipment, net	148,107	74,975	9,668	–	232,750	38	115	1,269	9,773	–	243,945
Investments restricted for the acquisition of property, plant and equipment and to provide a permanent source of income	8,833	4,630	–	–	13,463	–	–	–	–	–	13,463
Deferred financing costs	3,107	1,179	394	–	4,680	–	–	–	–	–	4,680
Investments in affiliates	4,107	1,024	302	–	5,433	585	–	165	–	(3,482)	2,701
Other assets	4,881	4,525	–	–	9,406	–	–	20	–	–	9,426
Total assets	$ 271,296	$ 140,000	$ 17,107	$ (336)	$ 428,067	$ 2,850	$ 1,132	$ 3,083	$ 15,496	$ (8,714)	$ 441,914

Southern California Healthcare Systems

Combining Balance Sheet (continued)

December 31, 1999

(Dollars in Thousands)

	SCHS Members										
	Huntington Consolidated	Methodist Consolidated	Huntington East	Combining Entries	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Liabilities and net assets											
Current liabilities:											
Accounts payable	$ 25,554	$ 5,593	$ 3,503	$ (115)	$ 34,535	$ 69	$ 12	$ 23	$ 953	$ (505)	$ 35,087
Accrued expenses and other liabilities	17,533	10,184	3,381	(1,228)	29,870	3,675	34	199	2,333	(24)	36,087
Accrued self-insurance claims	11,859	3,902	–	–	15,761	–	–	–	–	–	15,761
Due to third-party payors	5,906	328	–	–	6,234	–	–	–	–	–	6,234
Due to affiliate	4,822	1,573	3,690	18	10,103	585	39	–	1,258	(4,703)	7,282
Current maturities of long-term debt	2,300	1,819	550	–	4,669	–	–	–	7,475	–	12,144
Current maturities of notes payable to affiliates	1,999	–	–	–	1,999	–	–	–	–	–	1,999
Total current liabilities	69,973	23,399	11,124	(1,325)	103,171	4,329	85	222	12,019	(5,232)	114,594
Long-term debt, less current maturities	63,940	35,014	9,183	–	108,137	–	–	–	–	–	108,137
Notes payable to affiliates, less current maturities	11,247	–	–	–	11,247	6,343	–	–	–	(6,343)	11,247
Charitable remainder trusts payable	–	2,105	–	–	2,105	–	–	–	–	–	2,105
Net assets:											
Unrestricted	94,199	76,199	(3,236)	989	168,151	(7,822)	1,047	2,861	3,477	(3,482)	164,232
Temporarily restricted	23,131	8,450	36	–	31,617	–	–	–	–	–	31,617
Permanently restricted	8,806	1,176	–	–	9,982	–	–	–	–	–	9,982
	126,136	85,825	(3,200)	989	209,750	(7,822)	1,047	2,861	3,477	(3,482)	205,831
Notes receivable under CRT	–	(6,343)	–	–	(6,343)	–	–	–	–	6,343	–
Total net assets	126,136	79,482	(3,200)	989	203,407	(7,822)	1,047	2,861	3,477	2,861	205,831
Total liabilities and net assets	$ 271,296	$ 140,000	$ 17,107	$ (336)	$ 428,067	$ 2,850	$ 1,132	$ 3,083	$ 15,496	$ (8,714)	$ 441,914

Southern California Healthcare Systems

Combining Balance Sheet

December 31, 1998

(Dollars in Thousands)

	SCHS Members									
	Huntington Consolidated	Methodist Consolidated	Huntington East	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Assets										
Current assets:										
Cash and cash equivalents	$ 1,159	$ 6,295	$ 244	$ 7,698	$ 238	$ 35	$ 358	$ –	$ –	$ 8,329
Investments	19,641	–	–	19,641	–	323	–	–	–	19,964
Patient accounts receivable, net	46,516	16,544	5,632	68,692	349	–	–	1,531	–	70,572
Due from affiliates	3,132	156	–	3,288	–	178	1,907	–	(5,373)	–
Inventories	1,859	1,570	512	3,941	–	–	–	25	–	3,966
Current portion of assets limited as to use	7,797	3,529	40	11,366	–	–	–	–	–	11,366
Prepaid expenses and other current assets	2,863	1,192	1,332	5,387	752	8	149	98	–	6,394
Total current assets	82,967	29,286	7,760	120,013	1,339	544	2,414	1,654	(5,373)	120,591
Other assets:										
Assets limited as to use, less current portion:										
By Board	56,012	29,932	565	86,509	–	–	–	–	–	86,509
Under bond indenture	–	1,240	123	1,363	–	–	–	–	–	1,363
	56,012	31,172	688	87,872	–	–	–	–	–	87,872
Property, plant and equipment, net	143,337	74,235	9,560	227,132	407	187	1,518	10,938	–	240,182
Investments restricted for the acquisition of property, plant and equipment and to provide a permanent source of income	6,703	3,106	–	9,809	–	–	–	–	–	9,809
Deferred financing costs	3,264	1,239	408	4,911	–	–	–	–	–	4,911
Investments in affiliates	(357)	(568)	–	(925)	–	–	(160)	–	2,335	1,250
Other assets	9,415	4,770	415	14,600	444	–	33	132	–	15,209
Total assets	$ 301,341	$ 143,240	$ 18,831	$ 463,412	$ 2,190	$ 731	$ 3,805	$ 12,724	$ (3,038)	$ 479,824

Southern California Healthcare Systems

Combining Balance Sheet (continued)

December 31, 1998

(Dollars in Thousands)

	SCHS Members									
	Huntington Consolidated	Methodist Consolidated	Huntington East	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Liabilities and net assets										
Current liabilities:										
Accounts payable	$ 16,868	$ 4,684	$ 3,957	$ 25,509	$ 136	$ 70	$ 442	$ 5,138	$ –	$ 31,295
Accrued expenses and other liabilities	13,309	7,893	574	21,776	67	56	660	1,056	–	23,615
Accrued self-insurance claims	10,486	4,996	–	15,482	–	–	–	–	–	15,482
Due to third-party payors	4,650	263	532	5,445	–	–	–	–	–	5,445
Due to affiliates	–	–	2,449	2,449	267	–	128	2,565	(5,184)	225
Current maturities of long-term debt	2,474	504	859	3,837	–	–	–	6,300	–	10,137
Current maturities of notes payable to affiliate	967	–	189	1,156	–	–	–	–	(189)	967
Total current liabilities	48,754	18,340	8,560	75,654	470	126	1,230	15,059	(5,373)	87,166
Long-term debt, less current maturities	66,599	33,813	9,645	110,057	–	–	–	–	–	110,057
Notes payable to affiliate, less current maturities	12,328	–	–	12,328	6,343	–	–	–	(6,343)	12,328
Charitable remainder annuity trusts payable	–	2,418	–	2,418	–	–	–	–	–	2,418
Net assets:										
Unrestricted	144,283	86,427	618	231,328	(4,623)	605	2,575	(2,335)	2,335	229,885
Temporarily restricted	22,692	7,409	8	30,109	–	–	–	–	–	30,109
Permanently restricted	6,685	1,176	–	7,861	–	–	–	–	–	7,861
	173,660	95,012	626	269,298	(4,623)	605	2,575	(2,335)	2,335	267,855
Notes receivable under CRT	–	(6,343)	–	(6,343)	–	–	–	–	6,343	–
Total net assets	173,660	88,669	626	262,955	(4,623)	605	2,575	(2,335)	8,678	267,855
Total liabilities and net assets	$ 301,341	$ 143,240	$ 18,831	$ 463,412	$ 2,190	$ 731	$ 3,805	$ 12,724	$ (3,038)	$ 479,824

Southern California Healthcare Systems

Combining Statement of Operations

Year ended December 31, 1999

(Dollars in Thousands)

	SCHS Members										
	Huntington Consolidated	Methodist Consolidated	Huntington East	Combining Entries	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Unrestricted revenues, gain and other support:											
Net patient service revenue	$ 197,412	$ 98,134	$ 20,614	$ –	$ 316,160	$ –	$ –	$ –	$ 27,493	$ (24,138)	$ 319,515
Premium revenue	35,611	21,997	–	–	57,608	18,055	–	–	–	–	75,663
Management fees	–	–	–	–	–	142	–	3	–	–	145
Equity in (losses) earnings of affiliates	(886)	(309)	–	–	(1,195)	326	–	–	–	1,233	364
Other operating revenue	13,839	1,810	858	–	16,507	6	–	308	108	–	16,929
Parent allocation	–	–	–	–	–	–	–	3,147	–	(3,147)	–
Net assets released from restrictions	2,138	255	–	–	2,393	–	–	–	–	–	2,393
Total unrestricted revenues, gains and other support	248,114	121,887	21,472	–	391,473	18,529	–	3,458	27,601	(26,052)	415,009
Expenses:											
Salaries and benefits	124,377	52,256	10,808	–	187,441	1,224	93	2,333	14,627	–	205,718
Supplies and other	60,946	22,792	2,840	–	86,578	430	74	594	8,679	–	96,355
Purchased services	48,434	22,612	8,259	–	79,305	6,444	–	767	2,753	(27,285)	61,984
Medical claims expense	25,586	16,767	–	–	42,353	18,977	–	–	–	–	61,330
Insurance	3,583	–	285	–	3,868	24	–	125	175	–	4,192
Depreciation and amortization	13,314	8,852	805	–	22,971	110	–	459	1,235	–	24,775
Rental charges	6,330	–	–	–	6,330	110	–	352	461	–	7,253
Provision for bad debts	6,629	3,782	983	(989)	10,405	2	–	–	373	–	10,780
Interest	3,515	2,111	598	–	6,224	247	–	–	533	–	7,004
Total expenses	292,714	129,172	24,578	(989)	445,475	27,568	167	4,630	28,836	(27,285)	479,391
Operating (loss) income before asset impairment	(44,600)	(7,285)	(3,106)	989	(54,002)	(9,039)	(167)	(1,172)	(1,235)	1,233	(64,382)
Asset impairment	–	–	–	–	–	(4,066)	–	–	–	–	(4,066)
Operating (loss) income	(44,600)	(7,285)	(3,106)	989	(54,002)	(13,105)	(167)	(1,172)	(1,235)	1,233	(68,448)

Southern California Healthcare Systems

Combining Statement of Operations (continued)

Year ended December 31, 1999

(Dollars in Thousands)

	SCHS Members										
	Huntington Consolidated	Methodist Consolidated	Huntington East	Combining Entries	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Other income:											
Investment income	$ 5,414	$ 6,129	$ –	$ –	$ 11,543	$ 26	$ 16	$ 45	$ 2	$ –	$ 11,632
Net unrealized losses on trading securities	(9,107)	(3,231)	–	–	(12,338)	–	–	–	–	–	(12,338)
Donations	1,299	–	–		1,299	–	–	–	–	–	1,299
Excess of expenses over revenues	(46,994)	(4,387)	(3,106)	989	(53,498)	(13,079)	(151)	(1,127)	(1,233)	1,233	(67,855)
Net assets released from restrictions used for the acquisition of property, plant and equipment	1,203	626	–	–	1,829	–	–	–	–	–	1,829
Contributions (to) from affiliates	(4,293)	(6,467)	(748)	–	(11,508)	10,507	804	750	6,730	(7,050)	233
Other	–	–	–	–	–	(627)	(211)	663	315	–	140
(Decrease) increase in unrestricted net assets	$ (50,084)	$ (10,228)	$ (3,854)	$ 989	$ (63,177)	$ (3,199)	$ 442	$ 286	$ 5,812	$ (5,817)	$ (65,653)

Southern California Healthcare Systems

Combining Statement of Operations

Year ended December 31, 1998

(Dollars in Thousands)

	SCHS Members									
	Huntington Consolidated	Methodist Consolidated	Huntington East	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Unrestricted revenues, gain and other support:										
Net patient service revenue	$ 207,401	$ 91,661	$ 21,135	$ 320,197	$ –	$ –	$ –	$ 24,971	$ (11,554)	$ 333,614
Premium revenue	22,066	28,408	–	50,474	–	–	–	–	–	50,474
Management fees	–	–	–	–	4,118	–	209	–	–	4,327
Equity in (losses) earnings of affiliates	(4,249)	(1,617)	–	(5,866)	–	–	(41)	–	5,907	–
Other operating revenue	11,426	2,593	3,658	17,677	211	–	–	–	–	17,888
Parent allocation	–	–	–	–	–	–	5,338	–	(5,338)	–
Net assets released from restrictions	1,744	556	–	2,300	–	–	–	–	–	2,300
Total unrestricted revenues, gains and other support	238,388	121,601	24,793	384,782	4,329	–	5,506	24,971	(10,985)	408,603
Expenses:										
Salaries and benefits	113,561	53,228	11,176	177,965	2,282	175	3,701	16,162	–	200,285
Supplies and other	60,516	23,591	2,712	86,819	1,757	23	1,112	11,671	–	101,382
Purchased services	37,421	19,469	8,441	65,331	221	170	2,132	1,288	(16,892)	52,250
Medical claims expense	16,807	20,494	–	37,301	–	–	–	–	–	37,301
Insurance	3,094	2,717	236	6,047	–	–	18	–	–	6,065
Depreciation and amortization	11,717	6,838	714	19,269	243	54	332	1,353	–	21,251
Rental charges	6,086	–	–	6,086	–	–	–	404	–	6,490
Provision for bad debts	10,210	2,418	322	12,950	1,181	–	2,370	–	–	16,501
Interest	1,767	1,303	735	3,805	380	–	–	–	–	4,185
Total expenses	261,179	130,058	24,336	415,573	6,064	422	9,665	30,878	(16,892)	445,710
Other income (loss) before asset impairment and other charges	(22,791)	(8,457)	457	(30,791)	(1,735)	(422)	(4,159)	(5,907)	5,907	(37,107)
Asset impairment and other charges	–	–	–	–	(5,263)	–	–	–	–	(5,263)
Operating income (loss)	(22,791)	(8,457)	457	(30,791)	(6,998)	(422)	(4,159)	(5,907)	5,907	(42,370)

Southern California Healthcare Systems

Combining Statement of Operations (continued)

Year ended December 31, 1998

(Dollars in Thousands)

	SCHS Members									
	Huntington Consolidated	Methodist Consolidated	Huntington East	Members Combined	SCMM APPA/FPS	MVP	SCHS	SoCal Clinilab	Combining Entries	SCHS Combined
Other income:										
Investment income	$ 12,274	$ 5,768	$ –	$ 18,042	$ 6	$ 16	$ 24	$ –	$ –	$ 18,088
Net unrealized losses on trading securities	(7,019)	(45)	–	(7,064)	–	–	–	–	–	(7,064)
Donations	4,936	–	–	4,936	–	–	–	–	–	4,936
Excess of expenses over revenues	(12,600)	(2,734)	457	(14,877)	(6,992)	(406)	(4,135)	(5,907)	5,907	(26,410)
Net assets released from restrictions used for acquisition of property, plant and equipment	7,962	1,167	–	9,129	–	–	–	–	–	9,129
Contributions from (to) affiliates, net	1,710	(3,758)	(593)	(2,641)	2,575	563	3,655	2,342	(2,342)	4,152
Increase (decrease) in unrestricted net assets	$ (2,928)	$ (5,325)	$ (136)	$ (8,389)	$ (4,417)	$ 157	$ (480)	$ (3,565)	$ 3,565	$ (13,129)

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 6.2
Negative Covenants

NONE.

HUNTINGTON EAST VALLEY HOSPITAL
Asset Sales Agreement
Schedule 6.5
Third Party Consents

OPERATING COMMITMENTS, CONTRACTS AND AGREEMENTS

Name	Assignable
Pacific Medical Imaging - Nuclear Medicine	With written consent
Access Family TV - Patient Cable TV	With written consent
THM Management - Telephone Service Contract	With written consent
BFI - Waste Management	With written consent
Meditech - Information System - Service contract	With written consent
3M - coding software license	With written consent
LM Systems - alarm monitoring	With written consent

CAPITAL LEASES

Beckman Coulter lab equipment	With written consent

HUNTINGTON EAST VALLEY HOSPITAL
Schedule 8.8

NON-COMPETE AGREEMENT

THIS NON-COMPETE AGREEMENT, dated as of _____ __, 2001, is made by and between **PANPACIFIC HEALTH ENTERPRISES, INC.**, a California corporation ("Buyer") and **HUNTINGTON EAST VALLEY HOSPITAL**, a California nonprofit corporation ("Seller").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Asset Sale Agreement, dated as of February 14, 2001 (the "Acquisition Agreement"), by and between Buyer and Seller, Buyer has concurrently herewith acquired from Seller certain assets of Seller; and

WHEREAS, Buyer wishes to be assured that Seller and its affiliates will not compete with Buyer for the periods and upon and subject to the terms herein provided.

NOW, THEREFORE, in consideration of the mutual covenants and the agreements hereinafter set forth, and in consideration of Buyer consummating the transactions contemplated by the Acquisition Agreement, the parties hereto covenant and agree as follows:

1. Covenant Against Competition

Seller acknowledges that (i) the principal business of Seller is the operation of an acute care hospital in Glendora, California, and facilities which provide outpatient surgery or services (such business being referred to as the "Seller Business"); (ii) the Seller Business is solely conducted within the State of California; and (iii) Buyer would not acquire the assets of Seller unless Seller entered into this Agreement. Accordingly, Seller covenants and agrees that:

(a) Until the third (3rd) anniversary of the date hereof (the "Restricted Period"), none of Seller, Seller's parent, Southern California Healthcare Systems, a California corporation ("SCHS"), or any affiliate of SCHS ("Affiliate") shall, within the area set forth in Exhibit A hereto (the "Restricted Area"), without the prior written consent of Buyer, (1) compete, directly or indirectly, or participate, directly or indirectly, as agent, employee, consultant, representative or otherwise, or as a stockholder, partner or joint venturer, or have any direct or indirect financial interest, including,

without limitation, the interest of a creditor, in any enterprise engaging within the Restricted Area in the Seller Business, or any business substantially similar to the Seller Business; or (2) engage in the Seller Business or any business substantially similar to the Seller Business for such person's own account.

(b) During the Restricted Period, none of Seller, SCHS or any Affiliate shall solicit or encourage to leave the employment or service of Buyer or any of its subsidiaries or affiliates, any employee of Buyer or any of its subsidiaries or affiliates.

2. Exclusions from Covenant Against Competition. The Buyer acknowledges that SCHS or its Affiliates historically has provided, and continues to provide, certain services in the Restricted Area. These services include Huntington Diagnostic Imaging Center, CPSP OB Clinic, Huntington Senior Care Network and the conduct of health fairs. In addition, SCHS or its Affiliates engage in advertising, marketing and physician recruitment within the Restricted Area. The services described in the preceding two sentences are hereinafter referred to as the "Excluded Services." The Buyer acknowledges that SCHS or its Affiliates intend to continue to provide the Excluded Services within the Restricted Area during the Restricted Period. Accordingly, the covenant against competition set forth in Section 1 hereof shall not apply to the Excluded Services. ~~The parties further agree that the Excluded Services shall not be significantly expanded beyond their current size and activity~~. TWC

3. Rights and Remedies Upon Breach of the Restrictive Covenants

(a) Seller recognizes that Buyer does not have an adequate remedy at law to protect its rights hereunder. Seller agrees that Buyer shall have (i) the right to an injunction without bond in any court of competent jurisdiction permanently enjoining Seller, SCHS or an Affiliate, as the case may be (a "Restricted Person") from a violation of Section 1 hereof (the "Restrictive Covenants'), (ii) the right and remedy to require such Restricted Person to account for and pay over to Buyer all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by such Restricted Person as the result of any transactions constituting a breach of any of the Restrictive Covenants, and such Restricted Person shall account for and pay over such Benefits to Buyer, and (iii) the right to recover any losses, liabilities or damages (including interest, penalties and reasonable attorneys' fees) arising out of or due to a breach of this Agreement.

(b) Seller recognizes and agrees that in the event of a violation of any of the Restrictive Covenants, the period during which a Restricted Person shall not compete shall be suspended during the period it engaged in conduct constituting such violation and shall resume after such violation has been

remedies to the satisfaction of Buyer.

(c) The remedies set forth in subsection 2(a) and (b) above shall not limit, eliminate, prohibit or restrict any other rights that Buyer may have under law for violation by a Restricted Person of this Agreement and shall not be mutually exclusive and any one or all may be pursued without the pursuit of one impairing or precluding the pursuit of another.

4. Severability of Restrictive Covenants.

It is understood and agreed by the parties hereto that the provisions of each of the preceding sections of this Agreement are independent of and severable from each other, and the invalidity of any section or any portion thereof shall not affect the validity or hinder the enforceability of the remaining provisions of this Agreement. The parties expressly agree and declare that the time limitation and geographic scope set forth in Section 1 hereof are reasonable, are properly required for the adequate protection of the business of Buyer, and that in the event such time limitation and/or geographic scope is deemed to be unreasonable by the final decision of a court of competent jurisdiction, Buyer and Seller agree to submit to such revision or modification thereof as said court shall deem reasonable.

5. Notices.

Any notice or other communication hereunder shall be given in writing or by facsimile or other means of instantaneous communication, and such notice shall be deemed to have been given, if by mail, three days after it has been mailed by certified mail, return receipt requested, postage prepaid, and if by instantaneous communication, upon certification of receipt of transmission, at the address for such party set forth in the Acquisition Agreement, or to such other person(s) or address(es) as Buyer shall have furnished to Seller in writing.

6. Assignability.

This Agreement shall be binding upon and inure to the benefit of Buyer, its assigns and successors (by purchase of substantially all of its assets, by merger, reorganization or spin-off or otherwise). This Agreement shall not be assignable by Seller.

7. Entire Agreement.

This Agreement contains the entire agreement between Seller and Buyer with respect to the subject matter hereof.

8. Waivers, Amendments and Further Agreements.

Neither this Agreement nor any term or condition hereof, including without limitation the terms and conditions of this Section 7, may be waived, modified or amended in whole or in part as against Buyer or Seller except by written instrument executed by each of the parties expressly stating that it is intended to operate as a waiver, modification or amendment of this Agreement or the applicable term or condition hereof. Each of the parties hereto agrees to execute all such further instruments and documents and to take all such further action as the other party may reasonably require in order to effectuate the terms and purposes of this Agreement.

9. Governing Law.

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

IN WITNESS WHEREOF, the parties hereto have executed or caused to be executed this Agreement as of the date first above written.

PANPACIFIC HEALTH ENTERPRISES, INC.

By: _____
Name: C. Joseph Chang
Title: President

HUNTINGTON EAST VALLEY HOSPITAL

By: _____
Name: James W. Maki
Title: President and CEO

ACCEPTED AND AGREED TO:

SOUTHERN CALIFORNIA HEALTHCARE SYSTEM

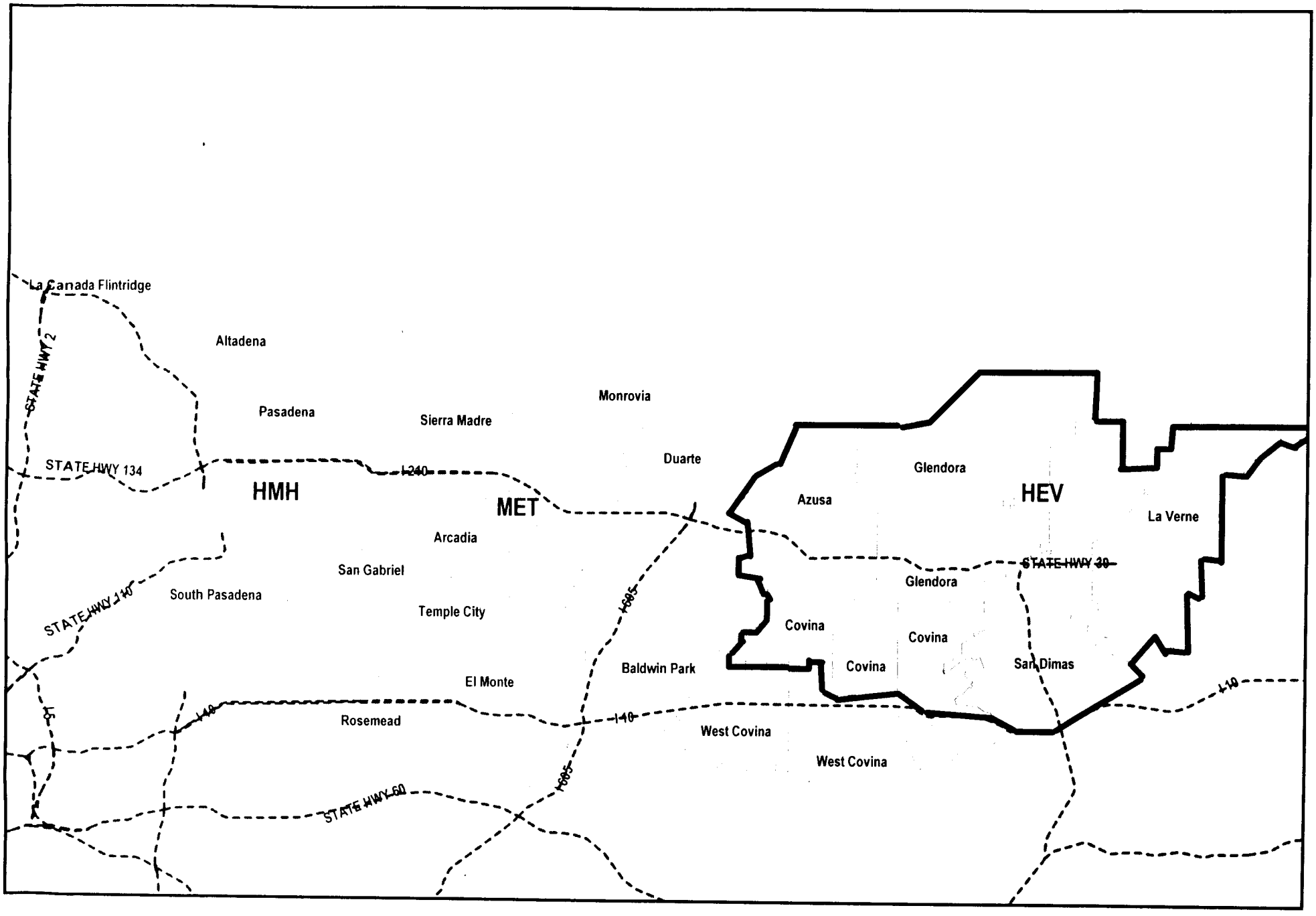
By: _____
Name:
Title:

EXHIBIT A

Restricted Area

The City of Glendora and those portions of the County of Los Angeles located east of the 605 Freeway.

EXHIBIT A - RESTRICTED AREA (Restricted Area within BOLD outline)



CALIFORNIA & BANK
TRUST

March 2, 2001

Mr. John Browning
Musick, Peeler & Garrett
One Wilshire Boulevard, 20th Floor
Los Angeles, California 90017

Re: PanPacific Health Enterprises, Inc.

Dear Mr. Browning,

Pursuant to the request of Mr. Hal Franceschi of Mardel Group, please find enclosed a copy of the appraisal report for East Valley Hospital.

Please contact Mr. Hal Franceschi for any questions.

Sincerely,

Joe Lui
Vice President &
Manager

Enclosure

ALHAMBRA #342
230 East Valley Boulevard • Alhambra • California • 91801
(626) 457 9666 • Fax (626) 570 1533

VALUATION & INFORMATION GROUP

An As Is and Prospective Stabilized Appraisal of An Acute-Care Hospital

Huntington East Valley Hospital
150 West Alosta Avenue
Glendora, California

Prepared For
California Bank and Trust
1900 Main Street, Suite 200
Irvine, California

Prepared By
Valuation & Information Group
6167 Bristol Parkway
Suite 430
Culver City, California

VALUATION &
INFORMATION
GROUP

6167 Bristol Parkway
Suite 430
Culver City, CA 90230
Tel 310.342.0123
Fax 310.342.0147
www.valinfo.com

January 24, 2001

Thomas Walker, MAI
Vice President and Regional Manager
California Bank and Trust
1900 Main Street, Suite 200
Irvine, California 92614

RE: Huntington East Valley Hospital
150 West Alosta Avenue
Glendora, California

Dear Mr. Walker:

In accordance with your request, we are pleased to submit this appraisal of the market value of the going concern of the above referenced property. The improvements consist of a wood and poured concrete frame, one-story, acute-care hospital containing 87,550 square feet. Included in the square footage of the subject is a partial basement (24,000 square-feet) and office penthouse (1,055 square feet). The facility was originally constructed in 1958 with additions in 1966, 1969 and 1986. The quality of construction is average and the condition of the improvements is average.

The primary purpose of this valuation is to estimate the as is and prospective stabilized market value of the subject. It is our understanding that this appraisal will be used in connection with financing. This letter of transmittal is accompanied by a complete appraisal report in a self-contained format.

The value reported herein is that of the fee simple estate, which includes the land, improvements, personal property and intangible going concern assets. We have not considered any excess net working capital or working capital deficit.

This appraisal investigation included a visit to the property on January 8, 2001 and all necessary investigation and analyses were made by the appraisers. The appraisal was prepared in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

The scope of this appraisal includes valuing the subject as is and upon stabilization. Historically the subject has been owned and operated by a Southern California Healthcare System (SCHS) who manages two larger facilities in the area. Some of the operational decisions in the past were made to improve the overall profitability of the network rather than the subject. The proposed buyer's consist of a group of local doctors that intend on improving the profitability through increased census and utilization. Therefore, the scope of this appraisal includes the as is value – based upon historic and current operations, as is value – based upon the buyer's projections and prospective stabilized value.

Based upon the procedures outlined in this report and subject to the attached statement of facts and limiting conditions and critical assumptions, it is estimated that the as is fee simple market value based upon the past and current operations of the going concern comprising the subject, as of January 8, 2001, is reasonably represented in the following rounded amount:

As Is Market Value (current operations)	$5,050,000
Less Estimated 2002 SB 1953 Upgrades	(170,000)
As Is Market Value (current operations), rounded	$4,900,000

Under the as is value based upon current operations, it was determined that the 2008 SB 1953 upgrades were not financially feasible and that the subject should be operated until January 1, 2008 and then sold for land value.

Based upon the procedures outlined in this report and subject to the attached statement of facts and limiting conditions and critical assumptions, it is estimated that the as is fee simple market value based upon the buyer's projected operations of the going concern comprising the subject, as of January 8, 2001, is reasonably represented in the following rounded amount:

As Is Market Value (buyer's operations)	$13,740,000
Less Estimated 2002 SB 1953 Upgrades	(170,000)
Less Estimated 2008 SB 1953 Upgrades	(4,800,000)
As Is Market Value (buyer's operations), rounded	$8,800,000

Based upon the procedures outlined in this report and subject to the attached statement of facts and limiting conditions and critical assumptions, it is estimated that the prospective market value upon stabilization of the going concern comprising the subject, as of January 1, 2003, is reasonably represented in the following rounded amount:

Prospective Stabilized Market Value	$16,110,000
Less 2002 Estimated SB 1953 Upgrades	(170,400)
Less 2008 Estimated SB 1953 Upgrades	(4,800,000)
As Is Market Value	$11,100,000

We have not, as part of this valuation, performed an examination or review in the accounting sense of any of the financial information used and, therefore, do not express an opinion or other form of assurance with regard to the same. We have no responsibility to update our report for events and circumstances occurring after the date of this report. The information furnished to us by others is believed to be reliable, but no responsibility for its accuracy is assumed.

Neither the whole, nor any part of this appraisal nor any reference thereto may be included in any document, statement, appraisal or circular without Valuation and Information Group's prior written approval of the form and context in which it appears.

Respectfully submitted,

Valuation and Information Group

Jean-Pierre LeMonaco, MAI
CA Cert AG011111
President

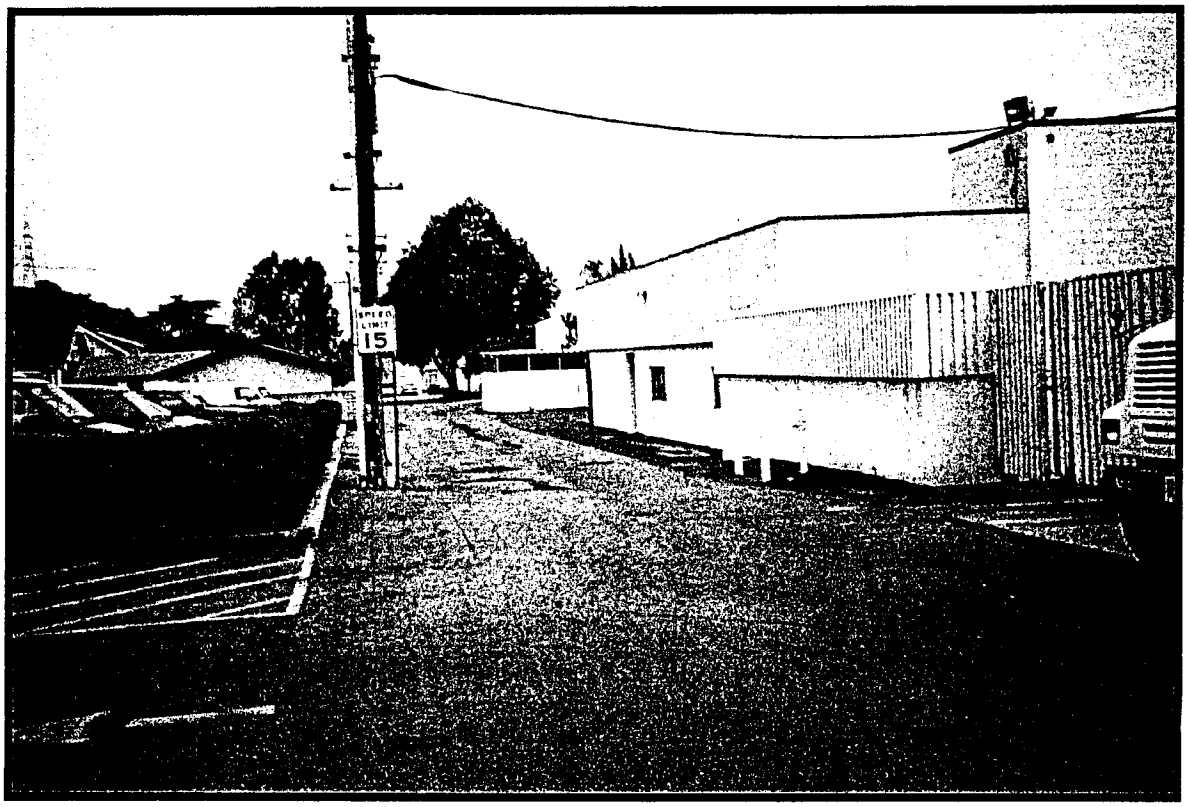
JPL/AV:ad
993097

SUBJECT PHOTOGRAPHS

Front of Subject

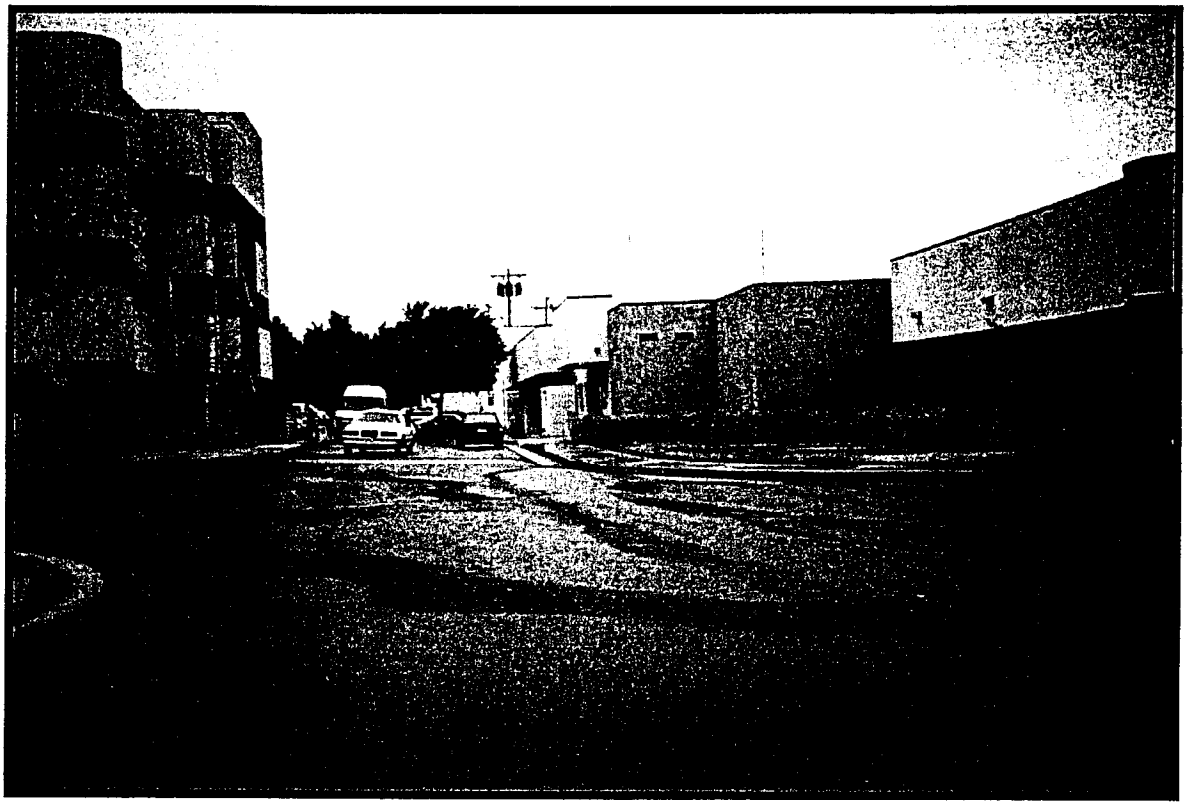
West Parking Lot

East Parking Lot

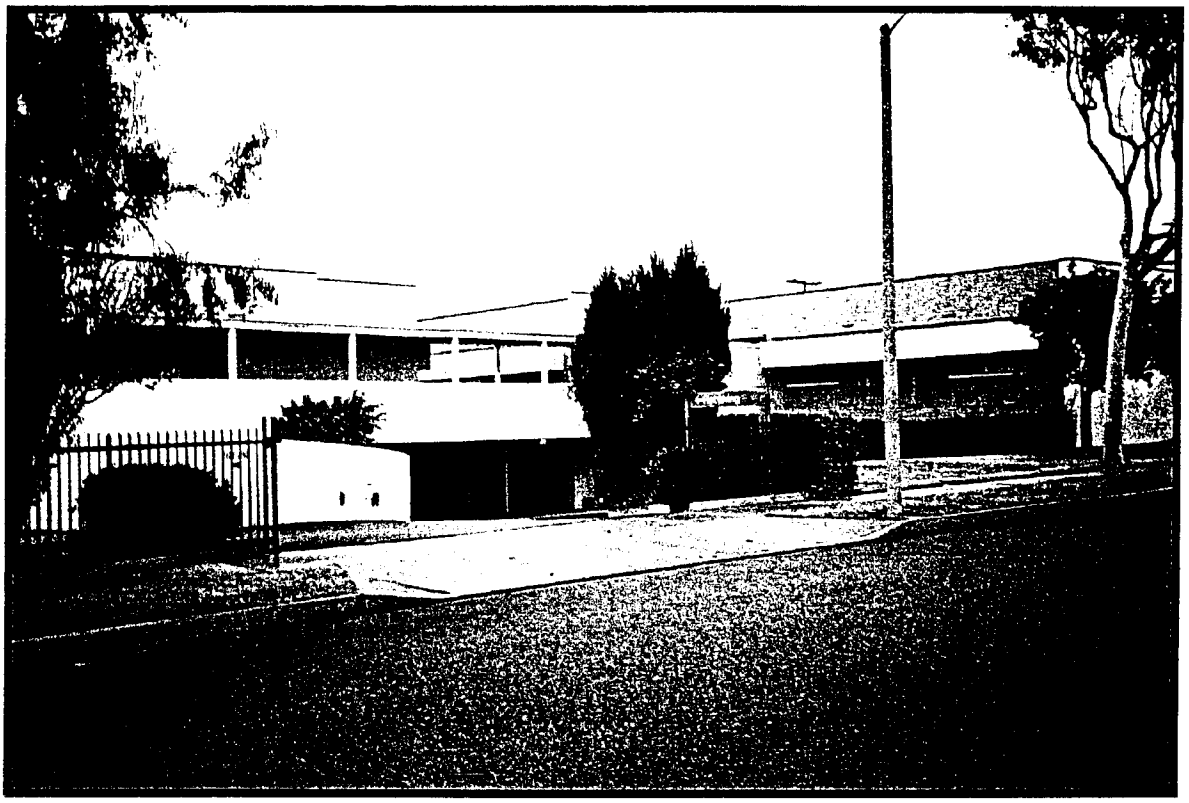


East Side of Subject Looking South

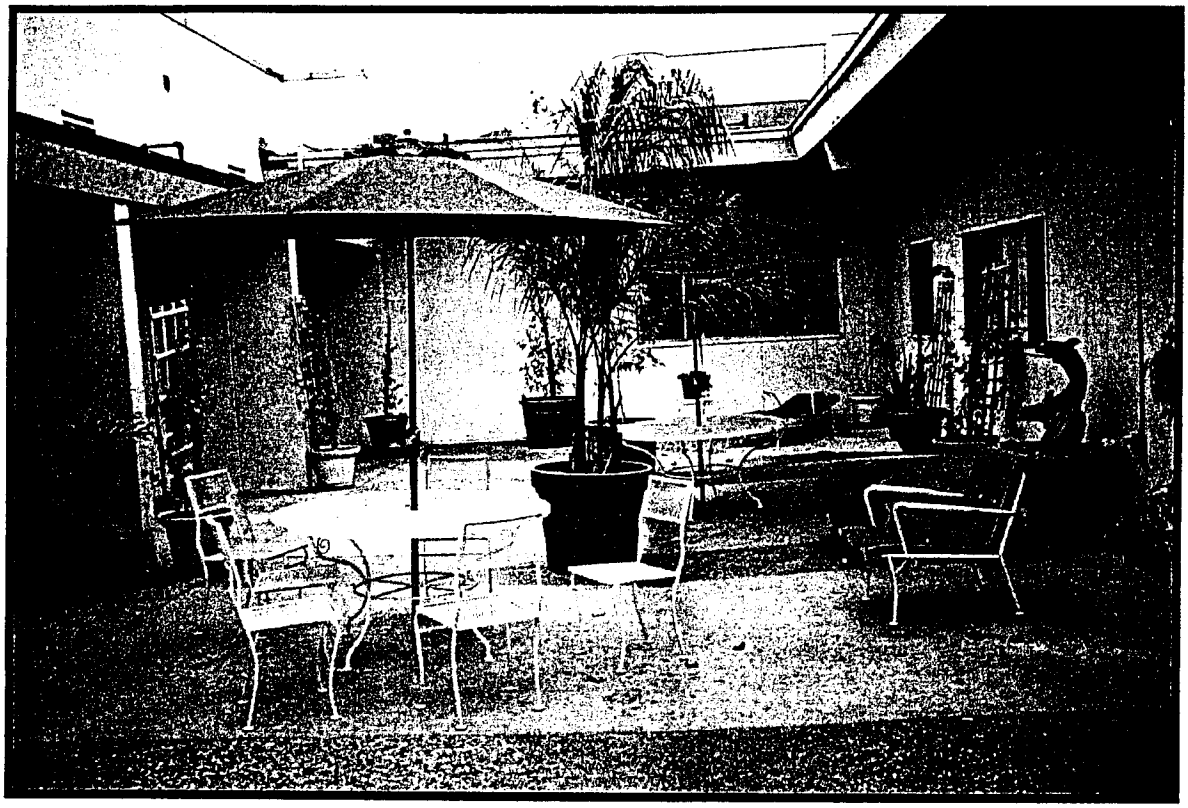
South Side of Subject



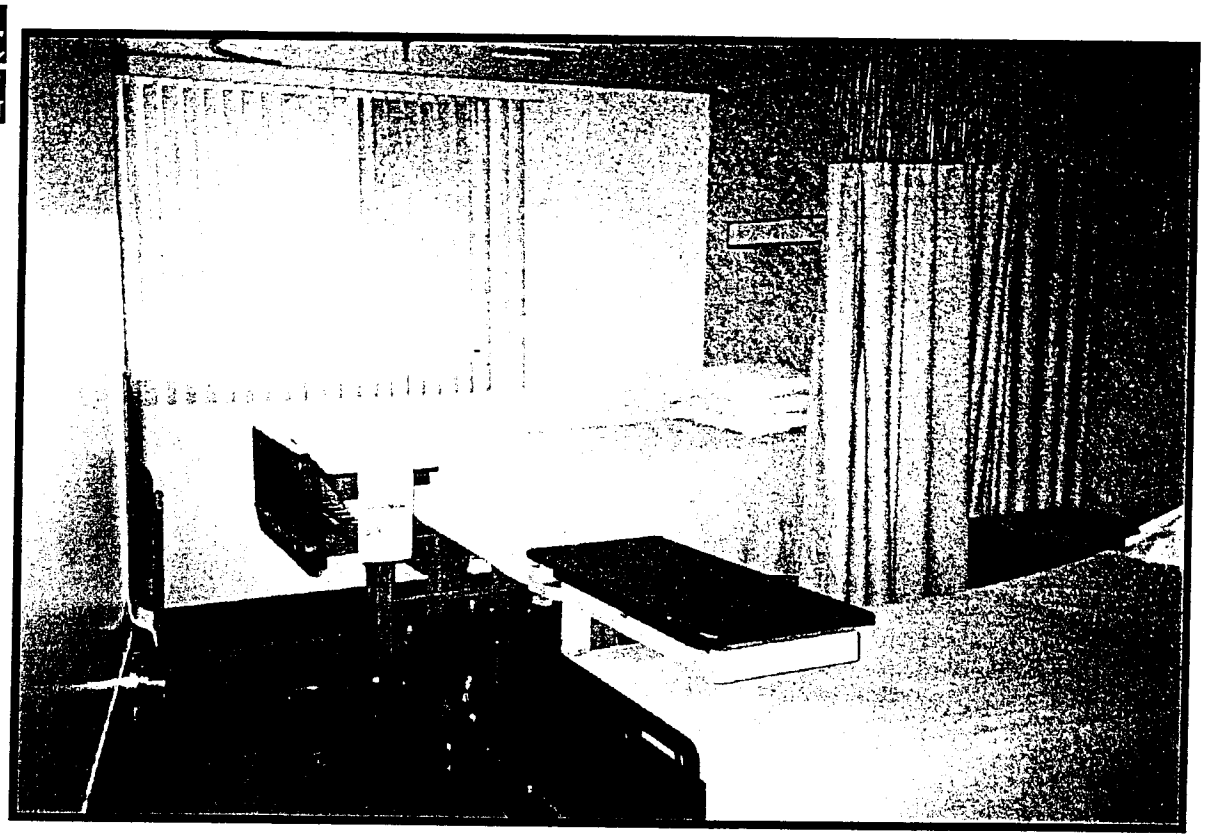
North Side of Subject Looking East



Rear of Subject

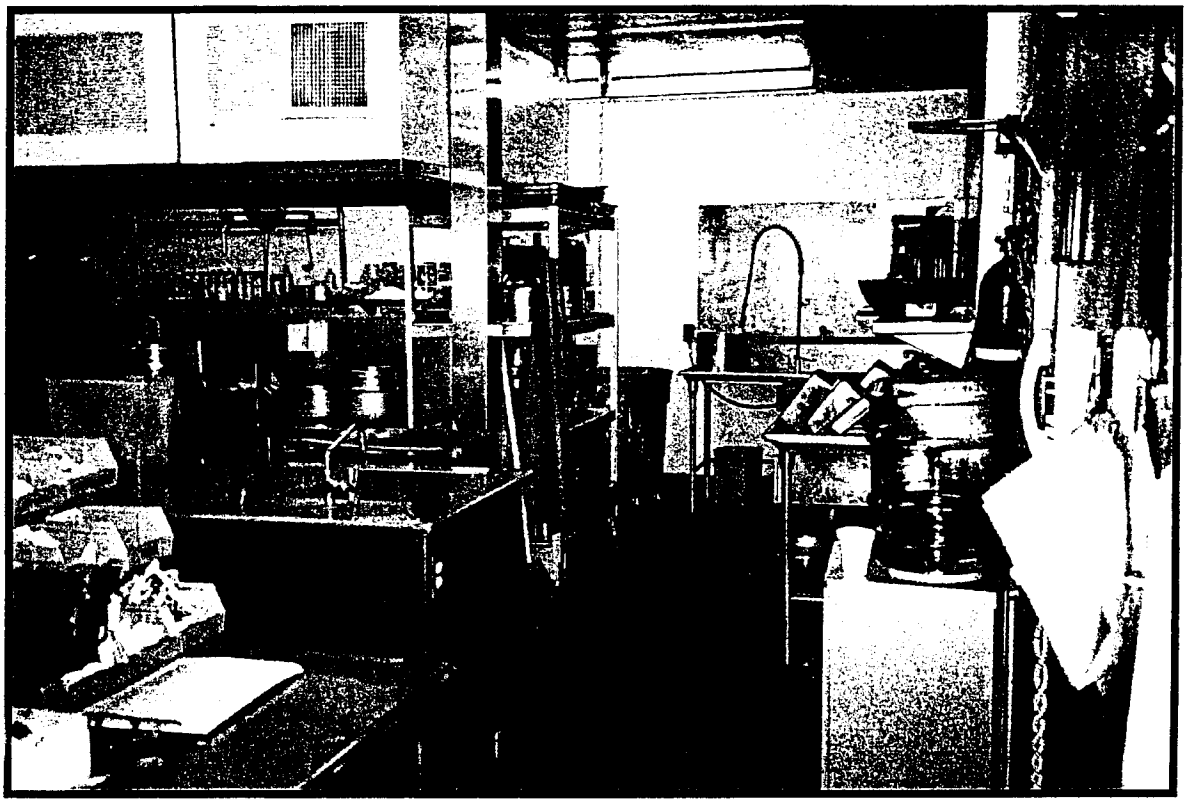


Interior Courtyard

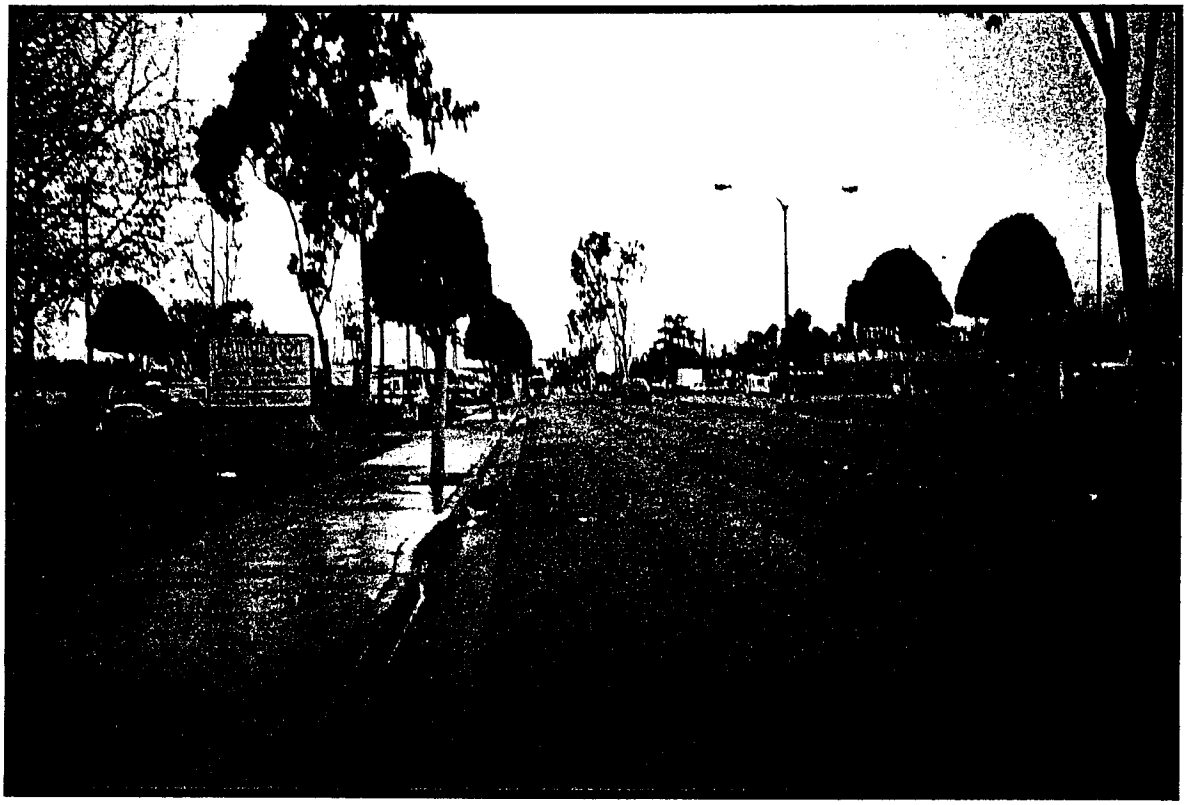


Typical Room

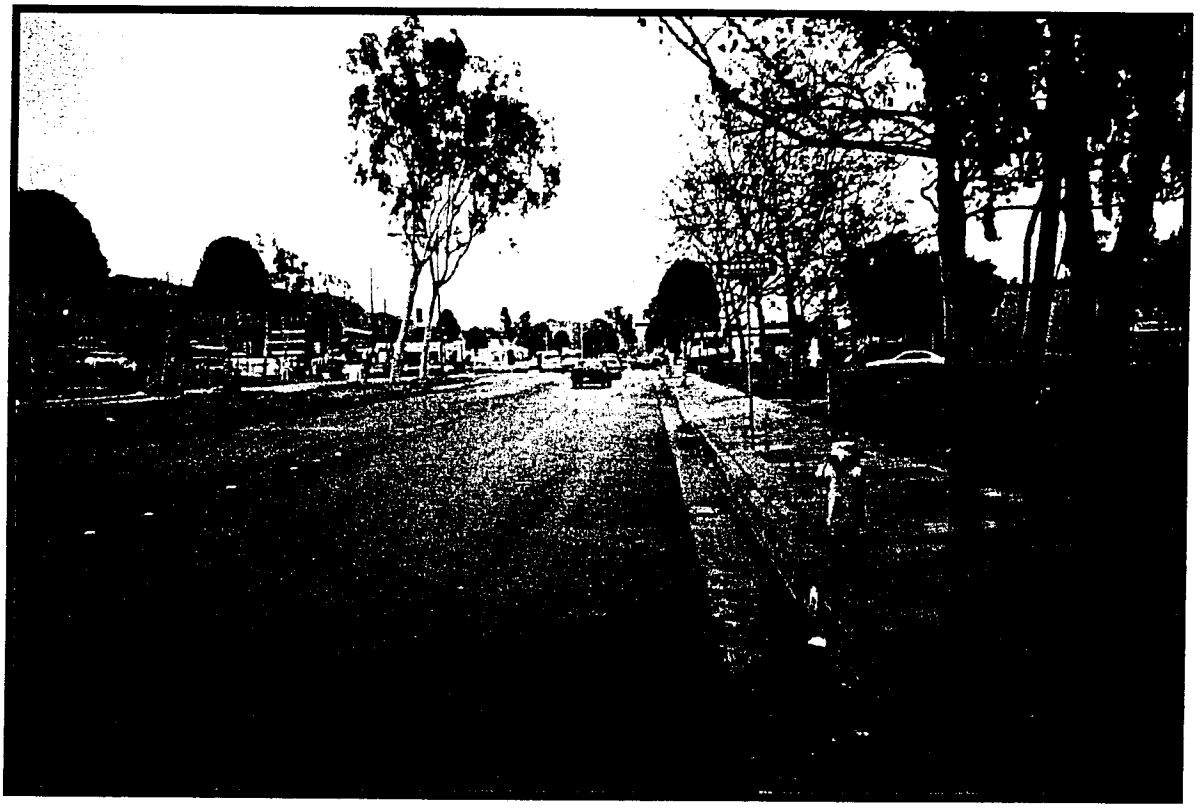
Typical Hallway



Kitchen



Looking West along Alosta Avenue



Looking East along Alosta Avenue

SUMMARY OF SALIENT FACTS

Property	Huntington East Valley Hospital 150 West Alosta Avenue Glendora, California
Assessor's Parcel Numbers	8640-005-050 and 8640-005-051
Interest Appraised	Fee Simple Estate
Effective Date of Appraisal:	
As Is	January 8, 2001
Upon Stabilization	January 1, 2003
Date of Physical Inspection	January 8, 2001
Date of Report	January 24, 2001
Purpose of the Appraisal	To estimate the as is fee simple market value and the market value upon stabilization of the fee simple interest of the subject facility as of the dates specified within this report
Intended Use	In connection with financing
Land Size	268,351 square feet, or approximately 6.16 acres
Zoning	MS (Medical Services), CM (Commercial-Manufacturing) and R-1 (Residential)
Building Description	The improvements consist of a wood and poured concrete frame, one-story, acute-care hospital containing 87,550 square feet. Included in the square footage of the subject is a partial basement (24,000 square-feet) and office penthouse (1,055 square feet). The facility was originally constructed in 1958 with additions in 1966, 1969 and 1986. The quality of construction is average and the condition of the improvements is average.
Licensing	128 beds
Highest and Best Use:	
As Vacant	Institutional development
As Developed	Continue use as is

Value Indicators:

	As Is Assuming Current Operations 1/8/01	As Is Assuming Buyer's Projections 1/8/01	Upon Stabilization 1/1/03
Cost Approach			
Land		$2,550,000	$2,550,000
Improvements		3,370,000	3,370,000
Equipment		1,290,000	1,290,000
Total	N/A	$7,200,000	$7,200,000
Sales Comparison Approach	N/A	N/A	$11,000,000
Income Capitalization Approach			
Direct Capitalization			
Occupancy Level	48.6%		68.9%
Net Income (EBITDA)	$1,150,455		$2,900,597
Overall Rate	18.0%		18.0%
Total (rounded)	$6,390,000		$16,114,430
Less 2002 and 2008 SB 1953	$4,970,000		$4,970,000
	$1,400,000	N/A	$11,100,000
Discounted Cash Flow			
Indicated Value	$5,050,000	$13,740,000	
Less 2002 SB 1953 Upgrades	$170,400	$170,400	
Less 2008 SB 1953 Upgrades	N/A	$4,800,000	
Value (Rounded)	$4,900,000	$8,800,000	N/A
Value Conclusions	$4,900,000	$8,800,000	$11,100,000

The prospective stabilized fee simple value may be allocated as follows:

	As Is	Upon Stabilization
Land	$2,550,000	$2,550,000
Improvements	3,370,000	3,370,000
Equipment	1,290,000	1,290,000
Business Enterprise	1,600,000	3,900,000
Total	$8,800,000	$11,100,000

Special Limiting Conditions:

It is assumed that the subject is efficiently managed, with proven and ready operations and is an established business.

In arriving at the opinion expressed in this report, we assumed that the title to the property is free and clear and held under responsible ownership. Management is considered to be a competent and professional healthcare provider.

Some of management's assumptions inevitably may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved may vary from management's forecasts and the variations may be material.

Historical operating data was provided by management. It is assumed this financial data is correct and will accurately reflect the operating performance of the subject property. Otherwise, our valuation conclusions may be subject to change.

CERTIFICATION

We certify that to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

5. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

6. Jean-Pierre LoMonaco and Arnold Vieyra have made a personal inspection of the property that is the subject of this report. Arnold Vieyra wrote the descriptive sections of the report and completed the analysis through the Cost Approach. Arnold Vieyra and Jean-Pierre LoMonaco jointly completed the Sales Comparison and Income Capitalization approaches. Jean-Pierre LoMonaco reviewed the report.

7. No one else provided significant professional assistance to the person signing this report, which included data collection and market research.

8. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

10. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

11. As of the date of this report, Jean-Pierre LoMonaco has completed the requirements of the continuing education program of the Appraisal Institute.

Jean-Pierre LoMonaco, MAI
California Cert. AG011111

Arnold Vieyra
Valuation Consultant

PROFESSIONAL QUALIFICATIONS

ARNOLD VIEYRA
CONSULTANT
VALUATION & INFORMATION GROUP

Experience

General

Mr. Vieyra entered the real estate finance industry in 1997. Mr. Vieyra has performed valuation assignments of vacant land and proposed and existing income-producing properties.

Currently he is a Consultant with Valuation & Information Group, Culver City, CA. Experience includes valuation, due diligence, and market feasibility assignments in the senior housing and healthcare related industry. Property types included senior apartments, independent living, congregate, assisted living, skilled nursing, Alzheimer's care, medical office buildings, rehabilitation hospitals, psychiatric hospitals and general acute-care hospitals. Assignments have been conducted on a nationwide basis.

Prior to joining the Valuation & Information Group, Mr. Vieyra was a Real Estate Analyst at a national consulting company specializing in healthcare related assets. Mr. Vieyra was responsible for the regional analysis and cost approach analysis of appraisals. Duties included market data collection, analysis and assimilation into appraisal reports.

Professional Affiliations

Associate member of the Appraisal Institute.

Education

Mr. Vieyra is currently fulfilling the educational requirements of the Appraisal Institute and OREA requirements to become a General Appraiser.

Bachelor of Arts, Political Science at the University of California, Los Angeles.

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PROFESSIONAL QUALIFICATIONS

JEAN-PIERRE LoMONACO, MAI
PRESIDENT
VALUATION & INFORMATION GROUP

Experience

General

Mr. LoMonaco entered the real estate consulting industry in 1989. Assignments include market feasibility analysis; limited, summary and complete appraisal reports; lease analysis; highest and best use studies, and general consulting. Mr. LoMonaco's expertise has been used by clients for lending, litigation support, asset allocation, due diligence, lease negotiation, tax appeals, bankruptcy proceedings and market and site selection.

President, Valuation & Information Group, Culver City, CA. Experience includes appraisal and market feasibility assignments for a wide variety of property types in the senior housing and healthcare related industry. Property types included senior apartments, independent living, congregate, assisted living, skilled nursing, Alzheimer's, medical office buildings, surgery centers, dialysis centers, rehabilitation hospitals, psychiatric hospitals, specialty hospitals and general acute-care hospitals. Assignments have been conducted throughout the United States.

Prior to joining the Valuation & Information Group Mr. LoMonaco was Vice President of a national consulting company specializing healthcare related assets. Mr. LoMonaco was responsible for the western real estate division. Duties included client servicing, staff development and general oversight of the western division.

Professional Affiliations

Member of the Appraisal Institute (MAI); Certified General Real Estate Appraiser in Arizona, California, Georgia, Texas and Washington; member of the California Assisted Living Facilities Association (CALFA).

Education

By continually attending classes, seminars and conferences, Mr. LoMonaco routinely exceeds the minimum continuing education requirements of the Appraisal Institute and State requirements.

Mr. LoMonaco has moderated panels at senior housing / long term care conferences.

Bachelor of Science, Finance, Real Estate Emphasis at the University of Southern California.

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SENIOR HOUSING/HEALTHCARE INDUSTRY ASSIGNMENTS
PERFORMED BY JEAN-PIERRE LoMONACO, MAI
SINCE JANUARY 1, 1996

Senior Housing/Assisted-Living Facilities

Sterling Commons & Inn, Victorville, CA
Emeritus, Several Locations, USA
Assisted Living Concepts, Several Locations, USA
Ridge Wind, Pocatello, ID
Sunshine Villa Living Center, Santa Cruz, CA
Golden Creek Inn, Irvine, CA
Pine Haven, Sugar Land, TX
Encino Riviera, Tarzana, CA
Ontario Residential Manor, Ontario, CA
Hillcrest Inn, Thousand Oaks, CA
Laurel Place, San Bernardino, CA
Paragon Assisted Living, Mission Viejo, CA
Green Valley Assisted Living, Green Valley, AZ
Golden Creek Inn, Irvine, CA
Sterling House at Temecula, Temecula, CA
Glenwood Gardens, Bakersfield, CA
Careage, DuPont, WA
Clarion, Simi Valley, CA
Lakeview Village Assisted Living, Yorba Linda, CA
Astoria Gardens, Vallejo, CA
Chancellor Place of Claremont, Claremont, CA
Assisted Living Foundation, Agoura Hills, CA
Aegis of Fremont, Fremont, CA
Chancellor Place of Windsor, Windsor, CA
Royal Bellingham Gardens, North Hollywood, CA
Evergreen Valley Retirement Center, Spokane, CA
The Breakers, Long Beach, CA
Belmont Hills, Belmont, CA
Heritage Duval Gardens, Austin, TX
Heritage House of Chicago, Chicago, IL
St. Joseph Gardens, Fort Worth, TX
Silverado Senior Living, Escondido CA
Tacoma Lutheran Home, Tacoma, WA
Camino Alto Residence, Vallejo, CA
Citadel, Mesa, AZ

Skilled-Nursing Facilities

Crestwood Portfolio, 30 facilities, CA
Buena Vista Retirement, Clovis, NM
Golden State Health Centers, 24 facilities CA
Mission Manor Health Center, Albuquerque, NM
Convalescent Care of Reseda, Reseda, CA
Horizon Healthcare Corp, Rowell, NM
Golden State Health Center, CA
Mountain Shadow Nursing, Las Cruces, NM
Harbor Convalescent Hospital, Torrance, CA
Harbor Health Care Center, Fullerton, CA
Vista Del Sol, Los Angeles, CA
Citrus Nursing Center, Fontana, CA
Jacobsen Center, Seattle, WA
Millwood Hospital, Arlington, TX
Balch Springs, Balch Springs, TX
Rosenberg Health & Rehab, Rosenberg, TX
Liliha Healthcare Center, Honolulu, HI
Forest Hill Convalescent Home, Richmond, VA
Consolidated Industries, 17 facilities, CA
Heritage Valley Gardens, Brownsville, TX
Heritage Eastwood Gardens, Houston, TX
Heritage Danforth Gardens, Texas City, TX
Heritage House of Seminole, Seminole, FL
Clearview Sanitarium, Gardena, CA

Medical Office Buildings/Surgical Centers

MacGregor Medical, Houston, TX
Park Plaza Professional, Houston, TX
Cambridge Medical Center, San Diego, CA
Mercy Medical Center, Sacramento, CA
Beltway Portfolio, Indianapolis, CA
Pacific Medical Plaza, San Luis Obispo, CA
Family Health Plan, WI
Holt-Krock Clinics, AK

Hospitals

Marian Medical Center, Santa Maria, CA
Redbud Community Hospital, Clearlake, CA
Sharp Healthcare, San Diego, CA
Mt. Diablo Healthcare, Pleasant Hill, CA
French Hospital, San Luis Obispo, CA
Washington Medical Center, Culver City, CA
Specialty Hospital, La Mirada & West Covina, CA
Ojai Valley Community Hospital, Ojai, CA
Focus Healthcare, Maumee, OH
Community Psychiatric Hospitals, 24 facilities
Knollwood Center, Riverside, CA
Heritage Hospital, Rancho Cucamonga, CA
Doctors Hospital of West Covina, West Covina, CA
Queen of Angeles – Hollywood, Los Angeles, CA
Mesa General Hospital, Mesa, AZ
Good Samaritan Medical Center, Phoenix, AZ
Delma Pacifica Hospital, Huntington Beach, CA

STATEMENT OF FACTS AND LIMITING CONDITIONS

This appraisal report has been made with the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

13. Possession of this report, or a copy thereof, does not carry with it the right of publication.

14. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

15. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.

16. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

17. Only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.

18. Any proposed improvements are assumed to have been completed unless otherwise stipulated; any construction is assumed to conform with the building plans referenced in the report.

19. The appraiser assumes that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.

20. No legal description or survey was furnished, so the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, it may be necessary for this appraisal to be adjusted.

21. The forecasts, projections or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

22. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

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INTRODUCTION

PROPERTY IDENTIFICATION

The subject property is located at 150 West Alosta Avenue in Glendora, California. The Los Angeles County Assessor identifies the subject property as parcel numbers 8640-005-050 and 8640-005-051. The legal description is contained in the Addendum.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to set forth an estimate of the as is market value, as of January 8, 2001, and the prospective stabilized market value, as of January 1, 2003, of the subject facility.

INTENDED USE AND INTENDED USERS

This report is to be used in connection with financing. The intended users are representatives of California Bank and Trust.

SCOPE OF THE APPRAISAL

The scope of this appraisal includes valuing the subject as is and upon stabilization. Historically the subject has been owned and operated by a Southern California Healthcare System (SCHS) who manages two larger facilities in the area. Some of the operational decisions in the past were made to improve the overall profitability of the network rather than the subject. The proposed buyer's consist of a group of local doctors that intend on improving the profitability through increased census and utilization. Therefore, the scope of this appraisal includes the as is value – based upon historic and current operations, as is value – based upon the buyer's projections and prospective stabilized value.

A healthcare facility is a business enterprise with a substantial real estate base. Included in the concept of business enterprise are, all tangible and intangible assets comprising the business. Tangible assets include land, land improvements, building and equipment. These assets are further described and discussed later in this report. In addition to the real and personal property, the subject includes

various intangible assets necessary for the provision of healthcare, dietary, housekeeping, laundry and ancillary services. The provision of these services may create a going concern value beyond the value of the real property. These assets, which tend to increase in value in relation to the level of services provided, include an assembled work force, patient lists, systems and procedures, medical records and goodwill. This appraisal is of the entire business enterprise, one part of which is real estate. For this reason, this appraisal engagement has been conducted using applicable standard appraisal techniques and is in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) as set forth by the Appraisal Foundation and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

This appraisal engagement has been conducted using applicable standard appraisal techniques. It entails the collection, analysis and description of data pertaining to the physical, legal and economic conditions that affect the use and value of the subject property, and any other relevant data that would pertain to the appraisal of an acute-care facility.

The scope of the appraisal includes, but is not limited to the following:

1. Conducting an inspection of the subject property.
2. Describing the property and its environment.
3. Conducting an analysis of the city and neighborhood.
4. Estimating the market value of the land by the analysis of the land sales identified.
5. Estimating the depreciated replacement cost of the improvements which when added to the land and equipment indicates the market value via the Cost Approach.
6. Conducting a search for (with verification) and analysis of sales of similarly improved properties.
7. Estimating the market value by the analysis of the sales identified via the Sales Comparison Approach.
8. Estimating the market value via the Income Capitalization Approach.
9. Reconciling the three approaches to value for the final value estimate.
10. Preparing a complete appraisal report in a self-contained format based on all findings.

PROPERTY RIGHT APPRAISED

The property rights appraised herein are the fee simple of the tangible and intangible assets. These interests are defined as follows:

> **Fee Simple Estate**: Absolute ownership unencumbered by any other interest or estate, subject only to the limitation imposed by the governmental powers of taxation, eminent domain, police power, escheat. [1]

EFFECTIVE DATE OF THE APPRAISAL

The effective date of the as is stabilized value is January 8, 2001. The effective date of the stabilized value is January 1, 2003. The facility was inspected on January 8, 2001.

APPRAISAL DEFINITIONS

For the purposes of this report, Complete Appraisal is defined as:

> **Complete Appraisal:** the act or process of estimating value or an estimate of value performed without invoking the Departure Provision.[2]

For the purposes of this report, Self-Contained Appraisal Report is defined as:

> **Self-Contained Appraisal Report:** a written report prepared under Standards Rule 2-2(a) of a Complete or Limited Appraisal.[3]

For the purpose of this report, Market Value is defined as follows:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:[4]
>
> a) buyer and seller are typically motivated;

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[1] *The Appraisal of Real Estate*, Eleventh Edition, Appraisal Institute, Chicago, 1996, page 137.

[2] Ibid., page 12.

[3] Ibid.

[4] Ibid. page 23.

b) both parties are well informed or well advised and each acting in what he considers his own best interest;

c) a reasonable time is allowed for exposure in the open market;

d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Going-Concern Value is defined as:

> The value of a proven property operation. It includes the incremental value of the business concern, which is distinct from the value of real estate only. It includes an intangible enhancement of the value of the operating business enterprise which is produced by the assemblage of land, building, labor, equipment and marketing operation. This process creates an economically viable business that is expected to continue. Going-concern value refers to the total value of the property, including both real property and intangible personal property attributed to business value.[5]

Personal Property is defined as:

> Movable items of property that are not permanently affixed to, or part of, the real estate.[6]

For purposes of this appraisal, we consider equipment to represent personal property.

Our estimate of value reflects the value in a proven property operation considered as an assembled economic unit. The value estimate is expressed in terms of cash.

COMPLIANCE

To the best of our knowledge, the analyses, opinions and conclusions that were developed in this report have been prepared in conformity with the regulations of the Uniform Standards of Professional

[5]Ibid., page 26.

[6] Ibid., page 9.

Appraisal Practice (USPAP) of the Appraisal Foundation and The Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).

COMPETENCY

From our understanding of the assignment to be performed, which we have addressed in the Scope of the Appraisal, it is our opinion that we are competent to perform this appraisal due to the fact that:

1. The appraisers have knowledge and experience in the nature of this assignment.
2. All necessary and appropriate steps have been taken in order to complete the assignment competently.
3. There is no lack of knowledge or experience that would prohibit this assignment from being completed in a professional, competent manner or where a biased or misleading opinion of value is to be rendered.

SALES HISTORY

We have considered any sales of the subject property that have occurred within a three-year period prior to the effective date of value. The hospital is owned by Southern California Healthcare Systems (SCHS), a non-profit integrated healthcare delivery system, who acquired the facility in April 1995, for $9,801,000. At the time, the subject property included 1.95 acres of leased land adjacent to the facility on which a medical office building was improved. SCHS has subsequently sold the leased fee interest in the land to the leasehold owners.

Southern California Healthcare Systems (SCHS) is under contract to sell the subject to PanPacific Health Enterprises, Inc. (PHE) for a total consideration of $6,500,000.

REASONABLE EXPOSURE TIME

Reasonable Exposure Time is defined as:

> The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value

> on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.[7]

The concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable effort. This concept also takes into consideration the type of property being appraised, supply/demand conditions as of the effective date(s) of the appraisal and the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer). The reasonable exposure period is therefore a function of price, time and use, not an isolated estimate of time alone.

Reasonable exposure time is always presumed to precede the effective date of the appraisal and differs for various types of real estate and under various market conditions. Our estimate of exposure time is therefore based on the subject property's determined highest and best use, in a market where there is evidence of demand for such a facility.

The estimate of reasonable exposure time is not a predication, but rather, only a judgment made by the appraiser based on market conditions preceding the effective date of the appraisal.

Based upon the determination of the highest and best use for the subject, with consideration given to the overall condition and physical characteristics of the subject, it is our opinion that, were the subject property offered for sale, a sale could occur within 12 months.

OVERVIEW OF THE HOSPITAL INDUSTRY

The rapid increase in the elderly population is the force behind the tremendous expansion of the senior housing and long-term care industries. The U.S. Bureau of the Census estimates that between 1990

[7] *Uniform Standards of Professional Appraisal Practice*, 2000 Edition, The Appraisal Foundation, Washington D.C., pages 80-81.

and 2050, the number of Americans age 65 and older will more than double (from 31 million in 1990, to more than 79 million in 2050).

The United States population statistics and forecasts are provided in the following table:

U.S. POPULATION GROWTH (1,000S)					
	1990	**2000**	**% Change**	**2005**	**% Change**
Total Population:	248,709	274,691	10.4%	287,123	4.5%
65 – 74 Population:	18,036	19,142	6.1%	19,800	3.4%
% of Total	7.3%	7.0%		6.9%	
75+ Population	13,137	16,598	26.3%	17,855	7.6%
% of Total	5.3%	6.0%		6.2%	

Data provided by Claritas, Inc.

Over the next five years the fastest growing group is the 75-plus year old population.

In the United States, the proportion of the population made up of persons 65 years of age or older is projected to increase from 13% of the population in 2000 to 20% by 2030 because of the aging of the baby-boom generation and increased longevity. The implications for the delivery and financing of healthcare will be profound, because elderly persons use healthcare services at a greater rate than younger persons. The larger number of elderly persons will put greater pressure on the budget for the Medicare program. Increases in the number of persons 85 years of age or older, who are most likely to require nursing home and other long-term care, will exert similar pressure on the Medicaid program, which pays for about 75% of the total costs of nursing-home care.

A factor contributing to growth in demand for elderly care is the increased life expectancy of the United States population. As the average life expectancy for both men and women continues to increase (as illustrated in the following table) the probability of an elderly person requiring some form of healthcare service also increases.

UNITED STATES LIFE EXPECTANCY				
	Men		Women	
	At Birth	At Age 65	At Birth	At Age 65
1990	45.6	11.4	49.1	12.0
1910	50.2	11.4	53.7	12.1
1920	54.6	11.8	56.3	12.3
1930	58.0	11.4	61.4	12.9
1940	60.9	11.9	65.3	13.4
1950	65.3	12.8	70.9	15.1
1960	66.6	12.9	73.2	15.9
1970	67.1	13.1	74.8	17.1
1980	69.9	14.0	77.5	18.4
1990	72.3	15.1	79.9	19.9
2000E	73.4	15.7	81.1	20.8

Source: United States Bureau of the Census

MEDICARE AND MEDICAID

With the advent of Medicare and Medicaid programs in 1966, the healthcare industry in the United States began its phenomenal growth. The purpose of these two congressional mandates was to ensure for everyone equal access to the best the healthcare industry had to offer. In the initial three years, actual healthcare expenditures increased 50%. During the years 1965 through 1982, the percentage of the gross national product devoted to healthcare climbed significantly.

THIRD PARTY PAYOR AND THE REIMBURSEMENT SYSTEM

Prior to 1966, two major segments of the population were not protected from the prohibitive costs of healthcare: the aged and those just above the poverty level. In order to provide for the medical needs of these groups, President Lyndon B. Johnson signed into law, in 1965, the Medicare and Medicaid programs (Titles XVII and XIX of the Social Security Act, respectively).

The Medicare program began July 1, 1966 as a national program administered by the federal government and designed to provide health insurance for those aged 65 and older and certain disabled people. The program covers both hospital inpatient care (Part A) and hospital outpatient and physician care (Part B). It is financed by FICA contributions from employees, federal tax revenues and

appropriations and supplemental Part B premiums. The payments provided to hospitals for services rendered to Medicare patients were based on a retrospective reimbursement methodology.

The Medicaid program was established to serve the health needs of the indigent; it is administered on a state level but receives federal reimbursement. While states must comply with basic federal requirements, they are allowed considerable latitude. Medicaid also reimbursed medical providers under a retrospective methodology.

The retrospective reimbursement methodology is based upon reasonable costs incurred by each institution during a reporting period calculated by each separate third-party payor. These reasonable costs were not finalized for reimbursement purposes until after the conclusion of that period. In calculating reimbursements, the major third-party payors did not use the charges billed by a hospital as a foundation upon which to base their hospital reimbursements. Instead, they calculated their own formulas to ensure payment only for the "reasonable costs" actually incurred by the hospital for the services provided. The reasoning for this method of payment was twofold: first, the hospital charges may have included an unacceptably high profit factor; and second, charges may have incorporated items the payor could not or would not support. In addition, the charge structures for costs and services varied greatly among institutions.

Consequently, third-party payors determined a hospital's revenue by establishing formulas to calculate reimbursement rates. These formulas were applied to a hospital's total costs incurred in operations to arrive at allowable costs, which were those costs attributable to direct patient care.

Other formulas and ceiling limitations were then applied to the allowable costs to determine the reimbursement costs the third-party payor would pay.

Two additional considerations of the cost-based reimbursement methodology made the environment in which the hospital sector functioned increasingly hostile and financially less viable. First, since third-party reimbursement formulas were based upon costs, a hospital had to prove an increase in the costs

of providing services in order to increase its rate of reimbursement, while at the same time, ceiling limitations on costs were imposed upon the hospital. Second, the third-party payors imposed a cash flow squeeze on hospitals by maintaining a two to three-month lag in payments.

The portion of revenues not paid by Medicaid and Medicare was covered by commercial insurance carriers and by the patients themselves. Commercial insurance companies would pay hospitals established charges for services as stated in the patient's contract, and those patients, who are most frequently without insurance coverage and no visible means of paying for services rendered, would end up paying a small fraction of their bills.

The national system of Medicare reimbursement was changed as of October 1, 1983. Rates are no longer determined retrospectively, nor is the unit of payment a day of services. The methodology, or Federal Prospective Payment System (PPS), employs a per-case payment based on diagnosis related groups (DRGs) for all its hospital inpatient services. Diagnosis related groups define the unit of payment in the prospective payment system. They classify patients (diagnosis cases) into homogeneous groups that utilize the same types of treatment, medication and X-rays and that require approximately the same number of days in the hospital (length of stay). Since all patients are not exactly the same, DRGs are based on averages and variables, such as age, complications and conditions. The DRGs are grouped by organ systems (eye, ear, nose and throat, etc.); there are 23 major diagnostic categories (MDCs) and 467 DRGs.

DRGs are only one part of the changed federal prospective payment system; two other aspects are that it is prospective and that cost cutting incentives are offered. Hospitals that know the DRGs reflected by their patient population will be better equipped to plan for the future. Also, unlike the retrospective system, this system offers incentives to cut expenses.

Hospital care expenditures in 1965 were $14 billion and totaled $839 billion in 1992, an increase of 16.4% per year, on an annual compounded basis. According to the Commerce Department, national health expenditures were $1.06 trillion in 1994. The U.S. Department of Health and Human Services projects that total healthcare expenditures will reach $1.7 trillion by the year 2000.

TRENDS

Typically, hospital revenues are derived from the services rendered to patients. However, unlike most businesses, hospitals retain very little control over future increases in revenues because the majority of their patient revenue is paid for by third-party payors such as Medicare, Medicaid or Blue Cross. These payors base their payments on what they consider the "reasonable costs incurred" by the hospital.

The spiraling inflation of hospital costs has been the focus of attention in the healthcare industry for the past decade. These patterns of increases in costs have drawn the attention of federal and state governments and health insurance organizations because they are the payors of the bulk of medical expenses. Their investigations into the causes of the steadily increasing costs and the possible solutions have resulted in legislative action on both federal and state levels. New regulations have replaced the retrospective reimbursement system with a prospective payment system, which is intended to reward efficiently managed hospitals.

Factors contributing to the growth of healthcare expenditures include increased per capita consumption of healthcare services and an aging population. However, most of the increased expenditures can be attributed to an increase in hospital care prices over and above the general rate of inflation. One important factor that has increased, and will continue to increase, healthcare expenditures is the rising longevity of the population. This has been a major element in the growth of the industry given the high incidence of serious illnesses in the elderly. Census figures show the aging of the United States population; in 1980, there were approximately 24 million Americans over the age of 65. By 1990, the figure reached 33 million. It is estimated that by 1995 that figure will be 36 million, a 50% increase in 15 years. Additionally, the increase in the over-75 category is estimated to be 70% in 15 years. The over-65 group uses 29.6% of total healthcare dollars and has 23.0% of the hospital discharges, 35.0% of patient drugs and a 50.0% longer length of stay.

The combination of increased demand and increased costs has brought about the enactment of the Tax Equity and Fiscal Responsibility Act of 1982 and the subsequent Social Security Amendment of 1983. This legislation has dramatically changed the federal cost-based retrospective reimbursement system.

Political, social, technological and environmental changes also have created a new climate for the hospital industry. Some of the factors contributing to this new climate are as follows:

- The federal government has been attempting to transfer the burden of healthcare costs to state and local governments as well as to the private sector;
- The elderly represent an increasingly powerful force in demanding healthcare;
- The advent of contracts, health maintenance organizations (HMOs) and other plans is popular with hospitals in lieu of guaranteed revenues from other sources;
- The increasing advances in technology create a demand for further advances and lead to ever-increasing costs to meet these demands;
- A shift of healthcare services to more specialized entities, such as surgery, emergency and rehabilitation centers, offers more affordable and higher quality healthcare at a more reasonable expense. This diffusion of technology outside of the hospital environment will increase competitive pressure on hospitals and medical staffs.

According to the 1996/97 AHA Guide to the Health Care Field, there are 283 multi-hospital healthcare systems consisting of 2,909 hospitals and 538,296 beds. A multi-hospital system is defined as two or more hospitals owned, leased, sponsored, or contract-managed by a central organization. The 283 systems include 71 church related, 162 not-for-profit, 45 investor owned and five federal government systems. Of the 283 systems, there are 219 systems that only own, lease or sponsor, three systems that only contract-manage, and 61 systems that manage, own, lease or sponsor. As a percentage of all systems, church related systems own, lease or sponsor 22.4% of the hospitals with 25.4% of the beds and contract manage 9.2% of the hospitals with 6.9% the of beds; other not-for-profit systems own, lease or sponsor 30.5% of the hospitals with 35.7% of beds and contract manage 26% of the hospitals and 24.2% of beds. Investor-owned systems own, lease or sponsor 34.6% of the hospitals with 22.9% of the beds and contract manage 64.7% of the hospitals with 68.9% of the beds; and the federal government owns, leases or sponsors 12.5% of the hospitals and 16.0% of the beds and does not contract-manage any of the hospitals.

REGULATORY LIMITATIONS

The hospitals receive reimbursement under the Medicare program for services rendered to Medicare beneficiaries. Substantial changes to the Medicare program have been effected under recent federal legislation that will result in diminished payments under that program.

In 1991, the Health Care Financing Administration issued new regulations extending Medicare's fixed fee system for hospital inpatient reimbursement to include payments for hospital capital costs and physicians' fees.

The prospective payment system has already resulted in a number of profound changes in the delivery of healthcare in this country. Because Medicare accounts for nearly 40% of hospital revenues, hospitals have become more selective in admitting patients. The result has been declining trends in inpatient admissions, average lengths of stay and other utilization measures.

Healthcare facilities are subject to federal, state and local government regulations and are subject to periodic inspection by state licensing agencies to determine whether the standards of medical care, equipment and sanitation necessary for continued licensing are maintained. We have assumed that no material noncompliance exists with federal, state and local regulations. Obtaining a license for new facilities to be constructed, and for renovation of and additions to existing facilities also is subject to various governmental requirements, such as approval of sites and findings of need for additional healthcare facilities and services.

The federal government and most states have health planning laws that generally require, with certain exemptions and exceptions, governmental approval prior to the construction of new hospitals or the addition of new beds and certain services to existing hospitals. There is little consistency among the different provisions. In recent years, health planning laws have become substantially less restrictive.

Recent healthcare legislation, known as COBRA (Consolidated Omnibus Reconciliation Act), has made substantial changes in the Medicare program. A 5% increase in rates for Medicare's prospective payment system became effective May 1, 1986. The phased transition from a hospital-specific reimbursement to a federal PPS rate, which originated with a 50%-50% federal/hospital specific blend, remained at that blend during the first seven months of the first cost-reporting period beginning after September 1986, and then moved to a 55% federal/45% hospital specific blend for the remainder of the fiscal year. The blend then changed in the next fiscal year to 75%/federal 25%/hospital-specific, and to 100% federal in the following year.

Effective March 1, 1986, cuts in federal spending required by the Gramm-Rudman-Hollings' balanced budget amendment have resulted in a general 1% reduction in Medicare payments, though judicial efforts continue to have these reductions retroactively reversed. The ultimate effect of Graham-Rudman-Hollings, in light of the Supreme Court decision ruling portions unconstitutional, remains unclear.

Prior federal legislation establishing the Prospective Payment System (PPS) system, required Medicare to phase capital payments into the PPS payment rates. The Reagan Administration was substantially behind schedule in ultimately making a proposal, and both its proposed budget for 1986 and proposed regulations for the fourth year of the PPS system issued in June 1986 attempted to phase such capital payments without legislative approval of the procedure. However, legislation has been enacted instituting a one-year moratorium (until the cost-reporting period beginning after September 1987) on any capital payments under PPS and continuing instead to reimburse hospitals for capital on the basis of cost for an additional year.

The finalized regulations for the fourth year of the PPS's system provided a 0.5% increase and eliminated the periodic interim payment (PIP) system in July 1987, which slowed down Medicare payments to hospitals. Budget reconciliation legislation, in October 1986, increased rates by 1.5% and eliminated the PIP program for facilities with over 100 beds.

Subsequently, all private insurance carriers reimburse their policyholders or make direct payments to hospitals on a fee-for-service basis for covered services. The patient is generally responsible for any difference between the insurance reimbursement and total charges.

Acute-care hospital occupancy levels and the average length of hospital stays have generally been declining since reimbursement under the federal Medicare program under a prospective payment system based on diagnostic related groups (DRGs). More stringent utilization review procedures, increased use of non-hospital and outpatient surgical and diagnostic facilities, use of home healthcare services and the growth of health maintenance organizations have also contributed to this decline.

Managed care, such as HMOs, are expected to be the cornerstone of the future healthcare system. HMOs contract with healthcare providers such as doctors and hospitals for the delivery of their services to enrolled members who typically pay a fixed fee which entitles them to services from the providers affiliated with the HMO. These types of managed care plans will provide individuals or groups who will be responsible for reviewing patient treatment plans, require second opinions prior to surgery, prior authorization before admission to a hospital, and the use of primary physicians to screen patients before referral to specialists. Several major trends are gaining momentum as healthcare providers position themselves to take advantage of the untapped potential of managed care:

- The downsizing of employees will be enforced. The work force typically makes up more than half of operating budgets. Hospitals are downsizing across the board from top management to labor. Physicians are being replaced with "advanced practical nurses" and nurses are being replaced with "unlicensed assistive personnel."
- Investor-owned hospital chains will continue to merge and buy hospitals in selected markets. Hospitals and insurers will initiate moves to own and manage groups of salaried physicians.
- More physicians are banding together in large groups to guarantee referrals and build market share. (Physicians represent more than $150 million in revenues, or 19% of the healthcare budget) The successful group practices will have a strong base of primary-care physicians.
- Independent home infusion and medical equipment providers and home-care staffing agencies will merge to position themselves for contracts with hospitals and healthcare systems.

- Hospitals will form joint ventures with outpatient surgery centers to capture the outpatient surgery market.
- Long-term care providers will add new services to attract patients and managed-care contracts. New services will include home care, sub-acute-care, pharmacies and long-term care insurance (long-term care insurance currently represents less than 1% of nursing home revenues).
- Rural hospitals will form alliances to create physician-hospital organizations (PHOs). Rural hospitals have reversed the decline experienced in the late 1980s and have developed rural referral networks to serve sparsely populated areas.
- Rehabilitation care will shift its attention from inpatient care to expanding outpatient services and will add sub-acute-care to its rehabilitation-care delivery system. Successful rehabilitation providers will establish strong alliances and regional networks which combine inpatient and outpatient care with specialties such as occupational and sports rehabilitation.
- Cost-effective measures in technology will include the adoption of equipment, previously considered too expensive to use, to be a necessary agent to speedy and less costly recovery. Hospitals and healthcare providers will heighten efforts to adopt new technology.
- Generic drugs will drive name brand pharmaceuticals into the generic market through mergers and alliances with unknown biotechnology companies.

In summary, consolidation, joint ventures and other strategic business alliances are expected to increase within the healthcare industry as companies seek to improve their competitive market positions for the future.

STANDARD & POOR'S HEALTHCARE HOSPITAL MANAGEMENT OVERVIEW

Fundamentally, the underlying trends remain positive in terms of pricing, admissions and operating margins, and the sector is insulated from negative foreign fluctuations pressuring revenues in other areas of healthcare. Year to date through December 11, 2000, the S&P Health Care (Hospital Management) Index was up 51.3%, versus a 3.9% decline for the Super 1500 Index and surpassing the 31.3% surge in S&P's consolidated Health Care Index.

Hospital revenues and margins have been significantly eroded by Medicare inpatient rate reductions enacted as part of the Balanced Budget Act (BBA) of 1997, which included a freeze to average Medicare rates in fiscal 1998 (September) and only a 0.5% increase for fiscal 1999. Realizing that

BBA has lowered Medicare expenditures by nearly twice the original $115 billion projection, according to Congressional Budget Office estimates, Congress and the President have passed legislation, the Balanced Budget Refinement Act of 1999, that should boost federal Medicare provider payments by about $18 billion through 2003.

Regarding inpatient admission trends, S&P believes that the return to more normalized 3% to 5% same-facility admissions growth is likely into 2001, following a 3% to 4% gain in 2000. Revenue growth prospects are further supported by the most favorable private pricing environment in recent memory, with rate hikes averaging 5% to 6% for most of the large hospital chains. Additionally, a renewed focus on collections is resulting in lower bad debt costs and improved cash flows, which can in turn be utilized to strengthen balance sheets, repurchase stock and/or make strategic acquisitions.

S&P believes that the more favorable operating trends, a less hostile regulatory environment and reasonable valuations relative to the S&P 500 will allow for further gains in hospital stocks over the coming six to nine months.

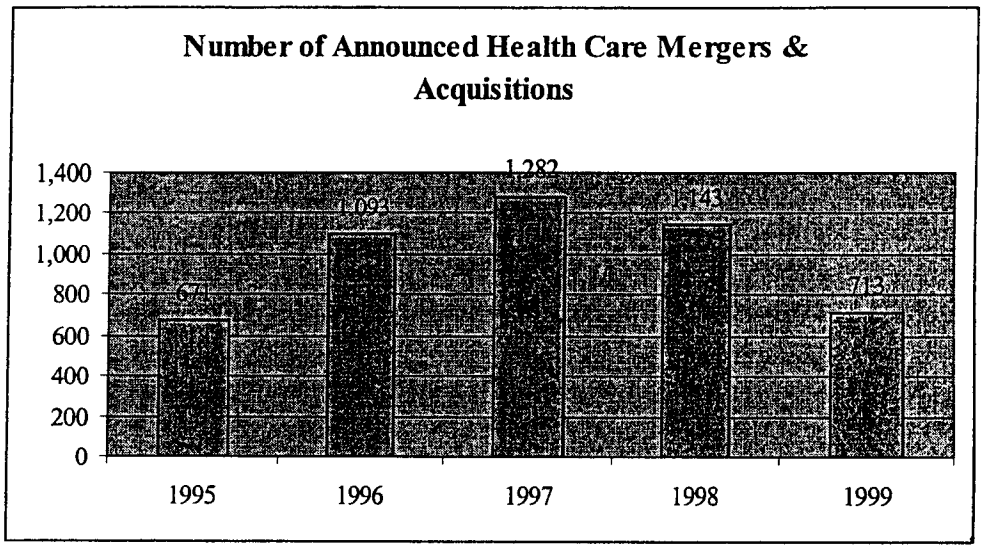
OVERVIEW OF MERGERS AND ACQUISITIONS

According to the Hospital Acquisition Report, Sixth Edition 2000 published by Irvine Levin Association, much of the industry is still suffering from the damage inflicted upon it by The Balanced Budget Act of 1997. This legislation limited reimbursement increases for hospitals, reduced payments dramatically for home healthcare and various forms of therapy and mandated a change in reimbursement methodology for the nursing-home industry. Some of the financial pain in this Act has been reversed in 2000, but the overall health of the healthcare industry is still far from robust.

The financial distress of the industry can also be noted by the overall decline in the number of merger and acquisition transactions of the various segments of the healthcare services industry. Calendar 1999 marks the second year of declining merger activity, a trend likely to continue in the year 2000. This is in marked contrast to the period up to 1997 when merger and acquisition activity was growing at a fast-paced rate for the industry. The slowdown in merger activity actually began in the fourth

quarter of 1997, but the real drop in activity began in the second half of 1998, when the effects of reduced earnings were becoming known throughout the industry.

The chart[8] below shows the volume of publicly-announced healthcare mergers and acquisitions for each of the years 1995 to 1999 for the combined sectors of the healthcare services market incorporated in our database. Activity in 1999 just barely exceeded that of 1995. This was before the great wave of consolidations within the industry driven by the need for highly fragmented, high-cost healthcare services to be consolidated into more efficient business practices.



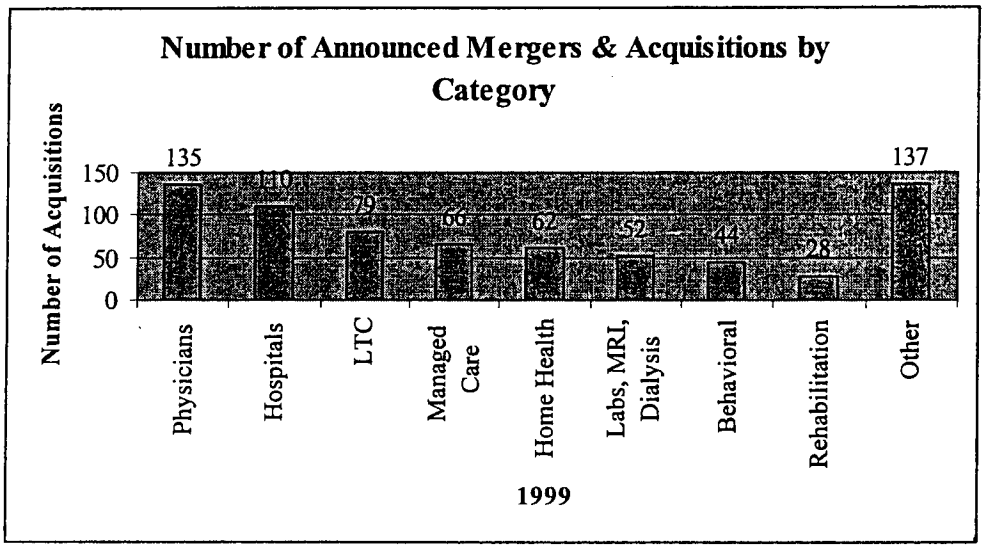
An analysis of the announced healthcare merger and acquisition activity by sector shows that hospital acquisitions in 1999 took second place, behind only physician group mergers, in terms of the total number of deals. Hospital mergers had been second in terms of announced totals in 1996 and 1997, third in 1998, and first in 1995.

Besides hospitals, sectors included in our compilations are: Behavioral Health (formerly Psychiatric); Home Health Care; Laboratories, MRI and Dialysis; Long-term Care; Managed Care (formerly

[8] *The Hospital Acquisition Report*, 6th Edition, Irving Levin Associates, Inc., page 1.

HMOs); Physician Medical Groups; Rehabilitation; and Other. The Other category includes, *inter alia*, transactions for dental group practices, ambulance companies and institutional pharmacies. Because "Other" encompasses a number of unrelated business segments, it is not used in the ranking of the most active sectors.

Only one sector showed an increase in merger activity from 1998 to 1999. Managed Care, which registered an 8% increase in announced transactions. Declines in other sectors ranged from a 17% decrease in announced Behavioral Health transactions to a 49% decline in the number of announced Physician Medical Group acquisitions. The following chart[9] shows the number of acquisitions by category.



Healthcare expenditures nationwide exceed $1 trillion a year. Hospital billings account for the single largest piece of that expenditure total, at nearly one third of total healthcare costs. Payment for healthcare expenses comes from three primary sources: the largest is private health insurance and private source payments which fund nearly half of all expenses. Medicare and Medicaid make up the remaining payor sources for the industry.

[9] Ibid., page 2.

During the 1980s, healthcare expenditures were rising at a double-digit annual rate. Reforms instituted in the 1990s slowed this rate of growth to an average of 5% for the years 1993 to 1998. The year 2000 is likely to see double-digit increases in health costs as premiums on private insurance plans rise to reflect higher drug costs and as health insurers find they are unable to secure additional cost concessions from the healthcare providers. In addition, the general aging of the U.S. population contributes to increased healthcare utilization.

Acquisition activity in the hospital sector has now declined for two years in a row. Hospitals have been affected by the decrease in healthcare reimbursements from the Balanced Budget Act of 1997. Current topics of debate that could fuel major reimbursement changes in the industry include a possible doubling in the number of DRGs used by Medicare to determine hospital reimbursements. If enacted, reform to this system would be aimed at providing higher payments to more medically complex illnesses, an issue that is not addressed by the current single DRG reimbursement coding. This change would benefit large urban teaching facilities and decrease payments for small and rural providers. However, refinement of the payment system is not expected to be released before June 2000.

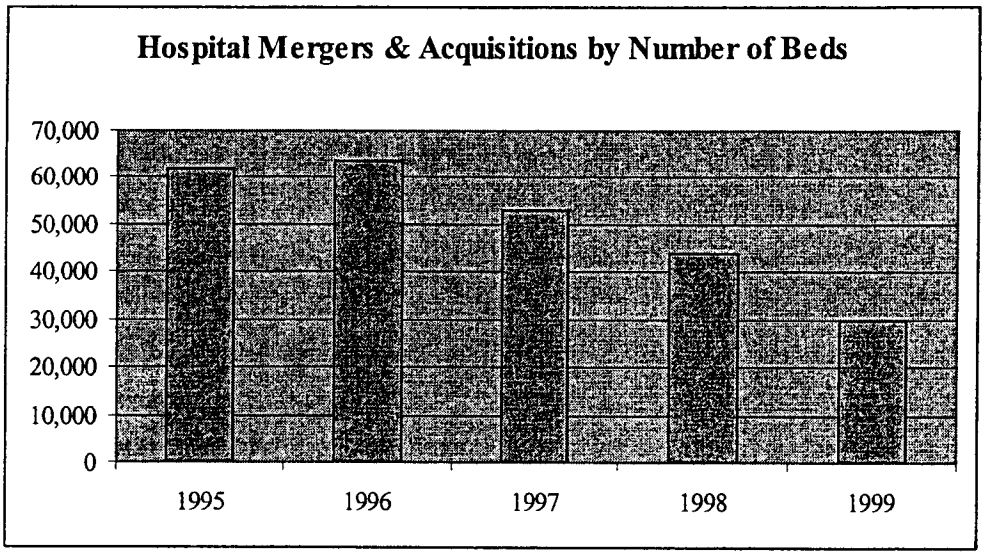
Historically, one major factor in the hospital acquisition market has been Columbia/HCA. This changed abruptly in 1997 when the company became the target of numerous federal government investigations. Columbia/HCA acquisition activity came to a virtual halt in 1997, and in 1998, Columbia/HCA became a net seller of hospital facilities. In 1999, Columbia spun off two entities, Triad Hospitals and LifePoint Hospitals, both of which became publicly listed companies on the Nasdaq.

Owners of Columbia/HCA received one share of LifePoint for every 19 shares of Columbia/HCA stock held. At the time of the spin-off, LifePoint was comprised of 23 hospitals and related healthcare facilities in nine southern and western states.

Similarly, Triad was spun off using the same stock proportions. Triad commenced operations with 38 hospitals and 14 ambulatory surgery centers located in 11 states. Triad's facilities are concentrated in small cities also in the southern and western regions of the U.S

Excluding the Columbia/HCA spin-offs, in 1999 the number of announced hospital acquisitions was down 24%, but the number of hospitals acquired was down even more, at 41%. The decline from 1997 to 1998 was less significant, with a decline of 27% in announced transactions but only a 4% decline in the number of hospitals acquired. At a rate of 1.6 hospitals per transaction, the average size of each acquisition in 1999 was in line with 1997, the most active year for acquisitions.

The number of beds acquired declined again in 1999 to the lowest level of the past five years. In 1998, the number of beds acquired was down 18% from 1997; a larger decline of 32% was experienced from 1998 to 1999. Earlier acquisitions often involved bigger facilities. Besides a decline in the total number of facilities, a focus on rural hospital acquisitions over the past two years particularly by certain publicly owned companies, has continued to bring down the average size of the facilities being acquired. The following chart[10] shows the number of beds that were involved in mergers and acquisitions.



[10] Ibid., page 5.

The following chart represents a five-year compilation of all the statistics for each announced transaction. The first block of data gives a summary of the transaction volume for each of the past five years. The second and third blocks show financial data summaries for these transactions. The last four blocks summarize the financial terms of the aggregate acquisition market. Most industry participants consider price/EBITDA ratios the most important measure for valuing an acquisition.

SUMMARY OF ACQUISITIONS

	1999	1998	1997	1996	1995
Number of Deals	110	144	197	161	129
Number of Beds	29,751	43,827	53,133	63,762	61,681
Number of Hospitals	175	298	310	310	268
Total Acquired Revenues	$10,879,454,440	$17,531,289,465	$20,237,225,438	$21,582,114,169	$20,694,136,000
Average Revenue/Deal	$99,811,509	$127,038,329	$107,075,267	$138,346,886	$169,624,066
Median Revenue/Deal	$39,730,840	$56,073,232	$55,503,059	$71,550,000	$82,250,000
Deal Count	109	138	189	156	122
Average EBITDA/Deal	$5,269,417	$6,384,794	$6,042,000	$11,430,524	$11,694,273
Median EBITDA/Deal	$1,938,966	$4,450,983	$3,983,068	$4,396,202	$6,613,425
Deal Count	41	60	93	107	86
Total Purchase Price	$2,932,734,000	$4,191,297,000	$3,286,033,541	$7,668,888,000	$9,246,484,000
Average Price/Deal	$59,851,714	$73,531,526	$54,767,226	$139,434,327	$205,477,422
Median Price/Deal	$23,000,000	$49,700,000	$19,450,000	$41,611,000	$65,120,000
Deal Count	49	57	60	55	45
Price/Revenue Average	0.76	1.02	0.92	0.88	0.95
Price/Revenue Median	0.61	0.92	0.79	0.82	0.80
Deal Count	44	54	57	52	42
Price/EBITDA Average	9.46	8.21	6.99	5.98	5.84
Price/EBITDA Median	8.29	8.33	5.46	5.41	6.12
Deal Count	10	18	23	30	25
Price/Bed Average	$243,226	$330,331	$222,116	$247,955	$279,467
Price/Bed Median	$174,996	$213,592	$201,117	$192,308	$259,831
Deal Count	46	55	60	55	43

Source: *The Hospital Acquisition Report*, 6th Edition, Irving Levin Associates, Inc., page 6.

Numerous interviews with industry participants consistently reveal their exclusive use of this financial measure for pricing acquisitions. The average and median price/EBITDA ratios in 1999 were higher than in any of the previous five years. This may reflect a trend to pay a greater multiple for facilities, but given the number of data points, may only be reflective of the data made publicly available. Our sources in the industry show the consistent use of trailing audited EBITDA adjusted for out of period entries and other unusual items. Ratios of three to five times EBITDA are paid for older facilities,

including those being purchase for replacement facilities. The upper end of the multiple range is generally eight times EBITDA for premium facilities.

CONCLUSION

Although the healthcare industry, as a whole, has experienced good growth over the past several years, the news is not all positive. An estimated 38 million Americans have no health insurance coverage at all, with children accounting for 36% of this total. Currently, as many as another fifty million Americans are believed to have inadequate coverage. The percentage of U.S. GNP devoted to healthcare continues to increase with each passing year, and it is estimated that it will consume 28% of the GNP by the year 2010.

Escalating regulation and inadequate reimbursement from Medicaid have squeezed industry profits. In an effort to remain profitable, many providers have diversified into medical-specialty units, which tend to be more profitable than typical nursing care. The elderly-care segment of the healthcare industry continues to evolve in response to dynamic social and economic influences.

The number of announced healthcare mergers and acquisitions have declined since 1997. Although hospital stocks have suffered from weakening admission trends for much of 1999, these trends began to reverse in December 1999 and positive comparisons continued into January 2000.

FACILITY OVERVIEW

The subject facility is licensed for 128 beds. The subject offers inpatient and outpatient surgery, intensive and cardiac care, maternity, diagnostic imaging, MRI, senior mental health services, radiology, physical therapy, community outreach programs and 24-hour emergency medicine.

MANAGEMENT OVERVIEW

Since the successful operation of a going concern is dependent upon effective management, a perusal of facility management can provide an indication of the potential for growth or the risk of achieving budgeted cash flows. Professional management with a high level of experience and expertise can improve the stability of operations, reducing the risk associated with the assets.

Upon completion of the sales agreement, the Mardel Group, Inc. will manage the facility. They have been involved with a wide variety of healthcare industry clients *(both Governmental and private)*. Selected assignments have included:

- Organizational Change
- Strategic Partnership
- Integration of Services
- Interim Management
- Information Management
- Facility Design and Construction
- Health Education
- Feasibility Studies
- Clinical Practice Management
- Operations Management
- Business Plan Management
- Financial Consulting
- Human Resource Consulting
- Performance Improvement
- Medical Staff Relations

Below are a number of the companies the Mardel Group, Inc. has provided professional services for:

- Action Collection Agency
- Alcott Skilled Nursing Facility
- Arlington Health Services Corporation
- Armed Forces Hospital, Riyadh, Saudi Arabia
- Costa Mesa Medical Group
- Cook County Hospital
- Costa Mesa Medical Center
- Eisenhower Medical Center
- El Centro Regional Medical Center
- French Hospital
- KPC Global Care, Inc. and Affiliates
- Lloyd Emergency Medical Group
- Physician and Surgeons Hospital
- San Antonio Community Hospital
- San Diego General Hospital
- Scottsdale Memorial Hospital
- Twenty-nine Palms Marine Corps Hospital
- US Family Care Medical Center
- Long Beach Psychiatric Hospital
- Parkview Community Hospital Medical Center
- Parkview Hospital Management Services, LLC

The Mardel Group's founder and President/CEO is Mr. Norm Martin, who has more than twenty years of experience in operational and financial management. He has worked in leadership roles such as Chief Executive Officer, President and Chief Financial Officer of major medical institutions. His

expertise is in problem solving and efficient systems development. His excellent interpersonal and communication skills have resulted in a high demand for his services on numerous boards, particularly those that are community focused. He is a member of the U.S. Chamber of Commerce, American Institute of Certified Public Accountants, The Urban League, and a Life Member of the National Association for the Advancement of Colored People.

Ms. Susan L. Medel, Chief Financial Officer, graduated with a Bachelor of Arts in Business. She also holds a Masters in Business Administration. She has completed postgraduate work in multiple healthcare, financial and operational management topics. She has over 20 years healthcare experience in for-profit and non-profit organizations. Positions held include: Auditor, Controller, Contract Chief Administrative Officer/Chief Financial Officer, Executive Director of Finance and Chief Financial Officer. She has testified before the California Legislature as an expert witness on healthcare issues. Clients have included hospitals, skilled-nursing facilities, university departments, health plans and medical groups.

Since forming a corporate relationship with two bigger hospitals, the subject has not done as well as expected. Problems at the subject were caused by capitation arrangement negotiated by Southern California Healthcare Systems (SCHS), its parent corporation. As a result, the subject reported a loss from the insufficient reimbursement of managed care contracts in 1999. In 2000, the subject was put on the market for sale through Shattuck Hammond Partners, a division of Pricewaterhouse Coopers Securities, LLC. Southern California Healthcare Systems (SCHS) and PanPacific Health Enterprises, Inc. are currently under contract for a total consideration of $6,500,000.

PanPacific Health Enterprises, Inc. believes that it is uniquely positioned and capable of capitalizing on the opportunity to acquire the subject for two principal reasons:

1. Substantial improvements in hospital occupancy will be achieved by providing value added services to more easily recruit physicians and create a physician-friendly environment, which illustrates the impact of recruiting eight more physicians.
2. An experienced and dedicated management team will be committed to enhancing quality and improving productivity while reducing unnecessary costs and promoting employee and physician loyalty, through strong and effective leadership.

PanPacific Health Enterprises, Inc. was organized by twelve local investors in October 2000. Since the beginning, all of the investors have committed to capitalizing two million in cash as the down payment for acquiring the subject. Mr. C. Joseph Chang is the principal investor that has worked in the field of healthcare for more than fourteen years at San Gabriel Valley Medical Center. He initiated this hospital purchase with the help and assistance of The Mardel Group, Inc. In addition, Mr. Norm Martin, C.E.O. and Mr. Hal Franceschi, C.O.O. from The Mardel Group will manage the subject once PanPacific Health Enterprises, Inc. takes over Huntington East Valley Hospital's ownership.

THE PROSPECTIVE BUYER'S GOALS

- The hospital is owned by a group of local investors who will focus upon recruiting more local physicians and patients.
- Negotiate a master lease for the medical office building on the hospital campus to support physician recruitment and retention efforts, or purchase the (MOB) as a joint venture with the physicians.
- PanPacific Health Enterprises, Inc. is in discussions with Medical Pathways, one of the largest IPA networks in Southern California. Medical Pathways is interested in giving more capitation business to the subject after new ownership is formed. Management is making efforts to link up with those existing IPAs and develop more business with IPAs that have never utilized the subject.
- The current management team at Huntington East Valley Hospital will remain in place if they so desire and are performing to the standards set by senior and corporate management. The new management team will be committed to enhancing quality, improving productivity while reducing unnecessary costs through strong and effective leadership.
- Mardel Group, Inc. can assemble the most relevant group of experts in the most cost effective manner. All of the hospital's service contracts can be renegotiated to reduce their costs through Mardel's network relationship. As an example, medical supplies, food services, and employee's benefit packages can be evaluated to reach a global discount agreement with Mardel's two other hospitals: Parkview Community Hospital and Chino Medical Center in the future.
- Continue to improve the utilization review function in the hospital to decrease costs per patient day, reduce average Medicare lengths of stay and greatly reduce denials. Those efforts will maximize Medicare and Medi-Cal's reimbursement.

- Creation of new services to boost revenues:

  a. Due to a dramatic increase in sports injuries at the nearby Glendora Country Club, the prospective buyer is considering the establishment of a sports medicine clinic in conjunction with the country club. Discussions between the buyer and a highly respected physical therapist known for his treatment results are ongoing.

  b. Due to the high proportion of business executives working and/or residing in the subject area, the prospective buyer is seeking to develop a unique and personal "executive check-up" program with an attractive cash package deal.

  c. There is a large population of uninsured in the San Gabriel Valley who can afford medical services on a fee-for-service basis. Such a program, including a courtesy discount, has been promoted to surgeons by the West San Gabriel Valley Hospital. The prospective buyer is seeking to extend this idea to the East San Gabriel Valley, in order to provide an affordable cash package to outpatients that do not have health insurance.

- Huntington East Valley Hospital is a Federal and State designated disproportionate share (DSH) hospital. The hospital receives disproportionate share funds based on Medicare, Medi-Cal and charity-care volume. The prospective buyer looks to emphasize that Huntington East Valley Hospital is a Medi-Cal-friendly hospital.

CONCLUSION OF MANAGEMENT AND OWNERSHIP

Based upon The Mardel Group's experience and relationships within the region, Management is considered competent. The proposed buyers of the subject comprise a group of local doctors who are familiar with the continuum of care within the community and have established ties to the area. It is the plan of the prospective buyers to retain the onsite administration.

The current owner of the subject operates two larger facilities in the area and historically has focused on operating those facilities. The subject will be the prospective buyers' sole facility. Based upon Mardel's management experience and local ownership, the proposed combination of management and owner appears to support improved operations.

COMPETITION

A search for competition consisted of an interview with the subject's management, and a review of HCIA's U.S. Hospital Profiles. Photographs and maps indicating the location of each facility are

included in the Addendum. The following table contains a summary of pertinent information for each competitive hospital.

	General Care Hospital Facility Name/Location	Licensed Beds	Payor Mix	ALOS (in days)	Occ.
1.	Foothill Presbyterian Hospital 250 South Grand Avenue Glendora, California	106	72.3% Private/Other 4.4% Medi-Cal 23.3% Medicare	3.3	46%
2.	Inter-Community Medical Center 210 West San Bernardino Road Covina, California	246	57.0% Private/Other 16.0% Medi-Cal 27.0% Medicare	4.6	63%
3.	City of Hope National Medical Center 1500 East Duarte Road Duarte, California	212	63.2% Private/Other 19.1% Medi-Cal 17.7% Medicare	10.3	74%
4.	Santa Teresita Hospital 819 Buena Vista Street Duarte, California	253	57.5% Private/Other 19.0% Medi-Cal 23.5% Medicare	22.7	66%
5.	San Dimas Community Hospital 1350 West Covina Boulevard San Dimas, California	93	48.3% Private/Other 30.4% Medi-Cal 21.3% Medicare	6.3	56%
6.	Citrus Valley Medical Center 1115 South Sunset Avenue West Covina, California	508	55.1% Private/Other 16.1% Medi-Cal 28.8% Medicare	4.6	69%
	Subject: Huntington East Valley Hospital 150 West Alosta Avenue Glendora, California	128	43.2% Private/Other 27.8% Medi-Cal 29.0% Medicare	4.7	38%

GENERAL ACUTE-CARE HOSPITALS

1) Foothill Presbyterian Hospital is located approximately one-half mile northwest of the subject. The primary land uses are single-family residential built in the 1950s in average condition, with commercial uses along main thoroughfares. Interstate 210 (Foothill Freeway) is located three-quarters of a mile south. This hospital is in average condition and well maintained. This hospital provides general acute-care services, is licensed for 106 beds and had an occupancy rate of 46%, based upon OSHPD cost reports. The top Diagnosis-Related Groups (DRGs) in descending order are heart failure and shock, simple pneumonia and pleurisy, (ages 17-plus) with complications, chronic obstructive pulmonary disease, specific cerebrovascular disorders except TIA and kidney and urinary tract infections (ages 17-plus) with complications.

2) **Inter-Community Medical Center** is located approximately three and one-half miles south west. The primary land uses are single-family residential built between 1950 and 1960, in average to good condition, with commercial and medical-office uses along main thoroughfares. The hospital is adjacent to Covina Park. Interstate 10 (San Bernardino Freeway) is located one mile south. This hospital is in average condition and well maintained. This hospital provides general acute-care services, is licensed for 246 beds and had an occupancy rate of 63%, based upon OSHPD cost reports. The top DRGs in descending order are psychoses, heart failure and shock, simple pneumonia and pleurisy, (ages 17-plus) with complications, chronic obstructive pulmonary disease and chest pain.

3) **City of Hope National Medical Center** is located approximately six miles west of the subject. The primary land uses are single-family residential built in the 1960s in average condition. The Santa Fe flood control basin is located just east of this hospital. The Interstate 10 (San Bernardino Freeway) and Interstate 605 (San Gabriel Freeway) interchange is located one mile east. This hospital is in good condition and well maintained. This hospital provides general acute-care services and is a nationally known institute for the research and treatment of cancer. The center is licensed for 212 beds and had an occupancy rate of 74%, based upon OSHPD cost reports. The top DRGs in descending order are chemotherapy without acute leukemia as secondary diagnosis and other circulatory system diagnosis without complications.

4) **Santa Teresita Hospital** is located approximately six and one-half miles west of the subject. The primary land uses are commercial with some multifamily residential in average condition. Interstate 210 (Foothill Freeway) is located one-quarter of a mile south. This hospital provides general acute-care and skilled nursing care services, is licensed for 253 beds and had an occupancy rate of 66%, based upon OSHPD cost reports. The top DRGs in descending order are heart failure and shock and simple pneumonia and pleurisy, (ages 17-plus) with complications.

5) **San Dimas Community Hospital** is located approximately three miles southeast of the subject. Primary land uses are single-family residential built between 1960 to the present, with multifamily residences in average condition to the west. Interstate 210 (Foothill Freeway) is located approximately one mile east. This hospital is in good condition and well maintained. This hospital provides general acute-care services, is licensed for 93 beds and had an occupancy rate of 56%, based

upon OSHPD cost reports. The top DRGs in descending order are simple pneumonia and pleurisy, (ages 17-plus) with complications, heart failure and shock, Nutritional and miscellaneous metabolic disorders (ages 17-plus) with complications, specific cerebrovascular disorders except TIA, and G.I. hemorrhage with complications.

6) Citrus Valley Medical Center is located approximately seven miles southwest of the subject. The primary land use is single-family residential built between 1950 and 1960 in average condition, with a two-story multi-family residences north of the hospital. Interstate 10 (San Bernardino Freeway) is located one mile north. This hospital provides general acute-care services, is licensed for 508 beds and had an occupancy rate of 69%, based upon OSHPD cost reports. The top DRGs in descending order are heart failure and shock, simple pneumonia and pleurisy, (ages 17-plus) with complications, kidney and urinary tract infections (ages 17-plus) with complications, chronic obstructive pulmonary disease and rehabilitation.

SUMMARY

The subject facility is one of seven acute-care hospitals in the immediate market. Although the San Gabriel Valley includes additional facilities, those selected are located within a seven-mile radius and are most similar to the subject, thus represent the strongest competitors.

REGIONAL ANALYSIS

The subject property is located in the city of Glendora, California, Los Angeles County. The city of Glendora is located approximately 27 miles east of downtown Los Angeles. Glendora is nestled at the base of the San Gabriel Mountains and offers convenient access to major commercial, cultural, educational and recreational areas in Southern California. Founded in 1887, Glendora was officially incorporated as a city in 1911. The city remained a small citrus-producing community until the late 1950s, when agriculture gave way to large-scale residential and commercial development.

Population Growth							
	1980	1990	% Change	2000	% Change	2005	% Change
Total Population							
Glendora	45,103	47,828	6.0%	51,923	8.6%	54,931	5.8%
Los Angeles County	7,477,506	8,863,164	18.5%	9,529,721	7.5%	10,050,616	5.5%
United States	226,545,776	248,709,872	9.8%	274,691,936	10.4%	287,123,328	4.5%
65+ Population							
Glendora	N/A	5,057	N/A	7,586	50.0%	8,181	7.8%
Los Angeles County	N/A	854,734	N/A	973,528	13.9%	1,055,190	8.4%
United States	N/A	31,172,858	N/A	35,740,327	14.7%	37,655,941	5.4%
65+ Population, as a % of Total Population							
Glendora		10.6%		14.6%		14.9%	
Los Angeles County		9.6%		10.2%		10.5%	
United States		12.5%		13.0%		13.1%	
Median Age							
Glendora		33.6		38.7		39.4	
Los Angeles County		30.5		33.8		35.2	
United States		32.8		35.8		36.9	

Source: Claritas, Inc.

POPULATION

The following table summarizes the population trends in Glendora, Los Angeles County and the nation.

The total population is forecasted to grow over the next five years by 5.8% in the city, 5.5% in the county and 4.5% in the nation. The 65-plus aged population is expected to increase by 7.8% in the city, 8.4% in the county and 5.4% in the nation. The median age is expected to increase in the city, county and nation.

HOUSING

There is a variety of housing available in Glendora, California. The November 2000 median home price for a resale single-family home in the zip codes 91740 and 91741 in the city of Glendora were $235,000 and 279,000, respectively. The 91740 zip code area shows a 32.8% increase from the previous year and the 91741 zip code area shows an 18.5% increase from the previous year. The following table shows the median home values within the Southern California market.

	Date	Latest Period	Previous Period	Year Ago
Median Home Price-Resale (in thousands of dollars)				
Los Angeles County	Oct-00	219.8	$223.2	$195.1
Orange County	Oct-00	321.2	325.3	277.6
San Diego County	Oct-00	279.1	268.4	235.0
Ventura County	Oct-00	303.4	297.1	263.2
Riverside/San Bernardino County	Oct-00	144.2	140.9	131.0
Affordability Index (as percentage of households able to afford median price)				
Los Angeles County	Oct-00	35%	34%	40%
Orange County	Oct-00	28%	27%	32%
San Diego County	Oct-00	23%	24%	31%
Ventura County	Oct-00	31%	32%	38%
Riverside/San Bernardino County	Oct-00	46%	47%	51%
Souce: Los Angeles Times, December 10, 2000				

TRANSPORTATION

The city of Glendora is reasonably well located, benefiting from general proximity to metropolitan centers in the Southern California region. Interstate 210 (Foothill Freeway) runs through the southern portion of the city and provides access to downtown Los Angeles and beach cities to the west, as well as access to San Bernardino Counties to the east. Interstate 605 (San Gabriel Freeway) traverses in a north-south direction, which provides access to Orange County cities. Local transportation is provided by a public bus system.

Ontario International Airport is located sixteen miles east of the subject. This international airport provides air freight and passenger service. Ontario Airport also serves as a regional hub for United Parcel Service, which operates shipping activities by truck, air and train. Los Angeles International Airport is located twenty miles southwest of the city of Alhambra.

Glendora is served by the Metrolink, which provides access to the Los Angeles metropolitan area, Ventura County, Orange County and San Bernardino County.

EDUCATION

The University of La Verne is located six miles east and the California State Polytechnic University-Pomona is located six miles south. In addition, California State University-Los Angeles is located eighteen miles west, and University of Southern California is located twenty-five miles west, both in the city of Los Angeles. There are six elementary schools, two middle schools and two high schools in the city of Glendora.

HEALTHCARE

Excluding the subject, there are six acute-care hospitals providing 1,418 beds within a seven-mile radius from the subject. The closest facilities to the subject are summarized as follows:

Facility	Beds	Distance from Subject (in miles)
Foothill Presbyterian Hospital	106	0.5
Inter-Community Medical Center	246	3.5
City of Hope National Medical Center	212	6.0
Santa Teresita Hospital	253	6.5
San Dimas Community Hospital	93	3.0
Citrus Valley Medical Center	508	7.0
Total	**1,418**	

EMPLOYMENT

The following table lists the top employers in Los Angeles County.

Employer Name	Location	Industry
Boeing Aircraft Co	Long Beach	Aircraft & Parts
Hollywood Park Inc	Inglewood	Misc. Amusement, Recreation Services
Hughes Aircraft Co	El Segundo	Search and Navigation Equipment
Litton Systems Inc	Woodland Hills	Search and Navigation Equipment
Mattel Inc	El Segundo	Toys & Sporting Goods
Northrop Grumman Corp	Los Angeles	Aircraft & Parts
On Assignment Inc	Calabasas	Personnel Supply Services
Ralph's Grocery Co	Compton	Grocery Stores
Southern California Edison Co	Rosemead	Electric Services
UCLA	Los Angeles	Colleges & Universities
Walt Disney Co	Burbank	Motion Picture Production & Services

Source: California Employment Development Department

As indicated in the following table, the unemployment rates have steadily declined at all levels, over the past three years. Glendora has the lowest level of unemployment, compared to the county and state.

HISTORICAL UNEMPLOYMENT RATES

	1998 Average	1999 Average	Year-to-Date Average 2000
Glendora	3.8%	3.4%	2.7%*
Los Angeles County	6.5%	5.9%	5.5%
California	5.9%	5.2%	4.9%

*December 2000 unemployment rate
Source: California Economic Development Department

Historical and forecasted income data for the city and county are summarized in the following table.

Income Growth							
	1979	1990	% Change	2000	% Change	2005	% Change
Average Household							
Glendora	$25,679	$54,209	111.1%	$78,331	44.5%	$90,530	15.6%
Los Angeles County	$22,481	$47,313	110.5%	$65,859	39.2%	$74,534	13.2%
United States	$20,313	$38,499	89.5%	$58,875	52.9%	$70,868	20.4%
Median Household							
Glendora	$23,860	$46,219	93.7%	$62,016	34.2%	$67,036	8.1%
Los Angeles County	$17,554	$35,011	99.4%	$44,692	27.7%	$47,123	5.4%
United States	$16,846	$30,097	78.7%	$42,280	40.5%	$47,506	12.4%

Source: Claritas, Inc.

The city's median household income is significantly higher than the county and nation and is expected to increase by 8.1% in the city, 5.4% in the county and 12.4% for the nation.

CONCLUSION

The subject is located in Alhambra, California. The city's overall population growth over the next five years is consistent with the nation. The city's elderly population is expected to increase 7.8%, which is slightly lower than the county (8.4%), yet higher than the nation (5.4%). Income growth is expected to remain stable over the next five years. Based upon the forecasted increase in Glendora's population, the demand for acute-care facilities, should remain relatively constant.

NEIGHBORHOOD ANALYSIS

Neighborhoods may be devoted to such uses as residential, commercial, industrial, agricultural, and cultural and civic activities, or a mixture of these uses. Analysis of the neighborhood in which a particular property is located is important due to the fact that the various economic, social, political and physical forces that affect the neighborhood also directly influence the individual properties within it. An analysis of these various factors as they affect the value of the subject property is presented in the following discussion.

The subject is located in the western part of the city of Glendora. The district comprises two zip codes (91740 and 91741). The neighborhood boundaries are defined as Foothill Boulevard to the north, East Base Line Road to the south, Lorraine Avenue to the east and Barranca Avenue to the west. The nearest freeways are Interstate 210 (Foothill Freeway) and Interstate 605 (San Gabriel Freeway).

According to demographic information provided by Claritas Inc., the City of Alhambra had a population of 47,828 in 1990 and grew by 0.8% per year to 51,923 in 2000. The population is projected to increase modestly to 54,931 by 2005, an increase of 1.1% per year. The elderly population (age 65-plus) was 5,057 in 1990, or 10.6% of the population, and increased by 5.0% per year to 7,586 in 2000; or to 14.6% of the total population. It is expected to increase by 2.1% per year to 8,181 by 2005; or 14.9% of the total population. The median household income was $46,219 in 1990 and was estimated at $62,016 in 2000, a 3.0% increase per year. The median household income is projected to increase to $67,036 by 2005, a 1.6% increase per year.

Access to the neighborhood is provided by Interstate 210 (Foothill Freeway) and surface streets. The major east-west thoroughfares are Alosta Avenue and Foothill Boulevard. The major north-south thoroughfare is Grand Avenue. Alosta Avenue is a four-lane, with median, major thoroughfare that experiences moderate to heavy traffic. Grand Avenue is a secondary thoroughfare that experiences moderate to heavy traffic.

The neighborhood is approximately 95% built out and has new construction in progress. The Glendora Center, adjacent north across Alosta Avenue, is currently being remodeled. The subject is located in the western part of the city. Most properties in the area are in average condition. Alosta Avenue, a four-lane, with median, thoroughfare that experiences moderate to heavy traffic, is primarily developed with commercial and retail buildings. East of the subject is Glendora Avenue, which is primarily single-family residential built between 1950 and 1960. South of the subject is Colorado Avenue, which is primarily single-family residential built between 1950 and 1980. West of the subject is Santa Fe Avenue, which is primarily single-family residential built in the 1960s. Further southeast is South Hills Park and further west is Citrus College, a two-year college. The neighborhood is currently in a stable stage of its life cycle.

Overall, the neighborhood provides all of the services and amenities needed to support an acute-care facility.

SITE DESCRIPTION

LOCATION, ACCESS, FRONTAGE, SIZE AND SHAPE

The subject is located at 150 West Alosta Avenue, in Glendora, California. It is a double-corner site located at southeast corner of Alosta Avenue and Santa Fe Avenue and the northeast corner of Colorado Avenue and Santa Fe Avenue. The site has frontage along Alosta Avenue, Santa Fe Avenue, Colorado Avenue and Glendora Avenue. The subject is accessible via curb cuts along Alosta Avenue, Santa Fe Avenue, Glendora and Colorado Avenue. The subject site is comprised of two parcels (8640-005-050 and 8640-005-051). The hospital is constructed on parcel 8640-005-050 and parcel 8640-005-051 is utilized as parking. The subject site contains an area of 268,351 square feet, and is irregular in shape. A plat map is available in the Addendum.

TOPOGRAPHY AND DRAINAGE

The site is slightly sloping north to south and at street grade. The entire site is useable. Although the site was observed in a dry condition, drainage appears adequate.

SOILS HAZARDS

We were not given any information regarding the condition of the sub-soils. No unusual soil conditions were reported to exist by management. No negative impact on property values due to soil conditions is assumed to exist.

FLOOD ZONE / FAULT HAZARDS

The subject is identified as being in zone C, an area of minimum flooding, according to map 065031, dated August 19, 1975. According to the City of Glendora, the subject site is not located within an earthquake risk area.

UTILITIES

All typical urban services exist and are available to the subject site, including sewer, water, gas, electricity, sanitation, fire and police protection. Utilities are provided from the following suppliers:

Electricity	—	Southern California Edison
Gas	—	Southern California Gas Company
Water	—	City of Glendora
Sewer	—	Los Angeles County
Telephone	—	Verizon

ZONING

The subject site is zoned MS (Medical Services), CM (Commercial-Manufacturing) and R-1 (Residential) by the City of Glendora, California. Approximately 197,800 square feet is zoned MS, approximately 52,000 square feet is zoned CM and approximately 18,750 square feet is zoned R-1. The MS zone is intended to provide for the development of hospitals, health care and other medical related facilities. The CM zone is intended to provide for the development of commercial areas for retail and service establishments, professional offices, and related enterprises. The R-1 zone is intended to provide for single-family residences, accessory buildings and city facilities. The subject is using the R-1 zoned parcel for ancillary parking. The permitted uses under MS zoning include medical offices, laboratories, pharmacies, limited to the sales of drugs and supplies only, associated with a hospital, medical office or care facility.

The subject is a legal conforming use that will be allowed to continue or be rebuilt if destroyed, with a conditional use permit and with accordance with current development standards, according to the City of Glendora.

The general development restrictions for the subject are as follows.

Zone	Setbacks	Maximum Building Height	Maximum Density Ratio	Parking Requirements
MS	25 ft. - front yard 20 ft. – side yard 25 ft. – rear yard	35 feet or two stories	one bed per 800 feet of building area	one space per bed
CM	20 ft. – front yard 20 ft. – side yard 10 ft. – rear yard	35 feet or two stories	none	one space per bed
R-1	20 ft. – front yard 20 ft. – side yard 10 ft. – rear yard	25 feet or two stories		

EASEMENTS/ENCROACHMENTS/RESTRICTIONS

We did not review a property profile on the subject property. It is assumed typical easements exist and provide for availability of utilities such as water, gas and electricity. The easements are deemed to be of the type normally found on a developed parcel and therefore do not adversely affect the marketability of the subject site.

ASSESSMENT AND TAXES

The subject property is assessed by the Los Angeles County Assessor for the 2000/2001 tax year, and is identified as Assessor's Parcel Numbers 8640-005-050 and 8640-005-051. The subject's real estate tax rate is 1.046452% of assessed value. In addition to the base taxes, there are direct assessments. The subject is owned by a non-profit organization and is exempt from paying the base tax amount. The subject's only real estate tax liability is direct assessments. Upon transfer to a for-profit, the subject will be liable for all taxes. The assessment and taxes applicable to the subject are shown below.

APN	Land Value	Improvement Value	Direct Assessments	Total Assessed Value	Taxes
8640-005-050	$275,396	$26,223	$729.99	$301,619	$729.99
8640-005-051	$3,472,586	$3,804,821	$9,792.47	$7,277,407	$9,792.47
Total	$3,747,982	$3,831,044	$10,522.46	$7,579,026	$10,522.46

Taxes are reassessed when there is a change in ownership or new construction. In California, real estate assessments are established at the time of transfer or new construction and are thereafter limited to a 2% annual increase. Therefore, the use of comparable tax data is not appropriate.

IMPROVEMENTS DESCRIPTION

BUILDING

Building plans for the subject were available for review. The following is based on a personal inspection on January 8, 2001 and discussions with the facility engineer. It is assumed that all information provided by Management is correct. The subject site is improved with an acute-care hospital.

A detailed description of the subject hospital facility is summarized below.

GENERAL INFORMATION	
Name of building	Huntington East Valley Hospital
Occupancy	general acute-care hospital
Number of Beds	128
Quality of Construction	average
General Condition	average
Number of Stories	one, plus partial basement and penthouse
Size	87,550 square feet which includes a 24,000 square foot partial basement and 1,055 square foot office penthouse
Date of Construction	1958 with additions in 1966, 1969 and 1986
GENERAL CONSTRUCTION	
Site Preparation	Excavation and grading
Foundation	Reinforced concrete
Frame	wood and poured concrete
Exterior Walls	built up painted stucco on wire mesh and poured reinforced concrete

Floors	basement levels are reinforced concrete slab on a compacted base
Roof	flat
FINISH CONSTRUCTION	
Roof Cover	0.045 mil E.P.D.M. Centrimark fully adhered roofing system with rubber flashings
Partitioning and Built-In Items	drywall over mainly wood studs divides the facility into three surgical suites, four nursing stations, administrative and medical staff offices, cafeteria, intensive care, geropsych department, laboratory, patient rooms, nurses' stations, post partum/womens health department and physical therapy department poured concrete divides the mechanical rooms, engineering department, receiving, utility/storage rooms and diagnostic imaging/X-ray
Ceilings	mainly drywall along corridors, with the remaining being acoustic panels
Floor Coverings	primarily vinyl tile along corridors with commercial carpeting in administrative offices and ceramic tile in kitchen
MECHANICAL EQUIPMENT	
Plumbing	typical hospital plumbing system, consisting of toilets, sinks, urinals, waste soil, one tub in ER, eight shower rooms, medical gas and two public restrooms, patient rooms include a toilet and sink
Heating, Ventilating and Air Conditioning	forty-one roof-mounted package units, one (Rite) 30 hp boiler and two (one Bryant and one Parker) 35 hp boilers, two 60-ton cooling towers, one 20-ton chiller, one 25-ton chiller, one 75-ton chiller, one 1,500-gallon liquid oxygen tank
Electrical	1,200-amp, 480-volt, 3-phase, 4-wire main panel; one 115 KW (Onan) and one 100 KW (Caterpillar) emergency generator with a 550-gallon subterranean diesel tank
OTHER FEATURES	100% wet sprinkler coverage; fire alarms, smoke detectors, emergency call system, infant abduction alarm system, one elevator, one commercial washer and one large-capacity dryer

LAYOUT

The subject consists of the following type and number of beds:

Type of Room	Number of Beds
Perinatal	30
Coronary	5
Intensive Care	5
General Acute/Med Surg	67
Acute Psychiatric	21
Total	128

SENATE BILL 1953

California Senate Bill 1953 imposes stringent new earthquake standards for all general acute-care hospitals in California. According to an article in Modern Healthcare,[11] the requirements could cost the state's hospitals in excess of $24 billion. The main deadlines for compliance are summarized as follows.

SENATE BILL 1953 DEADLINES	
January 1, 2001	Submit a seismic evaluation report, including compliance and cost plans, to the Office of Statewide Health Planning and Development (OSHPD)
January 1, 2002	Comply with standards for communication systems, emergency power supply bulk medical gas systems and fire alarms
January 1, 2008	Complete upgrades designed to prevent a structural collapse
January 1, 2030	Comply with standard to ensure continued operation after a quake

In September 2000, Governor Gray Davis signed three bills (SB 1801, SB 2006 and AB 2194) to extend, in most cases by five years, the 2008 deadline hospitals to discontinue acute-care services in buildings considered unsafe. The three bills Davis signed:

- Extend preliminary compliance with most seismic upgrades to 2013 from 2008. In exchange, by 2013 hospital will have to have a least one basic service housed in a structure that is up to the final seismic regulations, which go into effect 2030.

[11] *Modern Healthcare* – "California Hospital on Shaky Ground," by Ron Shinkman and Mary Chris Jaklevic, July 10, 2000.

- Allow hospitals in zones less prone to major earthquakes the opportunity to push back preliminary compliance with the laws to 2030 from 2008.
- Grant the two state agencies that monitor hospitals (OSHPD and Department of Health Services) the power to license temporary structures to house patients while upgrades take place.

Management has indicated that the probable construction costs for structural, non-structural, and ADA upgrade work required before 2002 (upgrade to NPC 2) to permit acute-care operations beyond 2002 is $170,400. In addition, Management has indicated that the probable construction costs for structural, non-structural, and ADA upgrade work required before 2008 (upgrade to SPC 2 and SPC 3) to permit acute-care operations beyond 2008 is $4,800,000. The total construction costs to permit acute-care operations until 2030 is $4,970,400.

SITE IMPROVEMENTS

The subject site is improved with asphalt paving, concrete walks, parking lot, courtyard areas, signage and mature landscaping with an automatic irrigation system. The parking area can accommodate approximately 181 cars. In addition, there is a large loading area in connection with the south side of the hospital. The subject is required to have a total of 64 parking spaces (one space per one bed). The subject is a legal conforming use that will be allowed to continue or be rebuilt, if destroyed.

DEPRECIATION

PHYSICAL

The subject's improvements were constructed in 1958 with additions in 1966, 1969 and 1986, with additions completed in 1966 and 1969. The ICU was built in 1986. The roof was replaced at an estimated cost of $298,120. Plant operations coordinator indicated that the old 550-gallon subterranean diesel fuel tank for the emergency generator will be replaced; however, no estimate has been established. The facility and grounds were in average condition at the time of our inspection with no significant deferred maintenance. The mechanical components appeared and were reported to be in adequate working order. The interior is maintained and in average repair. No significant roof leakage was reported, and no leakage or water stains were apparent at inspection. The quality of construction is average.

FUNCTIONAL

The overall utility of the design of the subject improvements is typical and adequate for their current use as a hospital. No functional obsolescence was noted.

ECONOMIC/EXTERNAL

No adjacent land uses appear detrimental to the use of the subject. Demographics indicate stability for future demand. No alternative use is suggested that would generate a higher net return to the land.

EQUIPMENT

Equipment includes the normal complement of items (nursing, patient care, office, laundry, kitchen, dining, activities and therapy) necessary to serve an acute-care hospital. A detailed inventory of the equipment is beyond the scope of this assignment. The equipment appeared to be of adequate quantity and quality to adequately service patient needs and is in average condition.

SUMMARY

The subject improvements comprise an acute-care hospital facility. The improvements are of average quality and in average condition and exhibit no significant signs of deferred maintenance. No significant functional or economic obsolescence was noted and the subject is well suited to provide acute-care services.

HIGHEST AND BEST USE

Highest and best use may be defined as:

> "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."[12]

[12] *The Appraisal of Real Estate*, page 297.

For existing properties, two analyses of highest and best use are required. The first is the highest and best use "as vacant," which assumes that the actual improvements do not exist. The outcome of the highest and best use "as vacant" determines how the land value will be determined. The second highest and best use analysis is "as improved," which considers the actual improvements.

The highest and best use of the land "as vacant" may be different from the highest and best use of the improved property. This may be true when the improvement is not the maximally productive use yet still makes a contribution to the total property in excess of land value.

The highest and best use of both the land as though vacant and the property as improved must meet four criteria. The highest and best use must be legally permissible, physically possible, financially feasible and maximally productive.

Legally Permissible – uses that are allowed by private restrictions, zoning, building codes, historic districts, environmental regulations and possible long term leases.

Physically Possible - considers the size, shape, area, terrain, accessibility of a parcel and the risk of natural disasters such as floods or earthquakes.

Financially Feasible - which uses are likely to satisfy operating expenses, financial obligation, and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

Maximally Productive - of the financially feasible uses, the use that produces the highest residual land value consistent with the rate of return warranted by the market for that use is the highest and best use.

HIGHEST AND BEST USE AS THOUGH VACANT

Highest and best use as though vacant assumes that the subject site is vacant and available for development.

LEGALLY PERMISSIBLE

The subject site is zoned MS (Medical Services), CM (Commercial-Manufacturing) and R-1 (Residential), by the City of Glendora. Approximately 197,800 square feet is zoned MS, approximately 52,000 square feet is zoned CM and approximately 18,750 square feet is zoned R-1. The MS zone is intended to provide for the development of hospitals, health care and other medical related facilities. The CM zone is intended to provide for the development of commercial areas for retail and service establishments, professional offices, and related enterprises. The R-1 zone is intended to provide for single-family residences, accessory buildings and city facilities. The subject is using the R-1 zoned parcel for ancillary parking. The permitted uses under MS zoning include medical offices, laboratories, pharmacies, limited to the sales of drugs and supplies only, associated with a hospital, medical office or care facility.

The subject is a legal conforming use that will be allowed to continue or be rebuilt if destroyed, with a conditional use permit and with accordance with current development standards, according to the City of Glendora.

Only typical utility easements exist on the subject site, which do not limit its potential development.

PHYSICALLY POSSIBLE

The size, shape, available utilities, terrain, accessibility and risk of natural disasters all affect potential development of the subject site. The subject site is irregular in shape, slightly sloping north to south and at street grade. It contains 268,351 square feet and is a double-corner lot.

The subject site provides good functional utility for several potential developments. The site soils appear adequate to support a variety of development types. All public utilities are available and of adequate capacity to support a wide variety of development. The subject's most limiting physical characteristic is its size. The subject could support most of the legally permitted uses.

Based upon the legal constraints, as set forth by the zoning district and the surrounding uses in the subject's immediate area in conjunction with the site's physical characteristics, the most probable use is some type of medical related use.

FINANCIALLY FEASIBLE

The next step in the analysis is to consider the financial feasibility of those uses which are legally permitted and physically possible. Any use of the subject site, which provides an acceptable financial return to the land is financially feasible. The primary test is whether the particular use results in a market value that is high enough to cover all development costs, or whether the income generated by the property is sufficient to satisfy all operating expenses. Based upon the development activity of sites in the area, a hospital and medical related uses are financially feasible.

MAXIMALLY PRODUCTIVE

The use that produces the highest residual land value is the highest and best use. Therefore, the maximally productive use of the subject, assuming it is vacant and available for development, is as a site for a medical center.

HIGHEST AND BEST USE AS IMPROVED

This analysis considers the property with the existing improvements in place. The highest and best use of the property as improved is analyzed for the following two reasons.

1. To identify the property use that can be expected to produce the highest overall return for each dollar of capital invested.
2. The principle of consistent use applies the collection and selection of data. All the comparable data used later in this report were partially selected due to their similar highest and best use.

The same four tests that are applied to arrive at the highest and best use as though vacant are also applied to determine the highest and best use as improved.

LEGALLY PERMISSIBLE

The subject site is presently improved with a wood and poured concrete frame, one-story, acute-care hospital containing 87,550 square feet licensed for a total of 128 beds. The improvements are legally conforming to current zoning regulations and may be rebuilt, with a conditional use permit and in accordance with current zoning requirements if destroyed. Considering the density and configuration of the existing improvements, any addition to the property is not warranted.

PHYSICALLY POSSIBLE

The current improvements consist of an 87,550-square-foot hospital facility, which adequately serves its intended function, and therefore, pass the physically possible test. Considering the density and configuration of the existing improvements, any addition to the property is not warranted. As indicated in the description of improvements deferred maintenance was not noted. In order to continue operations past January 1, 2002 and January 1, 2008, earthquake upgrades will be necessary. The cost of work to comply with SB 1953 is estimated by Management at $170,400 by January 1, 2002 and $4,800,000 by January 1, 2008.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

Three basic questions addressed in the financially feasible analysis are as follows.

- Do the improvements contribute to the land value?
- Should the improvements be modified?
- Should the improvements be left alone?

The method used to determine if the existing improvements are contributing to the overall property is to compare the estimated total market value derived in this report to the value of the site less the cost of demolition. If the latter is higher, this indicates that the existing improvements should be replaced. If it is similar to the total value, then the existing improvements are an interim use. But, if the value of the site less demolition is much lower than the overall value, the existing improvements reflect a financially feasible use.

Based on the conclusions within this report, the value of the subject property after the cost of SB 1953 earthquake upgrades is higher than the value of the subject site. Therefore, existing improvements add considerable value to the site and are a financially feasible use.

No other use is feasible considering the cost of conversion and the subject's surrounding uses. The financially feasible and maximally productive use of the subject is for continuation of its current use and the completion of SB 1953 upgrades.

VALUATION METHODOLOGY

An appraisal is an orderly process in which the data used to estimate the value of the subject property is acquired, classified, analyzed and presented. Appraisal methodology applied to any specific property or property types must emulate the rationale of market participants. The first step is defining the appraisal problem, i.e., the identification of the real estate, the effective date of value, the property rights being appraised and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property.

There are three recognized approaches in the valuation of real property: the cost, sales comparison and income capitalization approaches. The type and age of the property and the quality and quantities of available data affect the applicability of each approach in a specific appraisal situation.

The basic tenet of all three appraisal approaches is the principle of substitution. This principle is defined as follows:

> "When several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution."[13]

[13] *The Appraisal of Real Estate*, page 43.

This principle assumes rational, prudent market behavior, with no undue cost due to delay. According to the principle of substitution, a buyer will not pay more for a property than another that is equally desirable. It affirms that a prudent purchaser has three alternative courses of action available: to buy a vacant site and build a similar property (Cost Approach), to acquire an equally desirable existing property offering comparable utility (Sale Comparison Approach) or to acquire a substitute income stream of comparable quality, quantity and durability (Income Capitalization Approach).

> In the **Cost Approach**, the current cost of constructing the subject improvements is estimated, less all forms of depreciation plus the market value of the underlying land. The result is the indicated property value via the Cost Approach.
>
> The **Sales Comparison Approach** involves a search for recent sales and current listings of comparable properties and an analysis of the selected data as they relate to the subject. The two indicators of value employed in this approach are the price per bed and the earnings before interest, taxes, depreciation and amortization multipliers (EBITDA). In valuing hospitals, the most common unit of comparison is the EBITDA. The first method is based on selecting an EBITDA multiplier, which is derived from the market data, and multiplying it by the subject's estimated EBITDA. The second method, price per bed, is used as a check of reasonableness. Based upon these two techniques, an estimate of value via the Sales Comparison Approach is determined.
>
> The **Income Capitalization Approach** involves an estimate of a property's capacity to produce income. This method involves estimating market rent for the subject property, typical vacancy and credit loss rates and expenses. From this, an estimate of the net operating income can be generated. There are two primary methods to value the income stream of a property, one is the Direct Capitalization Method which capitalizes the net operating income by a single rate derived from the market. The second method is a Discounted Cash Flow Analysis which projects the income and expense streams for a specified holding period. The ultimate reversion from the sale of the property at the end of the holding period is also considered. Since the property is not at a stabilized operating level, the Discounted Cash Flow Analysis will be employed.

The final step in the valuation process is the reconciliation of the three value indications into a single conclusion of value for the subject. The reliability and precision of each approach are considered along with possible inconsistencies with the other approaches. Thus, certain approaches may be emphasized because of more reliable data and analyses, or because of a greater degree of relevance to the behavior of the marketplace.

The subject will be valued utilizing all three approaches to value. The Cost Approach will be presented first followed by the Sales Comparison Approach and the Income Capitalization Approach. The valuation will conclude with a reconciliation of the three approaches and a final estimate of value.

Value estimates determined by the Cost, Sales Comparison and Income Capitalization approaches are rounded to the nearest $10,000.

COST APPROACH

The Cost Approach is divided into three segments: the land value estimate, the estimated cost new of the improvements, and the depreciation estimate. The Cost Approach is also known as the summation approach because at the end of the approach the three segments are brought together to derive an indication of value. Each one of these three processes is further described later in this section.

LAND VALUATION

Anticipation, change, supply, and demand, substitution and balance are appraisal principles that influence land value. The subject is valued in accordance with its highest and best use and assumed to be vacant. The procedures used to value vacant land are as follows.

Sales Comparison - sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised.

Allocation - allocates total value, including improvements, to land and building. The principles of balance and related concept of contribution affirms that there is a typical ratio of land value to property value for specific categories of real estate in specific locations. This method is typically used when adequate land sales do not exist.

Extraction - land value is extracted from the sale price of an improved property by deducting the value contribution of the improvements, estimated at their depreciated costs.

Income Capitalization – converts, via a capitalization or discount rate, a cash flow attributable to the land into value.

The Sales Comparison procedure is the most common technique for valuing land and it is the preferred method when comparable sales are available. Based upon the quantity and quality of the available data herein, the Sales Comparison procedure is used to estimate land value.

SURVEY OF COMPARABLE LAND DATA

In order to estimate the value of the subject site, an extensive survey was conducted for comparable sales, sales negotiations and offerings of vacant or minimally improved sites within the surrounding area. Commercially zoned land in the subject area is purchased, sold and valued on a price per square foot basis. The unit of comparison used in this analysis is the price per square foot. The data most pertinent in formulating an opinion of value are presented below. A sheet summarizing the sales along with a map is located in the Addendum.

Huntington East Valley Hosptial
Summary of Comparable Land Data

	Land Sale 1	Land Sale 2	Land Sale 3
Location	456 E. Foothill Bl.	100 W. Foothill Bl.	NEC Irwindale/Cam. Cantera
City	San Dimas	San Dimas	Irwindale
Date	4/6/00	9/20/99	3/5/99
Zoning	CH	AP	M2S
Size	53,580	67,953	44,640
Price	$532,000	$638,000	$500,000
Price/SF	$9.93	$9.39	$11.20

The above comparables indicate an unadjusted price range of $9.39 to $11.20 per square foot.

Adjustments were made for factors such as property rights conveyed, financing terms, conditions of sale, market conditions (time), location, access and visibility, and physical characteristics, such as topography, shape and size and zoning.

EXPLANATION OF ADJUSTMENTS

Property Rights: All of the comparables reflect fee simple estates. Therefore, no adjustments are required.

Financing: Our verification process indicates that the prices of the transactions used in this analysis are considered to be cash-equivalent prices. No adjustments are warranted for this factor.

Conditions of Sale: This adjustment takes into account any unusual conditions or circumstances that may affect the sales or listing price. Utilities and off-site improvements were available to all of the comparables. All the comparable sales sold vacant and ready for development. Information gathered through the search and verification process indicates that all buyers and sellers were typically motivated with no undue influences. No adjustments are required to these sales.

Market Conditions: The next adjustment was made to account for the influence of change in market conditions between the transaction dates and the date of valuation. The land comparables have transacted within the last 22 months. During this time, there has been no significant pressure on land prices. Therefore, adjustments are not applied for market conditions.

Location: The location adjustment is the next category considered. Factors such as the quality of the surrounding improvements, proximity to arterials and business centers, and convenience to residential neighborhoods are all influences that affect the location, and hence, the value of a site. The subject is located in the western part of the city of Glendora. The neighborhood is approximately 95% built out and has new construction in progress. The Glendora Center, adjacent north across Alosta Avenue, is currently being remodeled. The subject is located in the western part of the city. Most properties in the area are in average condition. Alosta Avenue, a four-lane, with median, thoroughfare that experiences moderate to heavy traffic, is primarily developed with commercial and retail buildings. East of the subject is Glendora Avenue, which is primarily single-family residential built between 1950 and 1960. South of the subject is Colorado Avenue, which is primarily single-family residential built between 1950 and 1980. West of the subject is Santa Fe Avenue, which is primarily single-family residential built in the 1960s. Further southeast is South Hills Park and further west is Citrus College, a two-year college. The neighborhood is currently in a stable stage of its life cycle.

Comparable Land Sale 1 is located three and one-half miles east of the subject. The site is currently vacant. The intended use is to build a two-story office building. The primary neighborhood land uses south of the site are single-family residences in average condition built in the 1970s. The primary land uses along Foothill Boulevard are commercial with some townhomes northeast of the site. Foothill

Boulevard is a moderately traveled thoroughfare. The overall access, visibility, quality and condition of the surroundings are inferior. An upward adjustment is warranted.

Comparable Land Sale 2 is located three miles east of the subject. This site has been improved with a church. The primary neighborhood land uses are single-family residential in average to good condition built between 1970 to the present. East of the site is a plant nursery and to the west is a three-story office building. Foothill Boulevard is a moderately traveled thoroughfare. The overall access, visibility, quality and condition of the surroundings are inferior. An upward adjustment is warranted.

Comparable Land Sale 3 is located four miles west of the subject. This site has been improved with a "Farmer Boys" fast food restaurant. The primary neighborhood land uses are commercial light industrial and office. These improvements are in average to good condition. The site is approximately two hundred feet north of Interstate 210 (Foothill Freeway). Irwindale Avenue is a major thoroughfare that experiences moderate to heavy traffic. The overall access, visibility, quality and condition of the surroundings are superior. A downward adjustment is warranted.

Zoning: The subject property is zoned MS, CM and R-1. Approximately 197,800 square feet is zoned MS, approximately 52,000 square feet is zoned CM and approximately 18,750 square feet is zoned R-1. The MS zone is intended to provide for the development of hospitals, health care and other medical related facilities. The CM zone is intended to provide for the development of commercial areas for retail and service establishments, professional offices, and related enterprises. The R-1 zone is intended to provide for single-family residences, accessory buildings and city facilities. The subject is using the R-1 zoned parcel for ancillary parking. The permitted uses under MS zoning include medical offices, laboratories, pharmacies, limited to the sales of drugs and supplies only, associated with a hospital, medical office or care facility. Surrounding land uses are primarily commercial with some single-family residential uses.

All of the comparable land sales have similar commercial zoning, which allow for similar uses. Therefore, no adjustments are warranted.

Topography: The subject property's topography is slightly sloping north to south and at street grade, which does not hinder its overall utility. All of the comparable sales have similar topography and do not require adjustment.

Shape: The shape of a land parcel is a primary factor in determining the utility of the site. It limits, as well as strongly influences the type of configuration of the improvements developed on the land. The subject site is irregular in shape. The shape is adequate for most types of development. Comparable sales 1 and 3 are rectangular in shape; therefore a downward adjustment is warranted. Comparable Sale 2 is irregular in shape and does not require adjustment.

Corner/Interior: The adjustment takes into consideration the positive effect upon the value of a corner site versus an interior location. The subject site is a double-corner site that has frontage on Alosta Avenue, Santa Fe Avenue, Glendora Avenue and Colorado Avenue. Alosta is a main thoroughfare that experiences moderate to heavy traffic. Comparable sales 1 and 3 are interior lots and warrant upward adjustments.

Size: The subject property contains an area of 268,351 square feet of land. The land comparables range in size from 44,640 square feet to 67,953 square feet. Typically, a larger property will sell for a lower price per square foot compared to an otherwise similar but smaller property due to economies of scale and other factors. All the comparable land sales are smaller and warrant downward adjustments.

The Comparable Land Sales Adjustment Grid is presented on the following page:

Huntington East Valley Hosptial
Comparable Land Data Adjustment Grid

	Subject 150 West Alosta Avenue Glendora		Land Sale 1 456 E. Foothill Bl. San Dimas	Land Sale 2 100 W. Foothill Bl. San Dimas	Land Sale 3 NEC Irwindale/Cam. Cantera Irwindale
Parcel Data					
Assessor's ID	8640-005-050 and 051		8861-018-034, -035	8661-013-036, -037, -040	8616-022-027
Zoning	MS, CM and R-1		CH	AP	M2S
Topography	Level		Slightly Sloping	Level	Level
Shape	Irregular		Rectangular	Irregular	Rectangular
Corner/Interior	Interior		Interior	Corner	Interior
Size (SF)	270,453		53,580	67,953	44,640
Sales Data					
Recording	N/A		0513964	1779461	0365877
Date	N/A		4/6/00	9/20/99	3/5/99
Interest	Fee Simple		Fee simple	Fee simple	Fee simple
Price	N/A		$532,000	$638,000	$500,000
Price Per SF	N/A		$9.93	$9.39	$11.20
Adjustments					
Property Rights			0	0	0
			532,000	638,000	500,000
Financing			0	0	0
			532,000	638,000	500,000
Conditions of Sale			0	0	0
			532,000	638,000	500,000
Market Conditions			0	0	0
Adjusted Sale Price			532,000	638,000	500,000
Adjusted Price Per SF			$9.93	$9.39	$11.20
Adjustments					
Location			5.0%	5.0%	-10.0%
Zoning			0.0%	0.0%	0.0%
Topography			0.0%	0.0%	0.0%
Shape			-5.0%	0.0%	-5.0%
Corner/Interior			5.0%	0.0%	5.0%
Size			-5.0%	-5.0%	-5.0%
Overall Adjustment			0.0%	0.0%	-15.0%
Adjusted Price Per SF			$9.93	$9.39	$9.52
Low	$9.39				
High	$9.93				
Median	$9.52				
Mean	$9.61				
Conclusion	$9.50	X	268,351	=	$2,549,335
Rounded					$2,550,000

CONCLUSION OF LAND VALUE

After adjustments, the above comparables indicate a range in value of $9.39 to $9.93 per square foot, with a mean and median of $9.61 per square foot and $9.52 per square foot, respectively. Comparable sales 1 and 2 are most similar to the subject due to location, surrounding land uses and requiring the least amount of overall adjustments (0%) and are given primary emphasis. Comparable Sale 3 required an overall adjustment of 15% due to location, access and frontage along a major thoroughfare and the close proximity to Interstate 210 (Foothill Freeway). This land sale was given secondary emphasis.

Based on our analysis, it is our opinion that the indicated value of the subject site is $9.50 per square foot. Land value is therefore estimated as follows:

$9.50 PSF	x	268,351 SF	=	$2,549,335
Rounded				$2,550,000

BUILDING AND SITE IMPROVEMENTS VALUATION

The building and land improvements have been valued on the basis of replacement cost new less accrued depreciation. The cost new was estimated via the calculator cost method with cost factors obtained from *Marshall Valuation Service*, a nationally recognized cost manual. The unit cost is based on gross building area. *Marshall Valuation Service* includes all direct costs and the following indirect costs:

- Plans, specifications and building permits
- The cost of interim money during normal periods of construction, not discount points or permanent financing charges.
- Sales tax on materials.
- Contractor's overhead and profit, includes workman's compensation, fire and liability insurance and unemployment insurance.

DIRECT COSTS

Direct costs include only the hard costs associated with the construction of the building. We have utilized the Calculator Cost Method from *Marshall Valuation Service*. This method provides the average base cost for typical buildings classified by construction class and quality of construction. The subject building is a wood and poured concrete frame one-story, with partial basement and penthouse, acute-care hospital containing 87,550 square feet. The subject is of average quality construction. The base cost per square foot of gross building area is as follows.

Category	General Hospitals
Section/Page	15/24
Quality	average
Base Cost	$106.55

Adjustments to the base cost include fire sprinklers, elevators, height, perimeter, time and location.

Site improvements include all improvements excluding the building. These typically include parking lots, signage, fencing, lighting, landscaping and walkways. In calculating these costs, we used the cost-per-square-foot method from *Marshall Valuation Service* and added any extra improvement costs not covered by this method. Site improvements are estimated at $2.00 per square foot of the site area less the building footprint, or $2.00 x (268,351 square feet – 62,495 square-foot building footprint), equating to $410,000, rounded.

INDIRECT COSTS

The indirect costs include such items as financing points, the property taxes on land during construction and entrepreneurial profit.

Financing: Financing points are estimated at 2.0%, based on a 75% loan-to-value ratio of the direct costs of the building and site improvement plus land value and equipment.

Property Taxes: Taxes are calculated based on the market value of the land during construction, assumed to take twelve months. This time frame is based on estimations received from contractors who specialize in the construction of convalescent hospitals.

Entrepreneurial Profit: This profit is a necessary element in the enticement for undertaking the cost and risks associated with developing a property such as the subject. The amount of entrepreneurial profit varies according to economic conditions and types of development, exhibiting a fairly wide range. An entrepreneurial profit of 10.0% of direct and indirect costs is utilized in this analysis.

DEPRECIATION

Depreciation of a structure is its loss in value due to physical deterioration, and obsolescence. These terms are defined as follows:

Physical Deterioration: The loss in value due to ordinary wear and tear, i.e. age and natural forces taking their toll on the improvements. This begins at the time the building is completed and continues throughout its physical life.

Functional Obsolescence: An element of accrued depreciation resulting from deficiencies or super adequacies in the structure.

External Obsolescence: An element of accrued depreciation; a defect, usually incurable, caused by negative influences outside a site and general incurable on the part of the owner, landlord or tenant.

In estimating the overall economic life of the improvements, data on economic lives taken from *Marshall Valuation Service* was considered. The assignment of an economic life assumes that, except for the building shell and foundation, shorter-lived building components will be replaced periodically over the life of the building.

The amount of depreciation and obsolescence in the subject building is judged to be typical for a facility of its age. Inspection of the property indicated that the structure and related component parts have been adequately maintained through a continuous maintenance service program.

The subject property was built in 1958 with additions in 1966, 1969 and 1986. The subject physical plant is in average condition. The actual age of the building is 15 to 43 years and the effective age of is estimated at 25 years. Based on tables in *Marshall Valuation Service*, the building is estimated to have an economic life of 45 years. Economic life is the period over which the improvements to the real estate contribute to the value of the property.

The amount of depreciation attributable to the property has been estimated on a straight-line age/life basis. Straight-line depreciation is founded on the assumption that depreciation of a property occurs at the same rate throughout its economic life. The straight-line depreciation percentage is estimated at 55.6% (25 years / 45 years).

The elements that make up site improvements typically have shorter economic lives than the life of the building. We have estimated the aggregate economic lives of these items to be 20 years, with an effective age of 10 years. The straight-line depreciation percentage is estimated at 50.0% (10 years / 20 years).

No functional or external obsolescence was noted.

EQUIPMENT VALUATION

Depreciated equipment values for hospitals range from $10,000 to $50,000 per bed. The low end of this range represents equipment that is either spare in quantity, low in quality or highly depreciated. The upper end of the range maybe would be expected at a newer facility, a facility with a higher percentage of outpatient equipment, or a hospital with very advanced equipment. A detailed inventory and valuation of the equipment is beyond the scope of this assignment. According to Management, the value of the equipment, net depreciation for the year-end December 31, 2000, was $1,287,074. This equates to $10,055 per bed. For the purposes of this report, the net depreciated value has been utilized.

Net Book Value	=	$1,287,074
Rounded		$1,290,000

The Cost Approach is summarized on the following page:

Huntington East Valley Hosptial Summary of Cost Approach - As Is Value		
Base Cost	$106.55	
$/SF Adjustments		
Sprinklers	$1.50	
Elevators	$0.00	
	$108.05	
Multipliers		
Stories	1.00	
Perimeter	1.00	
Time	1.04	
Location	1.13	
Adjusted Base Cost	$126.98	
Gross Building Area	87,550	
Direct Cost - Building		11,117,131
Direct Cost - Site Improvements		410,000
Total Direct Costs		$11,527,131
Indirect Costs		
Financing Points	224,357	
Taxes During Construction	31,875	
Entrepreneurial Profit	1,140,000	
Total Indirect Costs		1,396,232
Replacement Cost New		12,513,362
Depreciation		
SB 1953 Upgrades	4,970,400	
Physical - Buildings	4,041,485	
Physical - Site Improvements	134,145	
Functional Obsolescence	-	
External Obsolescence	-	
Total Depreciation		9,146,030
Depreciated Replacement Cost		3,367,333
Land Value		2,550,000
Equipment		1,290,000
Indicated Value - Cost Approach		7,207,333
Rounded		7,200,000

COST APPROACH SUMMARY

Based on the aforementioned data and analysis, the market value via the Cost Approach of the assets comprising the subject property, is represented in the following rounded amount:

Land	$2,550,000
Improvements	3,370,000
Equipment	1,290,000
Total Via Cost Approach	$7,200,000

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating value by comparing prices paid for similar properties. Property prices are a direct function of the balance between supply and demand for real estate. This approach, like the Cost Approach, is based upon the principle of substitution. The principle of substitution implies that a prudent investor will not pay more for a property than it would cost to buy a substitute property with similar utility and desirability. The reliability of this approach is dependent upon the availability of recent sales or listings of competitive properties in the market and the degree of comparability of each sale with the appraised property.

The primary unit of comparison used in this approach is a multiple of EBITDA or EBDIT. EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBDIT is the same, minus amortization. The purchase of hospitals traditionally has been based on a per-bed multiple, but buyers and sellers today indicate EBITDA and EBDIT numbers are a more accurate indicator of how much a hospital is worth. This is especially true since approximately 30% of the average hospital's revenues were generated from outpatient services in 1995, according to HCIA, a Baltimore-based healthcare research firm. A multiplier in the range of four to eight times EBITDA is considered reasonable by most of the investor-owned chains.

We have carefully investigated the public markets within the health-care industry to identify publicly traded companies, which operate acute-care hospitals. Four companies were identified which are

judged to have a reasonable degree of comparability with the subject. Although the selected comparable companies differ in important respects from the subject, they are generally influenced by similar business, economic and regulatory conditions and are considered to offer alternative investment opportunities. The financial data for these companies is summarized on the following pages.

Market Comparative Companies
Income Statement Data
($ Millions)

	Quorum Health Group, Inc.	Tenet Healthcare Corp.	Universal Health Services, Inc.	HCA Healthcare Company
Years Ended	**Jun-00**	**May-00**	**Dec-99**	**Dec-99**
Sales	1,762.8	11,414.0	2,042.4	16,657.0
Cost of Goods Sold	445.5	4,120.0	828.8	5,841.0
Gross Operating Profit	1,317.3	7,294.0	1,213.6	10,816.0
S, G & A Expense	1,058.1	5,359.0	944.0	8,018.0
Operating Profit (EBITDA)	259.2	1,935.0	269.6	2,798.0
Depreciation & Amort.	108.5	533.0	108.3	1,094.0
Operating Profit (EBIT)	**150.7**	**1,402.0**	**161.3**	**1,704.0**
Other Income	18.2	71.0	(5.3)	(130.0)
Special Income/Charges	(8.5)	(355.0)	0.0	181.0
Total Income Available for Interest Expense	160.4	1,118.0	156.0	1,755.0
Interest Expense	67.2	479.0	26.9	471.0
Minority Interest	2.1	21.0	6.3	57.0
Pre-tax Income	**91.1**	**618.0**	**122.8**	**1,227.0**
Income Taxes	35.6	278.0	45.0	570.0
Net Income	**55.5**	**340.0**	**77.8**	**657.0**
Preferred Dividends	0.00	0.01	0.00	0.06
Common Dividends	0.00	0.00	0.00	0.00
Retained Earnings (in Thousands)	425,709.0	1,627,000.0	482,960.0	4,599,000.0

Market Comparative Companies
Balance Sheet Data
($ Millions)

	Quorum Health Group, Inc.	Tenet Healthcare Corp.	Universal Health Services, Inc.	HCA Healthcare Company
Years Ended	**Jun-00**	**May-00**	**Dec-99**	**Dec-99**
Assets				
Current Assets:				
Cash and Equivalents	13.9	135.0	6.2	190.0
Receivables	348.0	2,506.0	307.3	2,051.0
Inventories	41.1	223.0	41.2	383.0
Other Current Assets	48.0	730.0	48.6	973.0
Total Current Assets	451.0	3,594.0	403.3	3,597.0
Property, Plant & Equipment:				
Property, Plant & Equipmet, Gross	1,245.2	8,141.0	1,214.9	14,084.0
Accumulated Depreciation	392.3	2,247.0	437.8	5,594.0
Net Property, Plant & Equipment	852.9	5,894.0	777.1	8,490.0
Other Long Term Assets:				
Long-Term Investments				
Intangibles	222.2	3,329.0	276.0	2,319.0
Other Long-Term Assets	330.2	344.0	41.7	2,479.0
Total Long-Term Assests	1,405.3	9,567.0	1,094.8	13,288.0
Total Assets	**1,856.3**	**13,161.0**	**1,498.1**	**16,885.0**
Liabilities and Equity				
Current Liabilities:				
Short Term Debt	0.8	9.0	3.5	1,160.0
Accounts Payable	97.5	671.0	105.3	657.0
Income Taxes Payable	0.0	0.0	0.0	0.0
Other Current Liabilities	98.9	1,232.0	108.4	1,515.0
Total Current Liabilities	197.2	1,912.0	217.2	3,332.0
Long-Term Liabilities:				
Long-Term Debt	851.0	5,668.0	419.2	5,284.0
Other Long-Term Liabilities	44.9	10,224.0	73.7	1,889.0
Deferred Taxes & Investment Tax Credit	31.0	491.0	30.6	0.0
Minority Interest	64.1	0.0	115.6	763.0
Total Long-Term Liabilities	991.0	16,383.0	639.1	7,936.0
Total Liabilities	**1,188.2**	**18,295.0**	**856.3**	**11,268.0**
Shareholders' Equity:				
Preferred Stock	0.0	0.0	0.0	0.0
Common Stock Equity	668.1	4,066.0	641.6	5,617.0
Retained Earnings	425,709.0	1,627,000.0	482,960.0	4,599,000.0
Total Shareholders' Equity	**668.1**	**4,066.0**	**641.6**	**5,617.0**
Total Liabilities and Equity	**1,856.3**	**22,361.0**	**1,497.9**	**16,885.0**

Market Comparative Companies
Financial Data
($ Millions)

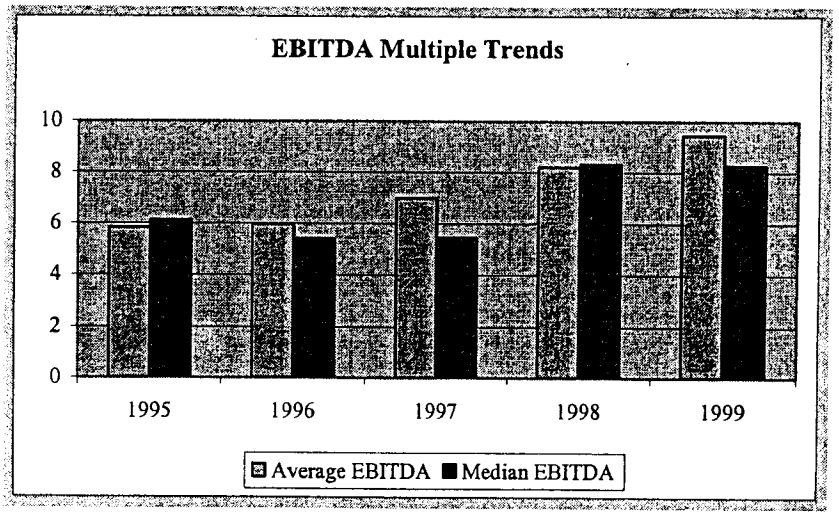
Years Ended	Quorum Health Group, Inc. Jun-00	Tenet Healthcare Corp. May-00	Universal Health Services, Inc. Dec-99	HCA Healthcare Company Dec-99	High	Low	Average	Median
Net Sales	1,317.3	7,294.0	1,213.6	10,816.0	10,816.0	1,213.6	5,160.2	4,305.7
EBITDA	259.2	1,935.0	269.6	2,798.0	2,798.0	259.2	1,315.5	1,102.3
Depreciation and Amortization	108.5	533.0	108.3	1,094.0	1,094.0	108.3	461.0	320.8
EBIT	150.7	1,402.0	161.3	1,704.0	1,704.0	150.7	854.5	781.7
Interest Expense	67.2	479.0	26.9	471.0	479.0	26.9	261.0	269.1
Net Income	55.5	340.0	77.8	657.0	657.0	55.5	282.6	208.9
Preferred Dividends	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Current Assets	451.0	3,594.0	403.3	3,597.0	3,597.0	403.3	2,011.3	2,022.5
Net Fixed Assets	852.9	5,894.0	777.1	8,490.0	8,490.0	777.1	4,003.5	3,373.5
Total Assets	1,856.3	13,161.0	1,498.1	16,885.0	16,885.0	1,498.1	8,350.1	7,508.7
Debt in Current Liabilities	0.8	9.0	3.5	1,160.0	1,160.0	0.8	293.3	6.3
Current Liabilities	197.2	1,912.0	217.2	3,332.0	3,332.0	197.2	1,414.6	1,064.6
Long-Term Debt	851.0	5,668.0	419.2	5,284.0	5,668.0	419.2	3,055.6	3,067.5
Total Liabilities	1,188.2	18,295.0	856.3	11,268.0	18,295.0	856.3	7,901.9	6,228.1
Minority Interest	64.1	0.0	115.6	763.0	763.0	0.0	235.7	89.9
Common Equity	668.1	4066.0	641.6	5617.0	5,617.0	641.6	2,748.2	2,367.1
Shareholders' Equity	668.1	4066.0	641.6	5617.0	5,617.0	641.6	2,748.2	2,367.1
Comm Shares Outst	71.3	313.5	30.7	564.3				
Stock Price - Five Year Avg. & YTD 2000	16.21	27.32	46.33	35.78				
Most Recent Qtrly. Data - As of:								
Growth Rates:								
Sales - Most Recent Year	1,762.8	11,414.0	2,042.4	16,657.0	16,657.0	1,762.8	7,969.1	6,728.2
Sales - 3 Years Average	1,662.6	10,729.7	1,786.5	18,052.3	18,052.3	1,662.6	8,057.8	6,258.1
EPS - From Recent Year	0.72	1.02	2.43	1.11	2.4	0.7	1.3	1.1
EPS - 3 Years Average	0.79	1.03	2.28	0.44	2.3	0.4	1.1	0.9
Market Value of Common Stock	1,155.8	8,563.3	1,422.2	20,191.6	20,191.6	1,155.8	7,833.2	4,992.7
Price per Book Value	1.5	3.0	3.9	4.3	4.3	1.5	3.2	3.4
Price Per Cash Flow	6.3	14.2	14.2	17.8	17.8	6.3	13.1	14.2
Mkt Value of Comm Stock to:								
Earnings before Depr and Taxes (EBITDA)	6.0	5.9	5.9	8.7	8.7	5.9	6.6	6.0
Net Income	20.8	25.2	18.3	30.7	30.7	18.3	23.8	23.0
Cash Flow	7.0	9.8	7.6	11.5	11.5	7.0	9.0	8.7
Book Value of Common Equity	1.7	2.1	2.2	3.6	3.6	1.7	2.4	2.2

The capitalization multiple applied in our analysis is the ratio of the market value of fixed and intangible assets (MVF and IA) to earnings before interest, taxes, depreciation and amortization (EBITDA). These capitalization multiples are then analyzed to determine a representative multiple applicable to Huntington East Valley Hospital. The selected multiple is then applied to the subject's corresponding financial results to produce an indication of fixed and intangible asset value for the hospital.

The capitalization multiples indicated by the selected publicly traded companies ranged from 5.9 to 8.7. These are investor quality healthcare corporations. The appropriate multiple is required to account for a controlling interest position in the subject, the relative lack of marketability of the hospital's assets, the hospital's size relative to the comparable companies, and risks and benefits unique to the subject.

In a May 1994 survey, HCIA estimated EBDIT multiples generally range from three to six times EBITDA for acute-care facilities. Modern Healthcare, October 2, 1995, indicates that hospital chains typically pay between five and seven times EBITDA.

As further support for current EBITDA multiples in the market place, we have reviewed *The Hospital Acquisition Report, Sixth Edition, 2000* published by Irving Levin Associates, Inc. The accompanying table summaries the report's findings.



To calculate the value of the facility, based upon an EBITDA multiple, consideration was given to the overall expense ratio and the subject's occupancy. Based upon an analysis of the subject's revenue located in the Income Capitalization Approach section of this report, the subject hospital's EBITDA is estimated to be $2,900,597. It is our opinion that the subject's value would be reasonably represented by an EBDIT multiple of 5.5. This would indicate an overall value estimate for the subject facility as follows.

$2,900,597	x	5.5	=	$15,953,284
Less BD 1953 Costs				4,970,000
Rounded				$11,000,000

This method of valuation has been cross-referenced by the sales price per bed method. The sales price per bed is calculated by dividing the sales price of the hospital by the number of licensed beds.

In conducting this analysis, we have researched the national marketplace for the purpose of identifying recent sales of hospitals. From the information that was developed, the sales utilized have been selected as being indicative of the level of value for facilities similar to the subject. To the best of our knowledge, all property rights transferred were fee simple and included all equipment. The sales were considered arm's-length transactions and did not include any special or creative financing, except where noted. For the purpose of our analysis, we assume that the transactions contain all assets of the business enterprise, including working capital and intangible assets.

Numerous factors can influence the purchase price and resulting purchase price per bed of hospital facilities. The facilities utilized in our analysis vary in terms of size, physical features, bed licensure, occupancy, payor mix, profitability, geographic location, market niche and conditions and services offered.

Overall occupancy and the commercial insurance and private-pay ratio are two important factors impacting the profitability of a hospital. Generally, the higher a facility's occupancy rate and private pay ratio, the higher its revenues will be. Of utmost importance in the operation of a hospital is the utilization review and management function in which treatments and DRGs are monitored as to maximize both the quality of care and hospital profitability. In a well managed facility in which

expenses are contained at reasonable levels and utilization and DRGs are closely monitored, an increase in revenue may result in an increase in profitability. Since the profitability of a business is a key element in determining its value, facilities with a high occupancy level and private-pay ratio tend to be more valuable. In some situations, specialization in certain treatments and special programs may enhance the value of a hospital. For example, the availability of obstetrical, gynecological, ontological, rehabilitation and other program services may be highly profitable for a hospital. In this regard, facilities with the ability to provide such services within a market area demanding these services may exhibit increased profitability and sell for higher prices per bed.

In the final analysis, future expected profitability is the most important element in determining the market value of a business enterprise. To a large degree, the profitability of a hospital depends upon many of the factors previously discussed, such as building size, age, condition, location, competitive environment, payor mix, occupancy rates, special programs and treatment specializations.

It is important to stress the limitations of the Sales Comparison Approach in valuing a hospital. Although a market analysis can provide a general barometer of how investors in the marketplace price similar facilities, the operations, financial performance, assets and potential of each hospital differ.

As previously discussed, hospitals may transfer at prices substantially above and also below the aforementioned range. In certain situations the price per bed at the low end of the range may relate to under-performing hospitals, hospitals which operate in highly competitive market areas with an over saturation of beds and/or other physical or operational attributes which exert downward pressure on the purchase price per bed. Numerous factors may result in comparatively lower prices per bed; however, given the variation that exists between hospitals, it may be difficult to determine which factors have substantially influenced the purchase price. However, in the case of under-performing hospitals, the market is useful in that it provides an estimate of per bed values associated with under-performing hospitals that may be exhibiting operating losses. In these instances, a Discounted Cash Flow Analysis may not be meaningful in that it often yields a conclusion below that which an investor or the market would place on such a facility. In some cases, the sales reflecting lower prices per bed may relate to hospitals operating at low profitability levels or losses and/or may reflect the price a buyer is paying for the facility with the intention of either a "turnaround" situation or an alternate use

scenario. In some cases, these types of sales may approach a real estate value. However, it is important to note that the market has indicated that under-performing hospitals, including those exhibiting operating losses, have value in the marketplace.

The comparable acute-care hospital sales used in our analysis are included on the following page.

Acute Care Hospital Sales

Date	Name	Location	Beds	Price	$/Bed
Dec-99	Medical Center of Southern Indiana	Charelstown, Indiana	80	$2,000,000	$25,000
Dec-99	Orange County Hospital	Paoli, Indiana	37	$1,800,000	$48,649
Dec-99	Palm Drive Hospital	Sebastopol, California	38	$5,900,000	$155,263
Nov-99	Greater Southeast Community Hospital	Washington, DC	260	$22,300,000	$85,769
Nov-99	Holly Springs Memorial Hospital	Holly Springs, Mississippi	20	$1,000,000	$50,000
Oct-99	Atlantic Medical Center-Ormond	Ormond Beach, Florida	99	$13,900,000	$140,404
Oct-99	Atlantic Medical Center-Daytona	Daytona Beach, Florida	172	$14,000,000	$81,395
Oct-99	Phoenix Regional Medical Center	Phoenix, Arizona	174	$29,500,000	$169,540
Oct-99	Lloyd Noland Hospital	Fairfield, Alabama	294	$21,200,000	$72,109
Oct-99	Olympia Fields Osteopathic Hospital	Olympia Fields, Illinois	163	$40,000,000	$245,399
Oct-99	Senatobia Community Hospital	Senatobia, Mississippi	72	$4,700,000	$65,278
Oct-99	Northwest Medical Center	Franklin, Pennsylvania	222	$52,000,000	$234,234
Oct-99	MacNeal Health Network	Berwyn, Illinois	427	$210,000,000	$491,803
Oct-99	Trinity Valley & Minden Medical	Palestine, TX & Minden, LA	274	$77,000,000	$281,022
Sep-99	De Queen Regional Medical Center	De Queen, Arkansas	116	$4,500,000	$38,793
Sep-99	Stones River Hospital	Woodbury, Tennessee	41	$2,000,000	$48,780
Sep-99	West Anaheim & Huntington Beach	Anaheim & Huntington Beach, CA	304	$40,700,000	$133,882
Sep-99	Delta Medical Center	Memphis, Tennessee	151	$3,584,000	$23,735
Aug-99	Culver Union Hospital	Crawfordsville, Indiana	98	$70,000,000	$714,286
Aug-99	5 Paracelsus Hospitals	Salt Lake City, Utah	640	$280,000,000	$437,500
Aug-99	10 Tenent Hospitals	Arizona, Florida & Texas	1,780	$520,000,000	$292,135
Aug-99	Evanston Regional Hospital	Evanston, Wyoming	38	$10,000,000	$263,158
Aug-99	Panhandle Surgical Hospital	Amarillo, Texas	21	$27,900,000	$1,328,571
Jul-99	Columbia Regional Hospital	Columbia, Missouri	210	$34,500,000	$164,286
Jun-99	Selma District Hospital	Selma, California	57	$8,200,000	$143,860
Jun-99	Beaumont & Silsbee Hospital	Beaumont, Texas	284	$13,600,000	$47,887
Jun-99	Kendall Regional Medical Center	Miami, Florida	235	$105,000,000	$446,809
May-99	Highsmith-Rainey Memorial Hospital	Fayetteville, North Carolina	139	$37,000,000	$266,187
May-99	Forbes Metropolitan Hospital	Pittsburgh, Pennsylvania	155	$5,200,000	$33,548
Apr-99	Bossier Medical Center	Bossier City, Louisiana	113	$27,900,000	$246,903
Apr-99	Paracelsus Bledsoe County Hospital	Pikeville, Tennessee	32	$2,200,000	$68,750
Apr-99	Glades General Hospital	Belle Glade, Florida	65	$16,700,000	$256,923
Apr-99	Hood River Memorial Hospital	Hood River Oregon	32	$19,500,000	$609,375
Apr-99	Community Hospital of Lancaster	Lancaster, Pennsylvania	124	$19,500,000	$157,258
Mar-99	Caritas/Canton Healthcare	Cleveland, Ohio	1,022	$65,000,000	$63,601
Mar-99	Palm Drive Hospital	Sebastopol, California	38	$2,800,000	$73,684
Feb-99	Allegheny University Hospitals West	Pittsburgh, Pennsylvania	1,274	$495,000,000	$388,540
Feb-99	Nassau County Medical Center	East Meadow, New York	531	$70,000,000	$131,827
Jan-99	Grant Hospital	Chicago, Illinois	199	$17,500,000	$87,940

The data utilized in our analysis reflects a price per licensed-bed range of $23,735 to $1,328,571 with a mean and median of $220,874 and $143,860, respectively. Numerous factors can influence the purchase price and resulting purchase price per bed of hospital facilities. The facilities utilized in our analysis vary in terms of size, physical features, bed licensure, occupancy, payor mix, profitability, geographic location, market niche and conditions and services offered. Due to the large number of variables that can impact the purchase price of a hospital, a direct comparison between the subject and the sale properties based on specific adjustments is not considered to be meaningful.

SALES COMPARISON APPROACH CONCLUSION

Most weight in this analysis has been placed on the EBITDA multiplier method as outpatient revenues account for a large portion of gross revenues and is not adequately considered in the sales price per bed method. Based on the subject's 128 licensed beds, the value indicated by the EBITDA multiple method equates to a value of $85,938 per bed. Also, the price per bed method of determining value for a hospital is not considered to be meaningful due to the myriad of variables involved in the sale properties' physical plants and management of the hospital operations. Therefore, based on the EBITDA multiplier method, the indicated fee simple value of the assets comprising the subject, via the Sales Comparison Approach, is reasonably represented in the rounded amount as follows:

$11,000,000

INCOME CAPITALIZATION APPROACH

Properties such as the subject are normally valued based on their ability to generate an income stream characterized by their quality, quantity and desirability. Hence, analysis of a property in terms of its ability to provide sufficient net annual return on investment capital is an important means of developing a value indication. This estimate is developed in the Income Capitalization Approach by capitalizing the projected net income at a rate commensurate with investment risks inherent to the ownership of the property. Such conversion of income considers competitive returns offered by alternative investment opportunities. When properly applied, this approach provides a reliable indication of value for income-producing properties.

An initial step in the Income Capitalization Approach is to estimate the gross income which can be generated by the appraised property. The projected income stream is based on an estimate of the gross annual income applicable to an acute-care facility less allowances for contractual deductions and uncollectible accounts. Once this estimate is established, we can derive an estimate of net revenue (effective gross income) for the subject. Expenses are then deducted to arrive at a property's net operating income. The value of the property can then be estimated through two capitalization techniques: Direct Capitalization Method and/or a Discounted Cash Flow Analysis (DCF).

In this report, the Direct Capitalization Method and Discounted Cash Flow Analysis are employed to estimate the fee simple value since the subject is currently not a stabilized operation.

HISTORICAL PERFORMANCE

In estimating income and expenses for the subject property, we have relied upon financial data provided by the subject's management, the State of California, as well as on our experience in appraising properties of this nature.

The historical data provided by Management includes income/expense statements and census data for fiscal years ended December 30, 1997, 1998, 1999 and annualized eleven months ending November 30, 2000. In addition, the perspective buyer has provided an income and expense pro forma for 2001, 2002 and 2003.

The available revenue and expense data is analyzed on an occupied bed basis and as a percentage of revenue. This historical and forecast data is summarized on the following pages.

Huntington East Valley Hosptial
Table 1 - Historical Census Data

	Year Ending 12/31/97	Year Ending 12/31/98	Year Ending 12/31/99	Annualized 11 Months 11/30/00	Prospective Buyer's Budget 12/31/01	Prospective Buyer's Budget 12/31/02	Prospective Buyer's Budget 12/31/03
Adjusted Patient Days	21,064	24,774	21,829	21,851	24,875	25,933	26,992
Average Daily Census	57.7	67.9	59.8	59.9	68.2	71.0	74.0
Licensed Beds	144	144	144	144	144	144	144
Available Patient Days	52,560	52,560	52,560	52,560	52,560	52,560	52,560
Occupancy Rate	40.1%	47.1%	41.5%	41.6%	47.3%	49.3%	51.4%
Discharges	3,101	3,366	3,528	3,337	3,656	3,656	3,656
Average Length of Stay	6.79	7.36	6.19	6.55	6.80	7.09	7.38
Outpatient Visits	14,947	15,399	15,846	15,993	17,166	17,896	18,597
Inpatient Days	13,361	16,083	16,501	16,469	17,155	17,885	18,615

Huntington East Valley Hosptial
Table 2 - Income and Expense Data, Per Patient Day

	Year Ending 12/31/97		Year Ending 12/31/98		Year Ending 12/31/99		Annualized 11 Months 11/30/00		Prospective Buyer's Budget 12/31/01		Prospective Buyer's Budget 12/31/02		Prospective Buyer's Budget 12/31/03	
	$	PPD	$	PPD	$	PPD	$	PPD	$	PPD	$	PPD	$	PPD
Patient Revenue														
Routine	10,492,281	$498.11	12,585,323	$508.01	13,254,251	$607.19	12,306,097	$563.19	-	$0.00	-	$0.00	-	$0.00
Inpatient	26,137,764	1,748.70	31,592,352	2,113.62	34,512,653	1,581.05	31,774,974	1,454.18	-	0.00	-	0.00	-	0.00
Outpatient	12,396,233	588.50	15,213,426	614.09	16,377,304	750.25	18,840,390	862.23	-	0.00	-	0.00	-	0.00
Net Capitation	-	0.00	-	0.00	141,857	6.50	150,934	6.91	-	0.00	-	0.00	-	0.00
Gross Patient Revenue	49,026,278	2,327.49	59,391,101	2,397.32	64,286,065	2,944.98	63,072,396	2,886.50		0.00		0.00		0.00
Total Deductions From Revenue	29,145,765	1,383.68	38,256,158	1,544.21	43,530,211	1,994.15	42,544,690	1,947.05	-	0.00	-	0.00	-	0.00
Net Patient Revenue	19,880,513	943.81	21,134,943	853.11	20,755,854	950.84	20,527,706	939.45	25,399,916	1,021.10	27,287,939	1,052.25	29,088,105	1,077.66
Other Revenue	2,123,744	100.82	3,617,007	146.00	716,522	32.82	225,345	10.31	96,000	3.86	96,000	3.70	96,000	3.56
Net Revenue	22,004,257	1,044.64	24,751,950	999.11	21,472,376	983.66	20,753,051	949.76	25,495,916	1,024.96	27,383,939	1,055.95	29,184,105	1,081.21
Operating Expenses:														
Salaries & Wages	10,551,042	500.90	11,793,835	476.06	11,262,485	515.94	11,563,560	529.20	12,442,361	500.20	13,077,716	504.29	13,739,608	509.03
Professional Fees	2,196,029	104.26	2,699,802	108.98	2,598,098	119.02	2,483,214	113.64	2,672,617	107.44	2,704,378	104.28	2,841,140	105.26
Supplies	2,455,072	116.55	2,748,520	110.94	2,846,763	130.41	3,016,121	138.03	3,525,079	141.71	3,675,082	141.71	3,825,086	141.71
Utilities	452,799	21.50	434,861	17.55	417,300	19.12	426,554	19.52	450,000	18.09	450,000	17.35	450,000	16.67
Purchased Services	1,464,936	69.55	3,118,682	125.89	3,431,980	157.22	2,056,215	94.10	2,213,338	88.98	2,239,640	86.36	2,352,901	87.17
Insurance	352,462	16.73	235,601	9.51	285,379	13.07	333,432	15.26	350,000	14.07	350,000	13.50	350,000	12.97
Building Rental	295,607	14.03	294,062	11.87	287,906	13.19	287,688	13.17	286,535	11.52	295,131	11.38	303,985	11.26
Equipment Rental	163,196	7.75	218,587	8.82	114,037	5.22	166,546	7.62	166,127	6.68	171,111	6.60	176,244	6.53
Bad Debt	848,848	40.30	322,431	13.01	983,622	45.06	511,464	23.41	362,999	14.59	391,319	15.09	418,322	15.50
Property Tax	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Other	675,978	32.09	738,087	29.79	728,080	33.35	424,478	19.43	675,827	27.17	716,118	27.61	749,119	27.75
Management Fee	216,000	10.25	283,200	11.43	219,658	10.06	216,257	9.90	300,000	12.06	300,000	11.57	300,000	11.11
Reserves for Replacement	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Total Operating Expenses	19,671,969	933.91	22,887,668	923.86	23,175,308	1,061.68	21,485,528	983.28	23,444,883	942.51	24,370,495	939.75	25,506,405	944.96
EBITDA	$2,332,288	110.72	$1,864,282	75.25	-$1,702,932	-78.01	-$732,477	-33.52	$2,051,033	82.45	$3,013,444	116.20	$3,677,700	136.25

Annualixed 2000 includes the following adjustments through the eleven month period.

Note:adjust the other revenue for $204,000-to reverse revenue asssociated with joint venture which was terminated.

Note: adjust medical physician fees $80,000-to reserve for cost of recruiting physician.

Huntington East Valley Hosptial

Table 3 - Income and Expense Data, % of Revenue

	Year Ending 12/31/97		Year Ending 12/31/98		Year Ending 12/31/99		Annualized 11 Months 11/30/00		Prospective Buyer's Budget 12/31/01		Prospective Buyer's Budget 12/31/02		Prospective Buyer's Budget 12/31/03	
	$	% of Rev.	$	% of Rev.	$	% of Rev.	$	% of Rev.	$	% of Rev.	$	% of Rev.	$	% of Rev.
Patient Revenue														
Routine	$10,492,281	21.4%	$12,585,323	21.2%	$13,254,251	20.6%	$12,306,097	19.5%	$0		$0		$0	
Inpatient	26,137,764	53.3%	31,592,352	53.2%	34,512,653	53.7%	31,774,974	50.4%	0		0		0	
Outpatient	12,396,233	25.3%	15,213,426	25.6%	16,377,304	25.5%	18,840,390	29.9%	0		0		0	
Gross Patient Revenue	49,026,278	100.0%	59,391,101	100.0%	64,286,065	100.0%	63,072,396	100.0%	0		0		0	
Total Deductions From Revenue	29,145,765		38,256,158		43,530,211		38,931,305		0		0		0	
Net Patient Revenue	19,880,513		21,134,943		20,755,854		20,527,706		25,399,916		27,287,939		29,088,105	
Other Revenue	2,123,744		3,617,007		716,522		225,345		96,000		96,000		96,000	
Net Revenue	22,004,257	100.0%	24,751,950	100.0%	21,472,376	100.0%	20,753,051	100.0%	25,495,916	100.0%	27,383,939	100.0%	29,184,105	100.0%
Operating Expenses:														
Salaries & Wages	10,551,042	53.1%	11,793,835	55.8%	11,262,485	54.3%	11,563,560	56.3%	12,442,361	49.0%	13,077,716	47.9%	13,739,608	47.2%
Professional Fees	2,196,029	11.0%	2,699,802	12.8%	2,598,098	12.5%	2,483,214	12.1%	2,213,338	8.7%	2,704,378	9.9%	2,841,140	9.8%
Supplies	2,455,072	12.3%	2,748,520	13.0%	2,846,763	13.7%	3,016,121	14.7%	3,525,079	13.9%	3,675,082	13.5%	3,825,086	13.2%
Utilities	452,799	2.3%	434,861	2.1%	417,300	2.0%	426,554	2.1%	450,000	1.8%	450,000	1.6%	450,000	1.5%
Purchased Services	1,464,936	7.4%	3,118,682	14.8%	3,431,980	16.5%	2,056,215	10.0%	2,213,338	8.7%	2,239,640	8.2%	2,352,901	8.1%
Insurance	352,462	1.8%	235,601	1.1%	285,379	1.4%	333,432	1.6%	350,000	1.4%	350,000	1.3%	350,000	1.2%
Building Rental	295,607	1.5%	294,062	1.4%	287,906	1.4%	287,688	1.4%	286,535	1.1%	295,131	1.1%	303,985	1.0%
Equipment Rental	163,196	0.8%	218,587	1.0%	114,037	0.5%	166,546	0.8%	166,127	0.7%	171,111	0.6%	176,244	0.6%
Bad Debt	848,848	4.3%	322,431	1.5%	983,622	4.7%	511,464	2.5%	362,999	1.4%	391,319	1.4%	418,322	1.4%
Property Tax	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Other	675,978	3.4%	738,087	3.5%	728,080	3.5%	424,478	2.1%	675,827	2.7%	716,118	2.6%	749,119	2.6%
Management Fee	216,000	1.1%	283,200	1.3%	219,658	1.1%	216,257	1.1%	300,000	1.2%	300,000	1.1%	300,000	1.0%
Reserves for Replacement	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Total Operating Expenses	19,671,969	89.4%	22,887,668	92.5%	23,175,308	107.9%	21,485,528	103.5%	23,444,883	92.0%	24,370,495	89.0%	25,506,405	87.4%
EBITDA	$2,332,288	11.7%	$1,864,282	8.8%	-$1,702,932	-8.2%	-$732,477	-3.6%	$2,051,033	8.1%	$3,013,444	11.0%	$3,677,700	12.6%

OCCUPANCY LEVELS AND UTILIZATION

The subject's historical payor mix and census are in Table 1. The subject census is comprised of two groups: inpatient and outpatient.

Historically, the number of inpatient days was 13,361 in 1997, 16,083 in 1998, 16,501 in 1999 and 15,308 in annualized 2000. The prospective buyer's pro forma indicates 17,155 for 2001, 17,885 for 2002 and 18,615 for 2003. Inpatient acute-care patient days are estimated at 18,615.

Historically, the number of outpatient visits was 14,947 in 1997, 15,399 in 1998, 15,846 in 1999 and 15,993 in annualized 2000. The prospective buyer's pro forma indicates 17,166 for 2001, 17,896 for 2002 and 18,597 for 2003. 18,597 outpatient visits have been utilized in this analysis.

Based upon our estimate of inpatient days of 18,615 and outpatient visits of 18,597, 26,992 adjusted patient days are implied.

The buyer's proposed census assumes outpatient volumes will continue at least at the current levels relative to inpatient volumes. The buyer's proposed census increase is summarized in the following table.

Patient Volume Changes Level of completion of incremental physician activity	# Patients/Yr	ALOS	#Pt Days	# Pt/Day	2001 60%	2002 75%	2003 100%
OB will expand reach to La Puente with key new physician relationship	300	1.5	450	1.233	0.740	0.925	1.233
Monrovia Podiatry Center will move outpatient procedures to East Valley Hospital	300	3.6	1,080	2.959	1.775	2.219	2.959
An internal medicine practice in West Covina will shift inpatients to East Valley Hospital	200	3.6	720	1.973	1.184	1.479	1.973
An internal medicine practice in Hacienda Heights will shift inpatients to East Valley Hospital	200	3.6	720	1.973	1.184	1.479	1.973
Resident physicians will be recruited to supplement the practices of those on medical staff over age 50, to position the turnover of their practices	50	2.5	125	0.342	0.205	0.257	0.342
Improvements in teleradiology and pathology services will result in additional admissions by existing medical staff	20	4	80	0.219	0.132	0.164	0.219
Consideration will be given to converting some OB beds to NICU	100	6	600	1.644	0.986	1.233	1.644
Gero-Psych unit patient days will be supplemented by expanded reach above					**6.205**	**7.757**	**10.342**
Total additional inpatient volume							
Starting Average Daily Census					41	41	41
Projected Census					47.205	48.757	51.342
Projected Census Rounded					47.000	49.000	51.000

The following table summarizes the stabilized census and utilization estimates used in this analysis:

Licensed Beds	128
Available Patient Days	46,720
Census:	
Inpatient Days	18,615
Outpatient Visits	18,625
Adjusted Patient Days	26,992
Average Daily Census	74.0
Occupancy Rate	57.8%

The competitive acute-care facilities, discussed in the competition section, indicate occupancy rates of 46% to 69%, with a weighted average of 63.6%. Santa Teresita Hospital was excluded from the weighted average due to providing skilled-nursing care, which requires an extended inpatient care. City of Hope National Medical Center was excluded from the weighted average due to being a cancer institute and research center. Based upon the subject's historical census and the local competition, our census projections are reasonable.

REVENUE

Management has categorized historical revenues into three groups: Routine, Inpatient And Outpatient. The historical data presents the gross figures for this category (before contractual deductions and adjustments). The subject ended their capitation program in July 2000. The prospective buyer's budget provides two revenue groups: Gross Patient And Other. These revenue sources are discussed below.

Routine

These revenues represent the revenue paid for routine services by Medicare, Medi-Cal and Private/Other payors. Historically, this revenue has been $785.29 per patient day in 1997, $782.52 in 1998, $803.24 in 1999 and $803.89 in annualized 2000. The prospective buyer's pro forma has placed this revenue category in Net Patient Revenue.

Inpatient

These revenues represent the revenue paid for inpatient services by Medicare, Medi-Cal and Private/Other payors. Historically, this revenue has been $1,748.70 per patient day in 1997, $2,113.62 in 1998, $2,091.55 in 1999 and $2,075.69 in annualized 2000. The prospective buyer's pro forma has placed this revenue category in net patient revenue.

Outpatient

Outpatient revenues represent the revenue paid for outpatient services by Medicare, Medi-Cal and Private/Other payors. Historically, this revenue has been $927.79 per patient day in 1997, $945.93 in 1998, $992.50 in 1999 and $1,230.74 in annualized 2000. The prospective buyer's pro forma has placed this revenue category in Net Patient Revenue.

Deductions

Deductions from revenues include contractual allowances from insurance, Medicare and Medi-Cal payors. Historically, this revenue has been $2,181.41 per patient day in 1997, $2,378.67 in 1998, $2,638.03 in 1999 and $2,779.22 in annualized 2000. The prospective buyer's pro forma accounted for this deduction in net patient revenue.

Other Revenue

Other revenues comprise minor items such as cafeteria and vending machine sales. On a per patient day basis, these revenues were $100.82 per patient day in 1997, $146.00 in 1998, $32.82 in 1999 and $10.31 in annualized 2000. In 1999, Other revenue dropped as the subject shifted lab services to other hospitals within the owner's network. The buyer's projection as indicated in Table 2 and 3 has been adjusted to exclude $1,625,000 in Other revenue. The buyer projects that a joint venture with Medical Pathways in association with several IPAs will eventually benefit the subject. However, the relationship with Medical Pathways is easily transferable and is primarily tied to the proposed management company, Mardel Group. The prospective buyer's pro forma indicates $3.86 for 2001, $3.70 for 2002 and $3.56 for 2003. An estimate of $30.00 per patient day is utilized in this analysis.

Net Revenue

Net Revenue in this analysis is estimated at $29,191,848, or $1,081.50 per patient day. This compares with $22,004,257 in 1997, 24,751,950 in 1998, $21,472,376 in 1999 and $20,753,051 in the annualized 2000. The prospective buyer's pro forma indicates $25,495,916 for 2001, $27,383,939 for 2002 and $29,184,105 for 2003. Estimate net revenue is in line with the prospective buyer's pro forma and is reasonable.

OPERATING EXPENSES

Operating expenses consist of variable expenses that change with the occupancy, fixed expenses that do not change with occupancy and reserves for replacement of short-lived items. As presented in Table 2 and 3, we obtained historical operating statements for the subject. These operating expenses are analyzed on a per-patient-day basis and percentage of net revenue. An explanation of the expense amounts used in this analysis is as follows.

Salaries and Wages

This category includes all salaries and wages for hospital staff. This expense was $500.90 per patient day in 1997, $476.06 in 1998, $515.94 in 1999 and $529.20 in annualized 2000. The prospective buyer's proforma for this expense category is $500.20 for 2001, $504.29 for 2002 and $509.03 for 2003. An expense of $510.00 per patient day is utilized.

Professional Fees

This category includes consulting, legal audit and management fee expenses. This expense was $104.26 per patient day in 1997, $108.98 in 1998, $119.02 in 1999 and $113.64 in annualized 2000. The prospective buyer's proforma for this expense category is $107.44 for 2001, $104.28 for 2002 and $105.26 for 2003. As of 2001, inpatient and outpatient psychiatric services will be brought in-house. An expense of $105.00 per patient day is utilized.

Supplies

This category includes medical and non-medical supplies. This expense was $116.55 per patient day in 1997, $110.94 in 1998, $130.41 in 1999 and $138.03 in annualized 2000. The prospective buyer's pro forma for this expense category is $141.71 for 2001, 2002 and 2003. An expense of $140.00 per patient day is utilized.

Utilities

This category relates to on-site utilities such as electricity, gas, water, waste removal and telephone. This expense was $21.50 per patient day in 1997, $17.55 in 1998, $19.12 in 1999 and $19.52 in annualized 2000. The prospective buyer's pro forma for this expense category is $18.09 for 2001, $17.35 for 2002 and $16.67 for 2003. An expense of $17.00 per patient day is utilized.

Purchased Services
This expense includes contracted medical services, repairs and maintenance and collection services. This expense was $69.55 per patient day in 1997, $125.89 in 1998, $157.22 in 1999 and $94.10 in annualized 2000. The prospective buyer's pro forma for this expense category is $88.98 for 2001, $86.36 for 2002 and $87.17 for 2003. In 1999, $350,000 in capitated claims was reclassified under purchased services. The subject ended their capitation program in July 2000. An expense of $87.00 per patient day is utilized.

Insurance
This expense was $16.73 per patient day in 1997, $9.51 in 1998, $13.07 in 1999 and $15.26 in annualized 2000. The prospective buyer's pro forma for this expense category is $14.07 for 2001, $13.50 for 2002 and $12.97 for 2003. An expense of $13.00 per patient day is utilized.

Building Rental
This expense includes 16,000 square-feet of rented space in the adjacent medical office building. This expense was $14.03 per patient day in 1997, $11.87 in 1998, $13.19 in 1999 and $13.17 in annualized 2000. The prospective buyer's pro forma for this expense category is $11.52 for 2001, $11.38 for 2002 and $11.26 for 2003. An expense of $11.00 per patient day is utilized.

Equipment Rental
This expense includes copy machine rental, pyxis, surgical laser equipment and a van. This expense was $7.75 per patient day in 1997, $8.82 in 1998, $5.22 in 1999 and $7.62 in annualized 2000. The prospective buyer's pro forma for this expense category is $6.68 for 2001, $6.60 for 2002 and $6.53 for 2003. An expense of $6.50 per patient day is utilized.

Bad Debt
Bad debt expense was $40.30 per patient day in 1997, $13.01 in 1998, $45.06 in 1999 and $23.41 in annualized 2000. The prospective buyer's pro forma for this expense category are $14.59 for 2001, $15.09 for 2002 and $15.50 for 2003. In 1999, the subject's auditors reclassified reserves in this category. In addition, in 1999 Management focused upon qualifying patients for Medi-Cal. The subject currently has an on-campus Medi-Cal eligibility worker. An expense of $15.50 per patient day is utilized.

Property Taxes
The subject is a non-profit, therefore tax-exempt property. However, based upon the definition of market value we have assumed the payment of real estate taxes. Real estate taxes are calculated based upon the Cost Approach's value conclusion in this report multiplied by the current tax rate plus direct assessments.

Other
This expense includes advertisement, dues, subscriptions, training sessions, travel, recruiting, licenses and taxes on rental equipment. This expense was $32.09 per patient day in 1997, $29.79 in 1998, $33.35 in 1999 and $19.43 in annualized 2000. The prospective buyer's pro forma for this expense category is $27.17 for 2001,

$27.61 for 2002 and $27.75 for 2003. An expense of $28.00 per patient day is utilized.

Management Fee
A management fee is paid to Southern California Healthcare Systems. Management fees typically range from 2.0% to 3.0% of net revenue (effective gross income) for healthcare facilities of the subject's scope and level of services. This expense has been estimated at 2.5% of net revenue.

Reserves for Replacement
Not included in the subject operating statement is a reserve for replacement. This reserve is for the replacement of short-lived items, general modernization, renovation. This expense has been estimated at 1.0% of net revenue.

Total Expenses

Total expenses are estimated at $26,291,251 or $974.04 per patient day or 90.1% of net revenue. This compares to historical expenses of $19,671,969 in 1997 or $933.91 per patient day or 89.4% of net revenue, $22,887,668 or $923.86 per patient day or 92.5% of net revenue in 1998, $23,175,308 or $1,061.68 per patient day or 107.09% of net revenue in 1999 and $21,485,528 or $942.51 per patient day or 103.5% of net revenue in annualized 2000. The prospective buyer's pro forma for total expenses is $23,444,883 or $939.75 per patient day or 92.0% of net revenue for 2001, $24,370,495 or $939.75 per patient day or 89.0% of net revenue for 2002 and $25,506,405 or $944.96 or 87.4% of net revenue for 2003.

The estimated total expenses for the subject are higher than historical levels (years ending 1997, 1998, 1999 and annualized 2000) due to the higher census. The estimated total expenses are higher than the buyer's projected expenses due to the inclusion of property taxes, management fees and reserves for replacement.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

PROSPECTIVE STABILIZED PROFORMA –ASSUMING NEW OWNERSHIP

In this analysis, net operating income has been considered before deducting interest, income taxes, depreciation and amortization. Deducting stabilized expenses from stabilized total net revenue indicates an EBITDA of $2,900,597.

The revenue and expenses used in this analysis are summarized in the following table.

Huntington East Valley Hosptial
Table 4 - Prospective Stabilized Proforma - Assuming New Ownership

Licensed Beds	128
Available Patient Days	46,720
Census:	
Inpatient Days	18,615
Outpatient Visits	18,625
Adjusted Patient Days	26,992
Average Daily Census	74.0
Occupancy Rate	57.8%

	$	PPD	% of Rev.
Net Patient Revenue	29,097,376	1,078.00	
Other Revenue	94,472	3.50	
Net Revenue	29,191,848	1,081.50	100.0%
Operating Expenses:			
Salaries & Wages	13,765,920	510.00	47.2%
Professional Fees	2,834,160	105.00	9.7%
Supplies	3,778,880	140.00	12.9%
Utilities	458,864	17.00	1.6%
Purchased Services	2,348,304	87.00	8.0%
Insurance	350,896	13.00	1.2%
Building Rental	296,912	11.00	1.0%
Equipment Rental	175,448	6.50	0.6%
Bad Debt	418,376	15.50	1.4%
Property Tax	86,000	3.19	0.3%
Other	755,776	28.00	2.6%
Management Fee	729,796	27.04	2.5%
Reserves for Replacement	291,918	10.82	1.0%
Total Operating Expenses	26,291,251	974.04	90.1%
EBITDA	2,900,597	$107.46	9.9%

AS IS PROFORMA

In this analysis, net operating income has been considered before deducting interest, income taxes, depreciation and amortization. Deducting stabilized expenses from stabilized total net revenue indicates an EBITDA of $1,150,455.

The revenue and expenses used in this analysis are summarized in the following table.

Huntington East Valley Hosptial
Table 4a - As Is Proforma

Licensed Beds	128
Available Patient Days	46720
Census:	
Inpatient Days	16,500
Outpatient Visits	18,500
Adjusted Patient Days	22,729
Average Daily Census	62.3
Occupancy Rate	48.6%

	$	PPD	% of Rev.
Net Patient Revenue	22,728,956	1,000.00	
Other Revenue	227,290	10.00	
Net Revenue	22,956,246	1,010.00	100.0%
Operating Expenses:			
Salaries & Wages	11,591,768	510.00	50.5%
Professional Fees	2,500,185	110.00	10.9%
Supplies	2,954,764	130.00	12.9%
Utilities	431,850	19.00	1.9%
Purchased Services	1,704,672	75.00	7.4%
Insurance	340,934	15.00	1.5%
Building Rental	295,476	13.00	1.3%
Equipment Rental	164,785	7.25	0.7%
Bad Debt	500,037	22.00	2.2%
Property Tax	86,000	3.78	0.4%
Other	431,850	19.00	1.9%
Management Fee	573,906	25.25	2.5%
Reserves for Replacement	229,562	10.10	1.0%
Total Operating Expenses	21,805,791	959.38	95.0%
EBITDA	1,150,455	$50.62	5.0%

CAPITALIZATION PROCESS

After estimating cash flow from operations, it is necessary to process it into a value. This has been accomplished via the Direct Capitalization Method. In this method, a capitalization rate is used to convert the estimate of stabilized net operating income into a value. This rate should represent the annual rate of return necessary to attract investment capital. Inherent in our selected overall capitalization rate is both a return on and a return of, invested capital.

Capitalization rates are derived from the market. Rates achieved by the sales used in the Sales Comparison Approach were reviewed. Sales with negative net incomes or those hospitals with capitalization rates under 10.0% have not been considered since they represent facilities in turn-around situations or facilities that were purchased for strategic synergies. The remaining sales, together with their capitalization rates, are summarized as follows:

Acute Care Hospital Sales

Date	Name	Location	Beds	Capitalization Rate
Nov-99	Greater Southeast Community Hospital	Washington, DC	260	11.6%
Oct-99	Phoenix Regional Medical Center	Phoenix, Arizona	174	11.7%
Oct-99	Lloyd Noland Hospital	Fairfield, Alabama	294	30.2%
Oct-99	Senatobia Community Hospital	Senatobia, Mississippi	72	48.3%
Aug-99	5 Paracelsus Hospitals	Salt Lake City, Utah	640	16.7%
Aug-99	10 Tenent Hospitals	Arizona, Florida & Texas	1,780	14.3%
Jul-99	Columbia Regional Hospital	Columbia, Missouri	210	10.7%
Jun-99	Beaumont & Silsbee Hospital	Beaumont, Texas	284	16.9%
Jun-99	Kendall Regional Medical Center	Miami, Florida	235	16.3%
Apr-99	Glades General Hospital	Belle Glade, Florida	65	17.2%
Feb-99	Nassau County Medical Center	East Meadow, New York	531	31.4%
	Low			**10.7%**
	High			**48.3%**
	Average			**20.5%**
	Median			**16.7%**

Based upon our knowledge of the financial history of the subject, the demand for acute-care beds in the subject market area, we are of the opinion that a capitalization rate of 18.0% would be appropriate for the subject property. Applying the capitalization rate to the net operating income (EBITDA) results in the following computation of value:

	Prospective Stabilized Value Assuming New Ownership	As Is Value
EBITDA	$1,150,455	$1,150,455
Capitalization Rate	18.0%	18.0%
Indicated Value	$16,114,430	$6,391,418
Less SB 1953 Upgrades	-4,970,000	-4,970,000
Rounded	$11,100,000	$1,400,000

DIRECT CAPITALIZATION SUMMARY

It is our opinion that the prospective stabilized value of the subject facility assuming new ownership, in fee simple, via the Income Capitalization Approach, is represented in the rounded amount of:

$11,100,000

It is our opinion that the as is value of the subject facility based upon historical performance, in fee simple, via the Income Capitalization Approach, is represented in the rounded amount of:

$1,400,000

Since the as is value of the subject, after deductions for SB 1953 upgrades, is less than the land value, the completion of SB 1953 upgrades is not financially feasible. The existing hospital under current management represents an interim use. If SB 1953 work is not completed, the subject will be allowed to continue operations through January 1, 2008. The present value of the cash flow through 2008 plus the reversion will be estimated in one of two discounted cash flow models contained in the appraisal.

DISCOUNTED CASH FLOW – ASSUMING NEW OWNER

The next step in the Income Capitalization Approach is to convert the prospective stabilized cash flow assuming new ownership into an as is value. This has been accomplished using a discounted cash flow model. In this method, a discount rate is used to convert the cash flows into an as is value. This discount rate represents the annual rate of return necessary to attract investment capital. Tables 5, 6 and 7 on the following pages are a summary of the assumptions used for the discounted cash flow.

Huntington East Valley Hosptial
Table 5 - Utilization and Revenue Projections

	Stabilized Year					
	1	2	3	4	5	6
Inpatient Days (Adjusted)	24,875	25,933	26,992	26,992	26,992	26,992
Average Daily Census	68	71	74	74	74	74
Available Beds	128	128	128	128	128	128
Occupancy Rate	53%	56%	58%	58%	58%	58%
Revenue Per Patient Day						
Net Patient Revenue	1,021.10	1,052.25	1,078.00	1,110.34	1,143.65	1,177.96
Other Revenue	3.86	3.70	3.50	3.61	3.71	3.82
Annual Revenue						
Net Patient Revenue	25,399,863	27,287,999	29,097,376	29,970,297	30,869,406	31,795,488
Other Revenue	96,018	95,952	94,472	97,306	100,225	103,232
Net Revenue	$25,495,880	$27,383,951	$29,191,848	$30,067,603	$30,969,632	$31,898,720

Huntington East Valley Hosptial
Table 6 - Revenure and Expenses, as a % of Revnue and Per Patient Day

	Stabilized Year					
	1	2	3	4	5	6
% of Revenue						
Net Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expenses						
Salaries & Wages	48.8%	47.8%	47.2%	47.2%	47.2%	47.2%
Professional Fees	8.8%	9.9%	9.7%	9.7%	9.7%	9.7%
Supplies	13.7%	13.3%	12.9%	12.9%	12.9%	12.9%
Utilities	1.8%	1.6%	1.6%	1.6%	1.6%	1.6%
Purchased Services	8.8%	8.0%	8.0%	8.0%	8.0%	8.0%
Insurance	1.4%	1.3%	1.2%	1.2%	1.2%	1.2%
Building Rental	1.1%	1.1%	1.0%	1.0%	1.0%	1.0%
Equipment Rental	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%
Bad Debt	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Property Tax	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Other	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Management Fee	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Reserves for Replacement	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Total Operating Expenses	92.8%	91.5%	90.1%	90.1%	90.1%	90.1%
EBITDA	7.2%	8.5%	9.9%	9.9%	9.9%	9.9%
Per Patient Day						
Net Revenue	1,024.96	1,055.95	1,081.50	1,113.95	1,147.36	1,181.78
Expenses						
Salaries & Wages	500.00	505.00	510.00	525.30	541.06	557.29
Professional Fees	90.00	105.00	105.00	108.15	111.39	114.74
Supplies	140.00	140.00	140.00	144.20	148.53	152.98
Utilities	18.00	17.00	17.00	17.51	18.04	18.58
Purchased Services	90.00	85.00	87.00	89.61	92.30	95.07
Insurance	14.00	13.50	13.00	13.39	13.79	14.21
Building Rental	11.50	11.50	11.00	11.33	11.67	12.02
Equipment Rental	7.00	6.50	6.50	6.70	6.90	7.10
Bad Debt	14.50	15.00	15.50	15.97	16.44	16.94
Property Tax	3.32	3.25	3.19	3.25	3.31	3.38
Other	27.00	27.50	28.00	28.84	29.71	30.60
Management Fee	25.62	26.40	27.04	27.85	28.68	29.54
Reserves for Replacement	10.25	10.56	10.82	11.14	11.47	11.82
Total Operating Expenses	951.20	966.21	974.04	1,003.23	1,033.29	1,064.26
EBITDA	73.76	89.74	107.46	110.72	114.07	117.53

Huntington East Valley Hosptial
Table 7 - Growth Assumptions

	1	2	Stabilized Year 3	4	5
Per Patient Day					
Net Revenue	100.0%	100.0%	3.0%	3.0%	3.0%
Expenses					
Salaries & Wages	1.0%	1.0%	3.0%	3.0%	3.0%
Professional Fees	16.7%	0.0%	3.0%	3.0%	3.0%
Supplies	0.0%	0.0%	3.0%	3.0%	3.0%
Utilities	-5.6%	0.0%	3.0%	3.0%	3.0%
Purchased Services	-5.6%	2.4%	3.0%	3.0%	3.0%
Insurance	-3.6%	-3.7%	3.0%	3.0%	3.0%
Building Rental	0.0%	-4.3%	3.0%	3.0%	3.0%
Equipment Rental	-7.1%	0.0%	3.0%	3.0%	3.0%
Bad Debt	3.4%	3.3%	3.0%	3.0%	3.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Other	1.9%	1.8%	3.0%	3.0%	3.0%
Management Fee	3.0%	2.4%	3.0%	3.0%	3.0%
Reserves for Replacement	3.0%	2.4%	3.0%	3.0%	3.0%
Total Operating Expenses	1.6%	0.8%	3.0%	3.0%	3.0%
EBITDA	21.7%	19.7%	3.0%	3.0%	3.0%
Total					
Net Revenue	7.4%	6.6%	3.0%	3.0%	3.0%
Expenses					
Salaries & Wages	5.3%	5.1%	3.0%	3.0%	3.0%
Professional Fees	21.6%	4.1%	3.0%	3.0%	3.0%
Supplies	4.3%	4.1%	3.0%	3.0%	3.0%
Utilities	-1.5%	4.1%	3.0%	3.0%	3.0%
Purchased Services	-1.5%	6.5%	3.0%	3.0%	3.0%
Insurance	0.5%	0.2%	3.0%	3.0%	3.0%
Building Rental	4.3%	-0.4%	3.0%	3.0%	3.0%
Equipment Rental	-3.2%	4.1%	3.0%	3.0%	3.0%
Bad Debt	7.8%	7.6%	3.0%	3.0%	3.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Other	6.2%	6.0%	3.0%	3.0%	3.0%
Management Fee	7.4%	6.6%	3.0%	3.0%	3.0%
Reserves for Replacement	7.4%	6.6%	3.0%	3.0%	3.0%
Total Operating Expenses	5.9%	4.9%	3.0%	3.0%	3.0%
EBITDA	26.8%	24.6%	3.0%	3.0%	3.0%

DISCOUNT RATE

A discount rate is a yield rate used to convert anticipated future payments into present value. The resulting present value represents the amount of capital to be invested so that the investor's expected yield equals the specified discount rate. For the purposes of this analysis, the discount rate is applied before loan payments, depreciation, amortization and income taxes.

The discount rate is based upon the quality and risk of the cash flow and the potential opportunity costs associated with the subject. The discount rate is determined by a review of national investors surveys.

The *Korpacz Real Estate Investor Survey, Fourth Quarter 2000* indicates that discount rates range between 9.00% and 15.00%. A summary of the survey is outlined as follows.

FOURTH QUARTER 2000 INVESTOR SURVEY

	Discount Rates	
Property Type	**Average**	**Range**
Regional Mall	11.41%	9.75% - 13.50%
CBD Office	11.04%	9.75% - 13.50%
Suburban Office	11.01%	9.75% - 13.00%
Industrial	10.88%	9.50% - 12.50%
Apartment	11.41%	10.00% - 15.00%
Full Service Hotel	13.28%	9.00% - 15.00%

Compared to those property types surveyed, the subject is most similar to a full service hotel. As previously determined, the capitalization rate for the subject was determined to be 18.0%. Since the cash flow and reversion are both expected to grow over time, the capitalization rate establishes the lower limits of discount rates. Based upon the published surveys, and our experience in these types of properties, a discount rate of 21.0% is warranted for the subject.

Based upon our knowledge of the subject and the demand for acute-care services, we are of the opinion that a terminal capitalization rate of 18.5% is appropriate for the subject property.

SALES COSTS

Upon the sale of the subject and the end of the holding period, a 3% deduction for selling and closing costs is deducted.

CONCLUSION

The sum of the present value of the cash flow and the reversion represents the total value of the subject. Table 8 on the following page contains the discounted cash model – assuming new ownership and indicates a value of:

As is Value – Assuming New Ownership Projections – $8,800,000

Huntington East Valley Hosptial
Table 8 - Discounted Cash Flow - As Is Valuation Assuming New Ownership

		Stabilized Year						
Year		1	2	3	4	5		6
Net Patient Revenue		25,399,863	27,287,999	29,097,376	29,970,297	30,869,406		31,795,488
Other Revenue		96,018	95,952	94,472	97,306	100,225		103,232
Net Revenue		25,495,880	27,383,951	29,191,848	30,067,603	30,969,632		31,898,720
Operating Expenses:								
Salaries & Wages		12,437,500	13,096,165	13,765,920	14,178,898	14,604,265		15,042,392
Professional Fees		2,238,750	2,722,965	2,834,160	2,919,185	3,006,760		3,096,963
Supplies		3,482,500	3,630,620	3,778,880	3,892,246	4,009,014		4,129,284
Utilities		447,750	440,861	458,864	472,630	486,809		501,413
Purchased Services		2,238,750	2,204,305	2,348,304	2,418,753	2,491,316		2,566,055
Insurance		348,250	350,096	350,896	361,423	372,266		383,434
Building Rental		286,063	298,230	296,912	305,819	314,994		324,444
Equipment Rental		174,125	168,565	175,448	180,711	186,133		191,717
Bad Debt		360,688	388,995	418,376	430,927	443,855		457,171
Property Tax		82,661	84,314	86,000	87,720	89,474		91,264
Other		671,625	713,158	755,776	778,449	801,803		825,857
Management Fee		637,397	684,599	729,796	751,690	774,241		797,468
Reserves for Replacement		254,959	273,840	291,918	300,676	309,696		318,987
Total Operating Expenses		23,661,016	25,056,710	26,291,251	27,079,128	27,890,625		28,726,449
EBITDA		1,834,864	2,327,241	2,900,597	2,988,475	3,079,007		3,172,272
Discount Factor	21.0%	0.8264463	0.6830135	0.5644739	0.4665074	0.3855433	Terminal Cap	18.50%
Present Value		1,516,416	1,589,537	1,637,312	1,394,146	1,187,090	Indicate Value	17,147,414
							Selling Cost	514,422
Indicated Value							Reversion	16,632,992
Cash Flow		7,324,501					PV Factor	0.3855433
Reversion		6,412,738					Present Value	6,412,738
Indicated Value		13,737,239						
Less 2002 SB 1953 Costs		170,400						
Less 2008 SB 1953 Costs		4,800,000						
Indicated As Is Value		8,766,839						
Rounded		8,800,000						

DISCOUNTED CASH FLOW – AS IS

The primary reason to conduct a discounted cash flow analysis of the as is operation is to test the financial feasibility of proceeding with SB 1953 earthquake work. If the SB 1953 work is not completed, acute-care operations at the subject cannot be conducted beyond January 1, 2008.

The as is value of the current operations at the subject, less the cost of complete SB 1953 work, has been previously determined in this report at $1,500,000. The as is discounted cash flow will assume that the SB 1953 will not be undertaken and that operations at the subject will end on December 31, 2007, at which time the subject will be sold for land value less demolition costs.

The cash flows in the discounted cash flow as is are based upon the income and expenses as estimated in Table 4a. Income and expenses are projected to increase at 3.0% per year. The as is discounted cash flow contained in Table 9 indicates a present value of the subject of $4,900,000.

Huntington East Valley Hosptial
Table 9 - Discounted Cash Flow - AS IS

Assumptions	
Income & Expense Growth	3.00%
Discount Rate	21.00%
Land Value Today	2,550,000
Land Value 1/1/08	3,136,178
Demolition Costs Today (PSF)	2.50
Demolition Costs (1/1/08)	3.07
Selling Costs	4.00%

Date	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Year	1	2	3	4	5	6	7
Net Revenue	22,956,246	23,644,933	24,354,281	25,084,910	25,837,457	26,612,581	27,410,958
Expenses	21,805,791	22,459,964	23,133,763	23,827,776	24,542,609	25,278,888	26,037,254
EBITDA	1,150,455	1,184,969	1,220,518	1,257,133	1,294,847	1,333,693	1,373,704
Land Value							3,136,178
Less Demolition Costs							-269,189
							2,866,990
Less Selling Costs							-114,680
Net Reversion							2,752,310
Cash Flow	1,150,455	1,184,969	1,220,518	1,257,133	1,294,847	1,333,693	4,126,014
Discount Factor	0.8264463	0.6830135	0.5644739	0.4665074	0.3855433	0.3186308	0.2633313
Present Value	950,789	809,350	688,951	586,462	499,220	424,956	1,086,508

Indicated Value	5,046,236
Less 2002 SB 1953 Costs	170,400
Indicated Value	4,875,836
Rounded	4,900,000

CORRELATION OF VALUE

Three traditional approaches to value have been considered. While the approaches are independently developed, the same fundamental principles of valuation and economics form the logical basis for each approach. The indications of value by the three approaches are as follows:

	As Is Current Operations 1/8/01	As Is Assuming Buyer's Operations 1/8/01	Prospective Stabilized Assuming Buyer's Operations 1/1/2003
Cost Approach	N/A	$7,200,000	N/A
Sales Approach	N/A	N/A	$11,000,000
Income Capitalization Approach – Capitalization		N/A	$11,100,000
Income Capitalization Approach – DCF	$4,900,000	$8,800,000	N/A

The Cost Approach is indicative of the value of the land plus the depreciated replacement cost of the building, land improvements and equipment. The reliability of this approach depends on the property age and whether or not it has obsolescence. The fact that the subject was built in 1958 with additions in 1966, 1969 and 1986 makes it questionable whether we can reasonably measure the amount of depreciation in the subject improvements. In light of the complexity of estimating the replacement cost and depreciation, it is not necessarily the most reliable of value estimates. Furthermore, the Cost Approach, as performed herein, failed to include intangible assets, such as, but not limited to, the assembled work force, business enterprise assemblage, referral network, marketing plan, medical records, libraries, systems and procedures. In comparison to the other two approaches, we consider its applicability to be less relevant than both the Sales Comparison and Income Capitalization approaches.

The Sales Comparison Approach reflects competitive conditions based on the value of the assets, business enterprise and other intangible assets associated with the operation of a nursing-home-type facility. In the case of special-purpose properties such as the subject, this approach is particularly difficult to apply due to the subjectivity involved in making adjustments for intangible assets and numerous economic considerations that are not always known. The sales comparables used in our

analysis are located throughout the United States. The Sales Comparison Approach in this appraisal is considered less relevant than the Income Capitalization Approach.

The estimated net operating income for the subject is based on actual subject operating history, as well as the buyer's projected operations. We have relied upon financial data provided by the subject's management and our experience in appraising facilities of this kind. We consider our estimate of income and expenses to be reliable and a reasonable measure of market levels. The capitalization and discount rates were derived from the marketplace based upon the sales of similar facilities and our review of other current market data. Overall, the Income Capitalization Approach, utilizing the Direct Capitalization Method and a Discounted Cash Flow Analysis, was considered the best indicator of value for the fee simple interest in the subject property.

AS IS VALUE BASED UPON HISTORICAL OPERATIONS

Two methods were used to determine the as is value of the subject based upon historic operations. Historically, the subject has been owned and operated by a non-profit group that operates two larger facilities in Southern California. In the past a number of operational decisions were based upon efficiently operating the group of hospitals rather than solely on the optimal use of the subject as a freestanding facility. The single most problematic operational decision for the subject was a capitation arrangement in which the subject had to pay another hospital to treat its more acute patients. This capitation agreement was ended during 2000 and the subject started to indicate a stronger performance in the three-month period ending November 2000.

The Direct Capitalization Method, after deducting $4,970,000 for the cost of SB 1953 upgrades, results in a value of $1,500,000 and indicates that the cost of the upgrades is not financially feasible. Therefore, a Discounted Cash Flow Analysis was utilized to determine the present value of the cash flows during the remaining life of the subject assuming that the upgrades were not undertaken.

Therefore, it is our opinion that the as is market value based upon historical operations of the fee simple interest in the going concern identified as Huntington East Valley Hospital, as of January 8, 2001 is represented in the rounded amount of:

$4,900,000

AS IS VALUE ASSUMING BUYER'S OPERATIONS

The proposed buyer of the subject is a group of local doctors that intends to improve the profitability of the subject through increasing the census. Through the requirement of more referring doctors, the buyers intend to increase the inpatient census by 10 patients per day over the next three years.

The two methods to determine the present value of the subject during the transition period are the cost approach and the Discounted Cash Flow Analysis.

The cost approach indicates a value of $7,200,000. The reliance of this approach is limited due to the difficult in estimating effective age of a hospital that was originally built in 1958 with several additions throughout the years. In addition, the Cost Approach as performed within this appraisal failed to value intangible assets such as assemble work force, medical records, medical libraries and goodwill.

Once the value of the subject was established assuming new ownership, the cost of SB 1953 was subtracted to arrive at the as is value. Based upon the as is value assuming buyer's operations, the cost of SB 1953 upgrades is financially feasible and maximally productive.

Therefore, it is our opinion that the prospective value upon stabilization of the fee simple interest in the going concern identified as Huntington East Valley Hospital, as of January 8, 2001, is represented in the rounded amount of:

$8,800,000

PROSPECTIVE STABILIZED VALUE ASSUMING BUYER'S OPERATIONS

The prospective stabilized value is based upon the buyer's stabilized operating projection. Management's assumptions are determined to be reasonable and were accepted as the basis of this valuation with the exception of $1,626,000 in annual income generated by a joint venture between Medical Pathways and the subject. The prospective stabilized value is based upon the Income Capitalization Approach less the cost of SB 1953 earthquake upgrades.

Therefore, it is our opinion that the prospective value upon stabilization of the fee simple interest in the going concern identified as Huntington East Valley Hospital, as of January 8, 2001, is represented in the rounded amount of:

$11,100,000

The fee simple value may be allocated as follows:

	As Is	Upon Stabilization
Land	$2,550,000	$2,550,000
Improvements	3,370,000	3,370,000
Equipment	1,290,000	1,290,000
Business Value	1,600,000	3,900,000
Total Value	$8,800,000	$11,100,000

AREA MAP


South Fork Campground
Paradise Springs
Mt Oak Campground
Upper Pacifico Campground
Lake Campground
Big Pines
Little Rock Creek
Vista Picnic Ground
Three Points
Mill Creek Picnic Grounds
Chilao Campground
Crystal Lake Recreation Area
San Gabriel River
Hidden Springs
Angeles National Forest
Wickiup Campground
Falling Springs
Shortcut Picnic Grounds
San Gabriel Wilderness Area
East Fork San Gabriel River
West Fork San Gabriel River
Devore Campground
Glen Campground
North Fork San Gabriel River
San Gabriel River
Eldoradoville Campground
Mt Baldy
Mt Wilson
Hoegee Campground
San Dimas Experimental Forest
Altadena
Eaton Canyon Park
Arcadia Wilderness Park
Sierra Madre
Monrovia
Duarte
Arcadia
SUBJECT
Azusa
San Dimas Canyon Park
San Marino
Butler
Temple City
Irwindale
College Heights
Alhambra
Live Oak Park
Hollenbeck Park
San Dimas
Covina
Claremont
Baldwin Park
Puddingstone Reservoir State Recreation
South El Monte
South Hills Country Club
Pomona
Montclair
Whittier
Pellissier Spur
La Puente
Walnut
Hacienda Heights
Hillgrove
Chino
Rowland Heights
Los Serranos
Los Nietos
La Habra Heights
Los Serranos Country Club
Sleepy Hollow
Downey
La Habra
Chino Hills
La Mirada
La Vida Mineral Springs
Norwalk
Carlton
Yorba Linda
Bellflower
Fullerton
Placentia
Artesia
Cerritos
Atwood
Lakewood
Anaheim Hills
Olive
Esperanza
Sycamore Park
Yorba
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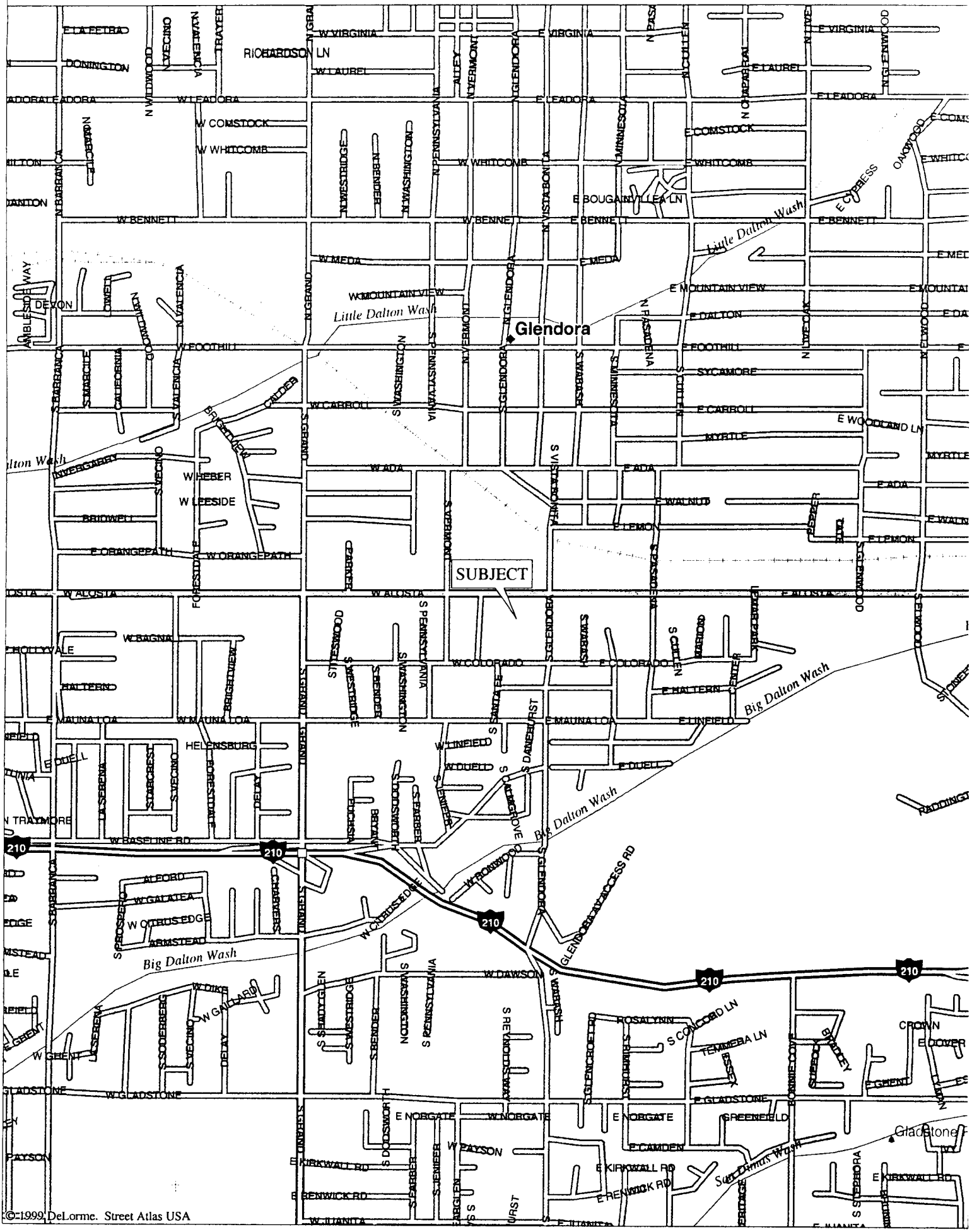
NEIGHBORHOOD MAP



CONNECT STUDY REPORT OF AGE,HOUSEHOLD TREND
IN CITY OF GLENDORA
Claritas Inc.
Sales (800)234-5973

6-JAN-01
Support (800)780-4237

Study area name: CITY OF GLENDORA

Age Report

Age	Population 1990		Population 2000 Est.		Population 2005 Proj.	
Total.....	47828	100.0%	51923	100.0%	54931	100.0%
under 5...	3684	7.7%	3443	6.6%	3502	6.4%
5 to 9...	3459	7.2%	3394	6.5%	3551	6.5%
10 to 14...	3468	7.3%	3504	6.7%	3607	6.6%
15 to 17...	2076	4.3%	2095	4.0%	2250	4.1%
18 to 20...	1941	4.1%	1845	3.6%	2017	3.7%
21 to 24...	2436	5.1%	2443	4.7%	2857	5.2%
25 to 29...	3724	7.8%	3269	6.3%	3228	5.9%
30 to 34...	4295	9.0%	3209	6.2%	3475	6.3%
35 to 39...	3961	8.3%	3700	7.1%	3379	6.2%
40 to 44...	3723	7.8%	4233	8.2%	3841	7.0%
45 to 49...	2951	6.2%	3982	7.7%	4348	7.9%
50 to 54...	2568	5.4%	3733	7.2%	4150	7.6%
55 to 59...	2370	5.0%	3008	5.8%	3685	6.7%
60 to 64...	2115	4.4%	2479	4.8%	2860	5.2%
65 to 69...	1792	3.7%	2262	4.4%	2357	4.3%
70 to 74...	1247	2.6%	1986	3.8%	2036	3.7%
75 to 79...	844	1.8%	1554	3.0%	1680	3.1%
80 to 84...	592	1.2%	916	1.8%	1137	2.1%
85 + ...	582	1.2%	868	1.7%	971	1.8%
Median.....	33.6		38.7		39.4	

Age	Population 1990 Male	Population 1990 Female	Population 2000 Est. Male	Population 2000 Est. Female	Population 2005 Proj. Male	Population 2005 Proj. Female
Total.....	48.8%	51.2%	49.0%	51.0%	49.1%	50.9%
under 5...	3.9%	3.8%	3.4%	3.3%	3.2%	3.2%
5 to 9...	3.7%	3.5%	3.3%	3.2%	3.3%	3.2%
10 to 14...	3.7%	3.5%	3.5%	3.3%	3.3%	3.2%
15 to 17...	2.2%	2.2%	2.1%	2.0%	2.1%	2.0%
18 to 20...	2.0%	2.0%	1.8%	1.7%	1.9%	1.7%
21 to 24...	2.6%	2.5%	2.5%	2.2%	2.7%	2.5%
25 to 29...	3.9%	3.9%	3.2%	3.1%	3.1%	2.8%
30 to 34...	4.4%	4.6%	3.1%	3.0%	3.2%	3.1%
35 to 39...	4.1%	4.2%	3.7%	3.5%	3.1%	3.0%
40 to 44...	3.8%	4.0%	4.0%	4.1%	3.6%	3.4%
45 to 49...	3.0%	3.2%	3.8%	3.9%	3.9%	4.0%
50 to 54...	2.6%	2.8%	3.6%	3.6%	3.8%	3.8%
55 to 59...	2.4%	2.5%	2.9%	2.9%	3.3%	3.4%
60 to 64...	2.1%	2.3%	2.3%	2.5%	2.5%	2.7%
65 to 69...	1.8%	2.0%	2.0%	2.3%	1.9%	2.3%
70 to 74...	1.2%	1.5%	1.7%	2.1%	1.7%	2.0%
75 to 79...	0.7%	1.1%	1.3%	1.7%	1.3%	1.8%
80 to 84...	0.4%	0.9%	0.6%	1.2%	0.8%	1.3%
85 + ...	0.3%	0.9%	0.4%	1.3%	0.4%	1.3%
Median.....	32.7	34.6	37.2	40.3	37.7	41.0

2000 estimates and 2005 projections produced by Claritas Inc.

CONNECT STUDY REPORT OF AGE,HOUSEHOLD TREND
IN LA COUNTY 2005
Claritas Inc.
Sales (800)234-5973

25-SEP-00
Support (800)780-4237

Study area name: LA COUNTY 2005

Household Trend Report

Universe	1980 Census	1990 Census	% Chg 80-90	2000 (Est.)	% Chg 90-00	2005 (Proj.)	% Chg 00-05
Population....	7477506	8863164	18.5	9529721	7.5	10050616	5.5
Households....	2730471	2989552	9.5	3175119	6.2	3358672	5.8
Families.....	1811593	2013926	11.2	2079124	3.2	2168030	4.3
Housing Units.	2855576	3163343	10.8	3339754	5.6	3532825	5.8
Grp Qrt. Pop..	142059	172065	21.1	178371	3.7	179657	0.7
Household Size	2.69	2.91	8.2	2.95	1.3	2.94	-0.2

Income	1979 (Census)	1989 (Census)	% Chg 79-89	2000 (Est.)	% Chg 89-00	2005 (Proj.)	% Chg 00-05
Aggregate($MM)	62085	142608	129.7	209977	47.2	251978	20.0
Per Capita....	8303	16090	93.8	22034	36.9	25071	13.8
Avg. Household	22481	47313	110.5	65859	39.2	74534	13.2
Median Hhold..	17554	35011	99.5	44692	27.7	47123	5.4
Avg. Family HH	25865	53717	107.7	75714	40.9	85555	13.0
Med. Family HH	21123	40697	92.7	51860	27.4	53392	3.0
Avg. HH Wealth				164340		178133	8.4
Med. HH Wealth				45057		51937	15.3

	Households					
Household Income	1990 Census		2000 Estimate		2005 Proj.	
Total.....	2989552		3175119		3358672	
Less than $5,000.....	141826	4.7%	103443	3.3%	92999	2.8%
$5,000 to $9,999.....	239693	8.0%	170284	5.4%	164636	4.9%
$10,000 to $14,999.....	224722	7.5%	205660	6.5%	202096	6.0%
$15,000 to $19,999.....	222360	7.4%	190401	6.0%	206485	6.1%
$20,000 to $24,999.....	231443	7.7%	197386	6.2%	204161	6.1%
$25,000 to $29,999.....	217755	7.3%	187635	5.9%	183989	5.5%
$30,000 to $34,999.....	216477	7.2%	182746	5.8%	191590	5.7%
$35,000 to $39,999.....	189630	6.3%	178377	5.6%	170924	5.1%
$40,000 to $44,999.....	179719	6.0%	181452	5.7%	180733	5.4%
$45,000 to $49,999.....	148017	5.0%	137187	4.3%	161386	4.8%
$50,000 to $59,999.....	254817	8.5%	283070	8.9%	257714	7.7%
$60,000 to $74,999.....	264220	8.8%	328644	10.4%	347574	10.3%
$75,000 to $99,999.....	223372	7.5%	347596	10.9%	376008	11.2%
$100,000 to $124,999.....	100956	3.4%	161470	5.1%	201788	6.0%
$125,000 to $149,999.....	43198	1.4%	107024	3.4%	112274	3.3%
$150,000 to $249,999.....	53769	1.8%	133914	4.2%	179431	5.3%
$250,000 to $499,999.....	24223	0.8%	50756	1.6%	82716	2.5%
$500,000 or More.....	13355	0.4%	28074	0.9%	42168	1.3%

NOTE: When the median household wealth for an area is less than $25,000 it will be listed on this report as $24,999.

Data on income are expressed in "current" dollars for each year.
Decennial Census data reflects prior year income.
2000 estimates and 2005 projections produced by Claritas Inc.

CONNECT STUDY REPORT OF AGE,HOUSEHOLD TREND
IN LA COUNTY 2005
Claritas Inc.
Sales (800)234-5973

25-SEP-00
Support (800)780-4237

Study area name: LA COUNTY 2005

Age Report

Age	Population 1990		Population 2000 Est.		Population 2005 Proj.	
Total.....	8863164	100.0%	9529721	100.0%	10050616	100.0%
under 5...	762493	8.6%	758403	8.0%	762188	7.6%
5 to 9...	641951	7.2%	733216	7.7%	746615	7.4%
10 to 14...	581713	6.6%	718436	7.5%	742256	7.4%
15 to 17...	361615	4.1%	381578	4.0%	445526	4.4%
18 to 20...	448686	5.1%	379957	4.0%	391951	3.9%
21 to 24...	656702	7.4%	503236	5.3%	549582	5.5%
25 to 29...	901294	10.2%	704362	7.4%	641459	6.4%
30 to 34...	852241	9.6%	769317	8.1%	720697	7.2%
35 to 39...	722933	8.2%	820284	8.6%	778033	7.7%
40 to 44...	599808	6.8%	787615	8.3%	807520	8.0%
45 to 49...	461669	5.2%	684989	7.2%	787741	7.8%
50 to 54...	372779	4.2%	566180	5.9%	679542	6.8%
55 to 59...	329566	3.7%	421129	4.4%	547006	5.4%
60 to 64...	314980	3.6%	327491	3.4%	395310	3.9%
65 to 69...	287331	3.2%	282899	3.0%	306935	3.1%
70 to 74...	216327	2.4%	251034	2.6%	257767	2.6%
75 to 79...	163584	1.8%	199314	2.1%	214972	2.1%
80 to 84...	101843	1.1%	122571	1.3%	144258	1.4%
85 + ...	85649	1.0%	117710	1.2%	131258	1.3%
Median.....	30.5		33.8		35.2	

Age	Population 1990 Male	Population 1990 Female	Population 2000 Est. Male	Population 2000 Est. Female	Population 2005 Proj. Male	Population 2005 Proj. Female
Total.....	49.9%	50.1%	49.9%	50.1%	49.9%	50.1%
under 5...	4.4%	4.2%	4.0%	3.9%	3.8%	3.7%
5 to 9...	3.7%	3.5%	3.9%	3.8%	3.8%	3.7%
10 to 14...	3.4%	3.2%	3.9%	3.7%	3.8%	3.6%
15 to 17...	2.1%	2.0%	2.1%	1.9%	2.3%	2.2%
18 to 20...	2.7%	2.4%	2.1%	1.9%	2.0%	1.9%
21 to 24...	4.0%	3.5%	2.8%	2.5%	2.8%	2.6%
25 to 29...	5.3%	4.8%	3.9%	3.5%	3.4%	3.0%
30 to 34...	4.9%	4.7%	4.3%	3.8%	3.8%	3.3%
35 to 39...	4.1%	4.0%	4.4%	4.2%	4.1%	3.6%
40 to 44...	3.3%	3.4%	4.1%	4.1%	4.1%	4.0%
45 to 49...	2.6%	2.7%	3.5%	3.7%	3.9%	4.0%
50 to 54...	2.1%	2.1%	2.9%	3.0%	3.3%	3.5%
55 to 59...	1.8%	1.9%	2.2%	2.3%	2.7%	2.8%
60 to 64...	1.7%	1.9%	1.6%	1.8%	1.9%	2.1%
65 to 69...	1.4%	1.8%	1.3%	1.6%	1.4%	1.7%
70 to 74...	1.0%	1.4%	1.1%	1.5%	1.1%	1.4%
75 to 79...	0.7%	1.1%	0.8%	1.2%	0.9%	1.3%
80 to 84...	0.4%	0.7%	0.5%	0.8%	0.5%	0.9%
85 + ...	0.3%	0.7%	0.3%	0.9%	0.4%	0.9%
Median.....	29.4	31.6	32.7	35.1	34.0	36.4

2000 estimates and 2005 projections produced by Claritas Inc.

Study area name: LA COUNTY 2005

Age Report

Female Population

Age	1990		2000 Est.		2005 Proj.	
Total.....	4442180	100.0%	4777556	100.0%	5039894	100.0%
under 5...	372932	8.4%	373360	7.8%	375625	7.5%
5 to 9...	313673	7.1%	361139	7.6%	367515	7.3%
10 to 14...	284050	6.4%	351293	7.4%	365080	7.2%
15 to 17...	173352	3.9%	185062	3.9%	216145	4.3%
18 to 20...	208912	4.7%	181129	3.8%	189645	3.8%
21 to 24...	306257	6.9%	238152	5.0%	264856	5.3%
25 to 29...	429514	9.7%	329837	6.9%	303903	6.0%
30 to 34...	415106	9.3%	361772	7.6%	336464	6.7%
35 to 39...	358588	8.1%	397353	8.3%	363955	7.2%
40 to 44...	304062	6.8%	393410	8.2%	398641	7.9%
45 to 49...	235061	5.3%	348140	7.3%	399602	7.9%
50 to 54...	190279	4.3%	289594	6.1%	346840	6.9%
55 to 59...	170816	3.8%	215473	4.5%	280193	5.6%
60 to 64...	168360	3.8%	171085	3.6%	206113	4.1%
65 to 69...	159270	3.6%	154686	3.2%	166594	3.3%
70 to 74...	124504	2.8%	142640	3.0%	144868	2.9%
75 to 79...	99448	2.2%	118965	2.5%	127406	2.5%
80 to 84...	66385	1.5%	79306	1.7%	92003	1.8%
85 + ...	61611	1.4%	85160	1.8%	94446	1.9%
Median.....	31.6		35.1		36.4	

Male Population

Age	1990		2000 Est.		2005 Proj.	
Total.....	4420984	100.0%	4752165	100.0%	5010722	100.0%
under 5...	389561	8.8%	385043	8.1%	386563	7.7%
5 to 9...	328278	7.4%	372077	7.8%	379100	7.6%
10 to 14...	297663	6.7%	367143	7.7%	377176	7.5%
15 to 17...	188263	4.3%	196516	4.1%	229381	4.6%
18 to 20...	239774	5.4%	198828	4.2%	202306	4.0%
21 to 24...	350445	7.9%	265084	5.6%	284726	5.7%
25 to 29...	471780	10.7%	374525	7.9%	337556	6.7%
30 to 34...	437135	9.9%	407545	8.6%	384233	7.7%
35 to 39...	364345	8.2%	422931	8.9%	414078	8.3%
40 to 44...	295746	6.7%	394205	8.3%	408879	8.2%
45 to 49...	226608	5.1%	336849	7.1%	388139	7.7%
50 to 54...	182500	4.1%	276586	5.8%	332702	6.6%
55 to 59...	158750	3.6%	205656	4.3%	266813	5.3%
60 to 64...	146620	3.3%	156406	3.3%	189197	3.8%
65 to 69...	128061	2.9%	128213	2.7%	140341	2.8%
70 to 74...	91823	2.1%	108394	2.3%	112899	2.3%
75 to 79...	64136	1.5%	80349	1.7%	87566	1.7%
80 to 84...	35458	0.8%	43265	0.9%	52255	1.0%
85 + ...	24038	0.5%	32550	0.7%	36812	0.7%
Median.....	29.4		32.7		34.0	

LEGAL DESCRIPTION

PARCEL 1:

THE WESTERLY 100 FEET OF THE NORTH 270 FEET OF LOT "A" OF TRACT NO. 2998, OF LE MAR'S ADDDITION TO THE TOWN OF ALOSTA, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 36 PAGE 81 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM, THE SOUTHERLY 15 FEET.

ALSO EXCEPT THEREFROM THAT PORTION OF DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID WEST 100 FEET OF THE SOUTH 235 FEET OF THE NORTH 255 FEET OF AFOREMENTIONED LOT A, SAID CORNER BEING ON THE SOUTHERLY LINE OF ALOSTA AVENUE AND SAID CORNER BEING ALSO ON THE EASTERLY LINE OF SANTA FE AVENUE; THENCE EASTERLY ALONG THE SOUTHERLY LINE OF ALOSTA AVENUE 24.63 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 25 FEET AND AN ARC LENGTH OF 38.88 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 38.88 FEET TO A POINT ON THE EASTERLY LINE OF SANTA FE AVENUE, THENCE NORTHERLY ALONG SAID EASTERLY LINE OF SANTA FE AVENUE 24.63 FEET TO THE POINT OF BEGINNING, AS GRANTED TO THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, BY A DEED RECORDED FEBRUARY 10, 1964 AS INSTRUMENT NO. 3791.

PARCEL 2:

THE EASTERLY 100 FEET OF THE WESTERLY 200 FEET OF THE NORTH 270 FEET OF LOT A, OF TRACT NO. 2998, IN LE MAR'S ADDITION TO THE TOWN OF ALOSTA, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 36 PAGE 81 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

THE WESTERLY 200 FEET OF THE SOUTH 50 FEET OF THE NORTH 320 FEET OF LOT "A" IN TRACT NO. 2998, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 36 PAGE 81, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

THE SOUTHERLY 15 FEET OF THE WESTERLY 100 FEET OF THE NORTH 270 FEET OF LOT "A" OF TRACT NO. 2998, OF LE MAR'S ADDITON TO THE TOWN OF ALOSTA, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 36 PAGE 81 OF MPAS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

PARCEL 2 OF PARCEL MAP NO. 13990 IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 146 PAGES 21 AND 22 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:

LOTS 2 AND 3 BLOCK 12 OF LE MAR'S ADDITION TO THE TOWN OF ALOSTA, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK

LEGAL DESCRIPTION

16 PAGES 75 AND 76 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:

LOTS 1 AND 2 OF TRACT 8387, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 118 PAGE 19 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:

LOT 3, OF TRACT 8387, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 118 PAGE 19 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 9:

PARCEL 1, IN THE CITY OF GLENDORA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 13990, AS PER MAP RECORDED IN BOOK 146, PAGES 21 AND 22 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

LICENSE NUMBER: 93000
LICENSE EFFECTIVE DATE: 03/31/
LICENSE EXPIRATION DATE: 03/30/
TOTAL LICENSED CAPACITY:

State of California

Department of Health Services

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Health Services hereby issues

this License to

HUNTINGTON EAST VALLEY HOSPITAL

to operate and maintain the following GENERAL ACUTE CARE HOSPITAL

HUNTINGTON EAST VALLEY HOSPITAL
150 W. ALOSTA AVE, GLENDORA, CA 91740

BED CLASSIFICATIONS/SERVICES

107 General Acute Care
30 Perinatal
5 Coronary Care
5 Intensive Care
67 Unspecified General Acute Care

OTHER APPROVED SERVICES

Basic Emergency
Outpatient Services at 130 W. ALOSTA AVE., GLENDORA
Nuclear Medicine
Outpatient Services
Respiratory Care Svs

HUNTINGTON EAST VALLEY HOSPITAL D/P APH
150 W. ALOSTA AVENUE, GLENDORA, CA 91740

21 Acute Psychiatric

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:

3 Perinatal beds in suspense are being used for 2 Alternative Birth Center.

Diana M. Bonta', R.N., Dr. P.H.
DIRECTOR

Eric Stone, REHS
AUTHORIZED REPRESENTATIVE

Refer complaints regarding these facilities to The County of Los Angeles, Health Facilities Division, Acute Ancillary Services Section, 5555 Ferguson Drive, 3rd Floor, Commerce, CA 90022, (323)869-8207

HS 203 A (6/98)

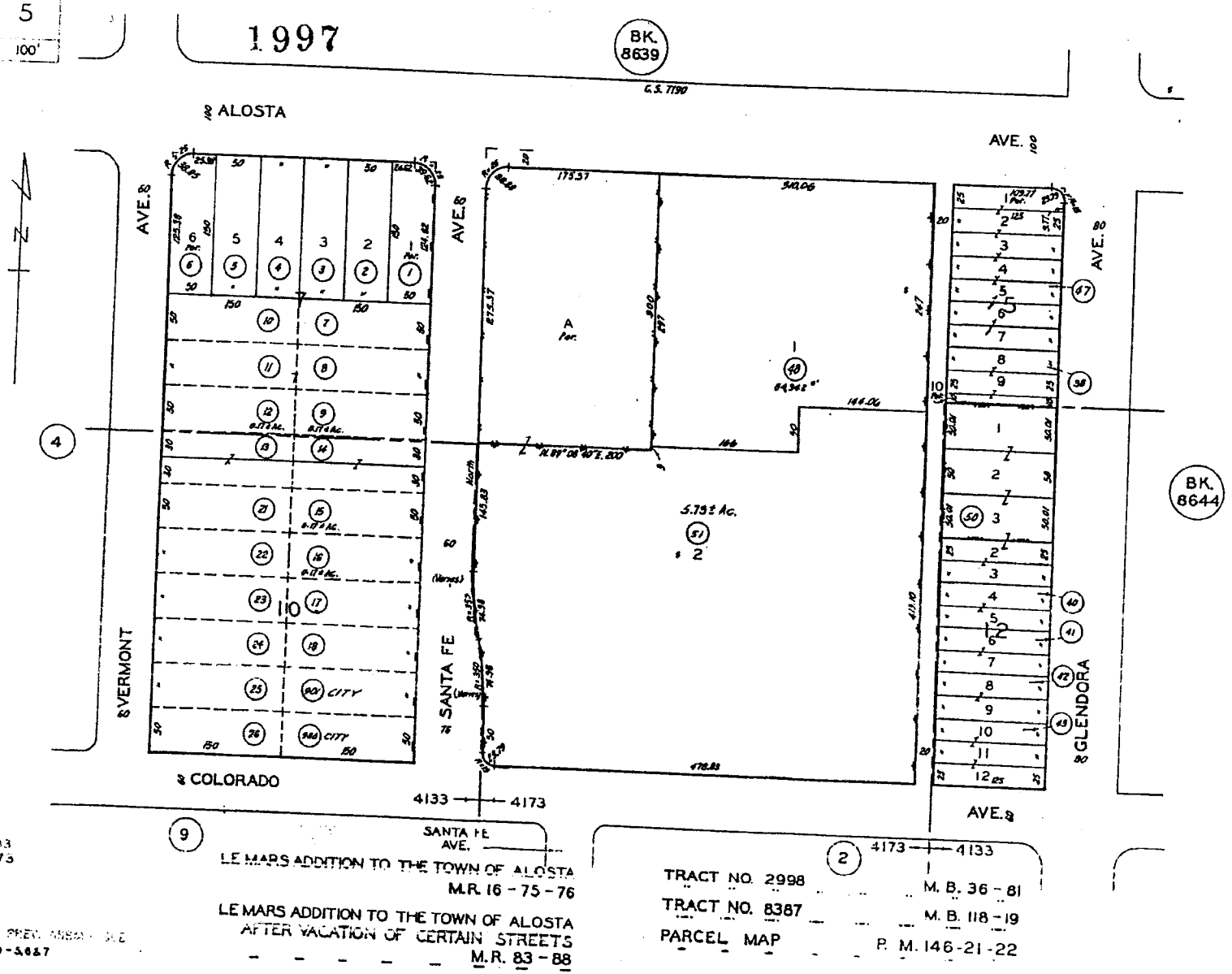
POST IN A PROMINENT PLACE

County of Los Angeles: Rick Auerbach, Assessor

8640 5

SCALE 1" = 100'

1997



LE MARS ADDITION TO THE TOWN OF ALOSTA
M.R. 16 - 75 - 76

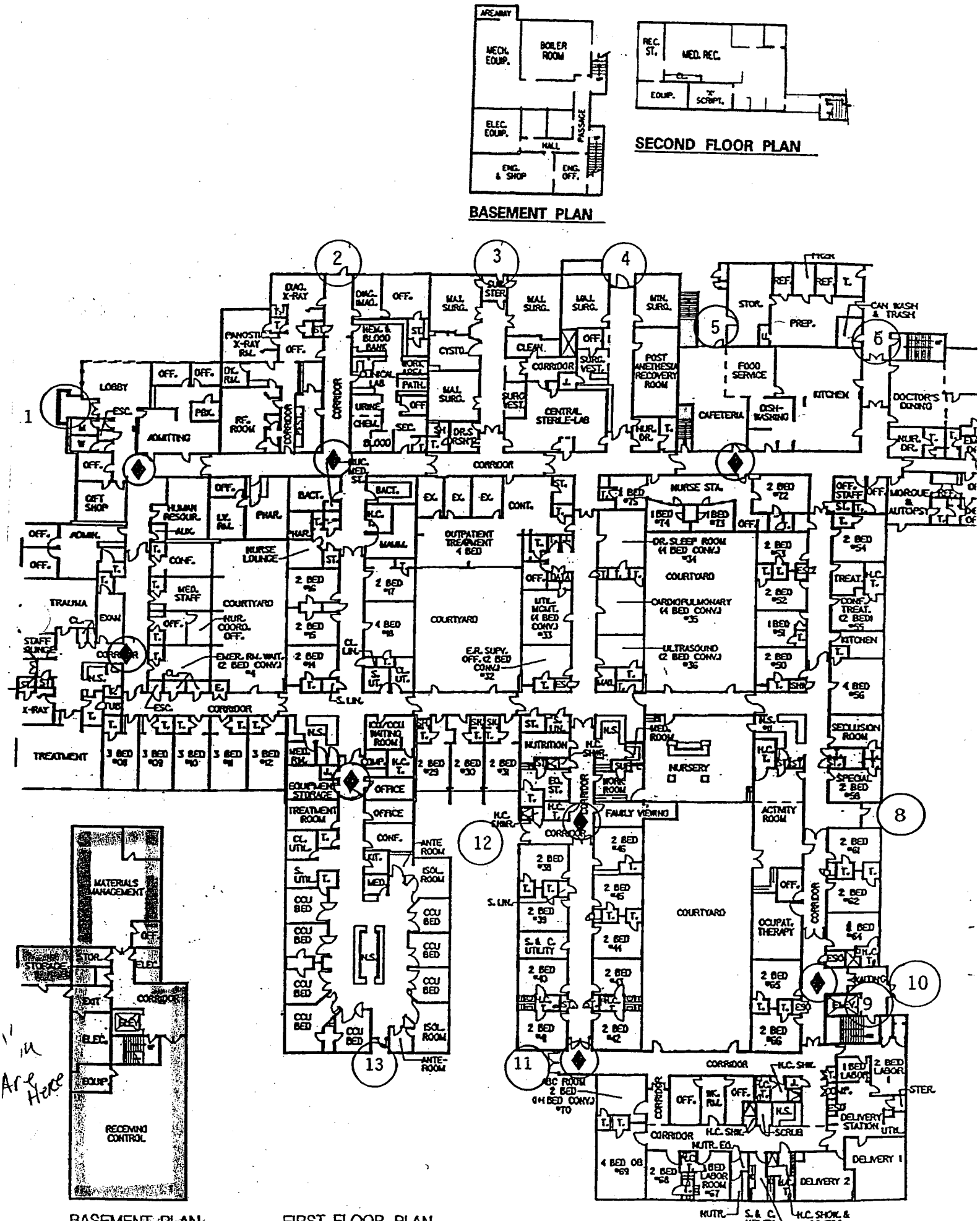
LE MARS ADDITION TO THE TOWN OF ALOSTA
AFTER VACATION OF CERTAIN STREETS
M.R. 83 - 88

TRACT NO. 2998 M. B. 36 - 81

TRACT NO. 8387 M. B. 118 - 19

PARCEL MAP P. M. 146-21-22

FOR PREV. ASSM'T SEE
8640 - 5 & 7


AREAWAY
MECH. EQUIP.
BOILER ROOM
ELEC. EQUIP.
PASSAGE
HALL
ENG. & SHOP
ENG. OFF.
REC. ST.
MED. REC.
EQUIP.
SCRIPT.
SECOND FLOOR PLAN
BASEMENT PLAN
1
2
3
4
5
6
8
9
10
11
12
13
LOBBY
ADMITTING
CORRIDOR
DIAG. X-RAY
PANOSTIL X-RAY RM.
RF. ROOM
BLOOD BANK
CYSTO.
PATH.
MAL. SURG.
CLEAN.
SURG. VEST.
CENTRAL STERILE-LAB
POST ANESTHESIA RECOVERY ROOM
NUR. DR.
STOR.
PREP.
CAN WASH & TRASH
FOOD SERVICE
KITCHEN
CAFETERIA
DISH-WASHING
DOCTORS DINING
GIFT SHOP
HUMAN RESOUR.
PHAR.
BACT.
NURSE LOUNGE
OUTPATIENT TREATMENT 4 BED
COURTYARD
NURSE STA.
OR. SLEEP ROOM (1 BED CONV.) *14
CARDIOPULMONARY (1 BED CONV.) *35
ULTRASOUND (2 BED CONV.) *36
MORGUE & AUTOPSY
TRAUMA
EXAM
MED. STAFF
NUR. COORD. OFF.
EMER. RM. WAIT. (2 BED CONV.) *4
E.R. SUPV. OFF. (2 BED CONV.) *32
TREATMENT
3 BED *8
3 BED *9
3 BED *10
3 BED *11
3 BED *12
NURSERY
NUTRITION
WORK ROOM
FAMILY VIEWING
ACTIVITY ROOM
SECLUSION ROOM
SPECIAL 2 BED *58
TREAT.
CONF. TREAT. (2 BED) *55
OCCUPAT. THERAPY
MATERIALS MANAGEMENT
EQUIPMENT STORAGE
TREATMENT ROOM
OFFICE
CONF.
ANTE ROOM
ISOL. ROOM
CCU BED
ICU/CCU WAITING ROOM
RECEIVING CONTROL
DELIVERY STATION
DELIVERY 1
DELIVERY 2
1 BED LABOR
2 BED LABOR
LABOR ROOM *67
SCRUB
NUTR. EQ.
NUTR.
S. & C. UTILITY
H.C. SHOW. & LOCKERS
4 BED OB *59
2 BED *58
ISC ROOM 2 BED (1 BED CONV.) *70
BASEMENT PLAN
FIRST FLOOR PLAN

DETAILED SB 1953 SEISMIC EVALUATION
STRUCTURAL AND NON-STRUCTURAL COMPONENTS

Huntington East Valley Hospital

150 West Alosta Avenue
Glendora, California 91740

FOR

Southern California Healthcare Systems

BY

▲▲ INTEGRATED DESIGN SERVICES, INC.
Structural Engineers

Job No. 20.147

December 29, 2000

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▲▲ INTEGRATED DESIGN SERVICES, INC.
250 N. Golden Circle Drive, Suite 105
Santa Ana, CA 92705
Tel: 714-541-5440
Fax: 714-541-5330

December 29, 2000

Jim Maki
President & CEO
Huntington East Valley Hospital
150 West Alosta Avenue
Glendora, California 91740

Re: Detailed SB 1953 Seismic Evaluation
For Structural and Non-Structural Components

EXECUTIVE SUMMARY

Huntington East Valley Hospital is an acute care hospital (housing 128 beds), which serves the Glendora area in Los Angeles County, California. The main hospital extends over 87,550 sq. ft. This includes additions completed in 1966 and 1969 and alterations to ICU in 1986. A partial basement includes 24,000 sq. ft.

IDS performed a seismic evaluation of the facility to determine the structural and non-structural seismic vulnerability. Strengthening schemes are proposed in order to meet OSHPD's deadlines of years 2002, 2008, and 2030. In order to minimize the interruption of the operation of the hospital during construction, it is proposed to implement the work in several construction phases.

The buildings at Huntington East Valley Hospital are non-compliant buildings according to SB 1953. The structural and non-structural systems are classified as SPC 1 and NPC 1, respectively. Based on our evaluation of the subject property the following summarizes the cost estimates for various required upgrade work:

- Probable construction costs for structural, non-structural, and ADA upgrade work required before 2002 (upgrade to NPC 2) to permit acute care operations beyond 2002 is $170,400.

- Probable construction costs for structural, non-structural, and ADA upgrade work required before 2008 (upgrade to SPC 2 and NPC 3) to permit acute care operations beyond 2008 is $4,800,000.

The probable construction cost to permit acute care operations until 2030 is $4,970,400.

- Probable construction costs for structural and ADA upgrade work required before 2030 to permit acute care operations beyond 2030 is $1,000,000.

- Probable construction costs for non-structural, and ADA upgrade work required before 2030 (upgrade to NPC 5) to permit acute care operations beyond 2030 is $154,000.

The probable additional construction cost to permit acute care operations after 2030 is $1,154,000.

1.0 INTRODUCTION

Integrated Design Services, Inc. (IDS) was retained by Huntington East Valley Hospital to perform the required preliminary structural analysis and cost estimates to comply with the State of California Senate Bill 1953 regulations. This report addresses the findings for Huntington East Valley Hospital.

Senate Bill 1953 (SB1953) was signed into law by California legislature on September 22, 1994, following the January 17, 1994 Northridge Earthquake. This bill requires all acute care hospitals to conform to minimum seismic standards established by the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983.

The Northridge Earthquake demonstrated that hospitals built in accordance with this act suffered little damage, while several hospitals built prior to the act suffered major damages. An earthquake survivability inventory of California's hospitals, which was completed by OSHPD, indicated that over 20% of the 90,000 plus hospital beds are in buildings posing significant risks of collapse since they were built before present day earthquake codes were established. The existing bill (SB 1953), under the jurisdiction of the Office of Statewide Health Planning and Development, established a program of seismic safety building standards for certain hospitals constructed on and after March 1, 1973.

1.1 SPC AND NPC CLASSIFICATIONS

According to SB 1953, by January 1, 2001, all hospitals shall submit the seismic evaluation report to OSHPD for review and approval. The seismic evaluation report shall determine the seismic performance categories for both the Structural Performance Category (SPC) and the Non-Structural Performance Category (NPC). The bill requires that after January 1, 2008, general acute care hospital buildings that are determined to pose certain risks shall only be used for non-acute care hospital purposes.

The evaluation report places the building in the appropriate SPC based on the qualitative and quantitative results of the procedures and the list of deficiencies. There are five classifications for the SPC, ranging from SPC1 to SPC5. Buildings with SPC1 classification are the most critical and require to be upgraded to the SPC2 level by January 1, 2008. SPC5 is assigned to buildings with adequate seismic behavior. These buildings may be used without restriction through January 1, 2030 and beyond.

The following table (Table 1) describes the SPC classifications and the corresponding time frames. It is taken from Table 2.5.3 from SB 1953 seismic evaluation procedure for hospital buildings published by OSHPD.

Table 1. Structural Performance Categories (SPC)

Time Frames	SPC	Description
	SPC 1	Buildings posing a significant risk of collapse and danger to the public. These buildings must be brought up to the SPC 2 level by January 1, 2008 or will be removed from acute care service.
Jan. 1, 2008	SPC 2	Buildings in compliance with the pre-1973 California Building Standards Code or other applicable standards but not in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act. These buildings do not significantly jeopardize life, but may not be repairable or functional following strong ground motion. These buildings must be brought into compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act; its regulations, or its retrofit provisions by January 1, 2030 or be removed from acute care service.
Jan. 1, 2030	SPC 3	Buildings in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act utilizing steel moment resisting frames in regions of high seismicity as defined in Section 4.2.10 and constructed under a permit issued prior to October 25, 1994. These buildings may experience structural damage which does not significantly jeopardize life, but may not be repairable or functional following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used through January 1, 2030 and beyond.
Jan. 1, 2030	SPC 4	Buildings in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act but may experience structural damage which may inhibit ability to provide services to the public following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used through January 1, 2030 and beyond.
Jan 1, 2030	SPC 5	Buildings in compliance with the structural provisions of the Alquist Hospital Facilities Seismic Safety Act and are reasonably capable of providing services to the public following strong ground motion. Buildings in this category will have been constructed or reconstructed under a building permit obtained through OSHPD. These buildings may be used without restriction through January 1, 2030 and beyond.

The evaluation report places the buildings in the appropriate SPC based on the qualitative and quantitative results of the evaluation procedure and the list of deficiencies. There are five classifications for SPC, ranging from SPC 1 to SPC 5. Buildings with SPC 1 classification are the most critical and require to be upgraded to the SPC 2 level by January 1, 2008 or only be used for non-acute care hospital purposes after that date. SPC 5 is assigned to buildings with adequate seismic performance; these buildings may be used without restriction through January 1, 2030 and beyond.

Table 1 above describes the SPC classifications and the corresponding time frame for upgrade. It is taken from Table 2.5.3 of SB 1953 seismic evaluation procedure for hospital buildings published by OSHPD.

Similarly, there are five classifications for NPC, ranging from NPC 1 to NPC 5. The following Table 2 describes NPC classifications and the corresponding time frames. It is taken from Table 11.1 of the SB 1953 seismic evaluation procedure for hospital buildings published by OSHPD.

The non-structural items include medical equipment, heating, ventilation, air-conditioning (HVAC) system, piping, lights, etc. Damage to these components can disable a hospital's operations even if it is structurally safe following an earthquake. Patients and staff are particularly vulnerable to serious injury from damaged, non-structural elements. If not anchored sufficiently for seismic forces, heavy overhead objects such as light fixtures, patient-room TV's, and pieces of medical equipment are particularly hazardous. Bracing can be installed to resist the additional seismic loads, or safety chains can be fastened to the floor or roof to keep these objects from falling or swinging.

It is not uncommon for large equipment to slide several feet during an earthquake. Compressed gas cylinders are extremely prone to overturning unless adequately restrained. As a general rule, equipment whose height is

twice its width is vulnerable to overturning. Large-capacity hot water boilers and other pressure vessels and broken distillation pipes can release fluids at high temperatures. Several areas of a health care facility, (including the kitchen, laundry room, and sterilization rooms), are particularly hazardous in this respect. Electrical equipment including generators, transformers, free-standing switchboards, emergency generators, and lighting systems can overturn or slide off their supports causing not only damage and injury but also fire.

OSHPD has defined the Non-Structural Performance Categories (NPC) as a means to measure the probable seismic performance of building contents and non-structural systems critical to providing basic services to in-patients and the public following an earthquake, as defined in Article 11, Table 11.1. Basically, the following systems are considered a priority for upgrading: communications systems, emergency power systems, bulk medical gas systems, and fire alarm systems. The Federal Emergency Management Agency for Seismic Considerations of Health Care Facilities, (FEMA Report No. 150), has also listed other areas of concern for non-structural items and addressed that four areas should be reflected in a hospital disaster plan relative to earthquake preparedness. These four areas are structural safety, non-structural hazards, occupant preparedness and prior arrangements for a post-event response.

Table 2. Non-structural Performance Categories (NPC)

Upgrade by	NPC	Description
	NPC 1	Buildings with equipment and systems not meeting the bracing and anchorage requirements of any other NPC.
January 1, 2002	NPC 2	The following are braced or anchored in accordance with Part 2, Title 24: Communications systems Emergency power supplies Bulk medical gas systems, and Fire alarm systems
January 1, 2008	NPC 3	The building meets the criteria for NPC 2 and in Critical Care Areas, clinical laboratory services spaces, pharmaceutical service spaces, radiological services spaces, and central and sterile supply areas, the following components meet the bracing and anchorage requirements of Part 2, Title 24: Nonstructural components, listed in the 1995 CBC, Part 2, Title 24, Table 16A-O, Part 2; and Equipment, as listed in the 1995 CBC, Part 2, Table 16A-O, "Equipment" including equipment in the physical plant that service these areas. *Exceptions:* 1. Seismic restraints need not be provided for cable trays, conduit and HVAC ducting. Seismic restraints may be omitted from piping systems, provided that an approved method of preventing release of the contents of the piping system in the event of a break is provided. 2. Only elevator(s) selected to provide service to patient, surgical, obstetrical, and ground floors during interruption of normal power need meet the structural requirements of Part 2, Title 24. Fire sprinkler systems comply with the bracing and anchorage requirements of NFPA 13, 1994 edition or subsequent applicable standards. *Exception:* Acute care hospital facilities in both a rural area as defined by Section 70059.1, Division 5 of Title 22 and Seismic Zone 3 shall comply with the bracing and anchorage requirements of NFPA 13, 1994 edition or subsequent applicable standards by January 1, 2013.
	NPC 4	The building meets the criteria for NPC 3 and all architectural, mechanical, electrical systems, components, and hospital equipment meet the bracing and anchorage requirements of Part 2, Title 24. This category is for classification purposes of the Office of Emergency Services.
January 1, 2030	NPC 5	The building meets the criteria for NPC 4 and on-site supplies of water and holding tanks for wastewater, sufficient for 72 hours of emergency operations, are integrated into the building's plumbing systems. As an alternative, hook-ups to allow for the use of transportable sources of water and sanitary waste disposals have been provided. An on-site emergency system as defined within Part 3; Title 24 is incorporated into the building's electrical system for critical care areas. Additionally, the system shall provide for radiological services and an on-site fuel supply for 72 hours of acute care operation.

1.2 REQUIREMENTS FOR COMPLIANCE PLANS

According to OSHPD, a compliance plan shall be prepared and submitted for each building subject to these regulations. All general care hospital owners shall formulate a compliance plan that shall indicate the facilities' intent to do any of the following:

1. Building retrofit for compliance with these regulations for continued acute care operation beyond 2030;
2. Partial retrofit for initial compliance with closure or replacement expected by 2002, 2008 or 2030;
3. No action for non-compliant buildings; removal from acute care service with conversion to non-acute care health facility use, or closure, demolition or replacement.

This plan must clearly state the actions to be taken by the facility and must be in accordance with the time frames indicated in the tables above for both the SPC and NPC classifications.

Very recently Senate Bill 1801 passed which allows hospitals to extend the 2008 deadline to 2013 provided that the hospital move at least one 'basic service' to an area rebuilt to SPC 5 and NPC 5 standards with conditions prior to 2013. The impact of this requirement is being interpreted by OSHPD and the engineering community.

2.0 STRUCTURAL EVALUATION

2.1 BUILDING DESCRIPTION

Huntington East Valley Hospital is an acute care hospital (housing 128 beds), which serves the Glendora area in Los Angeles County, California. The main hospital extends over 87,550 sq. ft. (including basement). This includes additions completed in 1966 and 1969 and alterations to ICU in 1986. A partial basement includes 24,000 sq. ft.

According to OSHPD building types, the one-story building is considered building type 13. Appendix A includes several photographs taken of the exterior of the buildings. These photos were taken during our field visits.

2.2 GRAVITY AND LATERAL LOAD RESISTING SYSTEMS

The gravity load-carrying system consists of exterior reinforced concrete core-deck or concrete block walls. The roof structure is wood framed with plywood sheathing. Interior walls are a combination of masonry and wood stud walls. The building foundation consists of continuous and spread concrete footings. There is a 4" thick concrete slab on grade.

The lateral force resisting system includes exterior concrete core deck and masonry walls with plywood roof sheathing serving as the roof diaphragm. In general, the building is considered to be a Type 13, according to OSHPD buildings types.

2.3 REVIEW OF PREVIOUS WORK

IDS reviewed the previous preliminary work performed by Taylor & Gaines dated June 1998. This report basically address the preliminary classifications of the buildings according to SB 1953, presents partial calculations, and provides a preliminary seismic upgrade construction cost.

Table 3 below shows summaries of the SPC and NPC classifications and cost estimates to comply with OSHPD requirements as given in the Taylor & Gaines report. For comparison, Table 3 also shows the cost estimate that we obtained based on our current work.

Table 3. Previous Assessment of the Huntington East Valley Hospital

	Description	Area S.F.	# of Stories	SPC	NPC	Year	Previous Cost Estimate To Comply[1]	Current Estimate[2]
Huntington East Valley Hospital	Original Building Emergency Building 1966 Addition 1969 Addition ICU/CCU Alterations		1 1 1 1 1	1 1 1 1 1	1 1 1 1 1	2008	$ 9.0M	$ 4.97M
						2030	-	$1.15M
Total		87,550					-	$6.12M

[1]Taylor & Gaines estimate
[2]Integrated Design Services estimate

2.4 DATA GATHERING AND REVIEW OF EXISTING CONDITIONS

IDS's project team performed several site visits to the Huntington East Valley Hospital. The intent of the site visits was to collect sufficient information regarding the structural and non-structural elements of the buildings. We examined existing conditions and gathered relevant structural and non-structural information needed to guide the development and phasing of the compliance plans and reports to meet SB 1953. The accuracy of this information is critical to the overall retrofit project and the decisions made. This information will also help department heads, users, and facility managers in their immediate and short-range planning endeavors.

During the site visits we obtained some existing drawings for the original hospital buildings. However, the plans (because of the maturity of the buildings) were incomplete and a general field assessment was needed to examine existing structural systems and details.

During the visits we verified the following: (a) building boundaries, (b) major renovations with general descriptions, and (c) department boundaries. In addition, we collected data regarding the anchorage and bracing of selected non-structural elements and systems to assist us in the assignment of non-structural performance categories. This includes data for architectural, mechanical, electrical and hospital equipment in addition to associated conduit, ductwork, piping and machinery.

The site visits focused on confirmation of the information as shown on the original construction documents, as well as an initial assessment of non-structural and equipment anchorage and bracing conditions. The structural site review was also used to supplement information shown on structural drawings. An understanding of the functional aspects of the building was developed and general notations of possible locations where retrofit measures may be more practical to construct were made.

2.5 PRELIMINARY BUILDING EVALUATION

IDS performed a preliminary seismic evaluation of the structural, architectural, mechanical and electrical systems. The Structural Performance Categories (SPC's) and Non-Structural Performance Categories (NPC's), which have a preliminary assignment in the previous study, were verified based on our new assessment of collected information. Buildings within the facility are identified as "compliant" or "non-compliant," based on this review. General estimates of measures required to meet the seismic upgrade mandates were developed for non-compliant buildings.

The seismic analyses performed consisted of two-dimensional computer analyses and calculations. The analyses identified the preliminary demand/capacity ratios for the lateral force resisting elements. The details of the structural evaluation are provided in Appendix C of this report. The ENERCALC computer program was used to perform a seismic distribution analysis.

Based on the site examination of the existing conditions and the structural evaluation of the lateral resisting system for both structural and non-structural components, we assigned the following SPC and NPC values as shown in Table 4 below. Detailed data for NPC and SPC categorizations are shown in a tabular format in Appendix E, which lists the item, location, item quantity, current anchorage or bracing descriptions, and design standards used in original installation (if identifiable).

Table 4. Summary of Building Information

Building Name/ Designation	OSHPD (or Local Building Permit Date/Number	Governing Building Code	Construction Completion Date	Building Type (Per Section 2.2.3	SPC	NPC
Original Building	City of Glendora	1957 UBC	1958	13	1	1
Emergency Building	City of Glendora	1964 UBC	1966	13	1	1
1966 Addition	City of Glendora	1964 UBC	1966	13	1	1
1969 Addition	City of Glendora	1967 UBC	1069	13	1	1
ICU/CCU Alterations	City of Glendora	1985 UBC & CBC	1986	13	1	1

In addition, because of the lack of existing detailed structural drawings, IDS recommends that field structural testing and geotechnical exploration be performed during the engineering phase of work required for the SPC 2 upgrade, as also required by OSHPD. It is possible that hospital personnel may be able to perform some of this assessment work. This field structural testing is needed to evaluate material types and strengths, to establish concrete and masonry strengths and to validate reinforcement details for critical lateral load resisting elements.

3. DETAILED SEISMIC EVALUATION AND DEVELOPMENT OF RETROFIT SCHEMES

IDS performed detailed seismic reviews in order to more completely define specific retrofit alternatives, develop more accurate seismic retrofit cost estimates, and develop facility operational interruption scenarios needed to accomplish required seismic retrofit work.

3.1 STRUCTURAL PERFORMANCE UPGRADE

As part of this study, IDS has performed detailed seismic reviews in order to define specific retrofit alternatives and associated cost estimates. In this regard, several seismic retrofit alternatives were considered and reviewed by the management of the Huntington East Valley Hospital. This process involved careful considerations of architectural and MEP issues. As a result of this process, a cost-effective retrofit scheme was selected which minimized the facility interruption during construction and provided the least impact on the facilities' current functional configurations. IDS developed conceptual 11"x17" AutoCAD drawings of the selected retrofit scheme for each portion of the hospital. The AutoCAD drawings identify the extent of the retrofit work and illustrate the locations of the new structural elements.

Based on our discussion with the Huntington East Valley Hospital, the construction will be implemented in phases and will span over an extended period of time. The main objective is to minimize the impact on the facility operation, meet the constraints of the allocated annual budget, and utilize the construction expertise of the in-house construction staff of the hospital.

Details of the structural schemes are provided in Appendix C of this report. A summary of the major structural deficiency and proposed remedies is provided in Table 5 below:

The main structural (SPC) strengthening measures for Huntington East Valley Hospital include:

(1) **Roof diaphragm:** Provide new ½" Structural I plywood with nailing over existing plywood. Existing roofing will be removed. Existing roof mounted equipment and piping to be moved and reset. New roofing would be installed over the new plywood.

(2) **Exterior concrete core deck walls and masonry walls subject to overturning:** Saw-cut existing slabs, excavate under each end of masonry wall subject to overturning. Install reinforcement, dowel into existing footings, and pour new concrete footings. See Detail 11, Appendix C.

(3) **Top of brick wall anchorage (out of plane):** Provide straps on top of new plywood with new through-bolts into existing masonry walls. See Details 7, and 9, Appendix C.

(4) **Ledger attachment to concrete core deck walls and masonry regarding in-plane shear transfer:** Add new oversized steel plate washers to existing ledger anchor bolts. Add new epoxy bolts with oversized steel plate washers between existing anchor bolts to mitigate the 'cross-grain bending' hazard for the wood ledgers. See Detail 8, Appendix C.

(5) **New shear walls and footings in basement.** See basement plan in Appendix D.

(6) **Interior shear wall weakness.** Provide new concrete exterior buttress walls with steel members attached to plywood roof diaphragm. See Details 3 and 4 in Appendix C.

(7) **ADA Upgrades:** Facilities will need to be upgraded to be accessible to the handicapped. The total cost of the construction upgrade work must include 20% for ADA upgrade work.

Table 5. Structural Deficiencies and Proposed Remedies

Item	Location	Apparent Deficiency	D/C Ratio	Remedies	Details
Roof Plywood Diaphragm	Original and Building Additions	Diaphragm Weakness	2	a. New plywood over exist. b. Add Shear Walls or where possible add Exterior 'buttress' walls with steel members Over roof plywood. Re-Roof	3, 4
Exterior and Interior CMU Walls	Original and Building Additions	Over-stressed and unstable for seismic overturning	1.4	Add new buttress walls with new footings and steel members over roof plywood.	3, 4
Exterior CMU Walls	Area 3 Additions	Inadequate soil bearing pressure	6	Add new CMU walls with new footings	
Top of Masonry Wall anchorage (out of plane)	Building Additions	No existing Attachment. Weakness in 'cross-grain' bending.	-	Add straps to top of plywood.	3, 4
Ledger attachment to Masonry (in-plane Shear transfer)	Building Additions	Too few or no anchor bolts and oversized washers	-	Add epoxy bolts and oversized washers to ledger.	5
Existing Basement Shear Walls	1969 Building Addition	Overstressed and unstable for seismic overturning	1.2	Add gunnite or new fiber wrapping and new footings or caissons. As an alternative, add alternative add new concrete walls with footings.	8
Steel Braced Frames at First Floor above Basement	Building Addition	Weak shear walls	1.4	Add new braced steel frames at main level and new steel posts in basement below.	1
Top of Masonry Wall anchorage (in-plane and out-of-plane)	Original Building	No existing attachment.		Remove a portion of existing plywood sheathing, add new brackets to joists and epoxy bolts to concrete core-deck walls.	10

3.2 NON-STRUCTURAL PERFORMANCE UPGRADE

The scope of this study included the development of a preliminary inventory to address all NPC retrofit items for the year 2002, 2008, and 2030 deadlines. Non-structural items and equipment were inventoried and reviewed for their seismic supports according to the regulations of SB 1953. Appendix B shows recent photos of the existing condition of the non-structural elements.

Non-structural items required to undergo upgrades for earthquake protection by SB 1953 by 2002 include exit corridor partitions, communication systems, emergency power systems, bulk medical gas tanks, emergency corridor lights, and the fire alarm system. The total cost of the construction upgrade work must include 20% for ADA upgrade work.

NPC upgrades typically do not involve extensive long-term interruption to the operation. In most areas, required measures such as ceiling or piping bracing can be completed quite rapidly. However, work is distributed over a large area of the hospital. Therefore, proper construction phasing is needed to reduce the impact of the operation to the facility.

Details of the NPC strengthening measures are provided in Appendix C.

4. CONSTRUCTION COST ESTIMATES

IDS prepared a ±20% cost-estimate for the construction needed to comply with SB 1953. Retrofit measures will focus on year 2008 retrofit requirements and will include structural and non-structural retrofit schemes. We addressed year 2030 SPC retrofit requirements only in cases where a small marginal cost is associated in meeting year 2030 requirements.

Based on our evaluation of the subject property the following summarizes the cost estimates for various required upgrade scopes of work:

- Probable construction cost of structural, non-structural, and ADA upgrade work required before 2002 (upgrade to NPC 2) to permit acute care operations beyond 2002 is $170,400.

- Probable construction cost of structural, non-structural, and ADA upgrade work required before 2008 (upgrade to SPC 2 and NPC 3) to permit acute care operations beyond 2008 is $4,800,000.

The estimate of probable construction costs to permit acute care operations until 2030 is $4,970,000.

- Probable construction costs of structural and ADA upgrade work required before 2030 (upgrade to SPC 5) to permit acute care operations beyond 2030 is $1,000,000.

- Probable construction cost of non-structural, and ADA upgrade work required before 2030 (upgrade to NPC 5) to permit acute care operations beyond 2030 is $154,000.

The estimate of probable additional construction costs to permit acute care operations until 2030 is $1,154,000.

Details of the construction cost estimate are given in Appendix E of this report.

5. SUMMARY AND CONCLUSIONS

Huntington East Valley Hospital building has been shown to be weak in seismic resistance in several structural areas including roof diaphragms, overturning of masonry walls, out-of-plane attachment of masonry walls to roof structure, in-plane attachment of masonry wall ledgers and basement shear walls.

Because of the lack of existing detailed structural drawings, IDS recommends that field structural and geotechnical testing be performed during the engineering work required for the SPC 2 upgrade, as also required by OSHPD. It is possible that hospital personnel may be able to perform much of this assessment work. This field structural testing is needed to evaluate material types and strengths, to establish concrete and masonry strengths, determine soil conditions, and to validate reinforcement details for critical lateral load resisting elements.

In summary, based on our evaluation of the subject property the following presents the cost estimates for various required upgrade scopes of work:

- Probable construction cost of structural, non-structural, and ADA upgrade work required before 2002 (upgrade to NPC 2) to permit acute care operations beyond 2002 is $170,400.

- Probable construction cost of structural, non-structural, and ADA upgrade work required before 2008 (upgrade to SPC 2 and NPC 3) to permit acute care operations beyond 2008 is $4,800,000.

The estimate of probable construction costs to permit acute care operations until 2030 is $4,970,000.

- Probable construction cost of structural and ADA upgrade work required before 2030 (upgrade to SPC 5) to permit acute care operations beyond 2030 is $1,000,000.
- Probable construction cost of non-structural, and ADA upgrade work required before 2030 (upgrade to NPC 5) to permit acute care operations beyond 2030 is $154,000.

The estimate of probable additional construction costs to permit acute care operations beyond 2030 is $1,154,000

Respectfully Submitted,
Integrated Design Services, Inc.

Robert Freeman, AIA
Project Manager

Said Hilmy, Ph.D., S.E.
Principal Engineer

n. Wall materials shall be chosen that will withstand abuse by vandals or accidental damage from machinery and equipment.

o. Roller shutter doors shall be located on the inside of buildings.

6. Roofs:

a. Roof lines shall not exceed 50 feet in length without an offset or jog.

b. Nearly vertical roofs shall not be permitted. Mansard roofs shall wrap around the entire building perimeter.

c. Corrugated metal, high contrast surfaces, brightly colored surfaces, highly reflective surfaces and illuminated roofing shall not be permitted.

7. Awnings:

a. Awnings used along a row of contiguous buildings shall be of the same form and uniformly located with a minimum vertical clearance of eight feet.

b. Awnings shall be of canvas, treated canvas, matte finish vinyl or fabric.

c. Internally lit awnings shall not be permitted.

8. Lighting:

a. Adequate lighting shall be provided for the security and safety of areas such as parking areas, loading areas, vehicle and pedestrian circulation areas, building entrances and working areas.

b. Light fixtures and supports shall be compatible with building architecture and site design. Illuminators shall be integrated within the architectural design of buildings.

c. Lighting shall be shielded to prevent spillover. (Ord. 1648 § 1, 1996: Ord. 1618 § 1 Exh. A, 1993)

21.05.020 Medical Services Zone:

A. Purpose: The purpose of this zone is to provide for the development of hospitals, health care and other medical related facilities in a manner that implements the policies and programs of the General Plan. These regulations are designed to ensure that adequate land area is provided and that the facilities are aesthetically pleasing.

B. Permitted Uses:

1. Medical offices and laboratories;

2. Pharmacies, limited to the sale of drugs and supplies only, associated with a hospital, medical office or care facility.

C. Uses Permitted Subject To Conditional Use Permit:

1. Community care, convalescent and nursing facilities;

2. Hospitals;

3. Senior housing;

4. Accessory buildings and dormitories.

D. Development Standards:

1. Lot Area: The minimum lot area shall be 60,000 square feet.

2. Lot Width: The minimum lot width shall be 100 feet.

3. Lot Depth: The minimum lot depth shall be 200 feet.

4. Front Yard: The minimum front yard shall be 25 feet.

5. Side Yards: The minimum side yard shall be 20 feet.

6. Rear Yard: The minimum rear yard shall be 25 feet.

7. Height: The maximum height shall be 35 feet, but not exceeding two stories.

8. Building Area: The minimum gross floor area for each building shall be 1,600 square feet.

Section 21.04.010 Single-Family Residence

A. Purpose. The purpose of single-family residential zones is to protect and promote the unique single-family nature of the city by limiting the uses in such zones to residential and residentially compatible uses and by requiring standards for the use, maintenance, and development of single-family residential zoned properties. The single-family residence zones are:

1. R-1 (Single-Family Residence).

2. E-3, E-4, E-5, E-6, and E-7 (Single-Family Estate).

3. RHR (Rural Hillside Residential).

B. Permitted Uses.

1. One single-family residence and accessory buildings.

2. City facilities. Development shall be subject to development plan review prior to the issuance of permits in accordance with section 21.02.040.

3. Home occupations as an accessory use to a single-family residence. The establishment and conduct of home occupations shall comply with all of the following requirements to ensure that the use will be compatible with, and not detrimental to, the neighborhood:

a. There shall be no exterior evidence of the conduct of a home occupation.

b. The home occupation shall be conducted only within the enclosed living area of the residence or an enclosed, roofed accessory building.

c. There shall be no storage of hazardous materials.

d. Only the residents of the residence shall be engaged in the home occupation.

e. There shall be no sale of goods on the premises.

f. The establishment and conduct of the home occupation shall not change the principal character of the residence.

g. There shall be no signs posted other than those permitted in the zone in which the residence is located.

h. The required residential off-street parking shall be maintained.

i. The conduct of the home occupation shall not create greater vehicular or pedestrian traffic than is normal for the zone in which it is located.

j. There shall be no outside storage of goods, supplies, equipment, or other materials.

k. There shall be no pickups or delivery of goods, supplies, equipment, or other materials, except between the hours of 7 a.m. and 6 p.m.

l. The conduct of the home occupation use shall not create noise levels in excess of those permitted in the zone in which the residence is located.

C. Uses Permitted Subject to Conditional Use Permit.

1. Second-kitchen units.

5. Guest Houses.

   a. The guest house shall be limited to one bedroom and one bathroom.

   b. The guest house shall not include kitchen facilities.

   c. One covered parking stall shall be provided for the guest house.

   d. The guest house shall meet the development standards for accessory buildings.

6. Churches.

   a. The minimum lot area shall be 1 gross acre.

   b. The maximum building height shall be 35 feet, but not exceeding 2 stories.

   c. A 6-foot-high masonry wall shall be constructed and maintained on all property lines abutting residentially zoned properties.

   d. Church sites shall abut and have vehicular access directly from a minimum 30-foot-wide public street, as measured from curb to curb.

   e. No building shall be located closer than 25 feet to any property line constituting the parcel boundary.

   f. A detached single-family residence shall conform to the development standards specified in Table A.

7. Educational Schools.

   a. The minimum lot area shall be 5 gross acres.

   b. The maximum building height shall be 35 feet, but not exceeding 2 stories.

   c. No building shall be located closer than 25 feet to any property line constituting the parcel boundary.

8. Lodge Halls. The minimum lot area shall be twice that specified in Table A. The minimum lot width, lot depth, floor area ratio, floor area, setbacks, and building height shall be as specified in Table A.

F. Rural Hillside Residential (RHR). Properties in the RHR zone shall be subject to the requirements of section 21.04.030 and the following:

1. For any subdivision, the minimum average net area per lot shall be determined by the formula, $A = 1 \div [1.089 - 0.01778(S)]$, where A is the minimum average net area per lot in acres and S is the average slope of the subdivision in percentage (S=x%) as computed pursuant to section 21.04.030. When the average slope exceeds 45 percent, the minimum average net area per lot shall be 10 acres.

2. The maximum number of lots shall be determined by dividing the net area of the subdivision by the minimum average net area per lot and rounding down to the next whole number.

3. For any subdivision, no lot that can be further subdivided under this section shall be included in the formula to determine the minimum average net area per lot, unless the development rights beyond one dwelling unit for such lot are dedicated to the city.

4. For any subdivision, lots in excess of the maximum number permitted may be created if dedicated to the city.

SECTION 21.03.020 OFF-STREET PARKING AND LOADING M-S

A. Purpose. The purpose of this section is to ensure that sufficient off-street parking and loading areas are provided and properly designed and located in order to meet the parking and loading needs of specific uses and to protect the public health, safety, and welfare.

B. Regulations for Off-Street Parking.

1. Off-street parking shall be provided according to the provisions of this section for:

a. Any new structure.

b. Any new use.

c. Any addition to, or change in the use of, a structure. The additional off-street parking shall be required only for the addition or change of use and not for the entire structure or use, except when the addition expands the original structure by twenty five percent or more or when the change in use involves twenty five percent or more of the area of the original use, then the parking area for the entire structure or use shall be brought into conformance with this section.

2. Required off-street parking shall be provided on the same parcel as the structure or use for which the parking is required, unless reciprocal parking or other arrangement is authorized pursuant to this title.

3. Required off-street parking shall be maintained in accordance with the requirements of this section for the duration of the use.

4. Required off-street parking shall be used exclusively for the temporary parking of vehicles and shall not be used for the sale, display, repair, or storage of vehicles, merchandise, or equipment or for any other use, unless authorized pursuant to this title.

C. Development Standards.

1. Parking Stall Dimensions.

Parking Stall	Width	Depth
Standard	9'	20'
Standard, adjacent to a side wall	10'	20'
Parallel	10'	25'
Compact	8'	17'

2. Parking Aisle Widths.

Angle of Parking Stall	Aisle Width One-Way	Aisle Width Two-Way
Parallel	14'	18'
30 Degree	14'	18'
45 Degree	18'	20'
60 Degree	18'	20'
90 Degree	26'	26'

3. Compact Parking Stalls. For any use that provides more than ten open parking stalls, a maximum of twenty five percent of the parking stalls in excess of ten may be compact parking stalls. All compact parking stalls shall be clearly marked: "Compact".

e. Reciprocal parking and access agreements between adjacent properties shall be provided when possible.

f. Vehicle access shall be provided along side streets when possible to minimize pedestrian/vehicular conflicts.

g. Vehicle access shall be minimized and located as far as possible from street intersections to provide adequate stacking.

h. Parking areas and pedestrian circulation shall be visible from buildings, especially entrances.

i. The circulation system shall be designed so that pedestrian circulation will be parallel with vehicle traffic.

j. The circulation system shall be designed to minimize the need for pedestrians to cross parking aisles and landscape areas.

k. The circulation system shall be designed to provide pedestrian links between buildings and the street sidewalk system.

l. The circulation system shall include adequate directional signs for entrances, exits, parking areas, loading areas, and other areas.

D. Single Family Residence Standards.

1. Dwelling Unit Parking. For each single family residence unit there shall be a minimum of two parking stalls located within a garage.

2. Location of Carports. Carports that are not an integral part of the main residence shall be located no closer than forty feet to any street and no closer than the residence to any adjacent street.

3. Driveways. A paved driveway shall be provided from a street or alley to garages and carports. Each driveway shall have a minimum vertical clearance of eight feet and a minimum width of eight feet.

4. Vehicle Backout. A minimum unobstructed distance of twenty five feet shall be provided for vehicle backout from garages, carports, and other parking stalls as measured to a street or the opposite side of an alley.

E. Multiple Family Residence Standards.

1. Dwelling Unit Parking.

a. For each dwelling unit, there shall be one parking stall within a garage and one parking stall which may be open or covered, i.e. carport, at the discretion of the applicant. Additional parking stalls within a garage may be provided; however, they will not be counted toward required parking.

b. Dwelling units having more than two bedrooms shall increase parking by two-tenths (0.2) of a parking stall for each bedroom in excess of two in each unit.

c. Tandem parking may be permitted if the parking stalls are located on a driveway which leads to a garage, carport, or open parking stall and does not impede vehicular and/or pedestrian traffic.

d. Whenever the computation of the required number of parking stalls results in a fraction, the next higher whole number shall be the required number of parking stalls. For example, a multiple family development consisting of four units with three bedrooms each shall have 8.8 required parking stalls and 1.2 guest parking stalls. The 8.8 would change to 9 required parking stalls and the 1.2 would change to 2 guest parking stalls.

2. Handicapped Parking. For each dwelling unit designed to accommodate the physically handicapped, the required parking shall be designed for the handicapped as required by the State of California.

Manufacturing, industrial, and wholesale uses.	One for each five hundred square feet of gross floor area for the first ten thousand square feet and one for each one thousand square feet of gross floor area thereafter.
Offices.	One for each two hundred fifty square feet of gross floor area, but not less than eight.
Recreation and sports facilities, gyms, spas, and health and fitness centers.	The number shall be established by a parking study as prescribed in section 21.03.020-H.
Restaurants and other places where food or beverages are served with a drive-through.	One for each one hundred square feet of gross floor area and one for each employee.
Restaurants and other places where food or beverages are served without a drive-through.	One for each three seats/capacity and one for each employee.
Retail sales and services.	One for each two hundred fifty square feet of gross floor area.
Retail sales and services, including shopping centers, with over fifty thousand square feet of gross floor area.	One for each two hundred fifty square feet of gross floor area or the number may be established by a parking study as prescribed in section 21.03.020-H.
School, Educational.	One for each employee, one for each twenty elementary and junior high school students; one for each five senior high school students; and ten for each twenty college classrooms.
School, Vocational.	One for each employee and one for each of the maximum number of students.
Swap meet, Indoor.	The number shall be established by a parking study as prescribed in section 21.03.020-H.
Warehousing.	One for each one thousand square feet of gross floor area for the first five thousand square feet of gross floor area. One for each two thousand square feet of gross floor over five thousand square feet, plus one for each vehicle stored on the premises.
Uses not otherwise specified in this subsection.	The number shall be established by a parking study as prescribed in section 21.03.020-H.

2. Drive-Through Businesses. A stacking space at least one hundred twenty feet long and ten feet wide with eight feet of vertical clearance shall be provided for drive-through businesses. The stacking space shall not block any parking stalls or any portion of a traffic lane.

3. Driveways. The minimum width of driveways shall be twenty six feet. Driveways shall have a minimum vertical clearance of eight feet.

H. Parking and Loading Study.

1. The Director may require a parking and loading study. The parking and loading study shall be submitted to the Director for approval. The action of the Director shall be final unless appealed as prescribed in section 21.01.030-F.

2. The parking and loading study shall be prepared by a registered traffic engineer. The study shall describe all proposed uses and show the recommended number and layout of parking stalls and loading areas including:

c. Wholesale, warehousing, and industrial uses:

Gross floor area	Spaces required
Less than 10,000 sq ft	One
Each additional 20,000 sq ft.	One additional

d. Requirements for uses not specifically listed shall be determined by the Director based upon the requirements for comparable uses and upon the particular characteristics of the proposed use.

2. The following design standards shall apply to all off-street loading spaces:

a. Dimensions. Required loading spaces shall be not less than fifteen feet in width, fifty feet in length, with fourteen feet of vertical clearance.

b. Lighting. Loading spaces shall have lighting capable of providing adequate illumination for security and safety. Lighting standards shall be in scale with the height and use of buildings. Any illumination shall be directed away from adjacent properties and public rights-of-way. Low level lighting shall be used were possible.

c. Location. Loading spaces shall be located and designed to ensure that all vehicular turning maneuvers occur on site. Loading spaces shall not be located in any required yard setback which is adjacent to a public right-of-way.

d. Screening. Loading areas adjacent to residentially zoned property shall have a six foot high solid architecturally treated wall with a stucco or equivalent finish or material approved by the Director.

e. Striping. Loading areas shall be striped indicating the loading spaces and identifying the spaces for loading only. The striping shall be maintained in a clear and visible manner.

f. Surfacing. Loading areas shall be surfaced with a minimum thickness of four inches of asphaltic concrete over a minimum thickness of six inches of an aggregate base material or as otherwise approved by the City Engineer.

March, 1995

SECTION 21.05.010 COMMERCIAL AND PROFESSIONAL ZONES

A. Purpose. To provide for the development of commercial areas for retail and service establishments, professional and office uses, and related enterprises in a manner that implements the general plan and accommodates the needs of community residents. Specifically, these regulations are designed to provide appropriate locations for retail, service, office, and professional uses; promote and encourage convenient access to developments; promote and encourage aesthetically pleasing design; and ensure adequate size, shape, and space to meet the needs of development. The commercial and professional zones are as follows:

1. C-1 (Professional).
2. C-2 (Limited Retail Business).
3. C-3 (Retail Commercial).
4. CM (Commercial-Manufacturing).

B. Permitted Uses. Uses permitted are specified in Table C.

C. Permitted Uses Subject to a Conditional Use Permit. Uses permitted subject to a conditional use permit are specified in Table C.

D. Development Standards.

1. General Standards. The minimum lot area, minimum lot width, minimum setbacks, maximum building height, and minimum floor area shall be as specified in Table D.
2. Required Walls. Masonry walls of six feet, measured from the highest adjacent grade, shall be provided on property lines contiguous to residential zones.
3. Refuse Areas. Refuse areas shall be provided for the storage of refuse containers. All refuse shall be deposited in refuse containers in the refuse areas which shall be screened by walls six feet in height and a solid gate not less than five feet in height. The gate shall be maintained in good working order and shall remain closed except when in use. The refuse containers shall be of sufficient size to accommodate the trash generated.
4. Adult Businesses. Adult businesses shall not be located any closer than one thousand feet to any residential zone; church; school; or day care facility.
5. Service Stations. Service stations shall be permitted subject to conditional use permit approval only in the zones specified in Table C. When authorized by a conditional use permit, the following minimum standards shall apply. This subsection shall not replace or reduce any minimum zoning, building, or other ordinance requirements; however, when the requirements of this subsection are more restrictive, the requirements of this subsection shall control.
    a. Service stations shall be permitted only at the intersections of arterial and/or collector streets. The total number of service stations permitted at the intersection of two or more through streets shall not exceed two. The total number of service stations permitted at "T" intersections shall not exceed one. Service stations shall not be permitted within two hundred fifty feet of any property used as a school, church, theater, or other place of assembly.
    b. A minimum of four pumps shall be provided before a convenience store is permitted.
    c. The minimum lot area for a full-service station shall be twenty two thousand five hundred square feet with minimum street frontage of hundred fifty feet on each adjacent street.
    d. The minimum building floor area for a full-service station without a convenience store shall be one thousand two hundred square feet. One accessory structure of not less than one hundred fifty square feet may be provided when located beneath a canopy. No other accessory structures except public phone booths and refuse areas shall be permitted.

6. Convenience Stores.

   a. The site shall have frontage along an arterial or collector street. The site shall not have direct access to a local residential street.

   b. One access drive shall be permitted on each street frontage. The design and location of access drives shall be subject to the approval of the Director.

   c. A bicycle rack designed to accommodate a minimum of three bicycles shall be installed in a convenient location visible from the inside of the store.

   d. Restrooms shall be provided within the store.

   e. Public pay telephones provided on-site shall be featured with call out service only.

   f. Video games shall not be installed or operated on the premises.

7. Hotels and Motels. Hotels and motels shall be permitted subject to conditional use permit approval only in the zones specified in Table C. When authorized by a conditional use permit, the following minimum standards shall apply:

   a. The minimum floor area for a guest room shall be two hundred seventy five square feet, except that a guest room with a kitchenette shall have a minimum floor area of three hundred square feet.

   b. The minimum floor area for a manager's unit shall meet the dwelling unit floor area requirements of the R-3, Multiple Family Residence zone.

   c. The minimum lot area to develop a hotel or motel shall be three acres.

   d. The maximum number of vending machines shall be limited to a ratio of one machine for every five guest rooms. All outdoor vending machines are to be enclosed on three sides and located so as not to be visible from a public street.

8. Public Storage Facilities. Public storage facilities shall be permitted subject to conditional use permit approval only in the zones specified in Table C. When authorized by a conditional use permit, the following minimum standards shall apply:

   a. The use shall be limited to the lease or rental of separate storage spaces. On-site, twenty four hour management shall be provided. Outdoor storage, sale, washing, repair, or maintenance of boats, vehicles, or other equipment or materials shall not be permitted.

   b. The use shall only be permitted along arterial streets.

   c. The minimum lot area shall be forty thousand square feet and the minimum street frontage shall be two hundred feet.

   d. The maximum building height shall be twenty five feet, but not exceeding two stories, except that any building or portion of a building within twenty five feet of the front or street side setback shall have a maximum height of ten feet, but not exceeding one story.

9. Swap meets, Indoor. Indoor swap meets shall be permitted subject to conditional use permit approval only in the zones specified in Table C. When authorized by a conditional use permit, the following minimum standards shall apply:

   a. The use shall not be located on any parcel within two hundred fifty feet of a residential zone.

   b. The minimum building size shall be thirty thousand square feet.

   c. Each business tenant shall conduct the sale of new or used goods and merchandise from a tenant enclosure.

   d. Each tenant enclosure shall have a minimum area of nine hundred square feet with a minimum dimension of thirty feet.

g. Boxed and tubbed plants in day or wood containers shall be provided, especially along pedestrian walks.

h. Landscaping shall be maintained to provide adequate visibility.

3. Walls and Fences.

a. Walls and fences shall not be used, unless needed or required for screening, security, or buffering land uses. Walls and fences shall be as low as possible while performing these functions.

b. Walls shall be compatible with building architecture and site design. Landscaping shall be used in combination with such walls when possible.

c. Chain link fences shall not be visible from public rights-of-way.

d. Long expanses of fence or wall surfaces shall be architecturally designed to prevent monotony. Landscape pockets shall be provided.

4. Screening. Screening shall be compatible with building architecture and site design.

5. Architectural Design Standards.

a. Buildings shall relate to open spaces to allow adequate sun and ventilation, provide protection from prevailing winds, create views of mountains and hills, and minimize obstruction of views of mountains and hills.

b. Buildings shall be compatible with the height and scale of surrounding buildings. The height of new buildings shall transition from the height of adjacent buildings to the maximum height of the proposed buildings.

c. Planes of exterior walls shall be varied in depth and/or direction. Wall planes shall not exceed fifty feet in length without an offset.

d. The height of a building shall be varied to give the appearance of divided, distinct massing elements.

e. Different parts of a building facade shall be articulated by the use of color, the arrangement of elements, or a change in materials.

f. Building scale shall be reduced through window patterns, structural bays, roof overhangs, siding, awnings, moldings, fixtures, and other details.

g. Building scale shall be related to pedestrian areas such as plazas and courtyards.

h. Large buildings shall be broken up by creating horizontal emphasis through the use of trim; adding awnings, eaves, windows, or other architectural ornamentation; using combinations of complementary colors; and using landscape materials.

i. Large areas of intense white or dark colors shall be avoided. Subdued colors shall be used as dominant overall colors. Bright colors shall only be used for trim.

j. Colors shall be compatible with that of adjacent buildings, unless colors of adjacent buildings strongly diverge from these standards.

k. The number of colors on building exteriors shall not exceed three.

l. Primary colors shall only be used to accent building elements, such as door and window frames and architectural details.

m. Architectural detailing shall be painted to complement the facade and adjacent buildings.

n. Wall materials shall be chosen that will withstand abuse by vandals or accidental damage from machinery and equipment.

o. Rolling shutter doors shall be located on the inside of buildings.

DEVELOPMENT STANDARDS
COMMERCIAL AND INDUSTRIAL ZONES

zone	minimum lot area	minimum lot width	minimum lot depth	minimum front setback	minimum side setback	minimum street side setback	minimum rear setback	minimum rear setback adjacent to res. zone	maximum lot coverage	minimum gross floor area for each building	maximum height
C-1 C-2 C-3 CM	10,000 sq ft	100 ft	n/a	15 ft for lots under 200 ft in depth. 20 ft for all other lots.	20 ft when adjacent to residential zone.	15 ft for lots under 200 ft in depth. 20 ft for all other lots.	10 ft*	20 ft	n/a	1,600 sq ft	2 stories not to exceed 35 ft
M-1	10,000 sq ft	100 ft	100 ft	20 ft	10 ft	20 ft	10 ft	20 ft	n/a	n/a	
M-1A	1 acre			30 ft	20 ft	30 ft	20 ft	40 ft	50 %		
IP	40,000 sq ft		200 ft						40 %		

*Not required when adjacent to a flood control, railroad, or public utility right-of-way to the rear.

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 97

	CURRENT AMOUNT	NOV 97 ACTUAL	OCT 97 ACTUAL	SEP 97 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Adjusted Patient Days	2,068	1,765	2,009	1,899	21,064	0	21,063
Gross Patient Revenue							
Routine	1,010,090	857,874	1,000,667	937,319	10,492,281	0	(10,492,281)
Inpatient	2,820,420	2,224,295	2,385,842	2,333,360	26,137,764	0	(26,137,764)
Outpatient	1,073,902	1,014,817	1,299,732	1,176,072	12,396,223	0	(12,396,223)
Total Gross Patient Revenue	4,904,412	4,096,986	4,686,240	4,446,751	49,026,268	0	(49,026,268)
Net Capitation Revenue	0	0	0	0	0	0	0
Gross Patient Service Revenue	4,904,412	4,096,986	4,686,240	4,446,751	49,026,268	0	(49,026,268)
Deductions from Revenue	3,235,594	2,611,602	2,835,737	2,679,322	29,145,765	0	29,145,765
Net Patient Revenue	1,668,818	1,485,384	1,850,503	1,767,429	19,880,503	0	(19,880,503)
Other Revenue	290,303	240,102	306,257	169,607	2,123,744	0	(2,123,744)
Total Net Patient Revenue	1,959,122	1,725,487	2,156,760	1,937,036	22,004,247	0	(22,004,247)
Operating Expenses							
MANAGEMENT AND SUPERVISION	100,844	107,171	108,231	80,020	1,313,994	0	1,313,994
TECHNICIANS AND SPECIALISTS	32,954	31,789	34,925	29,930	382,222	0	382,222
REGISTERED NURSES	314,291	302,575	315,820	296,215	3,449,672	0	3,449,672
LICENSED VOCATIONAL NURSES	15,564	15,898	18,948	17,246	198,986	0	198,986
AIDES AND ORDERLIES	23,538	27,165	23,962	18,152	265,501	0	265,501
CLERICAL AND OTHER ADM	79,707	74,706	88,376	75,175	959,734	0	959,734
ENVIRONMENTAL AND FOOD SERVICE	50,207	47,672	50,806	47,752	569,985	0	569,985
TECHNOLOGIST	178,065	168,682	182,687	113,218	1,443,092	0	1,443,092
VACATION,HOLIDAY,& SICK LEAVE	46,055	73,125	45,669	62,129	617,519	0	617,519
TRANSFERS FR OTH - SAL & WAGES	4,751	2,820	4,027	5,569	44,675	0	44,675
TRANSFERS FR OTH-EMP BENEFITS	892	672	1,033	1,041	12,063	0	12,063
Salary & Wages	846,867	852,273	874,483	746,446	9,257,443	0	9,257,443
REGISTRY NURSES	28,174	13,113	18,273	6,277	160,218	0	160,218
Registry	28,174	13,113	18,273	6,277	160,218	0	160,218
FICA	62,416	59,839	63,204	55,073	676,701	0	676,701
SUI AND FUI	19,985	4,103	4,176	2,705	106,640	0	106,640
GROUP HEALTH INSURANCE	12,472	12,369	11,599	10,682	143,640	0	143,640
GROUP LIFE INSURANCE	(937)	751	909	1,256	8,263	0	8,263
PENSION AND RETIREMENT	(6,232)	(19,814)	186	20,186	30,677	0	30,677
WORKERS COMPENSATION INSURANCE	13,837	19,801	13,637	(10,045)	137,269	0	137,269
DENTAL INSURANCE	3,058	1,565	2,162	2,103	26,717	0	26,717
GROUP VISION INSURANCE	482	275	542	507	3,475	0	3,475

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 97

	CURRENT AMOUNT	NOV 97 ACTUAL	OCT 97 ACTUAL	SEP 97 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Employee Benefits	105,082	78,890	96,414	82,467	1,133,381	0	1,133,381
MEDICAL PHYSICIANS	50,635	43,519	42,488	43,867	621,952	0	621,952
CONSULTING AND MANAGEMENT FEES	149,351	128,644	129,143	131,190	1,477,874	0	1,477,874
LEGAL	4,964	810	3,364	3,232	18,402	0	18,402
AUDIT	6,083	6,083	6,083	6,083	77,800	0	77,800
Professional Fees	211,033	179,056	181,078	184,372	2,196,029	0	2,196,029
PROSTHESIS	14,350	11,299	14,152	15,519	134,937	0	134,937
SUTURES AND SURGICAL NEEDLES	3,127	4,411	4,178	6,499	61,301	0	61,301
SURGICAL PACKS AND SHEETS	24,137	12,301	12,090	12,000	157,436	0	157,436
ANESTHETIC MATERIALS	2,514	1,650	1,610	3,028	21,043	0	21,043
OXYGEN AND OTHER MEDICAL GASES	4,063	1,844	3,834	1,049	27,478	0	27,478
IV SOLUTIONS	8,513	6,302	2,630	25,631	63,431	0	63,431
PHARMACEUTICALS	25,934	30,742	28,644	45,345	377,631	0	377,631
RADIOACTIVE MATERIALS	1,030	1,345	1,255	1,030	10,195	0	10,195
RADIOLOGY FILMS	3,029	2,265	2,092	1,734	25,557	0	25,557
OTHER MEDICAL SUPPLIES	136,306	72,733	75,002	67,521	830,788	0	830,788
FOOD - MEATS, FISH, & POULTRY	5,213	5,694	5,413	6,378	64,921	0	64,921
FOOD - OTHER	16,414	15,195	15,960	18,446	183,550	0	183,550
CLEANING SUPPLIES	4,986	3,654	5,570	2,550	42,354	0	42,354
OFFICE SUPPLIES	16,020	11,973	13,578	5,777	135,802	0	135,802
EMPLOYEE WEARING APPAREL	3,458	182	259	264	5,445	0	5,445
OTHER NON-MEDICAL SUPPLIES	32,699	39,029	34,186	22,034	313,204	0	313,204
Supplies	301,793	220,619	220,451	234,805	2,455,072	0	2,455,072
PURCHASED SERVICE - MEDICAL	37,519	35,865	36,826	38,944	459,869	0	459,869
REPAIRS AND MAINTENANCE	39,184	32,574	24,079	25,544	383,224	0	383,224
COLLECTION AGENCIES	6,608	1,014	2,185	8,170	46,755	0	46,755
PURCHASED SERVICES - OTHER	66,937	59,910	51,168	32,362	575,088	0	575,088
Purchased Services	150,248	129,363	114,257	105,019	1,464,936	0	1,464,936
UTILITIES - ELECTRICITY	4,327	19,543	23,771	25,028	219,294	0	219,294
UTILITIES - GAS	7,863	4,500	3,822	4,000	86,049	0	86,049
UTILITIES - WATER	1,314	1,000	1,338	900	11,082	0	11,082
UTILITIES - OTHER	729	869	814	800	9,644	0	9,644
TELEPHONE/TELEGRAPH	14,304	10,900	11,157	8,170	126,729	0	126,729
Utilities	28,537	36,812	40,901	38,899	452,799	0	452,799
INSURANCE - MALPRACTICE	25,897	12,755	12,755	12,750	162,564	0	162,564
INSURANCE - OTHER	5,853	13,211	13,711	14,628	189,899	0	189,899
Insurance	31,750	25,966	26,466	27,378	352,462	0	352,462
RENTAL/LEASE COSTS - BUILDINGS	24,096	24,096	24,096	24,096	295,607	0	295,607
Building Rental	24,096	24,096	24,096	24,096	295,607	0	295,607
RENTAL/LEASE COSTS - EQUIPMENT	20,482	9,522	13,316	12,298	163,196	0	163,196

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 97

	CURRENT AMOUNT	NOV 97 ACTUAL	OCT 97 ACTUAL	SEP 97 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Equipment Rental	20,482	9,522	13,316	12,298	163,196	0	163,196
DEPRECIATION - BUILDINGS & IMP	16,763	16,638	16,433	14,820	164,432	0	164,432
DEPRECIATION - LEASEHOLD IMP	1,612	233	233	233	2,312	0	2,312
DEPRECIATION - MAJOR EQUIPMENT	22,600	21,750	22,352	20,278	244,415	0	244,415
DEPRECIATION - LEASED EQUIP.	16,646	16,646	16,646	16,646	199,757	0	199,757
DEPRECIATION - MINOR EQUIP.	80	72	72	72	876	0	876
Depr. & Amortization	57,702	55,340	55,737	52,050	611,792	0	611,792
MANAGEMENT SERVICES	18,000	18,000	18,000	18,000	216,000	0	216,000
Parent Allocation	18,000	18,000	18,000	18,000	216,000	0	216,000
FINANCE CHARGES	1,205	899	1,481	527	17,594	0	17,594
INTEREST - LOANS	78,394	55,207	56,197	55,750	708,160	0	708,160
INTEREST - LEASES	19,050	4,873	5,027	5,278	83,148	0	83,148
INTEREST - INSURANCE FINANCING	0	0	0	0	374	0	374
Interest	98,649	60,978	62,705	61,556	809,276	0	809,276
Provision For Bad Debt	(129,789)	(176,796)	133,813	89,802	848,848	0	848,848
LICENSES & TAXES	2,013	7,624	4,372	3,186	52,835	0	52,835
ADVERTISEMENT	23,522	19,244	5,074	21,030	198,596	0	198,596
DUES AND SUBSCRIPTIONS	10,479	8,501	8,697	12,622	129,350	0	129,350
OUTSIDE TRAINING SESSIONS	565	675	1,541	125	17,730	0	17,730
TRAVEL	3,171	1,776	2,055	2,104	27,700	0	27,700
RECRUITING	3,071	0	7,544	1,689	42,316	0	42,316
OTHER DIRECT EXPENSES	34,962	19,905	8,066	14,734	170,570	0	170,570
OTHER NON-OPERATING EXPENSES	0	0	0	4,855	36,881	0	36,881
Other Operating Expense	77,782	57,724	37,348	60,345	675,978	0	675,978
Total Operating Expenses	1,870,406	1,584,956	1,917,338	1,743,810	21,093,035	0	21,093,035
EXCESS (DEFICIT)	88,715	140,531	239,422	193,226	911,211	0	(911,211)

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 98

	CURRENT AMOUNT	NOV 98 ACTUAL	OCT 98 ACTUAL	SEP 98 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Adjusted Patient Days	2,294	2,289	2,110	2,207	24,774	0	24,773
Gross Patient Revenue							
Routine	1,096,740	1,171,975	1,114,600	1,204,376	12,585,323	0	(12,585,323)
Inpatient	2,791,003	2,837,774	2,892,437	3,106,688	31,592,352	0	(31,592,352)
Outpatient	1,479,397	1,359,570	1,398,346	1,195,206	15,213,426	0	(15,213,426)
Total Gross Patient Revenue	5,367,140	5,369,319	5,405,383	5,506,269	59,391,101	0	(59,391,101)
Net Capitation Revenue	0	0	0	0	0	0	0
Gross Patient Service Revenue	5,367,140	5,369,319	5,405,383	5,506,269	59,391,101	0	(59,391,101)
Deductions from Revenue	4,422,419	3,319,547	3,432,671	3,449,093	38,256,158	0	38,256,158
Net Patient Revenue	944,720	2,049,771	1,972,712	2,057,177	21,134,943	0	(21,134,943)
Other Revenue	647,384	209,428	227,596	222,348	3,617,007	0	(3,617,007)
Total Net Patient Revenue	1,592,104	2,259,200	2,200,308	2,279,525	24,751,950	0	(24,751,950)
Operating Expenses							
MANAGEMENT AND SUPERVISION	107,565	111,711	103,424	103,976	1,311,030	0	1,311,030
TECHNICIANS AND SPECIALISTS	30,976	31,995	32,105	29,390	341,980	0	341,980
REGISTERED NURSES	316,125	341,656	343,916	351,498	3,865,779	0	3,865,779
LICENSED VOCATIONAL NURSES	19,704	26,663	24,153	25,824	257,534	0	257,534
AIDES AND ORDERLIES	38,048	41,959	44,265	36,647	374,303	0	374,303
CLERICAL AND OTHER ADM	81,809	84,635	88,732	77,125	976,319	0	976,319
ENVIRONMENTAL AND FOOD SERVICE	58,795	63,264	58,883	50,162	639,470	0	639,470
TECHNOLOGIST	99,879	113,705	116,031	115,084	1,592,863	0	1,592,863
VACATION,HOLIDAY,& SICK LEAVE	41,136	37,687	64,092	44,863	545,408	0	545,408
TRANSFERS FR OTH - SAL & WAGES	8,378	0	7,535	0	45,387	0	45,387
TRANSFERS FR OTH-EMP BENEFITS	2,513	0	2,261	0	3,135	0	3,135
Salary & Wages	804,929	853,274	885,397	834,569	9,953,210	0	9,953,210
REGISTRY NURSES	55,232	83,585	130,060	24,362	604,659	0	604,659
Registry	55,232	83,585	130,060	24,362	604,659	0	604,659
FICA	59,486	62,809	61,625	62,566	740,581	0	740,581
SUI AND FUI	1,439	671	622	681	65,951	0	65,951
GROUP HEALTH INSURANCE	18,072	17,004	12,765	15,170	175,153	0	175,153
GROUP LIFE INSURANCE	2,399	724	183	284	12,003	0	12,003
PENSION AND RETIREMENT	(5,983)	5,695	5,750	5,732	53,086	0	53,086
WORKERS COMPENSATION INSURANCE	14,070	15,156	21,156	15,072	155,893	0	155,893
DENTAL INSURANCE	2,864	1,940	1,417	1,063	28,549	0	28,549
GROUP VISION INSURANCE	459	417	71	211	4,751	0	4,751

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 98

	CURRENT AMOUNT	NOV 98 ACTUAL	OCT 98 ACTUAL	SEP 98 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Employee Benefits	92,806	104,417	103,589	100,779	1,235,966	0	1,235,966
MEDICAL PHYSICIANS	24,830	27,912	24,642	28,947	365,855	0	365,855
CONSULTING AND MANAGEMENT FEES	158,185	238,086	208,720	244,426	2,268,697	0	2,268,697
LEGAL	1,500	1,990	3,259	4,169	22,550	0	22,550
AUDIT	(24,217)	6,083	6,083	6,083	42,700	0	42,700
Professional Fees	160,299	274,071	242,704	283,625	2,699,802	0	2,699,802
PROSTHESIS	32,637	26,659	34,048	19,868	256,446	0	256,446
SUTURES AND SURGICAL NEEDLES	7,471	7,731	8,161	9,895	97,881	0	97,881
SURGICAL PACKS AND SHEETS	9,405	12,992	13,229	13,865	133,967	0	133,967
ANESTHETIC MATERIALS	1,618	1,869	1,760	2,339	21,100	0	21,100
OXYGEN AND OTHER MEDICAL GASES	5,401	4,116	3,415	3,153	37,851	0	37,851
IV SOLUTIONS	4,938	4,568	4,826	3,334	58,596	0	58,596
PHARMACEUTICALS	47,200	65,782	71,936	60,089	589,730	0	589,730
RADIOACTIVE MATERIALS	1,655	1,725	1,765	1,500	20,373	0	20,373
RADIOLOGY FILMS	3,778	3,348	3,769	3,585	38,548	0	38,548
OTHER MEDICAL SUPPLIES	51,465	44,852	51,013	46,090	556,114	0	556,114
FOOD - MEATS, FISH, & POULTRY	6,139	6,174	6,145	7,349	72,780	0	72,780
FOOD - OTHER	9,068	19,619	19,952	22,089	217,089	0	217,089
CLEANING SUPPLIES	3,838	5,035	6,023	2,701	45,920	0	45,920
OFFICE SUPPLIES	15,174	13,528	16,220	20,992	157,294	0	157,294
EMPLOYEE WEARING APPAREL	459	263	197	2,186	11,484	0	11,484
OTHER NON-MEDICAL SUPPLIES	38,335	43,457	41,674	33,883	433,350	0	433,350
Supplies	238,580	261,717	284,131	252,918	2,748,520	0	2,748,520
PURCHASED SERVICE - MEDICAL	59,421	62,063	71,243	46,726	596,434	0	596,434
REPAIRS AND MAINTENANCE	50,000	36,020	15,801	17,940	265,137	0	265,137
COLLECTION AGENCIES	2,024	2,078	(1,556)	0	15,640	0	15,640
PURCHASED SERVICES - OTHER	351,658	190,786	213,503	148,996	2,241,470	0	2,241,470
Purchased Services	463,103	290,946	298,992	213,662	3,118,682	0	3,118,682
UTILITIES - ELECTRICITY	11,629	11,264	9,171	26,019	183,662	0	183,662
UTILITIES - GAS	7,811	2,256	5,204	4,076	51,940	0	51,940
UTILITIES - WATER	3,814	930	2,514	1,050	14,679	0	14,679
UTILITIES - OTHER	814	813	775	800	9,722	0	9,722
TELEPHONE/TELEGRAPH	18,153	18,879	16,879	15,318	174,859	0	174,859
Utilities	42,221	34,142	34,543	47,263	434,861	0	434,861
INSURANCE - MALPRACTICE	(33,598)	(2,744)	12,975	12,975	91,736	0	91,736
INSURANCE - OTHER	9,938	9,746	8,741	9,746	143,865	0	143,865
Insurance	(23,660)	7,002	21,715	22,720	235,601	0	235,601
RENTAL/LEASE COSTS - BUILDINGS	25,531	25,531	27,174	23,888	294,062	0	294,062
Building Rental	25,531	25,531	27,174	23,888	294,062	0	294,062
RENTAL/LEASE COSTS - EQUIPMENT	27,216	26,134	28,153	37,956	218,587	0	218,587

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 98

	CURRENT AMOUNT	NOV 98 ACTUAL	OCT 98 ACTUAL	SEP 98 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Equipment Rental	27,216	26,134	28,153	37,956	218,587	0	218,587
DEPRECIATION - BUILDINGS & IMP	21,462	20,752	20,752	23,939	229,055	0	229,055
DEPRECIATION - LEASEHOLD IMP	2,754	2,754	2,754	5,599	27,335	0	27,335
DEPRECIATION - MAJOR EQUIPMENT	29,084	29,856	27,302	27,149	308,210	0	308,210
DEPRECIATION - LEASED EQUIP.	(5,181)	8,019	8,019	8,019	143,417	0	143,417
DEPRECIATION - MINOR EQUIP.	4,923	52	52	52	5,642	0	5,642
Depr. & Amortization	53,041	61,432	58,877	64,757	713,660	0	713,660
MANAGEMENT SERVICES	23,600	23,600	23,600	23,600	283,200	0	283,200
Parent Allocation	23,600	23,600	23,600	23,600	283,200	0	283,200
FINANCE CHARGES	12,966	13,274	16,810	17,217	102,825	0	102,825
INTEREST - LOANS	47,610	46,507	46,516	48,799	593,156	0	593,156
INTEREST - LEASES	(705)	2,693	2,802	2,968	38,710	0	38,710
Interest	59,871	62,473	66,128	68,983	734,690	0	734,690
Provision For Bad Debt	(211,476)	46,904	89,837	172,082	322,431	0	322,431
LICENSES & TAXES	17,210	10,846	8,646	4,263	70,080	0	70,080
ADVERTISEMENT	9,624	27,756	15,287	3,319	196,426	0	196,426
DUES AND SUBSCRIPTIONS	16,947	13,847	13,726	14,766	160,023	0	160,023
OUTSIDE TRAINING SESSIONS	2,633	225	500	2,835	14,563	0	14,563
TRAVEL	9,851	6,364	2,468	12,411	48,271	0	48,271
RECRUITING	625	0	0	0	44,616	0	44,616
OTHER DIRECT EXPENSES	68,889	17,924	20,297	7,524	204,108	0	204,108
Other Operating Expense	125,780	76,962	60,923	45,117	738,087	0	738,087
Total Operating Expenses	1,937,072	2,232,189	2,355,822	2,216,281	24,336,017	0	24,336,017
EXCESS (DEFICIT)	(344,968)	27,010	(155,514)	63,244	415,933	0	(415,933)

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 99

	CURRENT AMOUNT	NOV 99 ACTUAL	OCT 99 ACTUAL	SEP 99 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Adjusted Patient Days	1.636	1.787	1.821	1.732	21.829	0	21.829
Gross Patient Revenue							
Routine	1.147.730	1.066.508	1.100.629	1.044.323	13.254.251	0	(13.254.251)
Inpatient	2.996.180	2.821.302	2.531.996	2.861.030	34.512.653	0	(34.512.653)
Outpatient	1.301.820	1.263.549	1.195.394	1.249.663	16.377.304	0	(16.377.304)
Total Gross Patient Revenue	5.445.730	5.151.359	4.828.019	5.155.016	64.144.208	0	(64.144.208)
Net Capitation Revenue	(1.273.403)	1.767.691	(38.031)	(37.438)	141.857	0	(141.857)
Gross Patient Service Revenue	4.172.327	6.919.050	4.789.988	5.117.578	64.286.065	0	(64.286.065)
Deductions from Revenue	1.897.084	6.660.901	3.448.433	3.510.718	43.530.211	0	43.530.211
Net Patient Revenue	2.275.243	258.149	1.341.554	1.606.860	20.755.855	0	(20.755.855)
Other Revenue	(29.897)	(7.520)	76.487	30.189	716.522	0	(716.522)
Total Net Patient Revenue	2.245.346	250.629	1.418.041	1.637.049	21.472.377	0	(21.472.377)
Operating Expenses							
MANAGEMENT AND SUPERVISION	144.433	125.710	127.241	137.334	1.476.047	0	1.476.047
TECHNICIANS AND SPECIALISTS	31.012	25.723	28.070	26.839	342.668	0	342.668
REGISTERED NURSES	361.448	360.239	375.008	352.048	4.143.365	0	4.143.365
LICENSED VOCATIONAL NURSES	26.276	26.433	28.883	26.193	292.892	0	292.892
AIDES AND ORDERLIES	37.583	33.409	34.497	35.515	428.389	0	428.389
CLERICAL AND OTHER ADM	79.728	74.169	84.111	78.937	1.010.865	0	1.010.865
ENVIRONMENTAL AND FOOD SERVICE	43.489	62.671	53.463	52.406	648.652	0	648.652
TECHNOLOGIST	24.091	25.598	29.501	25.943	580.730	0	580.730
VACATION,HOLIDAY,& SICK LEAVE	48.116	47.876	82.973	47.963	637.176	0	637.176
TRANSFERS FR OTH - SAL & WAGES	14.167	0	0	1.357	38.505	0	38.505
TRANSFERS FR OTH-EMP BENEFITS	3.642	0	0	2.828	10.749	0	10.749
Salary & Wages	813.984	781.828	843.746	787.363	9.610.037	0	9.610.037
REGISTRY NURSES	29.465	19.562	11.925	43.030	455.580	0	455.580
Registry	29.465	19.562	11.925	43.030	455.580	0	455.580
FICA	57.171	54.107	56.227	57.871	689.633	0	689.633
SUI AND FUI	1.672	(5.359)	4.565	756	21.234	0	21.234
GROUP HEALTH INSURANCE	14.773	18.044	13.285	18.767	209.881	0	209.881
LONG TERM DISABILITY	1.457	1.454	1.451	1.451	17.355	0	17.355
GROUP LIFE INSURANCE	73	434	439	502	4.362	0	4.362
PENSION AND RETIREMENT	(27.204)	4.074	5.187	5.217	23.839	0	23.839
WORKERS COMPENSATION INSURANCE	14.894	14.692	20.901	16.030	189.117	0	189.117
DENTAL INSURANCE	2.872	3.876	2.676	3.466	35.596	0	35.596
GROUP VISION INSURANCE	665	581	275	563	5.851	0	5.851

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 99

	CURRENT AMOUNT	NOV 99 ACTUAL	OCT 99 ACTUAL	SEP 99 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Employee Benefits	66,373	91,901	105,008	104,621	1,196,868	0	1,196,868
MEDICAL PHYSICIANS	9,290	27,430	26,329	27,330	300,251	0	300,251
CONSULTING AND MANAGEMENT FEES	95,004	145,928	147,141	188,814	2,193,630	0	2,193,630
LEGAL	2,120	400	500	533	15,834	0	15,834
AUDIT	8,217	16,792	8,217	8,217	88,384	0	88,384
Professional Fees	114,630	190,549	182,186	224,893	2,598,098	0	2,598,098
PROSTHESIS	19,720	21,983	23,530	14,284	229,694	0	229,694
PROSTHESIS, ORTHOPEDIC	31	0	0	0	31	0	31
SUTURES AND SURGICAL NEEDLES	10,929	7,855	7,615	8,778	129,169	0	129,169
SURGICAL PACKS AND SHEETS	19,360	19,295	10,714	19,029	166,279	0	166,279
SURGICAL SUPPLIES GENERAL	4,242	0	0	0	4,242	0	4,242
ANESTHETIC MATERIALS	1,747	1,858	2,303	1,782	20,749	0	20,749
OXYGEN AND OTHER MEDICAL GASES	4,766	2,914	3,683	4,798	43,215	0	43,215
IV SOLUTIONS	2,109	10,321	2,398	10,981	54,424	0	54,424
IV SET, SUPPLIES	40	0	0	0	40	0	40
PHARMACEUTICALS	49,807	45,660	44,999	60,898	602,892	0	602,892
RADIOACTIVE MATERIALS	1,000	1,500	2,545	755	18,815	0	18,815
RADIOLOGY FILMS	3,655	1,765	850	1,745	31,444	0	31,444
OTHER MEDICAL SUPPLIES	75,903	40,083	24,862	66,024	692,145	0	692,145
FOOD - MEATS, FISH, & POULTRY	6,771	9,174	2,547	5,766	78,138	0	78,138
FOOD - OTHER	21,318	15,613	20,609	18,205	228,013	0	228,013
CLEANING SUPPLIES	4,136	6,633	7,236	6,576	56,140	0	56,140
OFFICE SUPPLIES	12,598	7,207	8,087	23,772	131,049	0	131,049
FORMS & PRINTED MATERIALS	123	0	0	0	123	0	123
EMPLOYEE WEARING APPAREL	387	199	81	(867)	6,426	0	6,426
INSTRUMENTS & MINOR MED EQUIP	0	0	450	0	614	0	614
OTHER NON-MEDICAL SUPPLIES	34,922	28,678	34,240	30,280	353,122	0	353,122
Supplies	273,564	220,736	196,748	272,803	2,846,763	0	2,846,763
PURCHASED SERVICE - MEDICAL	389,404	48,185	44,465	42,679	920,514	0	920,514
REPAIRS AND MAINTENANCE	21,513	17,321	24,416	20,831	248,676	0	248,676
COLLECTION AGENCIES	(349)	2,411	750	1,397	30,038	0	30,038
PURCHASED SERVICES - OTHER	253,634	201,525	184,451	218,011	2,232,752	0	2,232,752
Purchased Services	664,202	269,441	254,081	282,919	3,431,980	0	3,431,980
UTILITIES - ELECTRICITY	4,522	9,637	19,896	25,275	192,212	0	192,212
UTILITIES - GAS	9,668	5,055	5,055	2,805	60,026	0	60,026
UTILITIES - WATER	2,276	1,045	2,149	2,000	16,001	0	16,001
UTILITIES - OTHER	748	812	816	802	9,512	0	9,512
TELEPHONE/TELEGRAPH	20,142	8,420	9,321	11,008	139,549	0	139,549
Utilities	37,356	24,969	37,237	41,890	417,300	0	417,300
INSURANCE - MALPRACTICE	2,927	12,185	12,185	12,183	143,823	0	143,823
INSURANCE - OTHER	16,358	15,474	16,400	15,474	141,557	0	141,557

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING DEC 99

	CURRENT AMOUNT	NOV 99 ACTUAL	OCT 99 ACTUAL	SEP 99 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Insurance	19,285	27,659	28,585	27,657	285,379	0	285,379
RENTAL/LEASE COSTS - BUILDINGS	22,623	21,697	22,623	27,185	287,906	0	287,906
Building Rental	22,623	21,697	22,623	27,185	287,906	0	287,906
RENTAL/LEASE COSTS - EQUIPMENT	21,367	10,424	12,728	12,922	114,037	0	114,037
Equipment Rental	21,367	10,424	12,728	12,922	114,037	0	114,037
DEPRECIATION - BUILDINGS & IMP	24,990	24,540	24,479	22,494	269,062	0	269,062
DEPRECIATION - LEASEHOLD IMP	2,754	2,754	2,754	2,754	33,043	0	33,043
DEPRECIATION - MAJOR EQUIPMENT	38,654	37,797	35,818	35,420	418,678	0	418,678
DEPRECIATION - LEASED EQUIP.	8,256	18,823	7,200	7,200	97,390	0	97,390
DEPRECIATION - MINOR EQUIP.	30	30	30	30	500	0	500
Depr. & Amortization	74,684	83,944	70,281	67,898	818,672	0	818,672
MANAGEMENT SERVICES	19,000	19,000	19,000	19,000	219,658	0	219,658
Parent Allocation	19,000	19,000	19,000	19,000	219,658	0	219,658
FINANCE CHARGES	264	1,973	8,268	7,689	39,926	0	39,926
INTEREST - LOANS	41,408	41,352	41,408	43,040	519,969	0	519,969
INTEREST - LEASES	1,530	1,633	1,707	1,810	24,034	0	24,034
Interest	43,203	44,958	51,383	52,538	583,930	0	583,930
Provision For Bad Debt	597,080	260,390	(183,977)	(29,415)	983,622	0	983,622
LICENSES & TAXES	5,364	(3,234)	3,216	4,803	60,502	0	60,502
ADVERTISEMENT	8,039	49,172	4,356	(17,930)	230,618	0	230,618
DUES AND SUBSCRIPTIONS	12,632	10,305	11,235	16,112	137,993	0	137,993
OUTSIDE TRAINING SESSIONS	0	1,547	484	910	6,832	0	6,832
TRAVEL	6,888	1,040	400	4	26,651	0	26,651
RECRUITING	2,500	2,387	3,812	1,366	53,719	0	53,719
OTHER DIRECT EXPENSES	33,797	14,538	42,851	11,207	211,767	0	211,767
Other Operating Expense	69,220	75,755	66,354	16,471	728,080	0	728,080
Total Operating Expenses	2,866,035	2,142,814	1,717,908	1,951,776	24,577,911	0	24,577,911
EXCESS (DEFICIT)	(620,690)	(1,892,184)	(299,867)	(314,727)	(3,105,534)	0	3,105,534

HUNTINGTON EAST VALLEY HOSPTIAL
INCOME STATEMENT CURRENT AND 3 PREVIOUS MONTHS VS BUDGET
FOR THE MONTH ENDING NOV 2000

	CURRENT AMOUNT	OCT 2000 ACTUAL	SEP 2000 ACTUAL	AUG 2000 ACTUAL	YEAR TO DATE	YTD BUDGET	YTD VARAINCE
Adjusted Patient Days	1.945	1.832	1.846	1.984	19.995	21.314	(1.242)
Gross Patient Revenue							
Routine	1.126.700	1.064.786	976.159	1.018.156	11.260.922	12.417.730	1.156.808
Inpatient	2.914.230	2.824.300	2.296.744	2.513.667	29.076.278	32.415.088	3.338.810
Outpatient	1.482.626	1.423.518	1.596.080	1.882.166	17.240.247	16.057.085	(1.183.162)
Total Gross Patient Revenue	5.523.556	5.312.603	4.868.983	5.413.989	57.577.446	60.889.903	3.312.457
Net Capitation Revenue	5.233	(10.760)	(4.865)	(4.149)	138.115	668.784	530.669
Gross Patient Service Revenue	5.528.789	5.301.843	4.864.119	5.409.840	57.715.561	61.558.687	3.843.126
Deductions from Revenue	3.615.039	3.514.509	2.896.018	3.503.498	38.931.305	42.893.634	(3.962.330)
Net Patient Revenue	1.913.750	1.787.335	1.968.101	1.906.342	18.784.256	18.665.053	(119.203)
Other Revenue	27.162	(193.321)	15.541	49.698	21.345	320.009	298.664
Total Net Patient Revenue	1.940.912	1.594.014	1.983.642	1.956.040	18.805.601	18.985.062	179.461
Operating Expenses							
Salaries & Wages	832.753	906.912	824.584	838.527	9.028.541	8.812.005	216.536
Registry	43.392	21.940	30.023	33.460	278.148	62.497	215.651
Employee Benefits	106.945	119.081	129.272	117.003	1.274.760	1.154.077	120.683
Professional Fees	267.170	194.971	196.425	166.186	2.272.311	2.233.797	38.514
Supplies	253.149	249.296	248.940	279.985	2.759.957	2.710.874	49.083
Purchased Services	129.216	139.928	175.986	177.182	1.961.578	2.599.838	(638.261)
Utilities	29.082	40.578	49.930	51.774	390.326	343.994	46.332
Insurance	19.473	17.973	23.094	30.882	305.112	328.058	(22.946)
Building Rental	23.658	33.030	17.061	23.080	263.254	214.132	49.122
Equipment Rental	14.993	15.379	20.492	14.029	152.401	149.039	3.362
Depreciation & Amortization	73.860	75.181	74.987	76.007	827.249	756.409	70.840
Parent Allocation	17.990	17.990	17.990	17.990	197.890	197.567	323
Interest	42.267	43.686	45.077	58.876	505.176	473.512	31.664
Provision For Bad Debt	7.675	115.712	95.742	109.258	468.025	252.083	215.942
Other Operating Expenses	41.048	2.216	75.762	29.174	388.426	525.956	(137.530)
Total Operating Expenses	1.902.670	1.993.873	2.025.366	2.023.412	21.073.152	20.813.838	259.314
EXCESS (DEFICIT)	38.242	(399.860)	(41.724)	(67.372)	(2.267.551)	(1.828.776)	438.775

HUNTINGTON EAST VALLEY HOSPITAL
Three Year Forecast
Reflecting material purchase adjustments

INCOME STATEMENT

	2000 PROJECTED	2001 PROJECTED	2002 PROJECTED	2003 PROJECTED	TOTAL PROJECTED	2001 PER APD	2002 PER APD	2003 PER APD	TOTAL PER APD
Net Patient Service Revenue	19,801,823	24,199,916	26,087,939	27,888,105	78,175,960	973	1,006	1,033	1,005
Disproportionate Share Revenue	1,200,000	1,200,000	1,200,000	1,200,000	3,600,000	48	46	44	46
Net Capitation Revenue	148,506	0	0	0	0	-	-	-	-
Total Patient Service Revenue	21,150,329	25,399,916	27,287,939	29,088,105	81,775,960	1,021	1,052	1,078	1,051
Total Other Operating Revenue	203,965	96,000	96,000	96,000	288,000	4	4	4	4
TOTAL OPERATING REVENUE	**21,354,294**	**25,495,916**	**27,383,939**	**29,184,105**	**82,063,960**	**1,025**	**1,056**	**1,081**	**1,055**
Operating Expenses :									
Variable Direct	9,203,646	10,961,360	11,867,331	12,809,183	35,637,874	441	458	475	458
Fixed Direct	3,927,205	4,076,617	4,195,353	4,314,089	12,586,059	164	162	160	162
Indirect	9,537,503	9,900,355	10,188,714	10,477,074	30,566,143	398	393	388	393
Bad Debts	357,426	362,999	391,319	418,322	1,172,639	15	15	15	15
TOTAL OPERATING EXPENSES	23,025,781	25,301,330	26,642,718	28,018,668	79,962,716	1,017	1,027	1,038	1,028
Depreciation adjustment		***(451,650)***	***(449,186)***	***(444,094)***	***(1,344,930)***				
Interest Adjustment		***3,731***	***(33,158)***	***(71,654)***	***(101,081)***				
SURPLUS (DEFICIT) FROM OPERATIONS	**(1,671,487)**	**642,506**	**1,223,565**	**1,681,184**	**3,547,255**	**8**	**29**	**43**	**27**
Add : Depreciation & Amortization	907,221	952,582	1,000,211	1,050,222	3,003,015	38	39	39	39
Depreciation adjustment		***(451,650)***	***(449,186)***	***(444,094)***	***(1,344,930)***				
CASH FLOW	**(764,266)**	**1,143,438**	**1,774,591**	**2,287,312**	**5,205,340**	**46**	**67**	**82**	**66**
ADC	41	47	49	51		47	49	51	
OP Factor	146%	145%	145%	145%					
APD	60.2	68.2	71.1	74.0		68.2	71.1	74.0	
PATIENT DAYS	15,005	17,155	17,885	18,615		17,155	17,885	18,615	
ADJUSTED PATIENT DAYS	22,041	24,875	25,933	26,992	77,800	24,875	25,933	26,992	77,800
MONTHS IN PROJECTION	4	12	12	12					
DAYS IN YEAR	366	365	365	365					
INFLATION FACTORS									
REVENUE		2.9%	2.9%	2.9%					
VARIABLE DIRECT		4.0%	4.0%	4.0%					
FIXED DIRECT		3.0%	3.0%	3.0%					
INDIRECT		3.0%	3.0%	3.0%					

HUNTINGTON EAST VALLEY HOSPITAL
3 Year Forecast

INCOME STATEMENT

	2001 PROJECTED	2002 PROJECTED	2003 PROJECTED
Net Patient Service Revenue	24,199,916	26,087,939	27,888,105
Disproportionate Share Revenue	1,200,000	1,200,000	1,200,000
Total Patient Service Revenue	25,399,916	27,287,939	29,088,105
Total Other Operating Revenue	1,296,000	1,596,000	1,596,000
TOTAL OPERATING REVENUE	**26,695,916**	**28,883,939**	**30,684,105**
Operating Expenses :			
Salaries, Wages & Benefits	12,442,361	13,077,716	13,739,608
Outside Services	5,185,955	5,244,018	5,494,041
Supplies	3,525,079	3,675,082	3,825,086
Depreciation & Amortization	500,932	551,025	606,128
Interest	633,537	623,181	612,113
Rental - Building & Equipment	452,662	466,242	480,229
Parent Allocation	224,515	233,496	242,836
Provision for Bad Debt	362,999	391,319	418,322
Other	1,251,312	1,282,622	1,306,283
TOTAL OPERATING EXPENSES	**24,579,353**	**25,544,702**	**26,724,645**
SURPLUS (DEFICIT) FROM OPERATIONS	**2,116,563**	**3,339,238**	**3,959,460**
ADC	47	49	51
OP Factor	145%	145%	145%
ADJUSTED ADC	68.2	71.1	74.0
PATIENT DAYS	17,155	17,885	18,615
ADJUSTED PATIENT DAYS	24,875	25,933	26,992

LAND SALES MAP

COMPARABLE LAND SALE 1

Location	456 E. Foothill Bl.
City	San Dimas
State	CA
Assessor's Parcel	8861-018-034, -035

Site Data

Size (SF)	53,580
Size (Acres)	1.23
Zoning	CH
Topography	Level
Shape	Rectangular
Corner/Interior	Interior

Transaction Data

Seller	Glen E. Corporation
Buyer	English Language Institute/China
Interest	Fee simple
Recording	0513964
Date	April 6, 2000
Terms	All cash to seller
Price	$532,000
Price Per SF	$9.93
Price Per Acre	$432,511

Addition Information

The site is currently vacant. The intended use is to build a two-story office building. The primary land uses south of the site are single-family residences in average condition built in the 1970s. The primary land uses along Foothill Boulevard are commercial with some townhomes northeast of the site. Foothill Boulevard is a moderately traveled thoroughfare.

COMPARABLE LAND SALE 2

Location	100 W. Foothill Bl.
City	San Dimas
State	CA
Assessor's Parcel	8661-013-036, -037, -040

Site Data

Size (SF)	67,953
Size (Acres)	1.56
Zoning	AP
Topography	Level
Shape	Irregular
Corner/Interior	Corner

Transaction Data

Seller	Pae Greene Properties, et al
Buyer	Foothills Vineyard Fellowship
Interest	Fee simple
Recording	1779461
Date	September 20, 1999
Terms	All cash to seller
Price	$638,000
Price Per SF	$9.39
Price Per Acre	$408,978

Addition Information

This site has been improved with a church. The primary land uses are single-family residential in average to good condition built between 1970 to the present. East of the site is a plant nursery and to the west is a three-story office building. Foothill Boulevard is a moderately traveled thoroughfare.

COMPARABLE LAND SALE 3

Location	NEC Irwindale/Cam. Cantera
City	Irwindale
State	CA
Assessor's Parcel	8616-022-027

Site Data

Size (SF)	44,640
Size (Acres)	1.02
Zoning	MS2
Topography	Level
Shape	Rectangular
Corner/Interior	Interior

Transaction Data

Seller	Calmat Properties Co.
Buyer	Havadijas Holdings, Inc.
Interest	Fee simple
Recording	0365877
Date	March 5, 1999
Terms	All cash to seller
Price	$500,000
Price Per SF	$11.20
Price Per Acre	$487,903

Addition Information

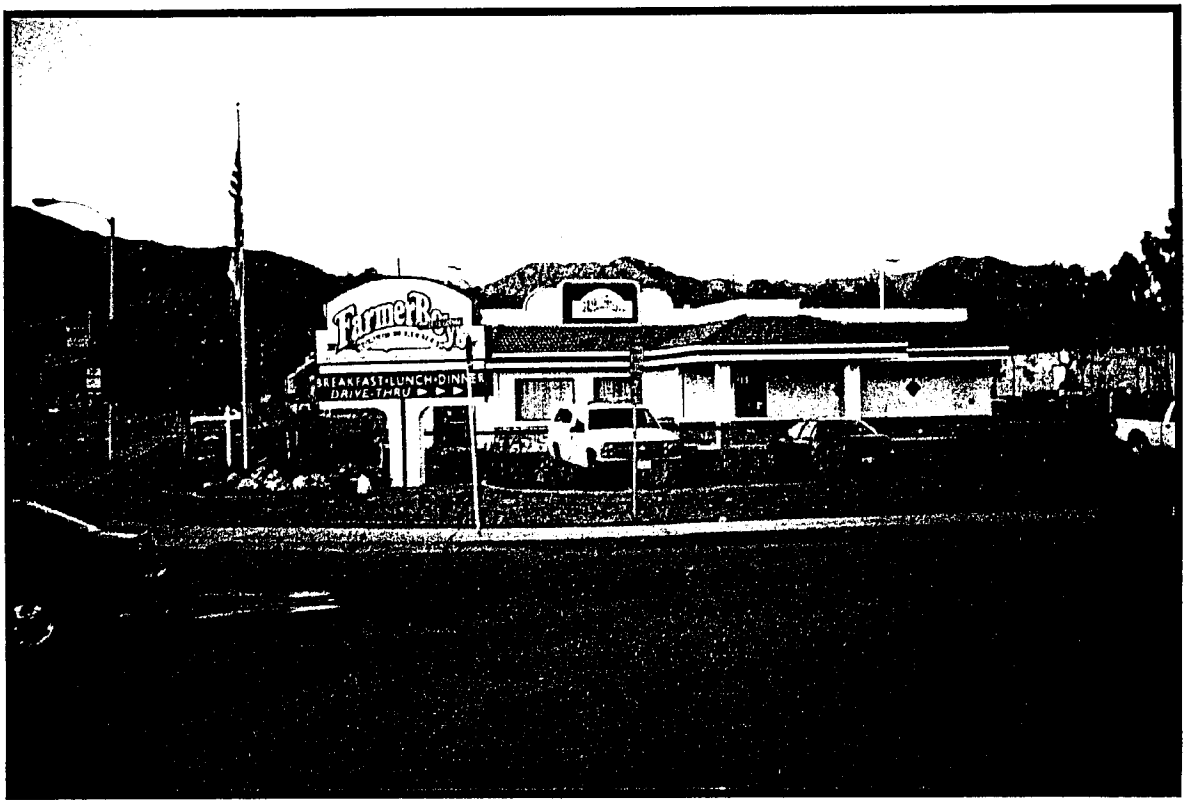
This site has been improved with a "Farmer Boys" fast food restaurant. The primary land uses are commercial light industrial and office. These improvements are in average to good condition. The site is approximately two hundred feet north of Interstate 210 (Foothill Freeway). Irwindale Avenue is a major thoroughfare that experiences moderate to heavy traffic.

LAND SALE PHOTOGRAPHS

Land Sale 1

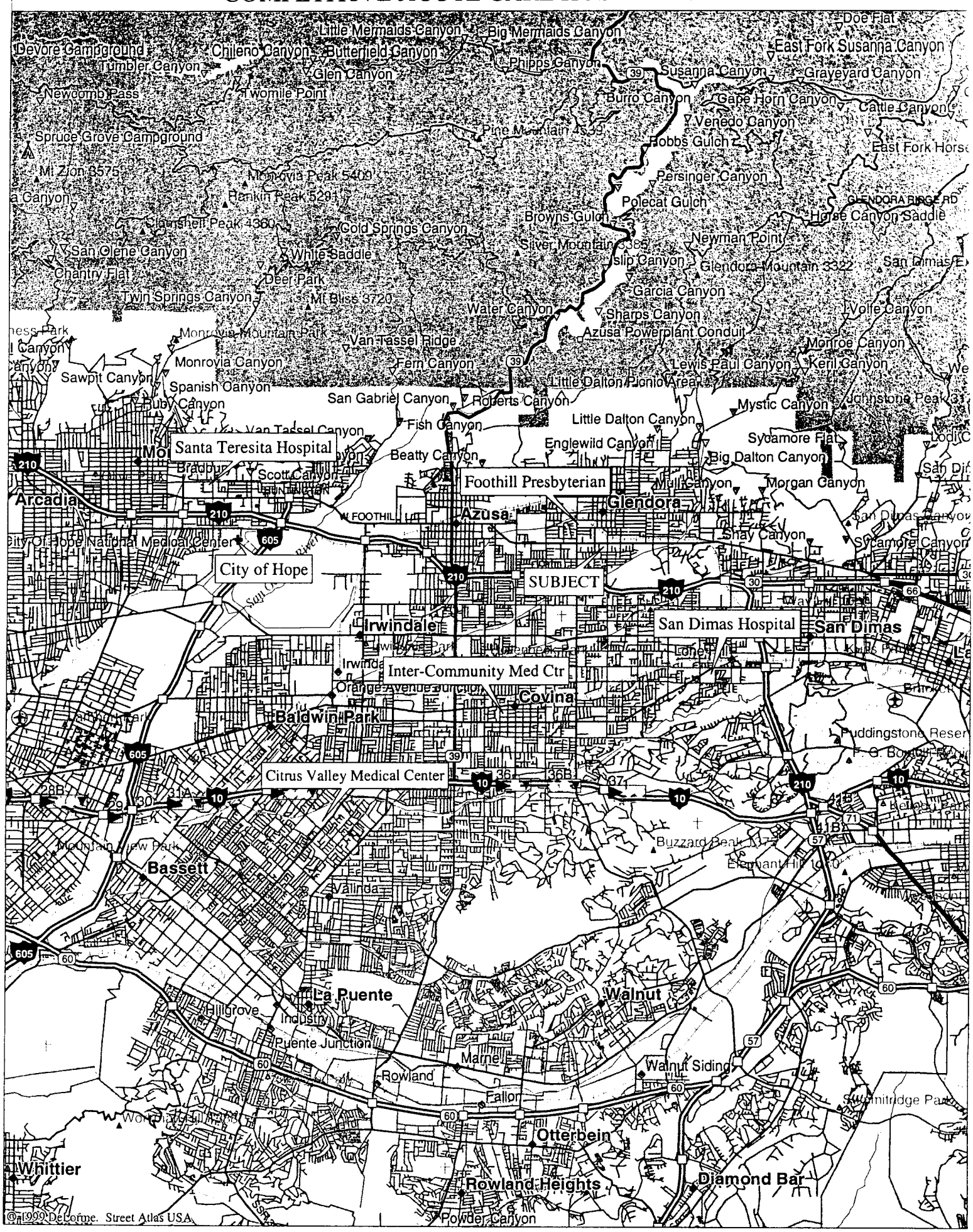
Land Sale 2

Land Sale 3



Land Sale 4

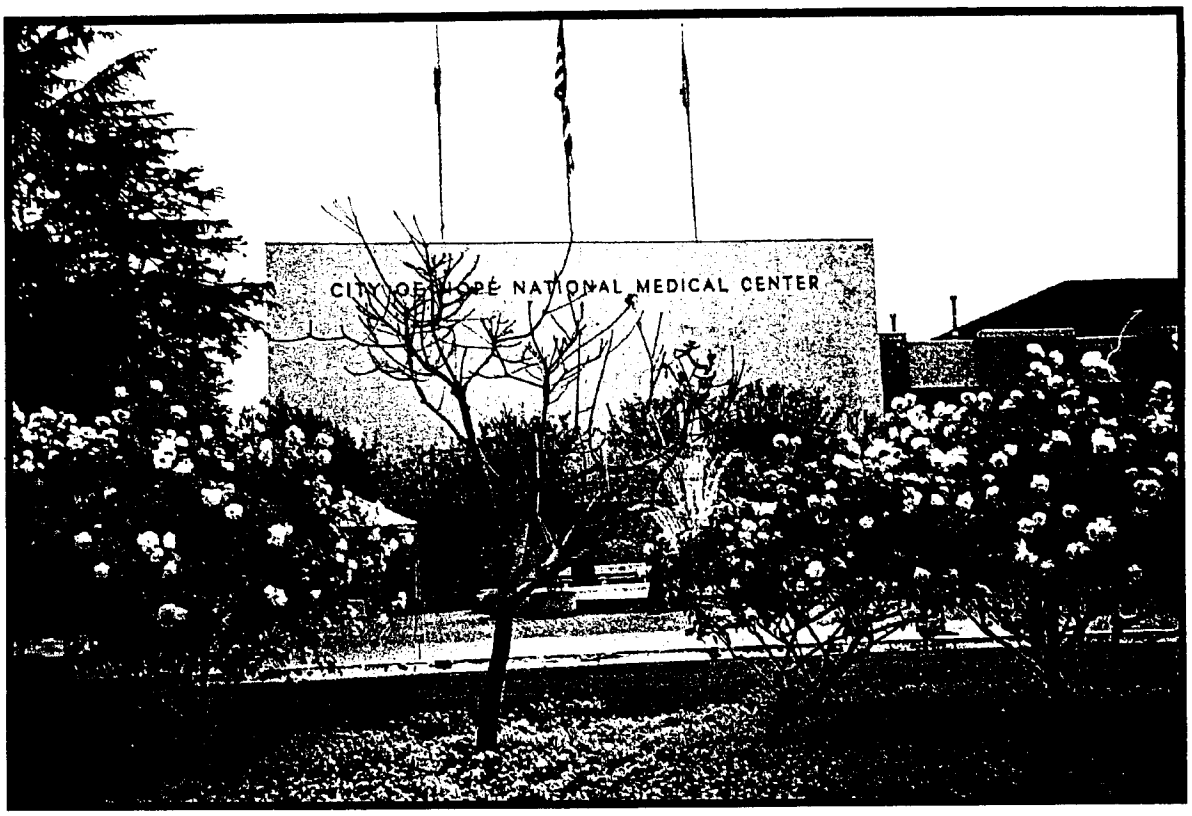
COMPETITIVE ACUTE CARE HOSPITALS MAP



COMPETITION PHOTOGRAPHS

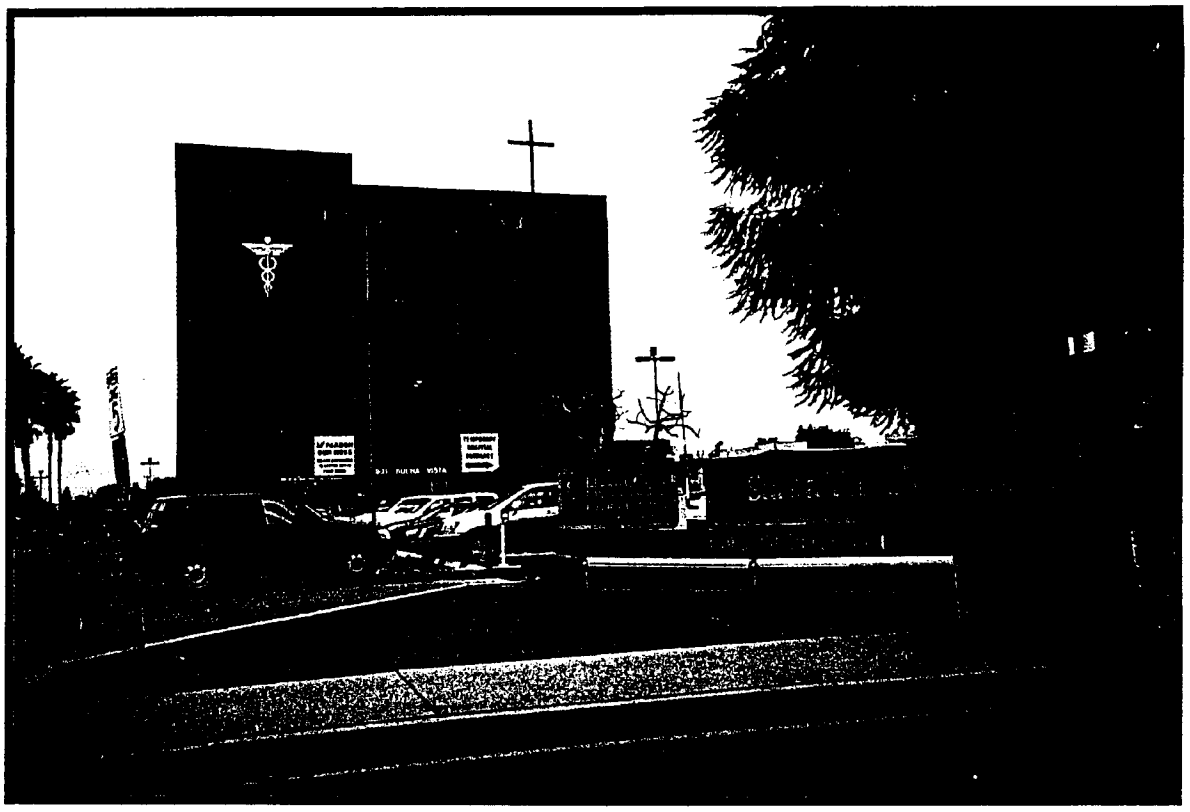
Foothill Presbyterian Hospital

Inter-Community Medical Center



City of Hope National Medical Center

San Dimas Community Hospital



Santa Teresita Hospital

Citrus Valley Medical Center

May 11, 2000

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

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

Dear Steve:

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

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

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

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

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

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

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

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

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

C. Shattuck Hammond will assist SCHS in Transaction negotiations.

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

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

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

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

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

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

3. COMPENSATION

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

A. Retainer Compensation

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

B. Success Fee Compensation

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

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

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

C. Expense Reimbursement

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

4. TERM AND TERMINATION

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

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

expenses incurred by Shattuck Hammond up to the date of termination or completion, as the case may be; and (ii) the indemnification provisions contained in Section 5.

5. INDEMNIFICATION

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

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

6. OTHER AGREEMENTS

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

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

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

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

SHATTUCK HAMMOND PARTNERS

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

Very truly yours,

SHATTUCK HAMMOND PARTNERS

By: _____

Title: _____

Agreed, Accepted and Approved:

SOUTHERN CALIFORNIA HEALTHCARE SYSTEM

By: _____

Title: CFO

Date: 5-15-00

Huntington East Valley Hospital

June 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Table of Contents

General Description of the Facilities

Location

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

History

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

Medical Staff

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

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

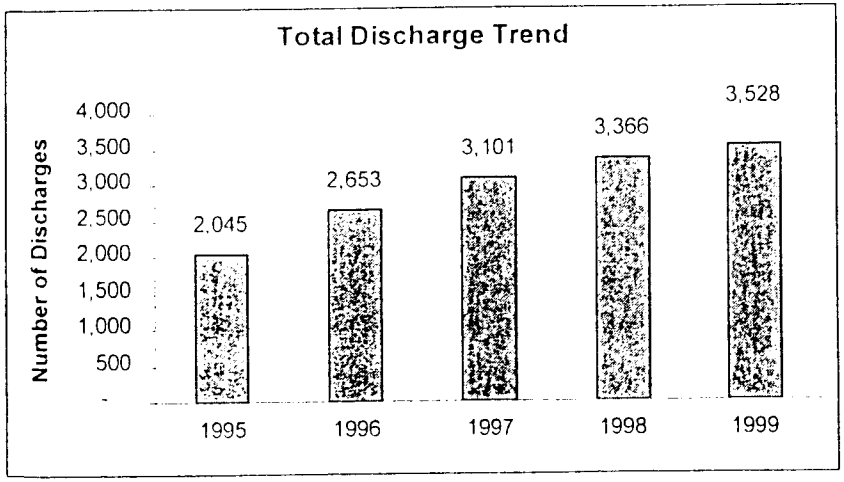
- A detailed HEVH medical staff roster (name, address, annual inpatient/outpatient activity) will be made available in due diligence material.

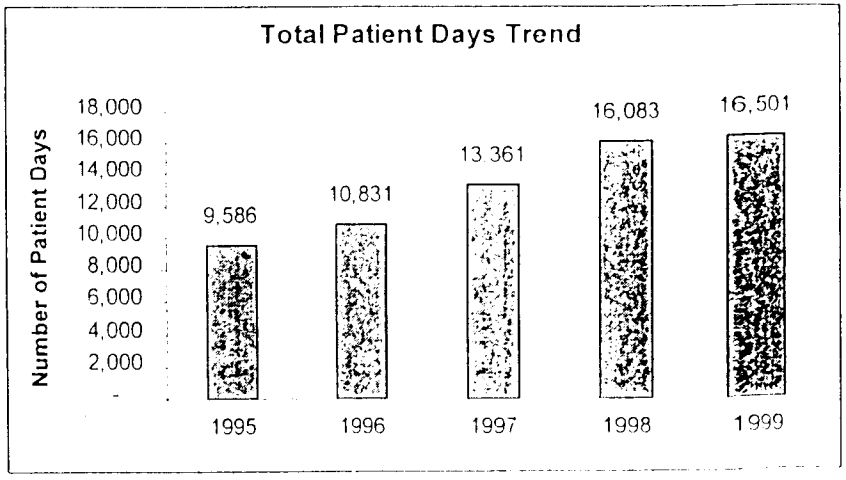
Nursing

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

Facility as of 1999

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





Payor Mix (1999 Revenue Basis)

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

Management

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

Employees

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

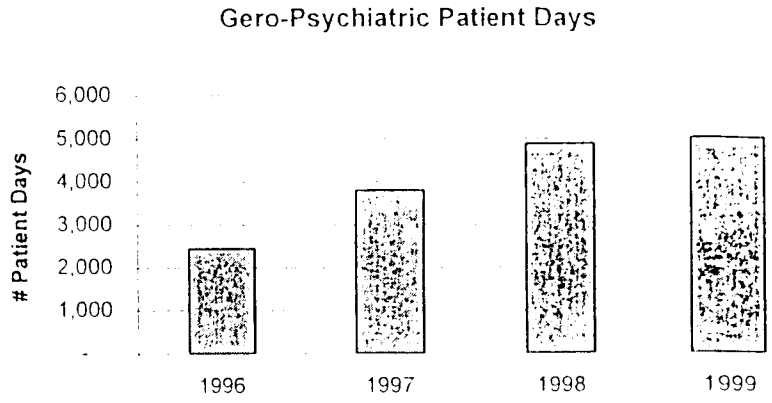
HEVH Major Clinical and Community Programs

OB/GYN/Women's Health

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

Geriatric-Psychiatric Program

- HEVH offers the only Geriatric-psychiatric unit in an acute care, medical-surgery hospital in a more than ten-mile radius.
- HEVH provides free or low-cost mental health programs and social services programs for residents in low-income communities.
- The treatment team includes a geriatric psychiatrist, internists, psychologists, a psychiatric nurse team, as well as a variety of other mental health and social work professionals.



- HEVH offers three Senior Mental Health Programs:

    1. Inpatient Program: Comprehensive, physician-supervised inpatient program for adults age 55 and older. This program offers a structured plan of individual counseling, group therapy, planned activities and family support.
    2. The Partial Program: This program was developed for patients with less severe problems to assist their transition from the inpatient unit to either home or facilities designed for senior living.
    3. The Outpatient Program: This program was developed for seniors who require outpatient professional intervention or those who have been discharged from the Senior Mental Health Unit.

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

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

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

The Huntington Imaging Center and The Hill Breast Center

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

Community Education Programs

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

Senior Care Network Program

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

Employee Volunteer Activities

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

Service Area and Competition

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

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

Patient Demographics[1]

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

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

Pro Forma Assumptions for Year 2000 and 2001

Revenue Assumptions

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

Expense Assumptions

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

Pro Forma for Year 2000 and 2001

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

EBITDA Sensitivity to Census

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

EBITDA Sensitivity Analysis to Census for Year 2001		
	Census = 45	Census = 50
Total Operating Revenues	$22,901,790	$25,305,100
Total Operating Expenses	21,363,262	22,312,605
EBITDA[3]	$ 1,538,528	$ 2,992,495

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

Contents

Huntington East Valley Hospital

Focus: 1999

Audit Results

Summary of What We Agreed To Do

Our Approach

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

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

Areas of Audit Emphasis

The principal areas of audit emphasis were as follows:

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

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

Update of Identified Business Risks

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

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

Update of Identified Business Risks (continued)

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

Required Communications

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

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

Required Communications (continued)

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

Summary of Recorded Audit Adjustments

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

Huntington East Valley Hospital

Looking Ahead to **Next Year**

ERNST & YOUNG LLP

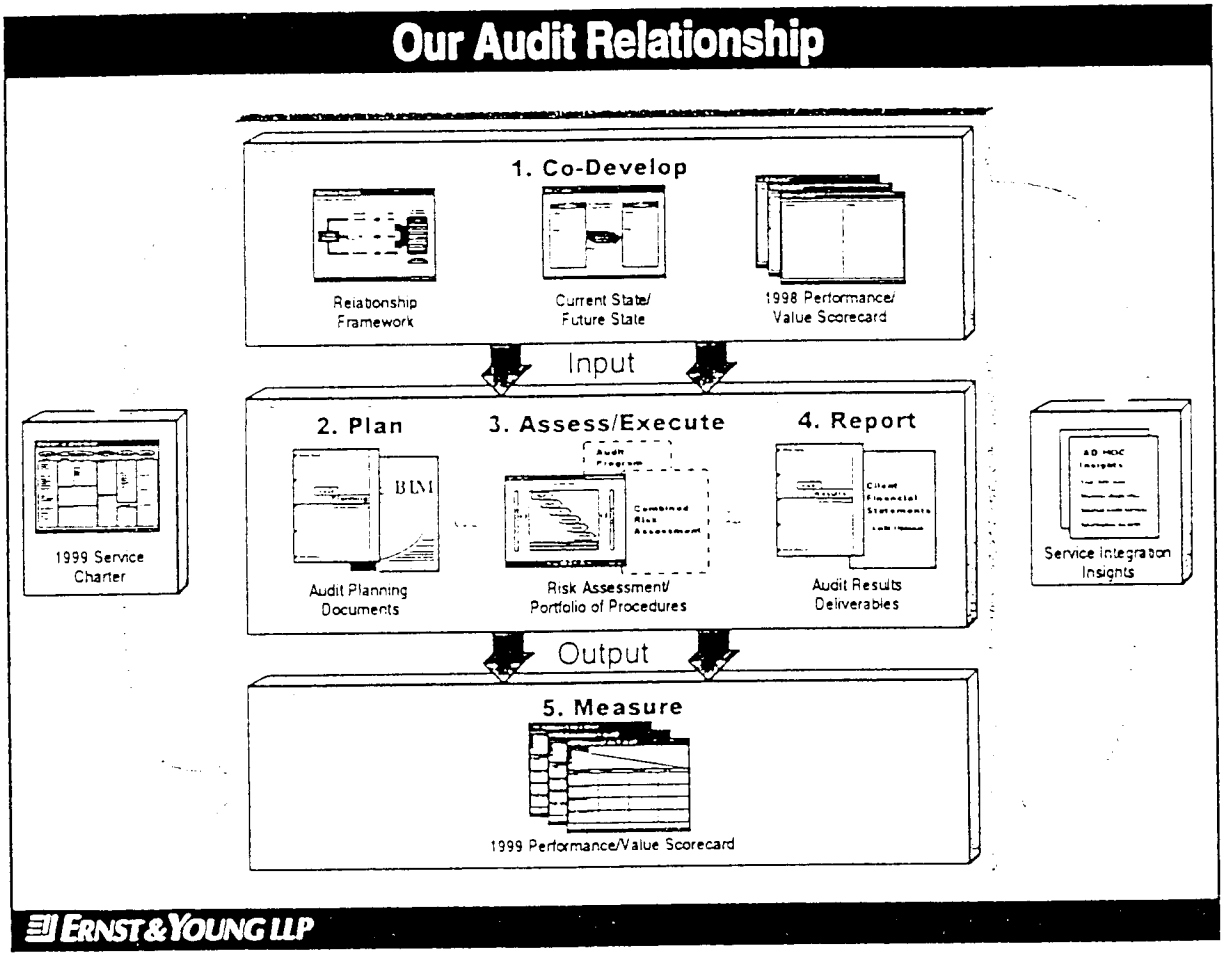
Continuity and Commitment of Your Team

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

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

Appendix A:

Audit Process



A process focused on continuous improvement and exceeding client expectations.

Our Audit Process — Client Communications

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

Relationship Deliverables

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

Process Deliverables

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

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

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

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

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

AUDITED FINANCIAL STATEMENTS

Huntington East Valley Hospital

Years ended December 31, 1999 and 1998

with Report of Independent Auditors

Huntington East Valley Hospital

Audited Financial Statements

Years ended December 31, 1999 and 1998

Contents

ERNST & YOUNG

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

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

Report of Independent Auditors

Board of Directors
Huntington East Valley Hospital

We have audited the accompanying balance sheets of Huntington East Valley Hospital as of December 31, 1999 and 1998, and the related statements of operations and changes in net assets (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huntington East Valley Hospital at December 31, 1999 and 1998, and the results of its operations, changes in net assets (deficit) and cash flows for the years then ended in conformity with generally accepted accounting principles.

March 14, 2000

DRAFT

Huntington East Valley Hospital

Balance Sheets

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

See accompanying notes.

Huntington East Valley Hospital

Statements of Operations

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

See accompanying notes.

Huntington East Valley Hospital

Statements of Changes in Net Assets (Deficit)

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

See accompanying notes.

Huntington East Valley Hospital

Statements of Cash Flows

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

See accompanying notes.

Huntington East Valley Hospital

Notes to Financial Statements

December 31, 1999

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies

Organization

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

Mission Statement

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

Liquidity and Capital Resources

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

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

Use of Estimates

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

Net Patient Service Revenue

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

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

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

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

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

Net Patient Service Revenue (continued)

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

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

Charity Care

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

Cash Equivalents

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

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

Concentrations of Credit Risk

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

Property, Plant and Equipment

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

Assets Limited as to Use

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

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

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

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

Inventories

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

Fair Value of Financial Instruments

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

Deferred Financing Costs

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

Professional Liability Insurance

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

Temporarily Restricted Net Assets

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

(Dollars in Thousands)

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

Temporarily Restricted Net Assets (continued)

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

Temporarily restricted net assets are available primarily for capital purposes.

2. Related Party Transactions

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

Amounts due from affiliates are as follows:

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

(Dollars in Thousands)

2. Related Party Transactions (continued)

Amounts due to affiliates are as follows:

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

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

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

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

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

(Dollars in Thousands)

2. Related Party Transactions (continued)

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

Note Payable to Affiliate

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

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31	
	1999	1998
Land	$ 4,163	$ 4,163
Buildings	4,718	4,328
Equipment	3,711	3,144
	12,592	11,635
Accumulated depreciation and amortization	(2,957)	(2,139)
Construction in progress	33	64
	$ 9,668	$ 9,560

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

(Dollars in Thousands)

3. Property, Plant and Equipment (continued)

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

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

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

(Dollars in Thousands)

4. Long-Term Borrowings

Long-term debt consists of the following:

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

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

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

(Dollars in Thousands)

4. Long-Term Borrowings (continued)

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

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

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

5. Functional Expenses

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

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

Huntington East Valley Hospital

Southern California Healthcare System
Board of Directors

December 14, 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Summary of Proposed Acquisition Terms - PanPacific Health Enterprises

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

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

Purchase Price

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

Conditions Precedent

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

Other

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

Recommendations

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

This recommendation is based on the following:

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

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

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

Huntington East Valley Hospital
Comparison of Five-Year Financial Forecast

	AS PRESENTED 9/26/00 BY SHATTUCK HAMMOND		BUDGET	
PROFIT/(LOSS)PER YEAR:	40 ADC	43 ADC	43 ADC	
2000	(1,681)	(1,681)	(2,353)	
2001	(1,508)	(940)	(485)	
2002	(1,557)	(972)	(646)	
2003	(1,630)	(1,027)	(696)	
2004	(1,707)	(1,086)	(753)	
2005	(1,789)	(1,150)	(821)	
TOTAL	(9,872)	(6,856)	(5,753)	
PRESENT VALUE OF 5 YEAR CASH REQUIREMENTS:				
2001	2,557	2,205	2,612	see next page for detail
2002	1,325	833	627	
2003	1,190	723	558	
2004	1,115	671	519	
2005	1,056	635	497	
	7,243	5,067	4,813	

CONTRIBUTIONS TO HEV FROM HMH/MH DURING 2000:

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

* The September 26, 2000 Shattuck Hammond Partners financial model was updated to reflect operations as of October 2000. Inflation, fixed/variable and discount rate assumptions from September 26 were not changed in these revised projections.

* **Please note** that these projections depict fairly strict, no-frills operations for at or near a best case scenario, created simply to compare to sale and closure options. If HEV is not sold, it is probable that additional capital and marketing/business development costs would be incurred annually. Minimum estimate for these costs would be $350,000 annually, or $1,750,000 over the forecast period.

Huntington East Valley Hospital
Detail of 2001 Cash Requirements

Forecasted cash Needs for 2001 are for the following:		Quarter Needed			
		1st QTR	2nd QTR	3rd QTR	4th QTR
Net Income (Loss)	(485)	(121)	(121)	(121)	(121)
Add back non cash Depreciation	854	214	214	214	214
(Increase) Patient Receivables and Inventories	(350)	(88)	(88)	(88)	(88)
(Decrease) in IBNR-to outside providers	(702)	(176)	(176)	(176)	(176)
(Decrease) in IBNR - funded by SCHS 2000 cap premium	(1,011)	(337)	(337)	(337)	-
Cash Used in Operations	(1,694)	(508)	(508)	(508)	(171)
Captial Expenditures	(700)	(175)	(175)	(175)	(175)
Decrease in LTD	(227)	(57)	(57)	(57)	(57)
(Decrease) in Current Portion due to Affiliates - HMF	(300)	(75)	(75)	(75)	(75)
Cash Needs	(2,921)	(815)	(815)	(815)	(478)
Present Value of Cash Needs - discounted at 8.5%	2,612				

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

Preliminary List of Potentially Interested Parties

July 31, 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Potential Interested Parties – For-profit Organizations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Alternative Use Providers

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

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

Re: Huntington East Valley Hospital

Dear «AutoMergeField» «LastName»,

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

Cecilia C. Montalvo
Vice President

Enclosure

Huntington East Valley Hospital

SHATTUCK HAMMOND PARTNERS **September 26, 2000**

Huntington East Valley Hospital

September 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

TABLE OF CONTENTS

TABLE OF EXHIBITS

Three Options Exist for the Future of Huntington East Valley Hospital

- Closure/Liquidation
- Sale
- Continued Operation

CLOSURE/LIQUIDATION OPTION
Assumptions/Risk Factors

Assumptions

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

Risk Factors

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

CLOSURE/LIQUIDATION OPTION
Net Cash Calculation

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

SALE OPTION
Assumptions/Risk Factors

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

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

SALE OPTION
Net Cash Calculation

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

SALE OPTION
Expressions of Interest

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

Duane Van Dyke

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

Medical Pathways

Mafuz Michael, MD

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

Joseph C. Chang

Profiles of these possible buyers are attached as Exhibit E.

CONTINUED OPERATION OPTION
Assumptions/Risk Factors

Assumptions

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

Risk Factors

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

Five-Year Financial Forecast: Summary of Paid in Capital

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

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

Cash Flow Summary	2001	2002	2003	2004	2005	Totals
Net Income	(1,508)	(1,557)	(1,630)	(1,707)	(1,789)	(8,191)
Depreciation and Amortization	955	1,005	1,055	1,105	1,155	5,274
(Increase) Decrease in Current Assets	(240)	(188)	(183)	(189)	(194)	(994)
Increase (Decrease) in Current Liabilities	(839)	120	121	126	131	(343)
Capital Expenditures	(700)	(700)	(700)	(700)	(700)	(3,500)
(Increase) Decrease in Other Assets	-	-	-	-	-	0
Increase (Decrease) in Long Term Debt	(228)	(240)	(183)	(180)	(190)	(1,021)
Increase (Decrease) in Due to Affiliates	(342)	-	-	-	-	(342)
Cash and Equivalents Beginning	130	0	0	0	0	131

PV Rate: 8.5%

Periods	1	2	3	4	5	Totals
PV Net Income	(1,390)	(1,323)	(1,276)	(1,232)	(1,190)	(6,410)
PV Depreciation and Amortization	880	854	826	797	768	4,124
PV (Increase) Decrease in Current Assets	(221)	(159)	(143)	(136)	(129)	(789)
PV Increase (Decrease) in Current Liabilities	(774)	102	95	91	87	(400)
PV Capital Expenditures	(645)	(595)	(548)	(505)	(466)	(2,758)
PV (Increase) Decrease in Other Assets	-	-	-	-	-	0
PV Increase (Decrease) in Long Term Debt	(211)	(204)	(143)	(130)	(126)	(814)
PV Increase (Decrease) in Due to Affiliates	(315)	-	-	-	-	(315)
PV Cash and Cash Equivalents (Beginning)	119	0	0	0	0	120

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

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

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

RECOMMENDATION

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

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

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

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

STATUS OF SALE
Sale Process to Date

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

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

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

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

STATUS OF SALE
Process and Timetable to Complete

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

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

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

Possible Date to Close Transaction: December 31, 2000.

EXHIBIT A

EXHIBIT A

Calculation of Bond Defeasance

$9,025,000

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

ESCROW FUND CASHFLOW

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

INVESTMENT PARAMETERS

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

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

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

Yield to Receipt 5.9975261%
Yield for Arbitrage Purposes 6.2406015%

EXHIBIT B

EXHIBIT B

Detailed Calculation of Closure Costs

COSTS OF CLOSING HEVH AS OF JAN 1, 2001

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

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

EXHIBIT C

EXHIBIT C

Land Appraisal from CB/Richard Ellis

BROKERAGE SERVICES
Acreage

CB Richard Ellis

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

Kenneth M. Bowman
Vice President

July 14, 2000

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

RE: Huntington East Valley Hospital

Dear Cecilia:

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

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

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

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

Sincerely,

CB Richard Ellis

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

c: Natalie Bazarevitsch
John Oien

EXHIBIT D

EXHIBIT D

Letter of Intent Received as of September 25, 2000

C. J. Chang

1842 West Drive
San Marino, California 91108

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

August 10, 2000

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

Re: PURCHASE OF HUNTINGTON EAST VALLEY HOSPITAL

Dear Mr. Carmack:

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

1. SUMMARY OF THE TRANSACTIONS.

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

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

2. **DUE DILIGENCE AND ACCESS.**

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

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

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

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

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

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

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

4. **AGENCY.**

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

5. **DISCLOSURE.**

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

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

6. **COSTS.**

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

7. **COUNTERPARTS.**

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

8. **PRIOR AGREEMENTS.**

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

Very truly yours,

C. J. Chang

HUA NAN COMMERCIAL BANK, LTD.
LOS ANGELES BRANCH

707 WILSHIRE BOULEVARD
SUITE 3100
LOS ANGELES, CA 90017 USA

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

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

Sept. 1, 2000

Dear Mr Hammond: Re C. Joseph Chang

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

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

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

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

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

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

Thank you for your attention.

Truly yours,

Kemp Chen
VP & General Manager

September 7, 2000

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

CONFIDENTIAL

Re: Huntington East Valley Hospital
Proposed Letter of Intent

Dear Cecilia:

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

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

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

any party to proceed with or enter into any transaction or agreement, or will serve as the basis for any action by one party against the other.

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

I. Background/Strategic Realignment:

We understand that SCHS's objectives are to:

1. Maintain physician and community goodwill.

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

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

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

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

II. General Terms:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Additional Covenants

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

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

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

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

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

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

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

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

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

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

III. Other Terms.

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

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

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

Sincerely,

MEDICAL PATHWAYS MANAGEMENT CORPORATION

By:_____
Name:_____
Its:_____

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

SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

By:_____
Name:_____
Its:_____

cc: Mr. William Caswell

Berger, Kahn,
Shafton, Moss, Figler,
Simon & Gladstone
A Professional Law Corporation

Orange County
2 Park Plaza, Suite 650
Irvine, California 92614-8516
P.O. Box 19694
Irvine, California 92623-9694

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

Firm Email:
lawyers@bergerkahn.com

10 August 2000

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

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

Re: Huntington East Valley Hospital

Dear Cecilia:

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

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

With this in mind, please be advised as follows:

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

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

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

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

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

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

a. Ability to conduct additional due diligence.

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

c. Obtaining all necessary consents and approvals.

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

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

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

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

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

Very truly yours,

KEITH A. ROSENBAUM
Partner

KAR:mj

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

August 23, 2000

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

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

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

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

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

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

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

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

PURPOSE:

BENEFITS TO THE COMMUNITY:

A. Increase of prestige.

B. Increase in economy of the Glendale community.

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

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

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

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

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

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

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

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

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

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

Thank you very much.

Respectfully submitted,

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

EXHIBIT E

EXHIBIT E

Profile of Interested Buyers

Profile of Interested Buyers

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

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

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

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

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

Joseph C. Chang – Mr. Chang is a native Taiwanese immigrant, currently employed as an Assistant Administrator at Alhambra Community Hospital. His family has substantial assets, a fact that has been verified by the Bank of Taiwan, Los Angeles. He has a background in hospital administration and would like the opportunity to own and operate a hospital. He has

partnered with Norm Martin, the C.E.O. of Riverside Parkview, who has recently formed a hospital management company called The Mardel Group. The Mardel Group recently assumed management of a former HCA facility in Chino. Mr. Chang would like to purchase HEVH with bank financing, his own personal investment and investment from local leaders of the Chinese community. Shattuck Hammond has met with one of these investors, who confirmed his interest in contributing capital to this transaction.

EXHIBIT F

EXHIBIT F

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

Huntington East Valley Hospital

Five-Year Financial Forecast: Summary of Paid in Capital

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

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

Cash Flow Summary	2001	2002	2003	2004	2005	Totals	
Net Income	(1,508)	(1,557)	(1,630)	(1,707)	(1,789)	(8,191)	
Depreciation and Amortization	955	1,005	1,055	1,105	1,155	5,274	
(Increase) Decrease in Current Assets	(240)	(188)	(183)	(189)	(194)	(994)	
Increase (Decrease) in Current Liabilities	(839)	120	121	126	131	(343)	
Capital Expenditures	(700)	(700)	(700)	(700)	(700)	(3,500)	
(Increase) Decrease in Other Assets	-	-	-	-	-	0	
Increase (Decrease) in Long Term Debt	(228)	(240)	(183)	(180)	(190)	(1,021)	
Increase (Decrease) in Due to Affiliates	(342)	-	-	-	-	(342)	
Cash and Equivalents Beginning	130	0	0	0	0	131	PV Rate

Periods	1	2	3	4	5	Totals	8.5%
PV Net Income	(1,390)	(1,323)	(1,276)	(1,232)	(1,190)	(6,410)	
PV Depreciation and Amortization	880	854	826	797	768	4,124	
PV (Increase) Decrease in Current Assets	(221)	(159)	(143)	(136)	(129)	(789)	
PV Increase (Decrease) in Current Liabilities	(774)	102	95	91	87	(400)	
PV Capital Expenditures	(645)	(595)	(548)	(505)	(466)	(2,758)	
PV (Increase) Decrease in Other Assets	-	-	-	-	-	0	
PV Increase (Decrease) in Long Term Debt	(211)	(204)	(143)	(130)	(126)	(814)	
PV Increase (Decrease) in Due to Affiliates	(315)	-	-	-	-	(315)	
PV Cash and Cash Equivalents (Beginning)	119	0	0	0	0	120	

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

Base Case Scenario

40 ADC

Huntington East Valley Hospital

Base Case Scenario
40 ADC

Five-Year Financial Forecast

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

Base Case Scenario
40 ADC

Five-Year Financial Forecast

Revenue Assumptions	FYE December 31, 1998	1999	Ann. 8/31 2000	Forecast 2001	2002	2003	2004	2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,360	3,529	3,279	3,191	3,191	3,191	3,191	3,191
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$44,017,997	$45,338,536	$46,698,693	$48,099,653	$49,542,643
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$66,028,164	$68,122,361	$70,166,032	$72,271,013	$74,439,143
% Increase (Decrease)	NA	8.0%	-1.2%	4.2%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$44,582,889	$45,996,912	$47,376,820	$48,798,124	$50,262,068
Charity Care (000's)	1,019,389	774,824	586,490	611,319	630,708	649,629	669,118	689,191
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 45,194,208	$ 46,627,620	$ 48,026,449	$ 49,467,242	$ 50,951,259
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 20,833,956	$ 21,494,741	$ 22,139,583	$ 22,803,771	$ 23,487,884
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	269	277	286	294	303
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Five-Year Financial Forecast

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

Five-Year Financial Forecast

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

Huntington East Valley Hospital

Base Case Scenario
40 ADC

Five-Year Financial Forecast

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

Huntington East Valley Hospital

Base Case Scenario
40 ADC

Five-Year Financial Forecast

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

Base Case Scenario
40 ADC

Five-Year Financial Forecast

Cash Flow Statement (000)

	Totals	Forecast 2001	2002	2003	2004	2005
Net Income	(8,191)	$ (1,508)	$ (1,557)	$ (1,630)	$ (1,707)	$ (1,789)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,153
(Increase) Decrease in Current Assets (Excl Cash)	(994)	(240)	(188)	(183)	(189)	(194)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(343)	(839)	120	121	126	131
Cash from Operations		(1,633)	(620)	(637)	(665)	(698)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	8,987	2,774	1,560	1,521	1,545	1,588
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	(0)
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	(0)	0	0	(0)
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

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

Notes

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

Average Daily Census	41.0	40.0	40.0	40.0	40.0	40.0

Base Case Scenario
40 ADC

Five-Year Financial Forecast

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

Scenario

35 ADC

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Scenario
35 ADC

Five-Year Financial Forecast

Revenue Assumptions	FYE December 31, 1998	1999	Ann. 8/31 2000	Forecast 2001	2002	2003	2004	2005
Gross Inpatient Revenue per Discharge	$13,125	$13,539	$13,394	$13,796	$14,210	$14,636	$15,075	$15,528
% Increase (Decrease)	NA	3.2%	-1.1%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Discharges	3,366	3,528	3,279	2,792	2,792	2,792	2,792	2,792
Total Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$38,515,747	$39,671,219	$40,861,356	$42,087,197	$43,349,813
Gross Outpatient Revenue per Encounter	$988	$1,034	$1,139	$1,173	$1,209	$1,245	$1,282	$1,321
% Increase (Decrease)	NA	4.6%	10.2%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
Total Outpatient Revenue	$15,213,426	$16,377,304	$19,426,450	$22,010,167	$22,783,825	$23,467,339	$24,171,360	$24,896,500
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$60,525,914	$62,455,044	$64,328,695	$66,258,556	$68,246,313
% Increase (Decrease)	NA	8.0%	-1.2%	-4.5%	3.2%	3.0%	3.0%	3.0%
Deductions from Revenue								
Contractual Allowances (000's)	$ 37,237,177	$ 42,755,770	$ 42,772,127	$40,867,714	$42,170,282	$43,435,391	$44,738,452	$46,080,606
Charity Care (000's)	1,019,389	774,824	586,490	560,376	578,237	595,584	613,452	631,855
Total Deductions (000's)	$ 38,256,566	$ 43,530,594	$ 43,358,616	$ 41,428,090	$ 42,748,519	$ 44,030,975	$ 45,351,904	$ 46,712,461
Contractual Deductions (% of Gross Revenue)	62.7%	66.7%	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
Charity Care (% of Gross Revenue)	1.7%	1.2%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Net Patient Service Revenue	$ 21,134,535	$ 20,613,614	$ 19,987,772	$ 19,097,824	$ 19,706,525	$ 20,297,721	$ 20,906,652	$ 21,533,852
NRV	35.6%	32.1%	31.6%	31.6%	31.6%	31.6%	31.6%	31.6%
Other Operating Revenues (000's)	3,658	858	258	246	254	262	270	278
Other Operating Revenue (% of Net Revenue)	17.3%	4.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Disproportionate Share Payments	-	-	800	800	800	800	800	800
% Increase/Decrease	NA	NA	NA	0.0%	0.0%	0.0%	0.0%	0.0%

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
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Cash Flow Statement (000)

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

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

Notes

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

Average Daily Census	41.0	35.0	35.0	35.0	35.0	35.0

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

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Scenario

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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

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Five-Year Financial Forecast

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

Huntington East Valley Hospital

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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Five-Year Financial Forecast

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

Base Case DCF (version 15)

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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

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

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Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

Cash Flow Statement (000)

	Totals	Forecast 2001	2002	2003	2004	2005
Net Income	(11,207)	$ (2,076)	$ (2,142)	$ (2,233)	$ (2,328)	$ (2,429)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(661)	55	(179)	(174)	(179)	(183)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(466)	(949)	117	117	122	127
Cash from Operations		(2,014)	(1,199)	(1,234)	(1,280)	(1,331)
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	11,794	3,156	2,140	2,117	2,160	2,222
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)		-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	--	(129)	0	(0)	0	0
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		$ 0	$ 0	$ 0	$ 0	$ 0

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

Notes

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

Average Daily Census	41.0	37.0	37.0	37.0	37.0	37.0

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

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

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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Five-Year Financial Forecast

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

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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

Balance Sheet (000)	FYE December 31, 1998	1999	August 31, 2000	Forecast 2001	2002	2003	2004	2005
Current Assets								
Cash & Cash Equivelants	$ 244	$ 483	$ 130	$ 0	$ 0	$ 0	$ 0	$ 0
Patients Accounts Receivable	5,632	3,794	5,076	5,555	5,731	5,903	6,080	6,262
Inventories	512	506	598	635	675	696	716	738
Current Portion - Assets Limited to Use	40	46	176	176	176	176	176	176
Due from Third Party Payors	-	590	580	580	580	580	580	580
Due from Affiliate	-	336	51	51	51	51	51	51
Prepaid Epenses and Other	1,332	584	621	621	621	621	621	621
Total Current Assets	$ 7,760	$ 6,339	$ 7,232	$ 7,638	$ 7,835	$ 8,027	$ 8,225	$ 8,428
Property, Plant and Equipment								
Property, Plant and Equipment	11,699	12,625	12,846	13,546	14,246	14,946	15,646	16,346
Less: Accumulated Depreciation	2,139	2,957	3,554	4,509	5,514	6,568	7,673	8,828
Net Property, Plant and Equipment	$ 9,560	$ 9,668	$ 9,292	$ 9,038	$ 8,733	$ 8,378	$ 7,973	$ 7,518
Assets Limited to Use, Net of Current Portion	688	279	532	532	532	532	532	532
Deferred Financing Costs	408	394	385	385	385	385	385	385
Other Assets	415	427	301	301	301	301	301	301
Total Assets	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,894**	**$ 17,786**	**$ 17,623**	**$ 17,416**	**$ 17,165**
Current Liabilities								
Accounts Payable	$ 3,957	$ 3,503	$ 3,098	$ 3,261	$ 3,358	$ 3,457	$ 3,560	$ 3,667
Accrued Epenses and other Liabilities	574	3,381	1,736	844	870	895	921	949
Due to Third Party Payors	532	-	226	226	226	226	226	226
Current Portion of Note Payable to Methodist	189	-	-	-	-	-	-	-
Current Portion of Due to Affiliate	1,790	-	342	-	-	-	-	-
Current Maturities of Long Term Debt	859	550	228	240	183	180	190	190
Total Current Liabilities	$ 7,901	$ 7,434	$ 5,631	$ 4,571	$ 4,637	$ 4,758	$ 4,897	$ 5,031
Non-Current Liabilities								
Due to Affiliate, Less Current Portion	659	3,690	4,393	4,393	4,393	4,393	4,393	4,393
Long Term Debt, Less Current Portion	9,645	9,183	9,166	8,926	8,743	8,563	8,373	8,183
Total Non-Current Liabilities	$ 10,304	$ 12,873	$ 13,559	$ 13,319	$ 13,136	$ 12,956	$ 12,766	$ 12,576
Net Assets	626	(3,200)	(1,448)	4	13	(91)	(247)	(442)
Total Liabilities and Fund Balance	**$ 18,831**	**$ 17,107**	**$ 17,742**	**$ 17,894**	**$ 17,786**	**$ 17,623**	**$ 17,416**	**$ 17,165**
Check:	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

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

Notes

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

Average Daily Census	41.0	43.0	43.0	43.0	43.0	43.0

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

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

Base Case DCF (version 15)

Scenario

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Five-Year Financial Forecast

Volume Assumptions	FYE December 31, 1998	FYE December 31, 1999	Ann. 8/31 2000	Forecast 2001	Forecast 2002	Forecast 2003	Forecast 2004	Forecast 2005
Discharges								
Total	3,266	3,528	3,279	3,589	3,589	3,589	3,589	3,589
% Increase (Decrease)	NA	4.8%	-7.1%	9.5%	0.0%	0.0%	0.0%	0.0%
Patient Days (excluding newborns)								
Total Patient Days	16,083	16,499	15,005	16,425	16,425	16,425	16,425	16,425
% Increase (Decrease)	NA	2.6%	-9.1%	9.5%	0.0%	0.0%	0.0%	0.0%
Average Length of Stay (excluding newborns)	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Outpatient Encounters	15,399	15,846	17,054	18,759	18,853	18,853	18,853	18,853
% Increase (Decrease)	NA	2.9%	7.6%	10.0%	0.5%	0.0%	0.0%	0.0%
Adjusted Utilization Statistics								
Adjustment Factor	1.34	1.34	1.44	1.44	1.45	1.45	1.45	1.45
Gross Inpatient Revenue	$ 44,177,675	$ 47,766,904	$ 43,919,938	$ 49,520,246	$ 51,005,854	$ 52,536,029	$ 54,112,110	$ 55,735,473
Gross Patient Service Revenue	$ 59,391,101	$ 64,144,208	$ 63,346,388	$ 71,530,413	$ 73,789,678	$ 76,003,369	$ 78,283,470	$ 80,631,974
% Increase (Decrease)								
Patient Days	16,083	16,499	15,005	16,425	16,425	16,425	16,425	16,425
Adjusted Patient Days	21,621	22,156	21,641	23,725	23,762	23,762	23,762	23,762
Average Daily Census	44.1	45.2	41.0	45.0	45.0	45.0	45.0	45.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	65.0	65.1	65.1	65.1	65.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
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Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

Income Statement (000)	FYE December 31, 1998	1999	Ann. 8/31 2000	Forecast 2001	2002	2003	2004	2005
Revenues								
Net Patient Service Revenue	$ 21,135	$ 20,614	$ 19,988	$ 22,570	$ 23,283	$ 23,981	$ 24,701	$ 25,442
Disproportionate Share Payment	-	-	800	775	753	730	708	687
Other Operating Revenue	3,658	858	258	291	300	309	319	328
Total Operating Revenues	$ 24,793	$ 21,472	$ 21,046	$ 23,637	$ 24,336	$ 25,021	$ 25,728	$ 26,457
Operating Expenses								
Salaries & Employee Benefits	$ 11,176	$ 10,808	$ 11,350	$ 11,690	$ 12,041	$ 12,402	$ 12,774	$ 13,158
Supplies	2,712	2,840	3,013	3,743	3,974	4,212	4,465	4,733
Purchased Services	7,928	7,857	5,803	6,072	6,143	6,204	6,266	6,329
Rental Expense	513	402	437	443	450	457	463	470
Insurance	236	285	285	327	336	344	352	360
Provision for Bad Debts	322	983	373	422	435	448	461	475
Total Operating Expenses	$ 22,887	$ 23,175	$ 21,261	$ 22,698	$ 23,378	$ 24,067	$ 24,782	$ 25,525
EBITDA	$ 1,906	$ (1,703)	$ (215)	$ 939	$ 958	$ 954	$ 946	$ 932
Depreciation and Amortization	714	819	905	955	1,005	1,055	1,105	1,155
EBIT	$ 1,192	$ (2,522)	$ (1,120)	$ (16)	$ (47)	$ (101)	$ (159)	$ (223)
Interest Expense	735	584	561	547	535	524	513	501
Pre-Tax Income	$ 457	$ (3,106)	$ (1,681)	$ (562)	$ (582)	$ (625)	$ (672)	$ (724)
Average Daily Census	44.1	45.2	41.0	45.0	45.0	45.0	45.0	45.0
Average Daily Census - - Based on Adj Patient Days	59.2	60.7	59.3	65.0	65.1	65.1	65.1	65.1

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

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

Base Case DCF (version 15)

Huntington East Valley Hospital

Five-Year Financial Forecast

Scenario
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Cash Flow Statement (000)

	Totals	Forecast 2001	2002	2003	2004	2005
Net Income	(3,165)	$ (562)	$ (582)	$ (625)	$ (672)	$ (724)
Depreciation and Amortization	5,274	955	1,005	1,055	1,105	1,155
(Increase) Decrease in Current Assets (Excl Cash)	(1,548)	(723)	(202)	(198)	(204)	(210)
Increase (Decrease) in Current Liabilities (Excluding STD & Current Portion LTD)	(137)	(657)	125	126	131	137
Cash from Operations		(997)	346	358	360	357
Capital Expenditures	(3,500)	(700)	(700)	(700)	(700)	(700)
(Increase) Decrease in Other Assets	0	-	-	-	-	-
Increase (Decrease) in Long Term Debt	(1,021)	(228)	(240)	(183)	(180)	(190)
Increase (Decrease) in Due to Affiliates	(342)	(342)	-	-	-	-
Paid-in Capital	4,311	2,139	595	525	520	533
Increase (Decrease) in Fund Balance (Excluding Net Income and Paid in Capital)	--	-	-	-	-	-
Increase (Decrease) in Cash and Cash Equivalents		(129)	0	(0)	0	(0)
Cash and Cash Equivalents, Beginning		130	0	0	0	0
Cash and Cash Equivalents, End		**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

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

Notes

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

Average Daily Census	41.0	45.0	45.0	45.0	45.0	45.0

Base Case DCF (version 15)

Huntington East Valley Hospital

Scenario
45 ADC

Five-Year Financial Forecast

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

Base Case DCF (version 15)

EXHIBIT G

EXHIBIT G

List of Contacted Organizations

List of Contacted Organizations – For-profit Organizations

Company

Community Health Systems

✓ Duane Van Dyke (Individual Investor)

Essent Healthcare

Health Management Associates (AMA)

HealthMont

Health Plus

Iasis Healthcare

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

Life Point

✓ Medical Pathways

✓ Mafuz Michael, MD (Individual Investor)

Pacific Health Corporation

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

Province Health

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

Tenet Healthcare

Triad Hospitals, Inc. (Alta Systems & Management)

Vanguard Health Systems, Inc.

✓ = Discussions Still in Process

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

Company

Adventist Health System

Alhambra Hospital Medical Center, LP/ AHMC Inc.

Azusa Pacific University

Barlow Hospital

Catholic HealthCare West

Citrus Valley Health System

County of Los Angeles

Pomona Valley Medical Center

✓ City of Glendora

✓ = Discussions Still in Process

List of Contacted Organizations - Alternative Use Providers

Company

Alterra Healthcare Corporation

Atria

Beverly Medical Enterprises (Public)

Health South (Public)

Integrated Health Services

Manor Care, Inc.

Select Medical Corporation (Private)

Sun Healthcare Group

Sunrise Assisted Living

Vencor (Public)

✓ = Discussions Still in Process

1930714

State of California
SECRETARY OF STATE

CORPORATION DIVISION

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

MAR 2[illegible]

Bill Jones

Secretary of State

1930714

ENDORSED
FILED
of State
of California

MAR 22 1993

BILL JONES, Secretary of State

ARTICLES OF INCORPORATION

OF

EAST VALLEY HUNTINGTON HOSPITAL

ARTICLE I

NAME

The name of this corporation is EAST VALLEY HUNTINGTON HOSPITAL.

ARTICLE II

PURPOSES

A. 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.

B. The specific purposes of this corporation are charitable in nature and are to own, operate and maintain one or more hospitals for the care and treatment of persons requiring medical and surgical care, and to provide related facilities and services necessary or convenient therefor.

ARTICLE III

POWERS

A. This corporation is organized and operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986.

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B. This corporation shall have all the powers of a natural person, subject only to limitations imposed by these Articles, the Bylaws of this corporation and applicable laws. Notwithstanding any such powers, or any other provision of these Articles, this corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as that section now exists or may subsequently be amended (or the corresponding provision of any future United States Internal Revenue Law), or (b) by a corporation contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986, as that section now exists or may subsequently be amended (or the corresponding provision of any future United States Internal Revenue Law).

C. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation (except as otherwise provided in Section 501(h) of the Internal Revenue Code of 1986), and the corporation shall not participate in, or intervene in, any political campaign (including the publication or distribution or statements) on behalf of any candidate for public office.

ARTICLE IV

PRINCIPAL OFFICE

The principal office for the transaction of the business of this corporation is located in the County of Los Angeles, State of California.

ARTICLE V

DIRECTORS

The powers of this corporation shall be exercised, its properties controlled, and its affairs conducted by a Board of Directors. The number of Directors of this corporation shall be fixed from time to time by the Bylaws of this corporation.

ARTICLE VI

DISSOLUTION

All the property and assets of this corporation are irrevocably dedicated to charitable and educational purposes meeting the requirements for exemption provided by Section 501(c)(3) of the Internal Revenue Code of 1986, and Section 214 of the California Revenue and Taxation Code, as such sections now exist or may subsequently be amended. No part of said property or assets shall ever inure to the benefit of any director or officer or to the benefit of any private individual. Upon the dissolution, winding up or abandonment of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities shall be distributed for use in the furtherance of the purposes of the corporation as et forth in Article II of these Articles of Incorporation, to any other nonprofit organization(s) selected by this corporation's directors which is engaged in activities substantially similar to those of this corporation and which is then so qualified under said Section 501(c)(3) of the Internal Revenue Code of 1986 and Section 214 of the California Revenue and Taxation Code (or the corresponding provisions of any future United

States Internal Revenue Law or California Revenue and Taxation Law, respectively).

ARTICLE VII

INITIAL AGENT FOR PROCESS

The name and business address in this State of the corporation's initial agent for service of process is:

Frederick C. Meyer

1300 East Green Street

Pasadena, California 91106

IN WITNESS WHEREOF, for the purposes of forming this nonprofit public benefit corporation under the laws of the State of California, each of the undersigned has executed these Articles of Incorporation this 20th day of March, 1995.

Frederick C. Meyer

FREDERICK C. MEYER, Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

Frederick C. Meyer

FREDERICK C. MEYER

0142514

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State of California

SECRETARY OF STATE

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

MAY 7 - 1997

Bill Jones

Secretary of State

ENDORSED-FILED
In the office of the Secretary of State
of the State of California

MAY - 7 1997

BILL JONES, Secretary of State

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF
EAST VALLEY HUNTINGTON HOSPITAL

The undersigned certify that:

1. They are the president and the secretary, respectively, of East Valley Huntington Hospital, a California corporation.

2. Article I of the Articles of Incorporation of this corporation is amended to read as follows:

"ARTICLE I
NAME

The name of this corporation is Huntington East Valley Hospital."

3. The foregoing amendment of Articles of Incorporation has been duly approved by the board of directors.

4. The foregoing amendment of Articles of Incorporation has been duly approved by the required vote of the sole member.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

DATE: March 28, 1997

James W. Maki
James W. Maki, President

Rose Liegler
Rose Liegler, Secretary

0274388

BYLAWS

OF

HUNTINGTON EAST VALLEY HOSPITAL

(a California nonprofit public benefit corporation)

TABLE OF CONTENTS

BYLAWS
OF
HUNTINGTON EAST VALLEY HOSPITAL
(a California nonprofit public benefit corporation)

ARTICLE I
ORGANIZATION

Section 1. Name.

The name of this corporation is Huntington East Valley Hospital ("Hospital").

Section 2. Purposes.

The specific purposes of this corporation are charitable in nature and are to own, operate and maintain one or more hospitals for the care and treatment of persons requiring medical and surgical care, to provide related facilities and services necessary or convenient therefor, and to undertake such other outreach and community service activities which it determines are necessary or advisable to maintain and improve the health status of the communities and populations it serves.

Section 3. Organization.

No dividends shall be declared or paid to any private individual or person, nor shall any private individual or person upon the dissolution of the corporation for any reason be entitled to receive a distributive or other share of the assets then owned or held by the corporation, it being expressly understood that this corporation is not formed for profit and is a corporation which does not contemplate pecuniary gain, profit or dividends for any private individual or person, and is a corporation organized and operated exclusively as a nonprofit public benefit corporation, no part of the net earnings of which shall inure to the benefit of any private individual or person. Upon dissolution of this corporation, all of the business, properties and assets shall go and be set over to and used for the objects and purposes set forth in Article II of the Articles of Incorporation of this corporation.

Section 4. Principal Office.

The principal executive office of the corporation is hereby fixed and located at 1300 East Green Street, Pasadena, California 91106. The Board of Directors is hereby granted full power and authority to change said principal executive office from one location to another in the County of Los Angeles. Any such change shall be noted by the Secretary opposite this Section, but shall not be considered an amendment of these Bylaws. Other

business offices may at any time be established by the Board of Directors at any place or places where the corporation is qualified to do business.

Section 5. Seal.

The corporation may have a corporate seal, and the same shall have inscribed thereon the name of the corporation, the date of its incorporation and the word "California".

ARTICLE II
MEMBERSHIP

Section 1. One Member.

The sole member of this corporation shall be Southern California Healthcare Systems, a California nonprofit public benefit corporation (the "Member"). No membership certificate shall be issued. No membership fees or dues shall be assessed. The Member shall not be liable for the debts, liabilities or obligations of the corporation.

Section 2. Transferability of Membership.

Membership in this corporation is transferable and assignable.

Section 3. Actions of Member.

Any action permitted to be taken by the Member by these Bylaws or by law may be taken by the Member through action of its Board of Directors.

Section 4. Exercise of Membership Rights.

The Member shall exercise its membership rights through its Board of Directors. The Board of Directors of the Member may, by resolution, authorize one (1) or more of its officers to exercise its vote on any matter to come before the membership of this corporation.

Section 5. Annual Meeting.

The annual meeting of the Member shall be held in March in each year as specified in the notice thereof for the purpose of receiving the annual report and transacting such other business as may come before the meeting.

Section 6. Reserved Powers to the Member.

Notwithstanding anything in these Bylaws to the contrary, neither the Board of Directors of this corporation nor any officer or employee thereof may take any of the following actions without the written approval first had and obtained of the Member:

(a) Merger, consolidation or dissolution of the corporation;

(b) Amendment or restatement of the Articles of Incorporation or the Bylaws of the corporation;

(c) Adoption of operating and capital budgets;

(d) Aggregate borrowing for periods of less than one (1) year in an amount in excess of a dollar amount to be established by the Member from time to time, and aggregate borrowing for periods of more than one (1) year for any purpose in an amount in excess of a dollar amount to be established by the Member from time to time. For the purpose of this subparagraph, the term aggregate borrowing includes but is not limited to lease agreements and contracts of sale or purchase;

(e) Purchase, sale, lease, disposition, hypothecation, exchange, gift, pledge, or encumbrance of any asset, real or personal, of this corporation with a value in excess of a dollar amount to be established by the Member from time to time, not previously included in the approved capital budget;

(f) Appointment of the independent auditor and corporate counsel;

(g) Approval of any transaction of this corporation in which a Director or officer of this corporation has a material financial interest;

(h) Election or removal of members of the Board of Directors;

(i) Hiring or removal of the President and Chief Executive Officer of this Corporation;

(j) Establishment of long range goals, plans and strategies for this corporation and its Affiliates; or

(k) Allocation of financial resources of this corporation and/or its Affiliates, including establishing investment guidelines and cash management programs.

ARTICLE III
BOARD OF DIRECTORS

Section 1. Powers and Duties.

(a) General Powers and Duties.

Subject to the limitations of the Articles of Incorporation, the Bylaws and the laws of the State of California, all corporate powers shall be exercised by or under authority of, and the business and affairs of this corporation shall be controlled by, the Board of Directors.

(b) Specific Powers and Duties.

Without prejudice to its general powers and subject to the same limitations specified above in Section 1(a), the Board of Directors shall:

(1) Prepare operating and capital budgets within the guidelines established by the Member, and submit the budgets to the Member for approval;

(2) Adopt and implement policies and procedures to carry out the long range goals, strategies, corporate policies, and performance criteria established for the corporation by the Member;

(3) Guide the management of the corporation;

(4) Submit annual reports on the corporation's activities to the Member of the corporation and such other periodic reports as requested by the Member; and

(5) Take appropriate action with respect to the Medical Staff, including appointment, reappointment, credentialling, review of quality of service and care, and other appropriate matters.

Section 2. Composition of Board of Directors and Number of Directors.

(a) The authorized number of Directors of the corporation shall be not less than seven (7) nor more than thirteen (13) until changed by amendment to the Articles of Incorporation or by amendment of this Section 2 of Article III. The exact number of authorized Directors within said range shall be set by the Board of Directors. The authorized Directors shall include the following ex-officio members:

(1) The Chief of the Medical Staff of Hospital, who shall have the right to vote; and

(2) The President and Chief Executive Officer of Hospital, who shall have the right to vote.

Section 3. Qualification of Directors.

Except as otherwise provided herein, at the time of election and during the entire term of office, a Director must satisfy all of the following qualifications and requirements:

(a) Be twenty-one (21) years of age or older and a person of responsibility, integrity and high standing in the community in which he or she resides.

(b) All Directors shall be residents of the Southern California area served by the corporation. The corporation shall attempt to achieve a broad geographic base of representation from the areas or communities served by the corporation.

(c) No Director shall at any time while serving as a Director be an adverse party in action or proceeding by or against the corporation or any of its affiliates. Should any Director, including without limitation an ex-officio Director, bring a legal action against the corporation or any of its affiliates, then until that action, including all appeals thereof, is finally resolved, such Director shall be suspended from further participation on the Board and shall neither (i) attend any meeting of the Board or any committee of the Board, nor (ii) receive any minutes or reports of Board or Board committee meetings or activities. If such Director serves ex-officio, then the organization or body in which he or she holds office shall designate another individual who meets all applicable qualifications contained in these Bylaws to serve in that Director's place during the pendency of that Director's suspension. Upon the cessation of the event giving rise to a Director's suspension, that Director shall automatically be entitled to resume participation on the Board, including without limitation the rights to attend Board and Board committee meetings and to receive minutes and reports of Board and Board committee meetings and activities.

(d) All Directors must comply with the conflict of interest policy adopted by the corporation throughout his or her term of office as Director.

Failure of a Director to continuously meet the foregoing qualifications and requirements during his or her entire term of office shall immediately and automatically result in the office being declared vacant by the Board of Directors.

Section 4. Election of Directors.

(a) Before December 1st of each year, the Chairman of the Board of the Member shall appoint not less than three (3) persons as a Nominating Committee. The Nominating Committee shall be advisory. Within sixty (60) days after such appointment, the Nominating Committee shall submit to the Board of Directors of the Member a slate of the appropriate number of persons for election to the Board of Directors of this corporation. Such slate shall

meet the requirements of Section 3 of this Article III regarding qualifications of Directors and Section 8 of this Article III regarding restrictions on interested Directors.

(b) The Board of Directors of the Member may accept the individuals recommended by the Nominating Committee as the nominees for election to the Board of Directors of this corporation or reject such individuals and direct the Nominating Committee to submit to the Board of Directors of the Member the names of additional individuals to be nominees for election to the Board of Directors of this corporation. No member of the current Nominating Committee may be a candidate for election to the Board of Directors of this corporation, except for *ex-officio* Directors and the President and Chief Executive Officer of the Member. The Board of Directors of the Member shall not be bound to accept the recommendations of the Nominating Committee and may nominate its own slate of candidates.

(c) The candidates for the Board of Directors of this corporation shall be voted on by the Board of Directors of the Member at its February meeting, and such persons shall take office on March 1 of that year.

Section 5. Term of Office.

(a) The First Directors shall be appointed by the Board of Directors of the Member to serve until their successors are elected.

(b) At the Member's meeting to elect Directors of this corporation in 1995 and at each February Board of Directors meeting of the Member thereafter, the Member shall elect or re-elect the new Directors of this corporation.

(c) The term of office of Elected Directors shall commence on the first day of the next calendar month following election by the Member or other date specified by the Member or, with respect to a vacancy, upon the date specified by the Member and shall be for a term of three (3) years or until their successors are elected. The First Directors shall be appointed for staggered terms as that approximately one-third (1/3) of the Total Directors shall be elected each year.

(d) The terms of office of ex-officio Directors shall coincide with their respective terms in such offices; and upon their resignation or removal from such offices for any reason whatsoever, their terms of office as Directors of this corporation shall cease and terminate, and their successors in such offices shall be ex-officio Directors of the corporation in their place and stead.

Section 6. Removal from Office; Resignation.

(a) Any Elected Director may be removed from office by the Member. In addition, any Elected Director may be removed from office at the discretion of the Board of

Directors, which Director has been declared of unsound mind by a final order of court, or convicted of a felony, or been found by final order or judgment of any court to have breached any duty arising under Section 5238 of the California Nonprofit Public Benefit Corporation Law, has failed to attend three (3) consecutive meetings of the Board or who fails to meet the qualifications of Directors set forth in Section 3 of this Article III, including compliance with the Conflict of Interest Policy.

(b) Any Elected Director may resign effective upon giving written notice to the Chairman of the Board or the Secretary, unless such notice specifies a later time for the effectiveness of such resignation.

Section 7. Vacancies.

A vacancy in the Board of Directors shall be deemed to exist in the case of the death, resignation or removal of any Elected Director, if a Director has been declared of unsound mind by order of court or convicted of a felony, or if the authorized number of Directors be increased. Candidates to fill vacancies shall be selected by the Board of Directors and submitted to the Member for its prior written approval.

Section 8. Restriction on Interested Directors.

Not more than forty-nine percent (49%) of the persons serving on the Board of Directors at any time may be interested persons. An interested person is (1) any person being 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 a Director; and (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. 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 9. Orientation.

Upon election, each new member of the Board of Directors will be given the following materials to assist in orientation to his duties as a member; a copy of the Bylaws, a copy of the Medical Staff Bylaws, a copy of the corporation's Table of Organization, and such other materials as will acquaint the new member with the history of the Hospital, its role in the community and its accreditation status. An opportunity for a tour of the Hospital and a review of the previous year's minutes of the meetings of the Board of Directors will also be afforded new members.

Section 10. Education.

In order to keep current with health care industry developments, all members of the Board of Directors will be provided with subscriptions to relevant publications and will be afforded the opportunity to attend seminars and conferences sponsored by local and national hospital associations and educational institutions. Documentation of attendance at such seminars and conferences shall be maintained in the Hospital's administrative offices.

ARTICLE IV
MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Place of Meeting.

The Annual Meeting and regular meetings of the Board of Directors shall be held at any place designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board of Directors. In the absence of such designation, the Annual Meeting and regular meetings shall be held at the principal executive office of the corporation. Special meetings of the Board of Directors may be held either at a place so designated or at the principal executive office of the corporation.

Section 2. Annual Meeting.

The Annual Meeting of the Board of Directors shall be held in the month of March on such date and at such time as shall be designated by action of the Board of Directors following the Annual Meeting of the Member. Notice of all such Annual Meetings of the Board of Directors is hereby dispensed with.

Section 3. Regular Meetings.

The Board of Directors shall meet, without call, at such times as shall from time to time be fixed by the Board of Directors; provided, however, should the date designated fall upon a legal or religious holiday observed by the corporation, then said meeting shall be held on the next day thereafter ensuing which is a full business day. Notice of all such regular meetings of the Board of Directors is hereby dispensed with.

Section 4. Special Meetings.

Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President, or by any three (3) Directors. Special meetings of the Board of Directors shall be held upon four (4) calendar days' notice given by first-class mail or forty-eight (48) hours' notice delivered personally or by telephone, facsimile or other similar means of communication. Any such notice shall be addressed or delivered to each Director at such Director's address as is shown upon the records of the corporation or as may have been given to the corporation by the Director for purposes of notice, or if such address is not shown on such records or is not readily

ascertainable, at the place in which the meetings of the Directors are regularly held. Notice by mail shall be deemed to have been given at the time a written notice is deposited in the United States mail. Any other written notice shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission or actually transmitted by the person giving the notice by electronic means, to the recipient. Oral notice shall be deemed to have been given at the time it is communicated, in person or by telephone, to the recipient or to a person at the office of the recipient who the person giving notice has reason to believe will promptly communicate it to the recipient. A notice or waiver of notice need not specify the purpose of any special meeting of the Board of Directors.

Section 5. Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all voting members of the Board of Directors shall individually or collectively consent in writing to such action, provided, however that the consent of any Director who has a material financial interest in a transaction to which the corporation is a party and who is an "interested Director" as defined in Section 5233 of the California Corporations Code shall not be required for approval of that transaction. Such consent or consents shall be filed with the minutes of the proceedings of the Board of Directors and shall have the same force and effect as a unanimous vote of such Directors.

Section 6. Action at a Meeting; Quorum and Required Vote.

Presence of a majority of the authorized number of Directors at a meeting of the Board of Directors constitutes a quorum for the transaction of business, except as hereinafter provided. Members of the Board of Directors may participate in a meeting through use of a conference telephone or similar communications equipment so long as all members participating in such meeting can hear one another. Participation in a meeting as permitted in the preceding sentence constitutes presence in person at such meeting. 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 shall be regarded as the act of the Board of Directors, unless a greater number, or the same number after disqualifying one or more Directors from voting, is required by law, by the Articles of Incorporation, or by these Bylaws, including but not limited to those provisions relating to (i) approval of contracts or transactions in which a director has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of Directors. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, provided that any action taken is approved by at least a majority of the required quorum for such meeting.

Section 7. Validity of a Defectively Called or Noticed Meeting.

The transactions of any meeting of the Board of Directors, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice if

a quorum is present and if, either before or after the meeting, each of the Directors not present, or who, though present, has prior to the meeting or at its commencement protested the lack of proper notice to him or her, signs a written waiver of notice or consent to holding such meeting or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 8. Adjournment.

A quorum of the Directors may adjourn any Directors' meeting to meet again at a stated day and hour; provided, however, that in the absence of a quorum, a majority of the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board. 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 adjournment. Otherwise, notice of the time and place of holding of adjourned meetings need not be given to absent Directors if the time and place be fixed at the meeting adjourned.

Section 9. Fees and Compensation.

Directors shall not receive any stated salary or fee for their services as Directors; provided, however, that Directors may be reimbursed for any expenses actually incurred in connection with the performance of their duties as Directors. Nothing contained in this Section shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise, and receiving compensation therefor.

Section 10. Self-Evaluation.

The Board of Directors shall evaluate its performance and assess the contributions of the corporation's leadership toward improving its organizational performance annually at a regular or Annual Meeting.

ARTICLE V
OFFICERS

Section 1. Officers.

The officers of the corporation shall be a Chairman of the Board, a Vice Chairman, a Secretary, a Treasurer, a Chief Financial Officer, and a President. The corporation may also have, at the discretion of the Board of Directors, one or more Assistant Secretaries or Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article V. One person may hold two (2) or more offices,

except that neither the Secretary nor Treasurer may serve concurrently as the President or Chairman of the Board.

Section 2. Election.

Except for the President and the Chief Financial Officer, who shall be hired by the corporation and approved by the Member, the officers of the corporation, other than those appointed in accordance with the provisions of Section 3 of this Article, shall be elected annually by the Board of Directors and each officer so elected shall hold office until he or she shall resign or shall be removed or otherwise disqualified to serve, or until a successor shall be elected and qualified. No such elected officers may hold office for more than two (2) consecutive one (1) year terms without at least a one (1) year break in such service. At any regular or special meeting of the Board of Directors, the Board of Directors may fill a vacancy in any office caused by the death, resignation, removal, or disqualification of any officer, other than the President, or by any other cause. The officers of the corporation shall assume office on the first day following their election. An officer elected to fill a vacancy shall assume office immediately and shall serve for the unexpired term of the officer being replaced in accordance with the Bylaws.

Section 3. Subordinate Officers.

The Board of Directors may elect or authorize the appointment of such other officers as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation.

Except for the President, who shall be reviewed and removed by the Member, and the Chief Financial Officer, who shall be reviewed and removed by the President of the Member, in consultation with the Board of Directors, any officer may be removed, either with or without cause, by the Board of Directors, at any regular or special meeting thereof. The removal of any officer shall be subject, in each case, to the rights, if any, of such officer under any contract of employment. Any officer may resign at any time by giving written notice to the Chairman of the Board, or to the Secretary of the corporation, without prejudice, provided, however, to the rights, if any, of the corporation under any contract to which such officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later date specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Chairman of the Board.

The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors, be an ex-officio member of all of the standing committees of the corporation, and

exercise and perform such other powers and duties as may be from time to time assigned by the Board of Directors or prescribed by these Bylaws. The Chairman of the Board shall appoint members to committees created in accordance with these Bylaws.

Section 6. Vice Chairman.

In the absence or disability of the Chairman of the Board, the Vice Chairman shall perform all of the duties of the Chairman of the Board, and when so acting shall have all the powers of, and be subject to all of the restrictions upon, the Chairman of the Board.

Section 7. President.

The President of this corporation shall be that person who is hired by the corporation and approved by the Board of Directors of the Member to serve as President. The President shall be qualified by education and experience to serve as the Chief Executive Officer of the corporation and Hospital in accordance with the qualifications required by the job description for the Chief Executive Officer adopted by the Board of Directors and shall perform the following duties:

(a) carry out all policies established by the Board and advise the Board on the development of such policies;

(b) develop and submit to the Board plans for operation of the facility, monitor such plans, and implement changes;

(c) develop and submit to the Board an annual operating and capital budget as required by the Member;

(d) make all required reports to federal, state and local agencies and maintain the corporation in compliance with all applicable laws and regulations;

(e) hire, discharge, and control key management staff and employees, including but not limited to the Chief Nursing Officer of Hospital, and maintain personnel policies;

(f) supervise business affairs to ensure that funds are expended and collected to the best advantage;

(g) work with other health care providers to provide high quality care to patients of the Hospital;

(h) present periodic and special reports to the Board concerning operation of the facility;

(i) attend all meetings of the Board, committees of the Board, and the Medical Staff Executive Committee;

(j) serve as a liaison between the Board, Medical Staff and administration;

(k) prepare a plan of achievement and periodically review that plan;

(l) represent the facility in relationships with health agencies;

(m) name representatives to Medical Staff committees;

(n) allow temporary privileges to Medical Staff members;

(o) grant locum tenens to physicians on the Medical Staff;

(p) keep abreast of developments in the hospital field and attend relevant seminars; and

(q) make regular reports to the Chief Executive Officer of the Member.

Section 8. Secretary.

The Secretary shall keep, or cause to be kept, at the principal executive office, or such other place as the Board of Directors may order, the original or a copy of the corporation's Articles of Incorporation and Bylaws, as amended to date. The Secretary shall also record or cause to be recorded and shall keep or cause to be kept a Book of Minutes of actions taken at all meetings of the Board of Directors, and of the committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, and the names of those present at such meetings. The Secretary shall also keep a full and complete record of all reported actions taken by the Member of the corporation in its capacity as such. Such minutes shall be in written form. Such other books and records shall be kept either in written form or in any other form capable of being converted into written form. The books, records and minutes of the proceedings of the Member while acting as member of this corporation, the Board of Directors, and committees of the Board of Directors shall be open to inspection by the Member and by every Director as provided for in the California Nonprofit Corporation Law. The Secretary shall give, or cause to be given, notice of all the meetings of the Board of Directors required by the Bylaws or by law to be given and shall have such other powers to perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 9. Treasurer.

The Treasurer shall be the Chairman of the Finance Committee and perform such duties and tasks and have such powers and authority as from time to time are assigned by the Board of Directors.

Section 10. Chief Financial Officer.

The Chief Financial Officer shall, subject to the supervision and direction of the President, 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, gains, and losses. The books of account shall at all times be open to inspection by any Director and by the Member. The Chief Financial Officer shall cause to be deposited all moneys and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. The Chief Financial Officer shall disburse the funds of the corporation as shall be ordered by the Board of Directors, shall render to the Chairman of the Board and the Board of Directors, whenever they shall request it, an accounting of all transactions as Chief Financial Officer and of the financial condition of the corporation, shall recommend the appointment of the corporation's independent auditor for approval by the Member, shall submit an annual financial report and audit to the Board of Directors and the Member as required by Article XI, Section 4, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

Section 11. Assistant Secretaries and Assistant Treasurers.

The Assistant Secretaries and the Assistant Treasurers, in the order of their seniority as specified by the Board of Directors shall, in the absence or disability of the Secretary or Treasurer, respectively, perform the duties and exercise the powers of the Secretary or Treasurer and shall perform such other duties as the Board of Directors shall prescribe.

Section 12. Compensation of Officers.

With the exception of the President, the officers named in Section 1 of this Article V of these Bylaws who are also Directors shall serve without compensation.

ARTICLE VI
COMMITTEES

Section 1. Committees.

Except as limited by Section 8 of this Article, the Board of Directors may create standing or special committees for any purpose, each consisting of two (2) or more Directors, and delegate to such committees any of the powers and authorities of the Board of Directors. Such committees shall have the power to act only in intervals between meetings

of the Board of Directors and shall at all times be subject to the control of the Board of Directors. The Chairman and members of each standing and special committee shall be selected by the Chairman of the Board, with the approval of the Board of Directors, and may be removed by majority vote of the Directors then in office. Medical Staff members and nursing staff members shall be included on committees which deliberate issues affecting the discharge of Medical Staff or nursing staff responsibilities.

Section 2. Standing Committees.

Standing committees shall consist of an Executive Committee, Finance Committee, Performance Improvement Committee, Community Relations & Development Committee, and such other standing committees as the Board of Directors may authorize.

(a) Executive Committee. The Executive Committee shall be composed of: the Chairman of the Board, the Vice Chairman, the President, the Treasurer, and the Secretary. By law, all Executive Committee members must be Directors. The Executive Committee shall have power to transact all regular business of the corporation during the interim between the meetings of the Board of Directors provided any action shall not conflict with the policies and expressed wishes of the Board of Directors, and that the Executive Committee shall refer all matters of major importance to the Board of Directors. The Chief of Staff may attend those meetings where clinical privileges or quality of care matters are discussed.

(b) Finance Committee. The Finance Committee shall consist of the Treasurer, who shall be the Chairman of the committee, and two (2) or more Directors. Its primary duty shall be to determine the financial feasibility of corporate projects, new operating programs, acts and undertakings referred to it by the Board of Directors. In addition, it shall develop and review the annual budgets (both capital and operating) of the corporation, review monthly performance, review and analyze the annual audit by the corporation's independent auditor, review and evaluate the corporation's financial and operating performance, consult with the officers of the corporation on current fiscal affairs and perform such other duties as may be assigned to it by the Board of Directors. The President and Chief Financial Officer shall serve as ex officio members.

(c) Performance Improvement ("PI") Committee. The PI Committee shall consist of voting and non-voting members. The voting members shall be at least three (3) Directors, including the Chief of Staff of the Medical Staff, and/or Chief-elect of the Medical Staff, and such other voting members as may be appointed by the Board. The non-voting members shall be at least three (3), including the President of the Member, or his or her delegate, the Vice-President of Patient Care Services, and the Director of Performance Improvement. The committee shall monitor the process of performance improvement and review performance improvement activities conducted by the Medical Staff and Administration in order to be certain that the Hospital's PI Program is ongoing, comprehensive, effective in improving patient care and clinical performance, and cost effective. The committee shall also be

concerned about any other matters that relate to the quality of patient care provided at the Hospital. In addition, the committee shall review and assess the Hospital's written PI plan annually and make recommendations for its improvement to the Board and to other entities or persons.

(d) Community Relations & Development Committee. The Community Relations & Development Committee shall promote and enhance the hospital's public image in the community, assess the community's healthcare needs, and develop plans to address how those needs can be met within the healthcare delivery system. This committee shall consist of voting and non-voting members. The voting members shall be at least three (3) Directors, and such other voting members as may be appointed by the Board, including appropriate multidisciplinary representation from the Medical Staff, nursing staff and Hospital administration. The non-voting members shall at least include the Director of Marketing and Community Outreach.

Section 3. Joint Conference Committee.

As and when needed, a Joint Conference Committee may be appointed by the Board of Directors consisting of at least six (6) members, of which equal numbers shall be representatives of the Active Medical Staff and of the Board of Directors, appointed by the Chief of the Medical Staff and the Chairman of the Board, respectively. A representative of the Board shall be designated by the Chairman of the Board of Directors to serve as co-Chairman with a representative of the Medical Staff.

Such Committee's responsibilities would include considering issues affecting medical care arising in the operation and affairs of the Hospital and within the Medical Staff, including reviewing specific questions relating to Medical Staff membership, Department affiliation, and privileges for specific practitioners, when there is a dispute between the Medical Executive Committee and the Board of Directors.

Section 4. Term of Office.

The Chairman and each member of each standing committee shall serve until the next annual election of members of the Board of Directors and until his or her successor is appointed or until such committee is sooner terminated, or until such person is removed, resigns, or otherwise ceases to qualify as a Chairman or member, as the case may be, of the committee. Chairmen and members of special committees shall serve for the life of the committee unless they are sooner removed, resign, or cease to qualify as a Chairman or member, as the case may be, of such committee.

Section 5. Vacancies.

Vacancies on any committee may be filled for the unexpired portion of the term in the same manner as provided in the case of original appointment.

Section 6. Meetings; Quorum.

Each committee shall meet as often as necessary to perform its duties, at such times and places as directed by its Chairman or by the Board of Directors. A majority of the members of a committee shall constitute a quorum of such committee and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee. Each committee shall keep accurate minutes of its meetings, the Chairman designating a Secretary of the committee for this purpose, and shall make periodic reports and recommendations to the Board of Directors.

Section 7. Expenditures.

Any expenditure of corporation funds by a committee shall require prior approval of the Board of Directors.

Section 8. Limitation on Delegation.

In accordance with the California Nonprofit Corporation Law, the Board of Directors may not delegate to any committee the following powers:

(a) The approval of any action which also requires approval by the Member.

(b) The filling of vacancies on the Board of Directors or in any committee which has the authority of the Board of Directors.

(c) The fixing of compensation of the Directors for serving on the Board of Directors or on any committee.

(d) The amendment or repeal of the Bylaws or the adoption of new Bylaws.

(e) The amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable.

(f) The appointment of committees of the Board of Directors or the members thereof.

(g) The expenditure of corporate funds to support a nominee or applicant for Director.

(h) The approval of any self-dealing transaction except as provided by law.

ARTICLE VII
MEDICAL STAFF

Section 1. Organization, Appointments and Hearings.

(a) The Board of Directors shall cause to be created a medical staff organization, to be known as the Medical Staff of Huntington East Valley Hospital (the "Medical Staff"), whose membership shall be comprised of all physicians, dentists, podiatrists, and psychologists who are privileged to attend patients in the Hospital. Medical Staff membership shall be a prerequisite to the exercise of clinical privileges in the Hospital, except as otherwise specifically provided in the Medical Staff Bylaws.

(b) Only members of the Medical Staff with admitting privileges may admit patients to the Hospital, and said individuals may practice only within the scope of privileges granted by the Board of Directors. Said practitioners shall be directly responsible for each patient's diagnoses and treatment within the scope of their privileges.

(c) The Medical Staff is accountable to the Board of Directors for the quality of care provided in the Hospital and shall implement and report to the Board on its activities and mechanisms for monitoring and evaluating the quality and efficiency of patient care in the Hospital, for identifying and resolving problems, and for identifying opportunities to improve patient care quality and efficiency.

Section 2. Continuing Education for Physicians.

(a) There shall be a program of continuing medical education designed to assist the Medical Staff to be informed of significant new developments and new skills in medicine.

(b) Medical Staff education should include Hospital-based activities as well as educational opportunities available outside of the Hospital. Hospital-based programs should be planned and scheduled in advance, and should be on a continuing basis. Documentation of these activities should be kept in order to evaluate the scope, effectiveness, attendance, and amount of time spent at such efforts.

(c) The result of medical care evaluation studies should be utilized as an important contribution to the continuing medical education program of the Medical Staff.

Section 3. Medical Staff Bylaws.

(a) The Medical Staff shall propose and adopt by majority vote Bylaws and Rules and Regulations for its internal governance which shall be effective only when approved by the Board of Directors, which approval shall not be unreasonably withheld. The Medical Staff Bylaws shall create an effective administration unit to discharge the functions and responsibilities assigned to the Medical Staff by the Board of Directors. The Medical Staff Bylaws and Rules and Regulations shall state the purposes, functions and organization of the Medical Staff, shall provide for the election of the Chairmen of Medical Staff Departments by members of the Medical Staff, and shall set forth the policies by which the Medical Staff exercises and accounts for its delegated authority and responsibilities.

(b) The Medical Staff shall have the initial responsibility to formulate, adopt and recommend to the Board of Directors Medical Staff Bylaws and amendments thereto which shall be effective when approved the Board of Directors. Proposed Medical Staff Bylaws changes will be presented to a meeting of the Board of Directors and mailed to each Board member at least seven (7) days prior to the meeting at which a vote is to be taken on adoption of the proposed change. No Medical Staff Bylaw or amendment shall become effective without approval by the Board as hereinabove provided. If the Medical Staff fails to exercise this responsibility in good faith and in a reasonable, timely and responsible manner, and after written notice from the Board to such effect, including a reasonable period of time for a response, the Board may formulate or amend the Medical Staff Bylaws. In such event, Medical Staff recommendations and views shall be carefully considered by the Board of Directors during its deliberations and in its actions.

(c) The Board of Directors will act upon any proposed amendments to the Medical Staff Bylaws within one hundred twenty (120) days and report such action to the Medical Staff. If the Board of Directors disapproves the proposed amendment, the Board of Directors shall immediately request a meeting of the Joint Conference Committee. The Joint Conference Committee shall report its recommendation regarding the proposed amendment to the Board of Directors within thirty (30) days of the request to the Joint Conference Committee. The Board of Directors shall reach a final decision with regard to the proposed amendment within thirty (30) days following the receipt of the report of the Joint Conference Committee.

Section 4. Medical Staff Membership and Clinical Privileges.

(a) Delegation to the Medical Staff. The Board of Directors shall delegate to the Medical Staff the responsibility and authority to investigate and evaluate all matters relating to Medical Staff membership status, clinical privileges and corrective action, and shall require that the Medical Staff adopt and forward to it specific written recommendations with appropriate supporting documentation that will allow the Board to take informed action.

(b) Action by the Board of Directors. Final action on all matters relating to Medical Staff membership status, clinical privileges and corrective action shall be taken by the Board after considering the Medical Staff recommendations, provided that the Board shall direct the Medical Staff to initiate an investigation or a disciplinary action whenever the Medical Staff's failure to act is contrary to the weight of the evidence. Such direction by the Board shall be given only after consultation with the Medical Staff Executive Committee. In the event the Medical Staff fails to act in response to the Board's directive, the Board may take action against a Medical Staff member as the Board deems appropriate after giving written notice to the Medical Staff. Any such action by the Board must comply with the Hearing and Appeal Procedure set forth in the Medical Staff Bylaws, and shall be based on the same kind of documented investigation and evaluation of current ability, judgment and character as is required for Medical Staff recommendations. In the event the Board does not concur in a Medical Staff recommendation relative to Medical Staff membership, clinical privileges or corrective action, it shall refer the matter to an ad hoc committee consisting of three (3) members of the Medical Staff, one of whom shall be the Chief of Staff (unless a conflict of interest precludes his or her participation), and three (3) nonphysician members of the Board of Directors, one of whom shall be the Chairman of the Board, for review and recommendation before a final decision is made by the Board.

(c) Criteria for Board Action. When acting on matters of Medical Staff membership status or clinical privileges, the Board shall consider the Medical Staff's recommendations, the Hospital's and the community's needs, and such additional criteria as set forth in the Medical Staff Bylaws. In granting and defining the scope of clinical privileges to be exercised by each practitioner, the Board shall consider the Medical Staff's recommendations, the supporting information on which they are based, and such criteria as are set forth in the Medical Staff Bylaws. In all peer review matters, the Board shall give great weight to the recommendations of the Medical Staff, and in no event shall act in an arbitrary or capricious manner. No aspect of membership status nor specific clinical privileges shall be limited or denied to a practitioner on the basis of sex, age, race, creed, color or national origin, or on the basis of any other criterion unrelated to good patient care at the Hospital, to professional qualifications, to the Hospital's purposes, needs and capabilities, or to community needs.

(d) Terms and Conditions of Staff Membership and Clinical Privileges. The terms and conditions of membership status in the Medical Staff and of the exercise of clinical privileges shall be as specified in the Medical Staff Bylaws and Rules and Regulations, or as more specifically defined in the notice of individual appointment. Members of the Medical Staff and Allied Health Professionals shall be entitled to exercise only those privileges specifically granted by the Board of Directors. Said privileges must be within the scope of any license, certificate or other legal credential authorizing the practitioner to practice in this State and consistent with any restrictions thereon.

(e) Procedure. The procedure to be followed by the Medical Staff and the Board of Directors in acting on matters of membership status, clinical privileges and corrective action shall be as specified in the Medical Staff Bylaws.

Section 5. Hearing and Appeal Procedures.

The Board of Directors shall require that any adverse recommendation made by the Executive Committee of the Medical Staff or any adverse action taken by the Board with respect to a practitioner's Medical Staff appointment, reappointment, department affiliation, membership category, admitting prerogatives or clinical privileges shall, except under circumstances for which specific provision is made in the Medical Staff Bylaws and/or by contract, be accomplished in accordance with the Board approved Hearing and Appeal Procedures then in effect and shall provide for procedures to assure fair treatment and afford an opportunity for the presentation of all pertinent information. For the purposes of this Section, an "adverse recommendation" of the Medical Staff Executive Committee shall be as defined in the Hearing and Appeal Procedures set forth in the Medical Staff Bylaws, and an "adverse action" of the Board shall be as defined by law.

Section 6. Medico-Administrative Officers.

(a) Definition. Medico-Administrative Officer means a practitioner, engaged by or otherwise contracting with the Hospital on a full or part-time basis, whose duties include certain responsibilities which may be both administrative and clinical in nature. Clinical responsibilities are defined as those involving professional capability as a practitioner, such as to require the exercise of clinical judgment with respect to patient care and include the supervision of professional activities of practitioners under his or her direction.

(b) Clinical Privileges and Medical Staff Membership. A practitioner engaged by the Hospital in a purely administrative capacity with no clinical duties or privileges is subject to the regular personnel policies of the Hospital and to the terms of his or her contract, or other conditions of engagement, and need not be a member of the Medical Staff. Conversely, a Medico-Administrative Officer must be a member of the Medical Staff. His or her clinical privileges must be delineated in accordance with the Medical Staff Bylaws. His or her Medical Staff membership and clinical privileges shall not be dependent on his or her continued occupation of that position, unless otherwise provided in an employment agreement, contract or other arrangement, except if an action is taken or recommended affecting the practitioner's Medical Staff membership or clinical privileges for a medical disciplinary cause or reason as defined by applicable law, the Medical Staff Bylaws shall control with respect to that action or recommendation.

Section 7. Allied Health Professionals.

(a) The Board of Directors shall secure recommendations from the Medical Staff as to the categories of Allied Health Professionals ("AHPs") which should be eligible to

apply for practice privileges and the terms and conditions of such privileges. The Board of Directors shall periodically review and identify the categories of AHPs, based on occupation, profession, or hospital need, which shall be eligible to apply for practice privileges in the Hospital. The Medical Staff shall establish a process, subject to the approval of the Board of Directors, for review and evaluation of the patient care services of AHPs and shall report to the Board of Directors on the performance of AHPs, by category, annually.

(b) AHPs shall not be eligible for Medical Staff membership but may be eligible to apply for practice privileges at the Hospital. The Board of Directors shall delegate to the Medical Staff the responsibility and authority to investigate and evaluate each application by an AHP for practice privileges, department affiliation, and modification of practice privileges that AHPs may perform, and the Medical Staff shall make recommendations on same to the Board. AHPs may be granted practice privileges consistent with: their education, training and experience; applicable law, including their scope of licensure or certification; and such requirements as may be set forth in the Medical Staff Bylaws and Rules and Regulations.

ARTICLE VIII
QUALITY OF PROFESSIONAL SERVICES

Section 1. Board of Director's Responsibility.

The Board of Directors shall require: (a) that the Medical and Administrative Staffs prepare and maintain adequate and accurate medical records for all patients; (b) that there is one level of patient care in the hospital, so that all patients with the same health problems receive the same level of care and that no patient is discriminated against on the basis of race, creed, color, age, religion, sex or ability to pay; and (c) the person responsible for each basic and supplemental medical service cause written policies and procedures for the operation of such medical service to be developed and maintained and that such policies be reviewed and approved by the Board. All written policies and procedures shall be reviewed not less than every three (3) years, and more often as required by licensing or accrediting agencies. The Board shall further require, after considering the recommendations of the Medical Staff, the conduct of specific review and evaluation activities to assess, preserve and improve the overall quality and efficiency of patient care in the Hospital and the maintenance of high standards of professional ethical practice. The Board also shall require, upon consultation with the Medical Staff, that all physicians periodically demonstrate their abilities to perform surgical and other procedures competently and to the satisfaction of an appropriate committee of the Medical Staff. The Board shall require the Hospital administration to conduct review and evaluation activities to assess, preserve and improve the competence of all providers of health care services at Hospital who are not subject to the patient care review and evaluation activities of the Medical Staff and to report to the Board of Directors on the results of such review and evaluation activities. The Board shall provide whatever administrative assistance is reasonably necessary to support and facilitate the implementation and the ongoing operation of these review and evaluation activities.

Section 2. Accountability to Board of Directors.

The Medical Staff shall conduct and be accountable to the Board of Directors for implementing and reporting to the Board on its activities and mechanisms for monitoring and evaluating the quality and efficiency of patient care in the Hospital, for identifying and resolving problems, and for identifying opportunities to improve patient care quality and efficiency. These activities shall include:

(a) The conduct of periodic meetings at regular intervals to review and evaluate the quality of patient care through a valid and reliable patient care audit procedure;

(b) Ongoing monitoring of patient care practices through the defined functions of the Medical Staff, the other professional services and the Hospital administration;

(c) Definition of the clinical privileges which may be appropriately granted within the Hospital and within each department, delineation of clinical privileges for members of the Medical Staff commensurate with individual credentials and demonstrated ability and judgment, and assignment of patient care responsibilities to other health care professionals consistent with individual licensure, qualifications and demonstrated ability;

(d) Provision of continuing professional education shaped primarily by the needs identified through the review and evaluation activities;

(e) Review of utilization of the Hospital's medical resources to provide for their allocation to meet the needs of the patients; and

(f) Such other measures as the Board of Directors may, after considering the advice of the Medical Staff and other professional services and the Hospital administration, deem necessary for the preservation and improvement of the quality and efficiency of patient care.

Section 3. Documentation.

The Board of Directors shall require, receive, consider, and act upon the findings and recommendations emanating from the activities required by Section 2 of this Article. All such findings and recommendations shall be in writing, signed by the person responsible for conducting the review activities and supported and accompanied by appropriate documentation upon which the Board can take informed action.

ARTICLE IX
INDEMNIFICATION OF AGENTS OF THE CORPORATION
PURCHASE OF LIABILITY INSURANCE

Section 1. Indemnity of Agents.

The corporation may, to the maximum extent permitted by the California Nonprofit Corporation Law, indemnify each of its agents against expenses, judgments, fines, settlements and other amount actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was an agent of the corporation. For purposes of this Article IX, an "agent" of the corporation includes 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 corporation partnership, joint venture, trust or other enterprise; or was a director, officer, employee or agent of the predecessor corporation, of the corporation, or of another enterprise at the request of such predecessor corporation.

Section 2. Advance of Expenses.

The corporation may, to the extent permitted by law, advance expenses incurred or to be incurred by an agent in connection with any proceeding arising by reason of the fact that such person was or is an agent of the corporation, provided such advance is authorized by the Board of Directors and permitted by law.

Section 3. Insurance.

The Board of Directors may adopt a resolution authorizing the purchase and maintenance of insurance on behalf of any agent of the corporation against any liability which may be asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not this corporation would have the power to indemnify the agent against that liability under the provisions of this Article.

Section 4. Other Fiduciary Positions.

This Article does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent of the corporation as defined in Section 1 of this Article. The corporation shall have power to indemnify such trustee, investment manager or other fiduciary to the extent permitted by subsection (f) of Section 5140 of the California Nonprofit Corporation Law.

ARTICLE X
AUXILIARY ORGANIZATIONS

From time to time the corporation may establish auxiliary and/or associated organizations to assist in the fulfillment of the purposes of the corporation. Each such organization shall establish its own Bylaws or Rules and Regulations which shall be presented to and approved by the Boards of Directors of this corporation and of the Member. All amendments to such Bylaws or Rules and Regulations shall also be subject to the approval of said Boards of Directors. These Bylaws and the Articles of Incorporation of this corporation shall prevail and govern over the documents and actions of such adjunct organizations. To the extent required by the Board of Directors or President, auxiliary and associated organizations shall be carried under a fidelity bond if they handle any funds.

ARTICLE XI
MISCELLANEOUS

Section 1. Voting Shares.

The corporation may vote any and all shares held by it in any other corporation by such officer, agent or proxy as the Board of Directors may appoint, or in default of any such appointment, by its Chairman of the Board or by its Vice Chairman and, in such case, such officers, or any of them, may likewise appoint a proxy to vote said shares.

Section 2. Checks and Drafts.

All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness issued in the name of or payable to the corporation, and any and all securities owned or held by the corporation requiring signature for the transfer, shall be signed or endorsed by such person or persons and in such manner as, from time to time, shall be determined by a resolution of the Board of Directors.

Section 3. Execution of Contracts.

The Board of Directors, except as in these Bylaws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 4. Annual Report.

The Chief Financial Officer of the corporation shall provide to the Board of Directors and to the Member, within one hundred twenty (120) days after the close of its fiscal year, a financial report containing but not limited to the following information in reasonable detail:

(a) The assets and liabilities, including the trust funds, of the corporation as of the end of the fiscal year;

(b) The principal changes in the assets and liabilities, including trust funds, during the fiscal year;

(c) The revenue or receipts of the corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

(d) The expenses or disbursements of the corporation, for both general and restricted purposes, during the fiscal year; and

(e) Any information required by California Nonprofit Corporation Law Section 6322, as from time to time amended.

Any financial statements presented as part of the above described report shall be prepared in accordance with generally accepted accounting principles.

Section 5. Conflict of Interest.

The Board of Directors shall adopt and enforce a policy on conflicts of interest and self-dealing that requires a disclosure by all Directors and officers of the corporation and of the Member and other persons in a position to influence corporation decisions of actual and potential conflicts of interest and that will assure that no person holding such a position will be permitted to vote on any issue, motion or resolution that directly or indirectly inures to his or her benefit financially or with respect to which he or she shall have any other conflict of interest, except that such individual may be counted in order to qualify a quorum, and, except as the Board may otherwise direct, may participate in a discussion of such an issue, motion or resolution if he or she first discloses the nature of his or her own interest.

Section 6. Appropriation of Business Opportunity and Confidential Information.

(a) No Director or officer of the corporation may appropriate or divert to others any opportunity for profit in connection with a transaction in which it is known or could be anticipated that the corporation is or would be interested. Such opportunities include but are not limited to, acquisition of real or personal property, appointment of suppliers, or design or development of new products, services or areas of business related to the corporation's present or planned services or service areas.

(b) Each Director or officer of the corporation with access to confidential information regarding the corporation or the corporation's business is excepted to hold such information in confidence and to refrain from either using such information for personal gain or disclosing it unnecessarily outside the scope of the Director's or officer's duty with respect to the corporation.

ARTICLE XII
FISCAL YEAR

The fiscal or business year of the corporation shall be the calendar year.

ARTICLE XIII
AMENDMENTS

Section 1. Amendment by Member.

New Bylaws may be adopted or these Bylaws may be amended or repealed by the Member or by the Board of Directors with the approval of the Member.

Section 2. Record of Amendments.

Any amendment or alteration in these Bylaws shall be forthwith filed with the original Bylaws of the corporation.

Section 3. Review.

These Bylaws shall be reviewed by the Board of Directors not less than every three (3) years and more often as necessary to ensure their continuing completeness and applicability. A written record of each periodic review will be maintained and attached to these Bylaws.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that I am the duly elected and acting Secretary of Huntington East Valley Hospital, a California nonprofit public benefit corporation, and that the foregoing Bylaws, comprising 27 pages, constitutes the Bylaws of said corporation as duly adopted at a meeting of the Board of Directors held on September 23, 1998, and approved by the corporation's Member on October 30, 1998.

IN WITNESS OF, I have hereunto subscribed my name this 23rd day of September, 1998.

Rose Liegler

Rose Liegler, Secretary

Health Impact Report Related to the Proposed Sale of

Huntington East Valley Hospital
A Member of Southern California Healthcare Systems
To
PanPacific Health Enterprises, Inc.

March 14, 2001

· THE ·
CAMDEN
GROUP

100 N. SEPULVEDA BLVD, SUITE 600
EL SEGUNDO, CALIFORNIA 90245

PHONE: (310) 320-3990
WWW.THECAMDENGROUP.COM

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I. REPORT OVERVIEW

PURPOSE

The purpose of this analysis is to determine if the proposed sale of Huntington East Valley Hospital ("HEVH", the "Hospital") by Southern California Healthcare Systems ("SCHS" or "the System"), a non-profit integrated health care delivery system, to PanPacific Health Enterprises, Inc. ("PHE") a for-profit entity, may create a significant negative effect on the provision of health care services to the community. Specifically, the health impact analysis will identify how the proposed transaction may affect consumers, physicians, and other groups or individuals within the service area in relation to:

- Availability of hospital provided or sponsored programs and services
- Access to programs and services
- Utilization of programs and services
- Community benefit

METHODOLOGY

This report was compiled by The Camden Group, an independent health care consulting firm based in El Segundo, California, over an eight week period from January to March, 2001. Data and information contained in this report was obtained from numerous sources including:

- Information/data provided by SCHS and HEVH.
- Information/data provided by PHE.

I. REPORT OVERVIEW

- ❑ A review of various reports, documents, and correspondence including, but not limited to, the following:

  - Asset Sale Agreement dated February 14, 2001
  - Information filings from HEVH and its attorneys
  - Bylaws and policies of HEVH
  - HEVH's Community Needs Assessment and Community Benefit Plan
  - HEVH's audited and internal financial statements

- ❑ Publicly available health care data obtained from various sources including:

  - American Hospital Association ("AHA")
  - Claritas (a private demographics data firm)
  - Office of Statewide Health Planning and Development ("OSHPD")
  - Health Care Financing Administration ("HCFA")

- ❑ Approximately 40 individual interviews with HEVH management and Board members, staff physicians, representatives of SCHS and PHE, community leaders, public officials, County health officials, and representatives of competing area hospitals.

- ❑ Discussions with attorneys and other consultants involved in the transaction.

II. TRANSACTION BACKGROUND

II. TRANSACTION BACKGROUND

HOSPITAL BACKGROUND

Huntington East Valley Hospital was established in 1958 as a 76-bed hospital (formerly named Glendora Community Hospital). HEVH is now a 128-bed, nonprofit general acute-care hospital which provides health care services to residents of Glendora and East San Gabriel Valley. In 1995, HEVH became a member of Southern California Healthcare Systems. Prior to SCHS's acquisition of the facility, HEVH was a for-profit hospital for 36 years with several different owners.

HEVH has approximately 300 employees with an average length of service of five years. The medical staff represents multiple specialties and is comprised of approximately 257 physicians. HEVH's major services include emergency medicine, medical cardiology, surgery, obstetrics, and geropsychiatry.

FINANCIAL PERFORMANCE/CAPITAL NEEDS

- Over the last five years, the Hospital has experienced low overall occupancy percentages ranging between 22-37%.
- Over the past few years, HEVH's financial performance has deteriorated resulting in operating losses of $3.1 million in 1999 and $2.3 million in 2000.
- HEVH is a disproportionate share facility for both Medicare and Medi-Cal. Hence, DSH funding is an important revenue stream for the Hospital.
- HEVH's physical plant will require approximately $4.9 million in capital expenditures by 2008 to complete seismic upgrades to meet SB 1953 earthquake retrofit standards.

II. TRANSACTION BACKGROUND

SCHS'S STRATEGIC OPTIONS/DECISION PROCESS TO SELL THE FACILITY

As a result of continuing financial losses at HEVH and the desire by System leadership to focus resources on its core geographic service area (Pasadena/Arcadia), SCHS initiated a strategic evaluation of facility options in 2000. After an in-depth organizational review of strategic options regarding HEVH and an estimation of their impact, System leadership identified sale or closure of the Hospital as the only viable options. The decision to sell HEVH was made based on the following:

- Projected continuing financial losses going forward.
- HEVH's financial performance is reliant on disproportionate share hospital ("DSH") funds, which presents a significant risk due to the uncertainty of the availability and amount of those funds in the future.
- Estimated seismic upgrade capital costs of approximately $4.9 million.
- HEVH no longer fits into the strategic and geographic focus of SCHS which wishes to concentrate its efforts within the western portion of the San Gabriel Valley. Continuing to own and operate HEVH, located in east San Gabriel Valley, would divert needed human and capital resources from its other facilities, Huntington Hospital in Pasadena and Methodist Hospital in Arcadia.
- The desire by System leadership for HEVH to remain open.

SCHS engaged Shattuck Hammond Partners in June of 2000 to develop a list of potentially interested parties that could acquire HEVH. Of the 19 for-profit and nonprofit organizations contacted, only six entities were interested in reviewing HEVH's confidential information. Of the six remaining interested parties, only one of these entities submitted a reasonable bid. In December of 2000, PanPacific Health Enterprises, Inc. submitted to SCHS an acceptable offer to acquire HEVH.

At this juncture, SCHS is not able or willing to continue to sustain financial losses at HEVH and System leadership has stated that HEVH would most likely be closed if the facility cannot be sold.

III. SERVICE AREA ANALYSIS

III. SERVICE AREA ANALYSIS

SERVICE AREA DEFINITION

- Huntington East Valley Hospital's primary service area ("PSA") consists of 10 ZIP Codes from which approximately 64 percent of the Hospital's patients emanate (reside). Communities in the primary service area include the following:

  - Azusa
  - Baldwin Park
  - Covina
  - El Monte
  - Glendora
  - San Dimas
  - West Covina

- HEVH's secondary service area ("SSA") also consists of 10 ZIP Codes from which approximately 18 percent of the Hospital's patients emanate. Communities in the secondary service area include the following:

  - Duarte
  - El Monte
  - La Puente
  - Pomona
  - South El Monte
  - Walnut
  - West Covina

- Patient origin data was obtained from the Office of Statewide Health Planning and Development ("OSHPD"), California's official health care data collection agency. The most current year data available is 1999. HEVH's patient origin (discharges) by community is shown in the table on the following page. A map of the service area is provided on the second following page.

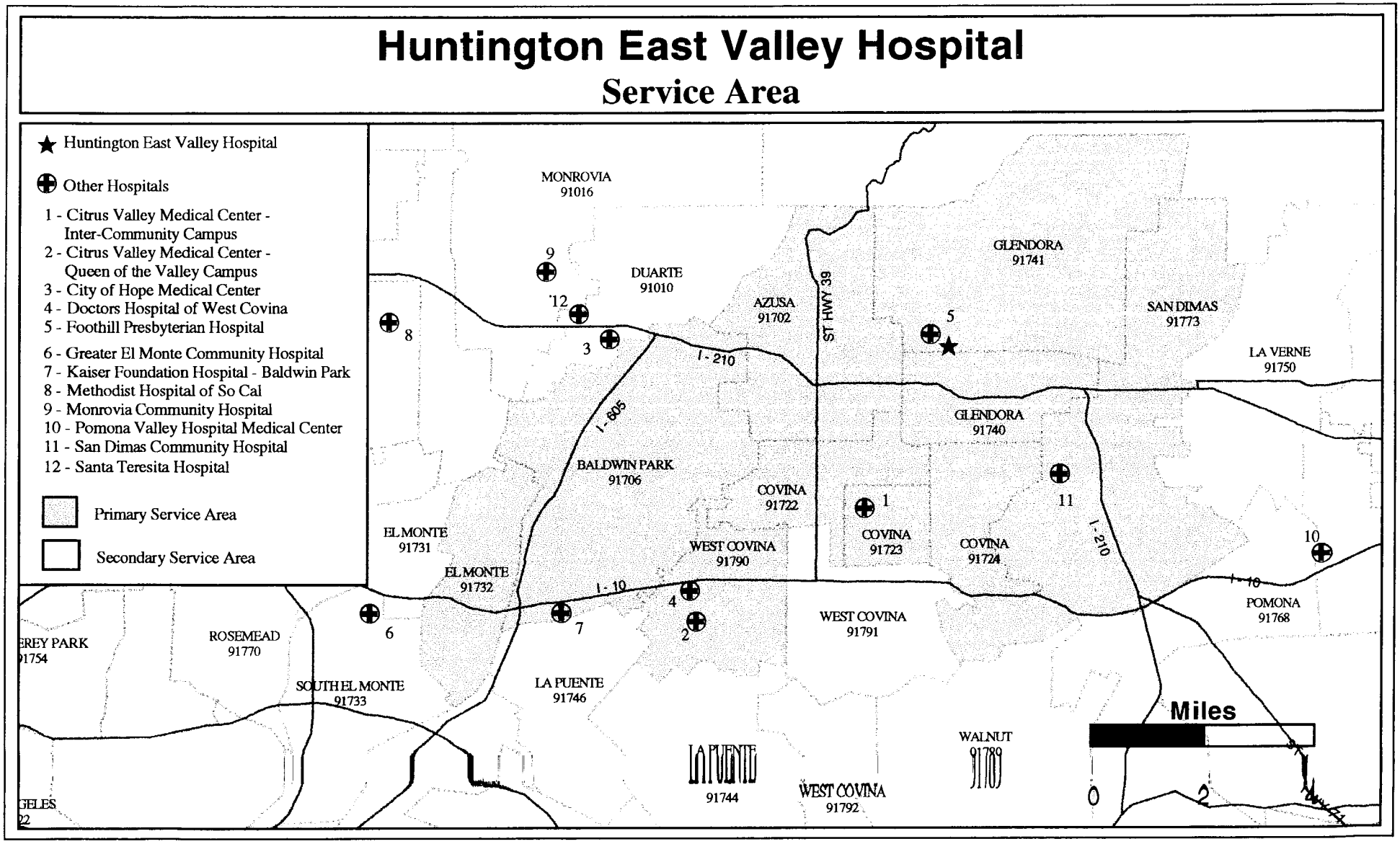
III. SERVICE AREA ANALYSIS

HUNTINGTON EAST VALLEY HOSPITAL
Discharge Patient Origin
CY 1999

ZIP Code	Community	Discharges #	Discharges %	Discharges Cum %	Draw Rate (1)
91702	AZUSA	615	17.4%	17.4%	10.8
91740	GLENDORA	510	14.4%	31.9%	19.6
91706	BALDWIN PARK	336	9.5%	41.4%	4.3
91732	EL MONTE	217	6.2%	47.5%	3.5
91773	SAN DIMAS	133	3.8%	51.3%	3.8
91722	COVINA	126	3.6%	54.9%	3.9
91723	COVINA	103	2.9%	57.8%	6.1
91790	WEST COVINA	81	2.3%	60.1%	1.9
91724	COVINA	67	1.9%	62.0%	2.6
91741	GLENDORA	53	1.5%	63.5%	2.0
	Primary Service Area	2,239	63.5%		
91744	LA PUENTE	212	6.0%	69.5%	2.7
91733	SOUTH EL MONTE	89	2.5%	72.0%	2.0
91731	EL MONTE	75	2.1%	74.1%	2.6
91791	WEST COVINA	65	1.8%	76.0%	2.1
91792	WEST COVINA	49	1.4%	77.4%	1.5
91750	LA VERNE	46	1.3%	78.7%	1.3
91010	DUARTE	35	1.0%	79.7%	1.2
91768	POMONA	35	1.0%	80.6%	1.1
91746	LA PUENTE	25	0.7%	81.3%	0.8
91789	WALNUT	21	0.6%	81.9%	0.5
	Secondary Service Area	651	18.5%		
	Other ZIP Codes	637	18.1%		
		3,528	100.0%		

Source: OSHPD and Claritas \\CAMDEN_CORP\SYS\EXCEL97\MATT\HEV\HEALTH IMPACT\[Patient Origin.xls]Sheet2
(1) Discharges per 1,000 population

III. SERVICE AREA ANALYSIS



III. SERVICE AREA ANALYSIS

DEMOGRAPHIC PROFILE

Population Characteristics and Growth

- The service area is projected to experience modest population growth of 4.7 percent from 2000 to 2005. This is slightly lower than Los Angeles County's 5.5 percent projected growth rate for the same time period.

  - The service area is relatively "young" with a median age (2000) of 30.7, (compared to 33.8 for Los Angeles County). The area has a large pediatric population which is largely Hispanic.
  - The service area's 45-64 age cohort is projected to experience the highest growth among all age groups.
  - Women of childbearing age (15-44 years) account for 22.5 percent of the service area population in 2000. The female 15-44 population is projected to decrease slightly between 2000 and 2005.

HUNTINGTON EAST VALLEY HOSPITAL
Total Service Area and Los Angeles County
Population by Age Cohort
2000 and 2005

Age Cohort (Years)	Total Service Area					Los Angeles County				
	2000	% of Total	Proj. 2005	% of Total	% Change	2000	% of Total	Proj. 2005	% of Total	% Change
0-14	204,988	26.0%	211,906	25.7%	3.4%	2,210,055	23.2%	2,251,059	22.4%	1.9%
15-44	367,870	46.7%	368,477	44.7%	0.2%	4,346,349	45.6%	4,334,768	43.1%	-0.3%
45-64	148,133	18.8%	171,878	20.8%	16.0%	1,999,789	21.0%	2,409,599	24.0%	20.5%
65+	67,018	8.5%	72,396	8.8%	8.0%	973,528	10.2%	1,055,190	10.5%	8.4%
Total	788,009	100.0%	824,657	100.0%	4.7%	9,529,721	100.0%	10,050,616	100.0%	5.5%
Women 15-44	177,043	22.5%	176,704	21.4%	-0.2%	2,086,715	21.9%	2,073,609	20.6%	-0.6%
Median Age	30.7		31.5			33.8		35.2		

Source: Claritas, Inc.

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III. SERVICE AREA ANALYSIS

Population Characteristics and Growth – Primary Service Area vs. Secondary Service Area

- The projected rate of population growth for the primary and secondary service areas is similar. Refer to the table below.
- Both service areas are relatively "young" with a high percentage of women 15-44 and children.

HUNTINGTON EAST VALLEY HOSPITAL
Primary and Secondary Service Areas
Population by Age Cohort
2000 and 2005

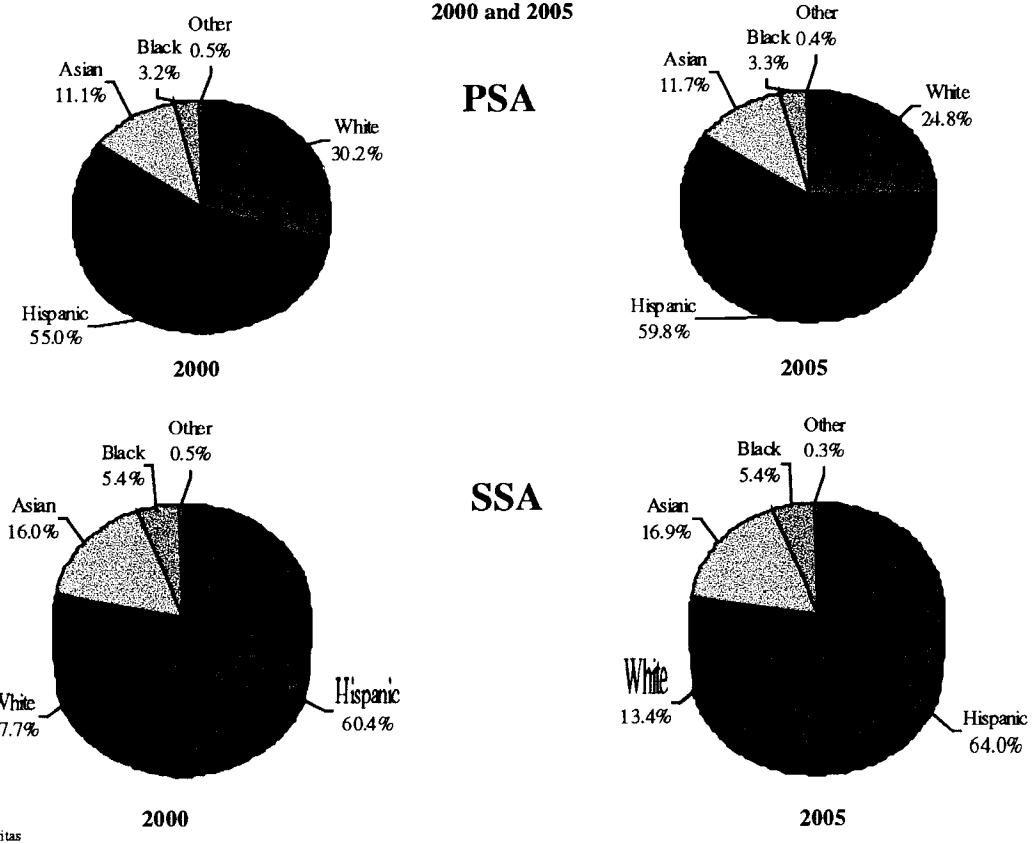
Age Cohort (Years)	Primary Service Area					Secondary Service Area				
	2000	% of Total	Proj. 2005	% of Total	% Change	2000	% of Total	2005	% of Total	% Change
0-14	102,357	25.6%	105,745	25.2%	3.3%	102,631	26.4%	106,161	26.2%	3.4%
15-44	184,440	46.1%	184,370	44.0%	0.0%	183,430	47.3%	184,107	45.4%	0.4%
45-64	75,698	18.9%	88,617	21.1%	17.1%	72,435	18.7%	83,261	20.5%	14.9%
65+	37,414	9.4%	40,344	9.6%	7.8%	29,604	7.6%	32,052	7.9%	8.3%
Total	399,909	100.0%	419,076	100.0%	4.8%	388,100	100.0%	405,581	100.0%	4.5%
Women 15-44	88,982	22.3%	88,608	21.1%	-0.4%	88,061	22.7%	88,096	21.7%	0.0%
Median Age	31.5		32.3			29.9		30.8		

Source: Claritas, Inc. \\CAMDEN_CORP\SYS\EXCEL97\HUNTINGTON EAST VALLEY\[PSA & SSA Pop.xls]Sheet1

Ethnicity Profile

- The service area population is multiethnic with Hispanics as the largest ethnic group. Refer to the pie charts below.
- In terms of projected changes in ethnicity, the Hispanic population is projected to grow rapidly over the next five years within the service area.

Primary and Secondary Service Areas
Ethnic Composition
2000 and 2005



Source: Claritas
PPT\huntington east valley\ethnicity.ppt

III. SERVICE AREA ANALYSIS

Household Income

- Household income levels are highly variable across service area communities with pockets of wealth and low income.
- The overall median household income level for the service area is higher than that of the County.
- The income distribution for the PSA, SSA and the Los Angeles County are similar.

Service Area Socioeconomic Profile
2000

	PSA	SSA	LA County
Population	399,909	388,100	9,529,721
Households	119,683	103,799	3,175,119
Average Household Size	3.4	3.7	2.9
Median Household Income	$47,738	$51,490	$44,692
Average Household Income	$61,111	$66,019	$65,859
Income Distribution			
Under $20,000	17.3%	16.3%	21.2%
$20,000-$49,999	34.8%	32.3%	33.5%
$50,000-$74,999	22.9%	22.6%	19.3%
$75,000+	25.0%	28.8%	26.0%

Source: Claritas, Inc.

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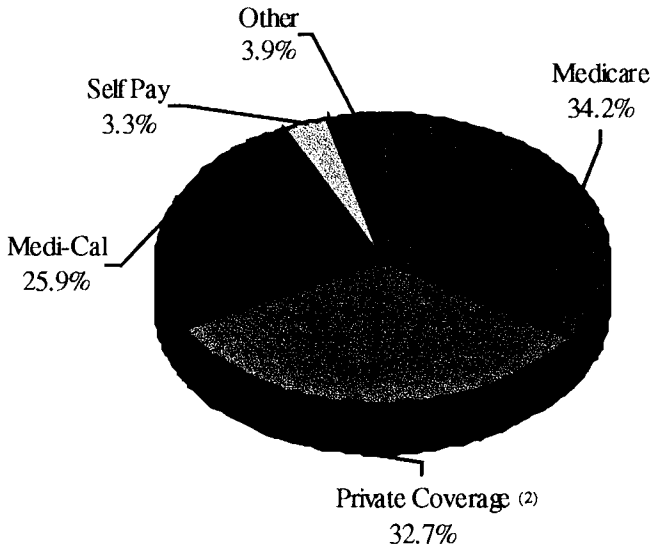
SERVICE AREA PAYER MIX (HOSPITAL DISCHARGES)

An analysis of the service area payer (insurance) mix for residents discharged from all hospitals indicates a blend of Medicare, Medi-Cal and "managed care" (HMO/PPO). Refer to the chart below.

Primary Service Area
Discharge Payer Mix
CY 1999(1)



N=44,284

Source: OSHPD
(1) Six Months Annualized
(2) Includes HMO, PPO, and Blue Cross/Blue Shield
Note: Excludes Normal Newborns

PP97/Huntington East/ PSA Payer Mix.ppt

III. SERVICE AREA ANALYSIS

HOSPITAL PROVIDERS

- HEVH is one of ten acute care hospitals located within the service area. The nearest hospital is less than one mile away from HEVH. A brief profile of the facilities in the service area is provided in the matrix below.

Profile of Area Hospitals
CY 1999 Data*

Hospital	Distance from HEVH (mi.)	Emergency Department			Licensed Beds								
		Stations	Visit/ Stations/ Year	% Admitted	Med/Surg	Critical Care	OB	Peds	NICU	SNF	Rehab	Acute Psych	Total
Huntington East Valley Hospital	–	7	1,066	17.4%	67	10	30	0	0	0	0	21	128
Foothill Presbyterian Hospital	0.9	11	1,720	13.2%	69	18	13	18	0	29	0	0	147
San Dimas Community Medical Center	3.8	8	1,740	9.2%	49	8	7	0	0	29	0	0	93
Citrus Valley - Inter-Community Campus	4.3	14	1,347	25.4%	115	22	23	11	13	25	0	30	239
City of Hope	7.8	n.a.	n.a.	n.a.	137	12	0	0	0	0	0	0	149
Santa Teresita Hospital	7.8	9	1,223	9.0%	66	14	17	17	0	156	0	0	270
Citrus Valley - Queen of the Valley Campus	8.9	21	1,487	26.8%	138	18	38	18	22	23	12	0	269
Doctors Hospital of West Covina	9.0	n.a.	n.a.	n.a.	16	3	8	0	0	24	0	0	51
Kaiser Foundation Hospital - Baldwin Park	13.4	27	3,875	5.2%	154	18	50	21	20	0	0	0	263
Greater El Monte Community Hospital	14.5	6	2,535	11.7%	59	10	17	17	0	13	0	0	116

Sources: OSHPD and Yahoo! Map Quest
\\CAMDEN_CORP\SYS\EXCEL97\MATT\HEVH\HEALTH IMPACT\[beds.xls]Sheet1
* Most recent publicly available data.

III. SERVICE AREA ANALYSIS

- HEVH has the lowest occupancy rate (available beds) among all hospitals within or immediately adjacent to the PSA and SSA. The table below provides the hospital beds and occupancy rates for area facilities in the PSA, SSA and surrounding region.

Area Hospital Bed Size and Occupancy Rates
CY 1999*

Hospital	Four Quarters Ending December 31, 1999			
	Total Licensed Beds	Occupancy Rate	Total Available Beds	Occupancy Rate
HUNTINGTON EAST VALLEY HOSPITAL	128	35.3%	118	38.3%
CITRUS VALLEY MEDICAL CENTER[1]	508	69.4%	508	69.4%
CITY OF HOPE	212	51.0%	145	74.6%
FOOTHILL PRESBYTERIAN HOSPITAL	106	46.0%	106	46.0%
GREATER EL MONTE COMMUNITY HOSPITAL	115	38.7%	115	38.7%
KAISER FOUNDATION HOSPITAL - BALDWIN PARK	272	27.0%	184	40.0%
LOS ANGELES CO USC MEDICAL CENTER	1,435	51.1%	1,395	52.5%
METHODIST HOSPITAL OF SOUTHERN CAL	347	51.2%	347	51.2%
MONROVIA COMMUNITY HOSPITAL	49	51.4%	49	51.4%
POMONA VALLEY HOSPITAL MEDICAL CENTER	436	57.0%	381	65.3%
SAN DIMAS COMMUNITY HOSPITAL	94	59.2%	94	59.2%
SANTA TERESITA HOSPITAL	253	64.8%	253	64.8%
Hospital Totals	3,955	52.6%	3,695	56.3%

* Most current publicly available data.

(1) Combined Queen of the Valley and Intercommunity Campuses

Source: OSHPD Quarterly Individual Hospital Financial Data for California, 4th Quarter, 1999.

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III. SERVICE AREA ANALYSIS

PROGRAMS AND SERVICES

- A service matrix of the Hospitals in the primary service area is included on the following pages. The matrix reveals that the area's hospitals provide virtually all acute care services required by area residents. There are only a few services which area hospitals do not provide. It should be noted that most of these services are typically regional in nature (i.e., most community hospitals do not provide them) and only a limited number of facilities do offer these services (mostly tertiary services):

  - Adult day care programs
  - Alcoholism-Drug Abuse or Dependency Inpatient Services
  - Crisis prevention
  - Pediatric intensive care services
  - Positron Emission Tomography Scanner (PET)
  - Transplant Services
  - Trauma Center

Service such as adult day care, mental health and dental services are typically offered by other specialty providers and social service agencies.

Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Intercommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
1 Adult Day Care Program					
2 Alcoholism-Drug Abuse or Dependency Inpatient Services					
3 Alcoholism-Drug Abuse or Dependency Outpatient Services					
4 Angioplasty		X	X	X	
5 Arthritis Treatment Center					
6 Assisted Living					
7 Birthing Room-LDR Room-LDRP Room	X	X	X	X	X
8 Breast Cancer Screening/Mammograms	X	X	X	X	X
9 Burn Care Services				X	
10 Cardiac Catheterization Laboratory		X	X	X	
11 Cardiac Intensive Care Services		X	X	X	
12 Case Management		X	X	X	X
13 Children Wellness Program.		X	X		
14 Community Health Reporting	X	X	X	X	
15 Community Health Status Assessment	X	X	X	X	X
16 Community Health Status Based Service Planning	X	X	X	X	
17 Community Outreach	X	X	X	X	X
18 Crisis Prevention					
19 CT Scanner	X	X	X	X	X
20 Dental Services					
21 Diagnostic Radioisotope Facility	X	X	X	X	X
22 Emergency Department	X	X	X	X	X
23 Extracorporeal Shock Wave Lithotripter (ESWL)		X	X		
24 Fitness Center					

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III. SERVICE AREA ANALYSIS

Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Intercommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
25 Freestanding Outpatient Care Center					X
26 Geriatric Services					X
27 Health Facility Transportation (to/from)					
28 Health Fair	X	X	X	X	X
29 Health Information Center	X	X	X		
30 Health Screenings	X	X	X	X	X
31 HIV-AIDS Services		X	X	X	
32 Home Health Services	X	X	X	X	
33 Hospice	X	X	X	X	
34 Hospital-Based Outpatient Care Center-Services	X	X	X	X	
35 Magnetic Resonance Imaging (MRI)	X	X	X	X	X
36 Meals on Wheels		X	X	X	
37 Medical Surgical Intensive Care Services	X	X	X	X	X
38 Neonatal Intensive Care Services		X	X	X	
39 Nutrition Programs	X	X	X	X	
40 Obstetrics Services	X	X	X	X	X
41 Occupational Health Services	X	X	X	X	X
42 Oncology Services	X	X	X		
43 Open Heart Surgery		X	X	X	
44 Outpatient Surgery	X	X	X	X	X
45 Patient Education Center	X	X	X	X	
46 Patient Representative Services	X	X	X	X	X
47 Pediatric Intensive Care Services					
48 Physical Rehabilitation Inpatient Services		X	X	X	
49 Physical Rehabilitation Outpatient Services	X	X	X	X	X
50 Positron Emission Tomography Scanner (PET)					

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Comparative Service Listing
2000

Services	Huntington East Valley	Citrus Valley - Intercommunity	Citrus Valley - Queen of the Valley	Foothill Presbyterian Hospital	San Dimas Community Hospital
51 Primary Care Department					
52 Psychiatric Acute Inpatient Services		X		X	
53 Psychiatric Child Adolescent Services				X	
54 Psychiatric Consultation-Liaison Services	X				
55 Psychiatric Education Services	X				
56 Psychiatric Emergency Services	X				
57 Psychiatric Geriatric Services	X				
58 Psychiatric Outpatient Services	X				
59 Psychiatric Partial Hospitalization Program					
60 Radiation Therapy		X	X	X	
61 Reproductive Health Services					
62 Retirement Housing					
63 Single Photon Emission Computerized Tomography (SPECT)		X	X	X	
64 Skilled Nursing or Other Long-Term Care Services		X	X	X	X
65 Social Work Services	X	X	X	X	X
66 Sports Medicine	X		X	X	
67 Support Groups	X	X	X	X	
68 Teen Outreach		X	X		
69 Transplant Services					
70 Trauma Center (Certified)					
71 Ultrasound	X	X	X	X	X
72 Urgent Care Center		X	X	X	
73 Volunteer Services Department	X	X	X	X	X
74 Women's Health Center/Services	X	X	X	X	X

Source: 2000 AHA Guide

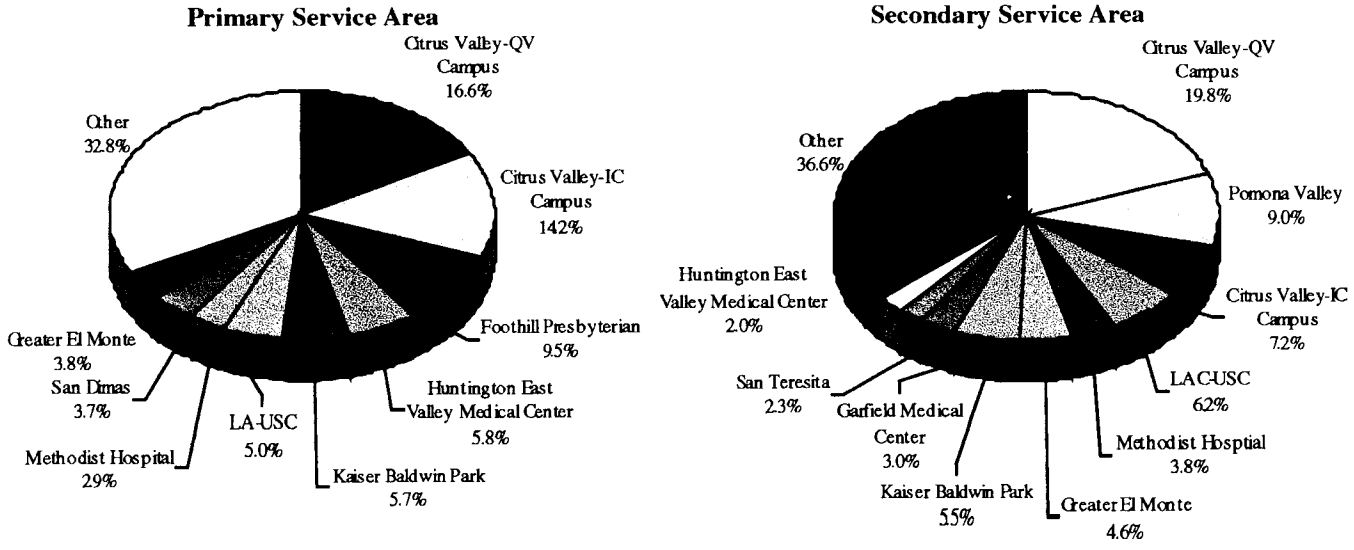
\\CAMDEN_CORP\SYS\EXCEL97\HUNTINGTON EAST VALLEY\[ahamtrx.xls]Sheet1

III. SERVICE AREA ANALYSIS

HOSPITAL MARKET SHARE

HEVH ranks fourth in market share within the PSA with 5.8 percent of total service area discharges (refer to chart below). Citrus Valley Medical Center - Queen of the Valley is the market share leader in both the PSA and SSA with 16.6 percent and 19.8 percent of total area discharges, respectively. Market share by hospital (PSA and SSA) is provided in the charts below.

Service Area Discharge Market Share (Primary and Secondary Service Areas)
CY 1999 (1)



(1) Six months annualized data. Most recent publicly available data.
Note: Excludes normal newborns
Source: OSHPD

PP/Huntington East Valley/Market Share.ppt

III. SERVICE AREA ANALYSIS

In 1999 (six months annualized), there were a total of 44,284 inpatient discharges in the primary service area. HEVH is not the inpatient market share leader for any of the ZIP Codes within its primary service area. Market share by ZIP Code is indicated below:

Primary Service Area
Discharge Market Share by ZIP Code
1999 (1)

ZIP Code	Community	Total Discharges #	Total Discharges %	Huntington East Valley	Citrus Valley-OV	Citrus Valley-IC	Foothill Presbyterian	Kaiser-Baldwin Park	LAC USC	San Dimas Community	All Other	Total
91702	Azusa	5,710	12.9%	12.3%	12.7%	12.7%	18.6%	4.8%	5.5%	1.6%	31.8%	100.0%
91706	Baldwin Park	7,958	18.0%	4.8%	31.9%	10.2%	1.8%	6.5%	8.4%	0.5%	35.9%	100.0%
91722	Covina	3,692	8.3%	3.9%	15.3%	28.3%	7.7%	8.3%	3.4%	2.2%	30.9%	100.0%
91723	Covina	2,418	5.5%	4.9%	10.8%	41.0%	6.0%	5.6%	2.6%	2.6%	26.5%	100.0%
91724	Covina	2,566	5.8%	3.0%	8.2%	22.8%	11.4%	6.0%	1.8%	8.7%	38.1%	100.0%
91732	El Monte (2)	7,190	16.2%	3.4%	9.2%	3.1%	0.3%	4.0%	10.4%	0.1%	69.5%	100.0%
91740	Glendora	3,716	8.4%	15.7%	5.7%	10.2%	23.8%	4.5%	1.0%	5.3%	33.8%	100.0%
91741	Glendora	2,130	4.8%	2.8%	3.3%	6.9%	41.9%	4.6%	1.0%	4.6%	34.9%	100.0%
91773	San Dimas	3,750	8.5%	4.1%	3.9%	10.9%	10.9%	4.4%	1.2%	20.8%	43.8%	100.0%
91790	West Covina	5,154	11.6%	1.8%	38.0%	18.6%	1.7%	8.3%	2.9%	0.9%	27.8%	100.0%
	Total Market Share	44,284	100.0%	5.8%	16.6%	14.2%	9.5%	5.7%	5.0%	3.7%	39.5%	100.0%

Source: OSHPD
\\CAMDEN_CORP\SYS\EXCEL97\HUNTINGTON EAST VALLEY\[ZIP Market Share.xls]ZIP
Note: All DRGs excluding normal newborns
Market share leader
(1) Six months annualized data.
(2) The market share leader in El Monte 91732 was Greater El Monte Community Hospital.

III. SERVICE AREA ANALYSIS

- Medicare (includes both FFS and HMO) is the primary service area's largest inpatient payer at 34.2 percent.
- HEVH is not the market share leader for any single payer group.

Market Share By Payer (All DRGs Excluding Normal Newborns)
Primary Service Area
1999 [1]

Facility	Medicare #	Medicare %	Medi-Cal #	Medi-Cal %	Private Coverage [2] #	Private Coverage [2] %	Self Pay #	Self Pay %	All Payers [3] #	All Payers [3] %
Huntington East Valley Hospital	1,050	6.9%	1,016	8.9%	412	2.8%	40	2.7%	2,558	5.8%
Citrus Valley - Queen of the Valley	2,230	14.7%	2,456	21.5%	2,328	16.1%	198	13.5%	7,342	16.6%
Citrus Valley - Intercommunity	3,518	23.2%	1,090	9.5%	1,420	9.8%	194	13.2%	6,280	14.2%
Foothill Presbyterian	1,758	11.6%	512	4.5%	1,820	12.6%	94	6.4%	4,220	9.5%
Kaiser- Baldwin Park	638	4.2%	24	0.2%	1,854	12.8%	18	1.2%	2,540	5.7%
LAC - USC Medical Center	48	0.3%	1,134	9.9%	24	0.2%	382	26.0%	2,224	5.0%
San Dimas Community Hospital	706	4.7%	156	1.4%	726	5.0%	28	1.9%	1,630	3.7%
Total	9,948	65.7%	6,388	55.8%	8,584	59.3%	954	64.9%	26,794	60.5%
All Other Facilities	5,186	34.3%	5,056	44.2%	5,900	40.7%	516	35.1%	17,490	39.5%
Total All Facilities	15,134	100.0%	11,444	100.0%	14,484	100.0%	1,470	100.0%	44,284	100.0%
Percent of Total Discharges	34.2%		25.8%		32.7%		3.3%		100.0%	

[1] Six months annualized data

[2] Includes HMO, PPO, Blue Cross/Blue Shield and Indemnity.

[3] Includes payer groups shown as well as County Indigent, Other Governmental, Other Indigent, Other Payer, and Workers' Compensation (not shown)

Note: Medicare risk is included in Medicare within the OSHPD database.

Source: OSHPD Discharge Abstracts

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III. SERVICE AREA ANALYSIS

❑ HEVH is not the market share leader for any single clinical service line for patients discharged from the PSA.

Market Share By Service Line (Primary Service Area)
CY 1999 (1)

Service Line	Total Discharges #	Total Discharges %	Huntington East Valley %	Citrus Valley QV Campus %	Citrus Valley IC Campus %	Foothill Presby %	Kaiser Baldwin %	LAC USC %	San Dimas %	All Other %	Total
Cardiovascular medical	6,158	13.9%	5.8%	15.9%	21.5%	12.9%	6.2%	3.5%	4.9%	29.3%	100.0%
Cardiovascular surgery	1,318	3.0%	2.3%	3.8%	25.2%	1.8%	0.5%	3.8%	0.5%	62.1%	100.0%
Chemical dependency*	432	1.0%	3.2%	3.7%	8.3%	0.0%	2.3%	4.2%	1.9%	76.4%	100.0%
Chemotherapy	286	0.6%	2.8%	12.6%	4.2%	0.7%	0.7%	23.8%	0.0%	55.2%	100.0%
Deliveries - complicated	2,204	5.0%	10.5%	18.8%	5.8%	13.4%	12.0%	2.0%	3.8%	33.7%	100.0%
Deliveries - uncomplicated	4,524	10.2%	9.7%	20.8%	4.0%	11.8%	12.3%	2.5%	3.6%	35.3%	100.0%
ENT	252	0.6%	8.7%	13.5%	10.3%	7.1%	2.4%	11.1%	3.2%	43.7%	100.0%
Eye surgery	40	0.1%	0.0%	5.0%	0.0%	5.0%	5.0%	25.0%	0.0%	60.0%	100.0%
General surgery	1,670	3.8%	4.8%	21.9%	12.6%	7.7%	8.1%	7.9%	3.5%	33.5%	100.0%
GI/endocrine	4,090	9.2%	4.8%	17.0%	19.4%	10.1%	6.0%	5.9%	5.0%	31.8%	100.0%
Gynecology	1,100	2.5%	3.5%	14.5%	7.1%	16.7%	11.1%	7.1%	8.4%	31.6%	100.0%
Neoplasms/oncology	1,224	2.8%	2.3%	16.5%	16.2%	10.3%	4.9%	11.4%	2.9%	35.5%	100.0%
Neurology	994	2.2%	4.6%	16.5%	19.9%	8.9%	2.6%	5.6%	5.6%	36.3%	100.0%
Neurosurgery	548	1.2%	1.5%	12.8%	11.3%	9.1%	2.2%	4.7%	1.1%	57.3%	100.0%
Newborns - special care	2,364	5.3%	13.3%	25.9%	7.7%	12.3%	8.4%	5.8%	2.5%	24.1%	100.0%
Obstetrics (non-delivery)	912	2.1%	4.8%	31.4%	5.5%	13.6%	4.6%	7.7%	3.9%	28.5%	100.0%
Orthopedics	2,432	5.5%	1.7%	11.7%	21.1%	8.6%	3.9%	9.4%	3.9%	39.7%	100.0%
Pediatrics	2,120	4.8%	0.4%	30.7%	0.7%	6.0%	0.2%	4.0%	0.4%	57.6%	100.0%
Plastic Surgery	232	0.5%	1.7%	8.6%	3.4%	6.0%	3.4%	13.8%	2.6%	60.5%	100.0%
Psychiatry*	3,018	6.8%	8.1%	0.7%	18.5%	0.3%	0.1%	1.7%	0.0%	70.6%	100.0%
Rehabilitation	298	0.7%	0.0%	35.6%	0.0%	0.0%	0.0%	0.0%	0.0%	64.4%	100.0%
Respiratory	3,424	7.7%	6.2%	17.7%	18.9%	9.3%	4.4%	2.3%	5.3%	35.9%	100.0%
Urology	1,436	3.2%	4.7%	13.4%	16.4%	11.1%	5.0%	6.8%	5.6%	37.0%	100.0%
Other medical	1,912	4.3%	4.2%	15.1%	15.0%	9.9%	4.7%	7.4%	4.0%	39.7%	100.0%
Other surgery	1,212	2.7%	3.0%	11.9%	17.2%	7.9%	3.6%	5.8%	4.5%	46.1%	100.0%
Non-specified DRGs	84	0.2%									
Total Market Share	44,284	100.0%	5.8%	16.6%	14.2%	9.5%	5.7%	5.0%	3.7%	39.5%	100.0%

Source: OSHPD \\CAMDEN_CORP\SYS\EXCEL97\HUNTINGTON EAST VALLEY\[Service Line MS - 2000.xls]PSA

(1) Six months annualized data

* The market share leader for chemical dependency is the American Recovery Center and for psychiatry it is Charter BH-S - Covina

Notes: All DRGs excluding normal newborns and service lines defined by The Camden Group.

- Outmigration for acute care services from the service area is approximately 44 percent. The high percentage of outmigration is not surprising as patients in Los Angeles County can readily access services at numerous nearby facilities. Outmigration by service line is shown in the table below.

Hospital Discharges for Primary Service Area Residents
1999 (1)

Service Line	Discharges: PSA Hospitals	Discharges: Total PSA	Resident Use Outside PSA: Dicharges	Resident Use Outside PSA: Percent
Cardiovascular medical	4,144	6,158	2,014	32.7%
Cardiovascular surgery	442	1,318	876	66.5%
Chemical dependency	94	432	338	78.2%
Chemotherapy	60	286	226	79.0%
Deliveries - complicated	1,418	2,204	786	35.7%
Deliveries - uncomplicated	2,814	4,524	1,710	37.8%
ENT	114	252	138	54.8%
Eye surgery	6	40	34	85.0%
General surgery	978	1,670	692	41.4%
GI/endocrine	2,548	4,090	1,542	37.7%
Gynecology	674	1,100	426	38.7%
Neoplasms/oncology	650	1,224	574	46.9%
Neurology	578	994	416	41.9%
Neurosurgery	208	548	340	62.0%
Newborns - special care	1,656	2,364	708	29.9%
Obstetrics (non-delivery)	582	912	330	36.2%
Orthopedics	1,238	2,432	1,194	49.1%
Pediatrics	812	2,120	1,308	61.7%
Plastic Surgery	60	232	172	74.1%
Psychiatry	840	3,018	2,178	72.2%
Rehabilitation	138	298	160	53.7%
Respiratory	2,118	3,424	1,306	38.1%
Urology	808	1,436	628	43.7%
Other medical	1,010	1,912	902	47.2%
Other surgery	582	1,296	714	55.1%
Non-specified DRGs	24,572	44,284	19,712	44.5%

Source: OSHPD \\CAMDEN_CORP\SYS\EXCEL97\MATT\HEV\[Outmigration.xls]Outmigration
(1) Six months annualized data
Note: PSA hospitals consist of HEVH, Citrus Valley Medical Centers (both Inter-Community and Queen of the Valley), Foothill Presbyterian Hospital, Kaiser Foundation Hospital - Baldwin Park, and San Dimas Community Hospital

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

SIZE/CONFIGURATION

HEVH is licensed for 128 beds in the following bed categories:

Bed Category	Licensed Beds
Medical/Surgical	67
Critical Care	10
Obstetrics	30
General Acute Care Subtotal	107
Acute Psychiatric	21
Total	128

- HEVH has 4 surgical operating rooms.
- The Hospital has a 7 station (bed) basic level Emergency Department.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

PROGRAMS AND SERVICES

- ❑ 24-Hour Emergency Services – Physician on Duty (American Heart Association approved)
- ❑ "Babies are Special" Comprehensive Perinatal Services Program
- ❑ Cardio-Pulmonary Services – Inpatient and Outpatient
- ❑ Clinical Laboratory – Inpatient and Outpatient (Accredited, College of American Pathologists)
- ❑ Community Education
- ❑ CT Scanner
- ❑ Diagnostic and Therapeutic Services
- ❑ Echocardiography
- ❑ Family Centered Maternity Care
- ❑ FastTrack Service (Non-emergency, after hours care)
- ❑ 50+ Health Connection (Senior Membership Program)
- ❑ The Hill Breast Center
- ❑ The Huntington Imaging Center
- ❑ Inpatient and Outpatient Services
- ❑ Intensive Care/Critical Care Unit (Approved – American Heart Association)
- ❑ Mammography
- ❑ Nuclear Medicine
- ❑ Nutritional Services
- ❑ Open-air MRI
- ❑ Physical Therapy
- ❑ Physician Referral Service
- ❑ Same-Day Surgery
- ❑ Senior Mental Health Services – Inpatient, Outpatient and Partial Hospitalization
- ❑ Social Services/Discharge Planning
- ❑ Volunteer Services (Adults, College and High-School Age)
- ❑ Women's Health

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HISTORICAL UTILIZATION

- A three year historical review of HEVH's volumes and occupancies (CY 1998-2000) is provided in the tables on the following pages.

- Historical utilization data are as follows:

  - HEVH's total bed size has not changed, nor has its allocation of beds by licensed bed category.
  - The Hospital's total discharges increased 4% from 1998 to 2000. Patient days declined by 4% over that period as the Hospital's average length of stay decreased from 4.9 to 4.0.
  - HEVH's total occupancy percentage is relatively low (33% in 2000).
  - Surgical volume increased 13% from 1998 to 2000.
  - HEVH is highly reliant on its emergency department for admissions as 37% of patients admitted come through the E.D.
    - Emergency department visits increased 33% from 1998 to 2000.
  - The number of deliveries performed at the Hospital decreased 17% from 1998 to 2000.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

- The tables below and on the following pages illustrate HEVH's historical utilization (CY 1998-2000) by licensed bed category.

- Emergency Department and surgical volumes are also profiled.

Historical Utilization by Licensed Bed Category
1998 - 2000

	1998	1999	2000	% Change '98-'00
Medical/Surgical/DOU				
Licensed Beds	67	67	67	
Discharges	1,419	1,547	1,686	18.8%
Patient Days	6,073	6,253	6,062	-0.2%
ALOS	4.3	4.0	3.6	
Occupancy %	24.8%	25.6%	24.7%	
Average Daily Census	16.6	17.1	16.6	
Critical Care (1)				
Licensed Beds	10	10	10	
Discharges	781	791	753	-3.6%
Patient Days	2,044	1,961	1,961	-4.1%
ALOS	2.6	2.5	2.6	
Occupancy %	56.0%	53.7%	53.6%	
Average Daily Census	5.6	5.4	5.4	
Obstetrics				
Licensed Beds	30	30	30	
Discharges	1,309	1,281	1,048	-19.9%
Patient Days	3,087	3,272	2,766	-10.4%
ALOS	2.4	2.6	2.6	
Occupancy %	28.2%	29.9%	25.2%	
Average Daily Census	8.5	9.0	7.6	
Deliveries	1,127	1,123	938	-16.8%
Number C-section	365	374	323	
% C-section	32.4%	33.3%	34.4%	

Source: OSHPD Annual Utilization Report of Hospitals
(1) Includes intrahospital transfers.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

Historical Utilization by Licensed Bed Category
1998 - 2000

	1998	1999	2000	% Change '98-'00
General Acute Care Subtotal				
Licensed Beds	107	107	107	
Discharges	2,928	3,122	3,038	3.8%
Patient Days	11,204	11,282	10,789	-3.7%
ALOS	3.8	3.6	3.6	
Occupancy %	28.7%	28.9%	27.5%	
Average Daily Census	30.7	30.9	29.6	
Acute Psych				
Licensed Beds	21	21	21	
Discharges	325	406	335	3.1%
Patient Days	4,879	5,015	4,623	-5.2%
ALOS	15.0	12.4	13.8	
Occupancy %	63.7%	65.4%	60.1%	
Average Daily Census	13.4	13.7	12.7	
Total Hospital				
Licensed Beds	128	128	128	
Discharges	3,253	3,528	3,373	3.7%
Patient Days	16,083	16,297	15,412	-4.2%
ALOS	4.9	4.6	4.6	
Occupancy %	34.4%	34.9%	32.9%	
Average Daily Census	44.1	44.6	42.2	

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Source: OSHPD Annual Utilization Report of Hospitals

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

Operating Room and Emergency Room Selected Indicators
1998 - 2000

	1998	1999	2000	% Change '98-'00
Surgical Services				
Number of ORs	4	4	4	
Inpatient Surgeries	1,049	1,163	1,118	6.6%
Outpatient Surgeries	1,577	1,571	1,843	16.9%
Total Surgeries	2,626	2,734	2,961	12.8%
O/P as a % of Total	60.1%	57.5%	62.2%	
Surgeries/OR	657	684	740	
Inpatient Minutes	74,262	77,770	74,185	
Minutes/Surgery	71	67	66	
Outpatient Minutes	110,566	103,078	110,343	
Minutes/Surgery	70	66	60	
Emergency Department				
Stations	7	7	7	
Visits	6,279	7,459	8,334	32.7%
Visits/Station/Year	897	1,066	1,191	
Resulting in Admission	999	1,297	1,256	
% Resulting in Admission	15.9%	17.4%	15.1%	
% of Total HEV Admissions	30.7%	36.8%	37.2%	

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Source: OSHPD Annual Utilization Report of Hospitals

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

MEDICAL STAFF

Currently there are 257 physicians on staff at HEVH. A count of physicians by specialty is provided below.

Huntington East Valley Hospital
Medical Staff by Specialty
As of January, 2001

Specialty	Number of Physicians	Specialty	Number of Physicians
Allergy & Immunology	2	Neurology	3
Anesthesiology	3	Neurosurgery	1
Cardiology	17	Obstetrics/Gynecology	17
Clinical Pathology	4	Ophthalmology	5
Dentistry	1	Orthopedic Surgery	9
Dermatology	2	Otolaryngology	5
Diagnostic Radiology	14	Pediatric Cardiology	5
Emergency Medicine	7	Pediatrics	14
Endocrinology	2	Plastic Surgery	2
Family Practice	8	Podiatry	6
Gastroenterology	11	Psychiatry	9
General Practice	17	Psychology	5
General Surgery	18	Pulmonary Disease	7
Gynecology	4	Radiation Oncology	2
Hematology/Oncology	13	Rheumatology	1
Infectious Disease	5	Thoracic Surgery	1
Internal Medicine	17	Urology	4
Neonatology	3	Vascular Surgery	4
Nephrology	9		
		Total	257

Source: HEVH

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IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HEVH is highly reliant on a small base of physicians. The top 10 physicians account for 65 percent of total Hospital admissions. The top 20 physicians account for 84 percent of total Hospital admissions. The table below provides the top 20 admitting physicians and their corresponding inpatient admissions for 2000.

Huntington East Valley Hospital
Top 20 Admitting Physicians
CY 2000

Physician	Specialty	Admissions [1] Admits	% of Total	Cum. %
1 Patel, Prakash	Cardiology	563	17.2%	17.2%
2 Nashed, Adel	Ob/Gyn	319	9.7%	26.9%
3 Choi, David	Ob/Gyn	239	7.3%	34.2%
4 Lee, Jeffrey	Ob/Gyn	202	6.2%	40.3%
5 Patel, Dilip	Pulmonology	168	5.1%	45.5%
6 Soria, Felimon	General Practice	166	5.1%	50.5%
7 Domaguing, Marc	Family Practice	144	4.4%	54.9%
8 Eldridge, Kenneth	Internal Medicine	115	3.5%	58.4%
9 Koh, Joshua	Psychiatry	111	3.4%	61.8%
10 Gillespie, William	Psychiatry	110	3.4%	65.2%
11 Patel, Vijay	Internal Medicine	88	2.7%	67.9%
12 Jacob, Said	Psychiatry	84	2.6%	70.4%
13 Umali, Filemon	Ob/Gyn	76	2.3%	72.7%
14 Gupta, Narendra	Ob/Gyn	70	2.1%	74.9%
15 Hamad, Ruth	Internal Medicine	64	2.0%	76.8%
16 Betts, Randolph	General Practice	60	1.8%	78.7%
17 Shah, Hiren	Nephrology/IM	55	1.7%	80.3%
18 Atil, Plaridel	General/Thoracic Surgery	52	1.6%	81.9%
19 Cabebe, Franklin	Nephrology/IM	44	1.3%	83.3%
20 Latif, Alaa	Hematology/Oncology	35	1.1%	84.3%
Subtotal		2,765	84.3%	
All Other Physicians		514	15.7%	100.0%
Total Hospital		3,279	100.0%	

Source: HEVH

[1] Excludes normal newborns. Note: Dr. Gualber Dinglasan had 844 normal newborn admits.

\\CAMDEN_CORP\SYS\EXCEL97\HUNTINGTON EAST VALLEY\[Top 20 Drs.xls]Sheet1

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

The following community benefit programs have been offered by the Hospital over the last two years:

- ❑ Senior outreach programs
- ❑ Use of HEVH's facility for health education and community events
- ❑ Babies Are Special Program (Comprehensive Perinatal Services Program)
- ❑ Community outreach and education
- ❑ Cash and in-kind donations to schools and to community organizations/agencies
- ❑ Health fairs
- ❑ Medi-Cal Resource Center
- ❑ AT&T Language Line and the Health Access Line
- ❑ Volunteer department
- ❑ Hospital Chaplain

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

HEVH CHARITY CARE POLICIES

HEVH has a written policy for inpatient and outpatient charity care services. The charity care policy for HEVH is as follows:

> "Charity patients are identified as those whose assets or income exceed Medi-Cal eligibility levels but whose income is less than twice the poverty guidelines."

This policy establishes guidelines for identifying and processing charity/uncompensated accounts. HEVH attempts to collect or arrange payment in all instances. However, if the patient qualifies for charity care, services are rendered and the necessary forms are filled out for uncompensated care.

HEVH's charity care expenditures (i.e., charges) are illustrated below:

Calendar Year	Operating Revenue	Charity Care	
		Annual Expenditures	Percent Change from Previous Year
1997	$20,944,255	$2,101,709	N/A
1998	$24,429,867	$2,369,597	+12.7%
1999	$21,472,000	$1,918,695	-19.0%
2000	$20,615,000	$1,367,004*	-28.8%

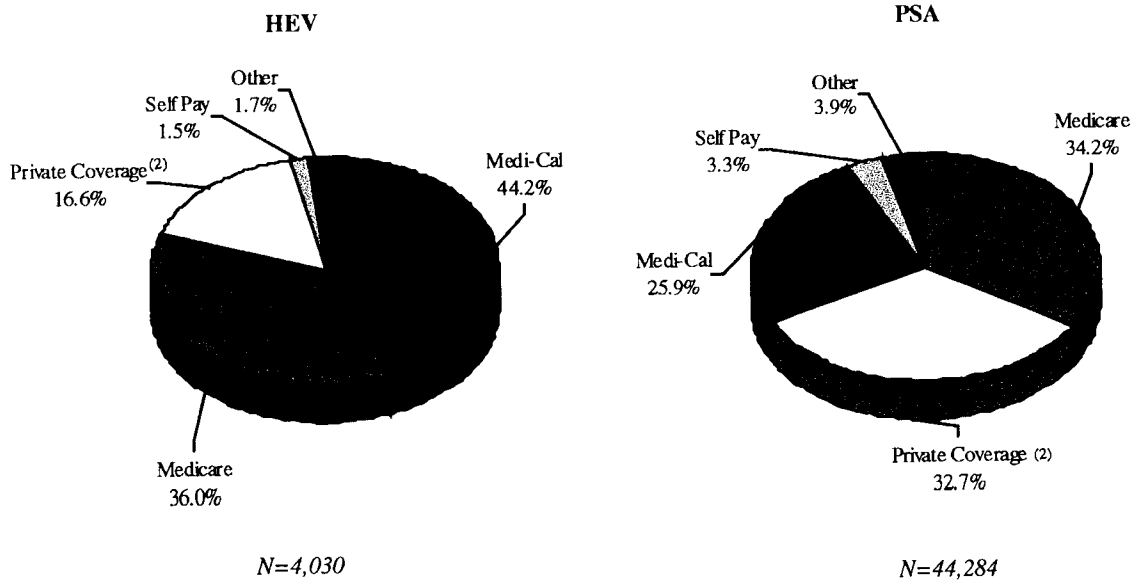
* Charity Care calculation for 2000 may change due to reclassification. Figure is accurate as of March 9, 2001.

IV. PROFILE OF HUNTINGTON EAST VALLEY HOSPITAL

PAYER MIX

Provided below is the 1999 inpatient payer mix for both HEVH and the service area. Overall, HEVH has a higher Medicare and Medi-Cal patient base than the service area. Conversely, HEVH has a significantly lower percentage of Private Coverage (HMO, PPO, and Indemnity) patients than the area overall. All other payers are approximately the same for both HEVH and the service area.

Discharge Payer Mix
CY 1999(1)



Source: OSHPD
(1) Six Months Annualized
(2) Includes HMO, PPO and Blue Cross/Blue Shield
Note: Excludes Normal Newborns

PP97/Huntington East/Discharge Payer Mix.ppt

V. OVERVIEW OF PANPACIFIC HEALTH ENTERPRISES, INC. AND THE MARDEL GROUP

V. OVERVIEW OF PANPACIFIC HEALTH ENTERPRISES, INC. AND THE MARDEL GROUP

PANPACIFIC HEALTH ENTERPRISES, INC., ("PHE")

PHE is a for-profit corporation of approximately seven investors. PHE was organized to acquire HEVH and operate the Hospital as an owned facility, rather than as an agent manager. PHE plans to subcontract the management and operations of the Hospital to The Mardel Group, a hospital management company. Because PHE is a new entity, it does not have a historical track record as an organization.

PHE's overall goal is to continue operating the Hospital as a stand-alone entity. PHE's specific long-term goals and plans for HEVH include the following:

- ❑ Expand health care services.
- ❑ Invest in seismic improvements.
- ❑ Provide competitive salaries for employees.
- ❑ Recruit and retain physicians in the area.

THE MARDEL GROUP

The Mardel Group is a hospital management company located in Riverside, California which has been in existence for approximately 10 years. The organization has managed Parkview Community Hospital Medical Center in Riverside for the past six years, and will manage Chino Valley Medical Center upon transfer to the new owner. Members of the organization have been involved in managing other acute care hospitals over the past 15 years.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

The Camden Group conducted interviews with 38 individuals regarding the proposed transaction and related potential health impact issues. The individuals interviewed included staff physicians, hospital management, HEVH board members, community residents and county and other government representatives.

GENERAL FINDINGS/OBSERVATIONS

- ❑ Overall, there were few stated concerns regarding the potential conversion of HEVH from non-profit to for-profit status. The Hospital was a for-profit entity for more than 30 years prior to joining SCHS.
  - ◆ Virtually all interviewees feel that keeping the facility open as a for-profit entity is unquestionably preferable to closure.
- ❑ Some individuals interviewed believe that HEVH is an important component of the community and supports the health care needs of the population. However, some individuals indicated that HEVH could close and that there would probably be minimal, if any, adverse impact to the availability and accessibility of health care services in the community.
- ❑ While supportive, some community representatives interviewed are concerned about the intentions of PHE and the capabilities of the new owner to make the improvements necessary to operate the Hospital successfully. Community members want services to be maintained or expanded, and facilities to be upgraded. Community members are also concerned that quality employees be retained by paying fair market wages.
- ❑ Some individuals interviewed thought that the transaction would be very positive due to the potential of adding new services that were previously moved to other SCHS hospitals, such as pathology and angiography.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

- Some community representatives expressed concerns that the following core services be maintained:
  - Emergency room
  - Intensive care
  - Obstetrics
  - Geropsychiatric services
  - Community benefit programs (health fairs, screenings)

- Most community and Board members interviewed believe that if a new owner invested properly in the Hospital, services could be expanded and new services could be added in response to community needs.

  - Community leaders are looking for PHE to demonstrate community involvement and a commitment to local concerns.

- Some individuals are concerned that if PHE is not successful in purchasing HEVH, services may be curtailed or the Hospital may be shut down.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

KEY POINTS RAISED BY PHYSICIANS

- ❑ Generally, the active medical staff is highly supportive of the proposed transaction based on the following:

  - Most of the active staff physicians have been at HEVH for 10 to 20 years with extensive experience operating with a for-profit owner.
  - Staff physicians want the facility to remain open.
  - Virtually all of the physicians interviewed feel that it would be very difficult for a new owner to eliminate key services (e.g., Emergency Department, obstetrics, psychiatry) and be able to operate the Hospital successfully.
  - Physicians are highly supportive of retaining the current senior management team, which PHE has agreed to do.
  - Most physician leaders feel that a new owner will have a better ability to focus exclusively on the Hospital, which SCHS did not do.
  - Feedback regarding The Mardel Group's role as the operator has been positive from several key physicians.

KEY POINTS RAISED BY COMMUNITY/BOARD MEMBERS

- ❑ Board members and community leaders interviewed generally support the transaction for the same reasons indicated by staff physicians.

- ❑ As previously indicated, some community leaders and Board members have questions regarding the financial viability and depth of resources of PHE to maintain the Hospital over an extended period of time.

- ❑ Numerous interviewees indicated that HEVH is an important health care provider for Medi-Cal enrollees and other low income families on other government programs.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

- Some interviewees feel that a potential closure of HEVH would not have a significant negative effect on the community.
  - There are numerous hospitals locally, including one less than a mile away.
  - There is a perception among some that HEVH does not offer any unique services.
- Representatives of Consumers Union were contacted to discuss the transaction but declined to participate.

KEY POINTS RAISED BY COMPETING FACILITIES

- There were virtually no stated concerns from representatives of competing hospitals (three interviewees) regarding the proposed sale of HEVH.
- General comments received were as follows:
  - HEVH is a small local hospital with relatively low volumes and market share.
  - Most other facilities' representatives have long term concerns about the general availability/supply of hospital beds in light of SB1953 and possible facility closures/downsizings. From this perspective, other hospitals would prefer to see HEVH stay open regardless of ownership.
  - If HEVH were to close, the general consensus is that volume could be absorbed by other area hospitals
  - There is little medical staff overlap between HEVH and other area hospitals in terms of active users. Hence, most active staff physicians at HEVH are loyal and dedicated (i.e., do most of their cases at the Hospital) to HEVH.

VI. SUMMARY OF KEY FINDINGS FROM INTERVIEWS

KEY POINTS RAISED BY PUBLIC OFFICIALS

- ❑ City leaders, including the Mayor of Glendora, verbally support the transaction if it will ensure that the facility stays open.

- ❑ Local leaders feel that the City of Glendora is "fortunate to have three hospitals immediately available to its citizens" [HEVH, Foothill Presbyterian Hospital and San Dimas Community Hospital].

- ❑ Key points from representatives of the LA County Department of Health Services were as follows:

  - The County would not want to see community benefit programs curtailed or eliminated.
  - The County does not have concerns regarding inpatient services at HEVH due to relatively low volumes and numerous area hospitals that have capacity.
  - In general, the County is looking to work closer with community hospitals regarding disease management, etc.

VII. KEY HEALTH IMPACT ISSUES

VII. KEY HEALTH IMPACT ISSUES

TRANSACTION RELATED ISSUES

The following matrix identifies key issues related to the proposed transaction, comments and conclusions relating to health impact.

Transaction Related Issues	Information/Comments	Conclusions
Purchase Price	• $6,500,000	• Represents the highest bid price; however, any conclusions regarding the valuation are outside the scope of the health impact analysis
Financial viability of prospective buyer	• No historical track record • Financial data not provided	• Financial ability to own and operate a hospital facility is unclear
Qualifications of management company	• The Mardel Group has demonstrated an ability to manage hospitals within the regional health care market	• The Mardel Group appears to be qualified to operate the facility
Charitable Trust Provisions	• No Conversion Foundation will be established	• No surplus funds are created from the sale
Governance	• According to findings from interviews, PHE plans to create a local Advisory Board with hospital, physician and community representatives. • Provides an opportunity for community input on planning and operational matters	• Minor safeguard to help protect the interests of the local community • The powers of the Advisory Board would be limited

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Emergency services guarantees	• PHE agrees to continue to operate emergency services • Guarantees continued local access to emergency medical services	• No time commitment is specified. • From a business standpoint, it would be difficult for PHE to compete successfully in the region without an Emergency Department (approximately 37 percent of admissions result from emergency room visits)
Other major service guarantees such as: ◆ Obstetrics ◆ ICU ◆ Geropsychiatric	• PHE has stated that it intends to continue to provide existing programs and services • PHE has not specifically guaranteed that particular services will be maintained • State regulations (Title XXII) stipulate that a general acute care hospital must have, at a minimum, a medical/surgical unit, nursing, surgery services (operating rooms), anesthesia, laboratory, radiology, pharmacy and dietary.	• In light of HEVH's service mix, it would be difficult to eliminate key services, such as obstetrics because they are vital to the facility's ability to remain financially viable.

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Charity and indigent care policies	• PHE agrees to retain the charity/indigent care policies of HEVH	• Ensures that charity and indigent care policies will continue
Provision of care to Medi-Cal and Medicare patients	• PHE agrees to continue providing services for Medi-Cal and Medicare patients • Medi-Cal and Medicare represent significant patient volume for the hospital which is essential for financial success • HEVH "shall accept Medicare, Medicaid, and Medi-Cal patients; accept all patients in an emergency condition in the emergency rooms of the facilities without regard to the ability of such emergency patients to pay"	• Ensures access for Medi-Cal and Medicare patients • As a disproportionate share provider for both Medi-Cal and Medicare, HEVH's financial future and survival is reliant on maintaining/increasing Medi-Cal and Medicare volume.
Capital commitments	• Indications are that HEVH facilities need to be upgraded • PHE would need to provide approximately $4.9 million in capital for all seismic improvements in order to comply with SB 1953	• PHE has stated verbally that it plans to comply with SB 1953 requirements. • As with many hospitals in California, the true ability to meet SB 1953 capital requirements will probably not be known for several years.

VII. KEY HEALTH IMPACT ISSUES

Transaction Related Issues	Information/Comments	Conclusions
Maintaining employees	• PHE agrees to keep "substantially all" employees of the Hospital including the management team. Employees will maintain the same wages and salaries and PHE will offer the same or better employee benefits plan • The Hospital is one of the major employers in the area	• Supports local economy both directly through employment and indirectly by increasing the area's attractiveness to other employers • Retaining the current management team will enhance continuity and maintain physician satisfaction.
Community benefits	• PHE agrees to "provide public benefit health programs with educational benefits to the community".	• Does not commit a specified dollar amount toward community benefit programs

VIII. CONCLUSIONS

VIII. CONCLUSIONS

In conclusion, it is anticipated that PHE's acquisition of HEVH will not have a significant negative effect on the availability or accessibility of health care services to the affected community. Major supporting points are as follows:

- ❑ PHE is the only interested buyer of HEVH. If SCHS cannot sell the facility, HEVH would most likely be closed. Hence, the transaction will ensure the short-term survival of the Hospital.

  - Although there are some concerns regarding the financial wherewithal and lack of hospital operating experience of PHE, the organization is the only prospective buyer. The contractual relationship with The Mardel Group to manage the hospital does offset some of the concerns.

- ❑ PHE plans to maintain HEVH's existing complement of programs and services.

- ❑ PHE will continue to provide charity care by retaining the Hospital's policies regarding charity/indigent care.

- ❑ Access to health care services are expected to be maintained and potentially enhanced through a more focused local ownership/management entity.

- ❑ It is anticipated that existing payer contracts will be maintained including, HMO/PPO, Medicare and Medi-Cal, which will provide continued access for consumers.

- ❑ It is anticipated that the number of physicians currently on the medical staff will remain stable or possibly increase. This will also enhance consumer access to health care services and the utilization of HEVH.

- ❑ The majority of HEVH's medical staff members, Board members, public officials and residents who were interviewed support PHE as the acquiring entity rather than closure. Further, there was no stated objection from representatives of other area hospitals.

Appendix A

INDIVIDUALS INTERVIEWED

Appendix A
INDIVIDUALS INTERVIEWED

Last Name	First Name	Title /Organization
Board Members		
Gordon	Robert	Board Chairman
Heinrich	Ed	Board Treasurer
Liegler	Rose	Community Leader
Fracasse	Ida	Community Leader
Flores	Sarah	Community Leader
Competing Hospitals		
Bowers	Dan	Chief Operating Officer, San Dimas Community Hospital
Fetters	Larry	Chief Executive Officer, Foothill Presbyterian Hospital
Foulk	Elvia	Interim Chief Executive Officer, Citrus Valley Medical Centers
Management		
Auth	Jeanette	Human Resources Director, HEVH
Carmack	Tim	Chief Financial Officer, Southern California Healthcare System
Caswell	Bill	Vice President , Southern California Healthcare System
Maki	Jim	President and CEO, HEVH
Trousdale	Cindy	Vice President, Finance, HEVH
Zimmerman	John	Vice President, Operations, HEVH

Appendix A
INDIVIDUALS INTERVIEWED

Last Name	First Name	Title /Organization
Public Officials/ Community Leaders		
Glenn	Larry	Mayor City of Glendora
Mouw	Marshall	Council Member Glendora
Smith, RN	Susan	Azusa Wellness Center
Meyers	Pat	Rep. Senator Mountjoy Office
Gallegos	Martin	Former Assembly Member
Freeland	Chris	Aide, Representative Dreier
White	Jan	Chairperson, Board Of Director Glendora Chamber
Holm	Tom	Pres. Rotary, Local Businessman, Glendora Resident
Watts	Cecil	Lion Club Rep., Past Glendora Chamber Board Member
Derby	Dan	Kiwanis Club Rep., Member Glendora Chamber
Calaycay	Corey	Rep. Assembly Margett
Starky	Jim	Rep. Assembly Margett
Curley	Darleen	Adm. Health Care Partners Clinic, Former Adm. Emmanuel Nursing Home - Glendora
Lamirault	Ingred	Director of the Office of Planning, LA County Department of Health

Appendix A
INDIVIDUALS INTERVIEWED

Last Name	First Name	Affiliation	Title /Organization
Physicians			
Atil, M.D.	P. Cerna	Medical Executive Committee	HEVH
Cabebe, M.D.	Franklin	Medical Executive Committee	HEVH
Domaguing, M.D.	Marc	Medical Staff Member	HEVH, Chief of Medical Staff and Board Member
Kumar, M.D.	Manmohan	Medical Executive Committee	HEVH
Patel, M.D.	Prakash	Medical Staff Member	HEVH, Medical Executive Committee
Sahhar, M.D.	Fred	Medical Staff Member	HEVH, Medical Executive Committee and Board Member

6

Huntington

East Valley Hospital

An affiliate of Southern California Healthcare Systems

Community Needs Assessment, 1998
Community Benefits Plan, 1999-2001

Submitted by
Sylvia Garcia-Novakoff
Director of Marketing and Community Outreach

150 West Alosta Avenue • Glendora, CA 91740 • (626) 335-0231

"To promote health, the whole community must be involved and efforts have to be concentrated on the early years of life. The locus of services must be the neighborhood and family. . . . As we begin to envision health, we will uncover yet higher and higher dimensions of being. Health is a progressive redefinition of human possibilities."

Leland Kaiser
Designer Health Care for a Designer Nation: A New Paradigm

Huntington East Valley Hospital
Leadership Team

Board of Directors

Robert A. Gordon, Sr., Chairman
Peter R. Miller, Vice Chairman
Fred H. Sahhar, M.D., Secretary
Edwin C. Heinrich, Treasurer
Eugene D. Bishop, Director
Rose Liegler, R.N., Ph.D., Director
Ida Fracasse, Director
Sarah Flores, Director
James W. Maki, President/ CEO
Stephen A. Ralph, Director
Sohan Bassi, M.D., Chief of Staff

Executive Team

James W. Maki, President/ CEO
Cindy Trousdale, Vice President/Finance
Kelly Linden, Vice President/Business Development
Andrea Ellis, Administrative Director/Professional Services
John Zimmerman, Administrative Director/Patient Care Services
Sylvia Garcia-Novakoff, Director/Marketing & Community Outreach
Jeanette Auth, Director/Human Resources
Lisa Nashua, Director/Fund Development

Medical Executive Committee

Sohan Bassi, M.D., Chief of Staff
Marc Domaguing, M.D., Chief of Staff Elect
Manmohan Kumar, M.D., Secretary/Treasurer
P. Cerna Atil, M.D., Chair Department of Surgery
Franklin Cabebe, M.D., Chair Critical Care Committee
Dilip S. Patel, M.D., Chair Department of Medicine
Fernando Rodas, M.D., Chair Department of OB/GYN & Pediatrics
Fred H. Sahhar, M.D., Chair Utilization Management/HIM Committee
Ruth A. Hamad, M.D., Chair Bioethics Committee
Jose C. Briones, Jr., M.D., Past Chief of Staff

Department Directors

Rosa Ayala, Admitting
Rick Rezkalla, Cardiorespiratory
Mona Stockdale, Clinical Laboratory
Dee Chambers, Diagnostic Imaging
Alicia Uncanin, Dietary Services
Andrea Ellis, R.N., Education & Performance Improvement
Cindie Fike, R.N., Emergency Services
Carol Schaaf, Geropsych Program Director
John Zimmerman, R.N., Geropsych Nursing Director
Donna Ashbaugh, Health Information Management Systems
Tamara Hayes, R.N., Infection Control/Employee Health
Jerry Hanson, Information Systems
Cindie Fike, R.N., Intensive Care Unit
Jim Yahn, Materials Management
Ruth Cline, Medical Staff Office
Tess Soria, R.N., Medical/Surgical Unit
John Zimmerman, R.N., Nursing Administration
Rick d'Assalenaux, Pharm.D., Pharmacy
Anita Roshan, Physical Therapy
Charles Bryant, Plant Operations
Michele Gerard, R.N., Surgical Services
Ruth Wenzek, R.N., Utilization Management
Michele Gerard, R.N., Women's Health

Table of Contents

INTRODUCTION

In September 1994, California SB 697 was passed into law and approved by Governor Pete Wilson. The "spirit of the legislation," according to the Office of Statewide Health Planning and Development's (OSHPD) Health Policy and Planning Division, is fourfold:

- Challenges hospitals to foster organizational commitment to the community-benefit process and in addressing targeted needs;
- Promotes collaboration, partnership and leadership in the community;
- Promotes creativity and innovation in addressing community needs; and
- Promotes efficient use of resources via collaborations and program evaluations.

In continuing efforts to create and document community needs and community benefits activities, Huntington East Valley Hospital:

- Conducted a community needs assessment in 1995, in partnership with Southern California Healthcare Systems affiliates Huntington Memorial Hospital in Pasadena, and Methodist Hospital of Southern California.
- Submitted a Huntington East Valley Hospital community needs assessment report and community benefits plan in 1996.
- Submitted a hospital community benefits plan update in 1998 for 1997.
- Sponsored a community needs assessment in partnership with the San Gabriel Valley Not-for-Profit Consortium conducted in the Fall of 1998 by the Center for Health Services Management Research at the University of La Verne in La Verne, California.
- Prepared and submitted this combined document that includes: update on 1997 initiatives, the results of the 1998 community needs assessment and the community benefit plan for 1999-2001.

I. Update on 1996 Community Benefits Plan Initiatives

Non-Emergency Medical Care

Objective: Create new low-cost, easily accessible non-emergency medical services through the hospital *and through area community agencies (modified from original initiative established in 1996).*

Results: More extensive outreach efforts were implemented in 1998 for FastTrack Service. Outreach outlets included local family resource centers, churches and networking in the communities we serve. New decision support software to be implemented in the year 2000 will capture data regarding type of service utilized. Total 1998 hospital Emergency Department visits averaged 450 visits per month.

Partners: Huntington East Valley Emergency Services Department personnel, feedback from area paramedics and EMT's, other physicians and the East Valley Emergency Medicine Group, the Azusa Family Resource Center, the Family Resource Center Collaborative and the Los Angeles County Department of Health Services.

Women's Health

Objective: To identify and prioritize healthcare issues of particular importance to women in our service area and to offer appropriate education, information and clinical support. [Through a committee of women from the community, including a psychologist, a school district nurse, a local businesswoman, a former school board member, a hospital administrator, a physician, a community leader and others, the following topics were identified and implemented for 1998]:

Results: **Women & Good Health Day**
This community education event was held on March 21, 1998, 8:30 a.m. to 1 p.m. Speakers on stress management/visualization, osteoporosis, and a special lighthearted, luncheon speaker were the agenda for this event. Attendance was 45 women.

Partners: Speakers -- Sheryl Wilson, Ph.D.; Robin K. Dore, M.D; Marlene Adler Marks. Door-prize donations: Femino's Trattoria, Eli Lilly & Co., 222 Expresso Bar, Barbie's Balloon Boutique, Ciao Bella Boutique, Glendora Jazzercise Studio Plus, Golden Spur Restaurant, The Hill Breast Center, Peaches & Cream Salon, The Secret Garden and Undercovers Intimate Apparel.

Heart Disease

Objective: Through community events and media relations, to educate, inform and screen community members to identify those at-risk of heart disease and to begin a thought process that will change health-threatening behaviors.

Activity: Provided leadership to the American Health Association through staff participation at the Board level. Huntington East Valley Hospital's CEO, Jim Maki, along with several other hospital staff members served on the Board of

Directors and committees to disseminate information and co-sponsor health education events such as Heart Score, Jump Rope for Heart and others.
Partners: Azusa-Glendora division of the American Heart Association, local cardiologists and physicians, Glendora and Charter Oak School Districts, Huntington East Valley Hospital staff, other healthcare organizations, local media outlets.

Activity: **American Red Cross/NBC4 Health Fair Expo**
For the seventh year in a row, Huntington East Valley Hospital was a site for this event, which reached approximately 400 people. Screenings and health-education efforts targeted to heart disease included: nutrition, exercise, blood pressure, heart disease, cholesterol, healthy lifestyles and others.
Partners: American Red Cross, NBC4, Sav-On Drugs, the American Heart Assn., and approximately 60 other health-education exhibitors and screeners.

Activity: **Reducing Cholesterol Workshop for Seniors**
On September 23, 1998, a workshop on how to reduce cholesterol levels was held at Huntington East Valley Hospital under the auspices of the 50+ Health Connection senior membership program. Seniors were given healthy food tips, exercise recommendations and other. That day, 40 area seniors were in attendance.
Partners: Senior health plans, Nutrifit, 50+ Health Connection senior membership program.

HIV/AIDS/Sexually Transmitted Disease

Objective: Reduce the number of reported cases of sexually transmitted disease in junior high and high school students within our service area.
Results: Tabled to 1999-2000.
1999 Plans: Creation of a Teen Health committee, including the school nurses of the Azusa and Glendora Unified School districts, teen volunteers.

Senior Mental Health & Welfare Issues

Objective: Reduce the number of senior citizens (age 60+) within the East San Gabriel Valley treated for depression and other senior-related health *and welfare* issues via the hospital's Senior Mental Health and Senior Care Network case management programs.
Results: Huntington East Valley Hospital attended several Senior Health Fairs, continued health education efforts through a senior membership program (for persons 50+), made weekly site visits to local board and care/skilled nursing facilities to educate them about the mental health services provided by the hospital. In 1998, 4,879 patients were admitted to the inpatient program, and 3,147 patients were admitted to the partial hospitalization program. Huntington East Valley Hospital continued

to fund an outstation office for one LCSW and one BSW from Senior Care Network, including office space, phone and fax.
Partners: Huntington East Valley Hospital Senior Mental Program, Huntington Memorial Hospital's Senior Care Network, area board and care facilities and skilled nursing facilities.

Cancer Education

Objective: To integrate educational and community outreach programs to educate and inform community members and to begin a thought process that will change health-threatening behaviors.

Results: Huntington East Valley Hospital donated countless hours of staff time to promote the American Cancer Society (ACS) and its outreach efforts in the east San Gabriel Valley. Venues included the Great Glendora Festival, Health Fair Expo '98, hosting ACS meetings and training sessions. For seniors, a workshop titled, "Cooking for Cancer Protection" was held on August 5, 1998, where close to 40 seniors received tips and a cooking demonstration on healthy foods.

Partners: American Cancer Society, Hill Medical Radiology Group, other SCHS entities, Cancer Center of Southern California.

II. SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

Mission Statement

Southern California Healthcare Systems is committed to serving the people of Southern California by being the preeminent health delivery corporation, which integrates all types of health care services, and which functions as a unified system, whose affiliates and subsidiaries collaborate on behalf of those communities seeking our services to improve their health status. As a nonprofit corporation, Southern California Healthcare Systems maintains its charitable purpose in its patient care, education and research programs.

Specifically, it pursues this mission by:

- Providing a network of high quality and efficient services for disease prevention, early diagnosis, acute and chronic treatment, rehabilitation, and palliative care; which enables medically–necessary care in the most appropriate setting.
- Establishing partnerships with physicians in ways which align physicians, hospitals and payors.
- Seeking long-term relationships with payors by demonstrating superior clinical outcomes and convenient, patient–friendly services at competitive prices.
- Participating in appropriate alliances with other integrated delivery systems.
- Developing and using its resources as effectively as possible, and, managing its business affairs responsibly in order to assure the financial base required to serve in the future while meeting current needs.

The SCHS Definition of Health

As quality-of-life initiatives at the federal, state and local level grow and evolve, the word "health" has come to be an amorphous term that encompasses a wide spectrum of ideas and realities.

To give the goal of "health" -- and programs and services geared toward that goal -- a framework in which to function, Southern California Healthcare Systems and its affiliated hospitals in 1996 crafted its own definition:

> *"[We] believe that health results from the proper care of the mind, body and spirit. We believe that through an integration of medical, social and community initiatives a healthier community can be achieved. As a leader in the delivery of health care, our role is to serve as a partner, advocate and facilitator of this process."*

Facts on Southern California Healthcare Systems

Southern California Healthcare Systems (SCHS) is a non-profit, integrated health care delivery system formed in 1992 to provide a comprehensive continuum of high quality, cost effective health care services to residents of the San Gabriel Valley, a large, 29-city area northeast of Los Angeles.

Headquartered in Pasadena, SCHS is composed of three non-profit, general acute hospitals with nearly 1,100 acute beds; two skilled nursing facilities with 131 beds; a medical foundation; physician practice and IPA management companies; and affiliated companies with laboratories, pharmacies, imaging centers and home care. SCHS hospitals have more than 1,500 physicians on staff and nearly 3,500 employees. Annual net operating revenues for SCHS total approximately $380 million. Because SCHS is non-profit, any surpluses are returned to the community in the form of replacement facilities, new patient programs, education and research.

SCHS hospital entities include:

- Huntington Memorial Hospital (HMH), Pasadena, a 103-year-old, 606-bed regionally oriented, full-service tertiary hospital;
- Methodist Hospital of Southern California, Arcadia, a 92-year-old, 347-bed general acute hospital;
- Huntington East Valley Hospital in Glendora, a 128-bed general acute hospital.

Because it is referred to as an *integrated health care delivery system*, SCHS is committed to integration of all types of health care services, facilitated through relationships among hospitals, physician groups and other health providers. Functioning as a unified system, SCHS affiliates and subsidiaries collaborate on behalf of San Gabriel Valley communities, allowing patients and physicians, employers and insurance companies a wide range of care options.

III. HUNTINGTON EAST VALLEY HOSPITAL

Hospital Leadership Revision, Reaffirmation of Mission Statement

January 1998.

Mission Statement

Huntington East Valley Hospital is dedicated to serving the people of the east San Gabriel Valley by providing high quality health care in a caring and compassionate environment. As a nonprofit subsidiary of Southern California Healthcare Systems, we are responsive to the health care and educational needs of our communities, while also offering access to a full range of health care services.

We pursue this mission by fostering these values:

- Convey honesty, integrity and respect in all of our actions.
- Learn what is most important to those we serve and actively seek to continuously improve our service.
- Accept personal responsibility to broaden individual knowledge and skills, enhancing our overall performance.
- Promote teamwork through group planning, cooperative problem-solving and effective communication.
- Recognize each other for exceptional service and celebrate successes.
- Build financial strength for the future to ensure our continued ability to serve the east San Gabriel Valley.
- Develop plans and actions that meet the changing needs of the health care environment.

Huntington East Valley Hospital

Vision Statement

Revised by the Huntington East Valley Hospital Board of Directors, 5/27/98.

Huntington East Valley Hospital, as a partner of Southern California Healthcare Systems, aspires to be the leading community health center in the east San Gabriel Valley by providing health care services, programs and resources to achieve and sustain healthy citizens and communities.

Huntington East Valley Hospital Facts

Year Established: 1958

Primary Service Area (Zip Codes): Glendora (91740, -41), Azusa (91702), La Verne (91750), San Dimas (91773), Covina (91722, -23, -24), West Covina (91790, -91)

Secondary Service Area: Baldwin Park (91706, 91797), Duarte (91010), Irwindale (91706)

Number of Beds: 128

Number of Employees: 350

Annual Payroll: $9,953,000

Total Operating Expenses: $24,336,000

Total Patient Revenue: $59,391,000

Medicare as Percentage of Total Care: 51.10%

SSI as Percentage of Medicare: 15.80%

Medicaid as Percentage of Total Care: 40.27%

Annual Medi-Cal Emergency Room Visits: 1,089

Annual Medi-Cal Acute Nursery Days: 1,777

Congressional District: David Dreier, R-28

State Senate District: Richard Mountjoy, R-29

State Assembly District: Bob Margett, D-59

Patient data derived from Huntington East Valley Hospital cost reports, OSHPD 1996 Financial Disclosure Data

Huntington East Valley Hospital

Historical Background

Huntington East Valley Hospital has provided quality health care services for more than 40 years to residents in Glendora and the East San Gabriel Valley. The hospital first opened its doors on May 22, 1958 as Glendora Community Hospital, the city's first hospital. It was then a 76-bed hospital.

Today, Huntington East Valley is a 128-bed acute-care hospital that is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO); the Emergency Department is certified by the American Heart Association and the laboratory is accredited by the College of American Pathologists.

As a nonprofit subsidiary of Southern California Healthcare Systems, the hospital's programs are responsive to the healthcare and educational needs of East San Gabriel Valley communities.

Healthcare services geared for under-served populations include the Los Angeles County Comprehensive Perinatal Education Program "Babies Are Special," combining prenatal care for mothers-to-be with education on topics such as breastfeeding, infant care and safety, and parenting. Outreach for this program includes teen mothers within area school districts and Medi-Cal patients from throughout a five-city area.

An annual site for the American Red Cross/KNBC4 Health Fair Expo, Huntington East Valley for seven years has coordinated this one-day event that offers screenings and health-education exhibits for approximately 500 people. Information, screenings and education on women's health issues are a recognized need for area residents, and the hospital responds through semi-annual "Women and Good Health" symposiums, focusing on topics such as breast health, osteoporosis, stress reduction and depression.

Each fall, along with our SCHS sister hospitals, Huntington East Valley offers free flu shots to more than 500 senior citizens annually. Community-health partnerships are a top priority, and other projects Huntington East Valley Hospital participates in include the Azusa Family Resource Center, Azusa Pacific University's Neighborhood Wellness Center, and the Azusa and Glendora Unified School Districts' kindergarten immunization programs.

Huntington East Valley Hospital Programs and Services

Full-service Hospital (Accredited, Joint Commission on the Accreditation of Health care Organizations)
24-Hour Emergency Services – Physician on Duty (American Heart Association approved)
"Babies Are Special" Comprehensive Perinatal Services Program
Cardio-Pulmonary Services – Inpatient and Outpatient
Clinical Laboratory – Inpatient and Outpatient (Accredited, College of American Pathologists)
Community Education
CT Scanner
Diagnostic & Therapeutic Services
Echocardiography
Family Centered Maternity Care
FastTrack Service (Non-emergency, after-hours care)
50+ Health Connection
The Hill Breast Center
The Huntington Imaging Center
Inpatient and Outpatient Services
Intensive Care/Critical Care Unit (Approved - American Heart Assn.)
Mammography
Nuclear Medicine
Nutritional Services
Open-air MRI
Physical Therapy
Physician Referral Service
Same-Day Surgery
Senior Mental Health Services – Inpatient, Outpatient & Partial Hospitalization
Social Services/Discharge Planning
Volunteer Services (Adults, college and high-school age)
Women's Health

Description of the Huntington East Valley Hospital Community

Five-city primary service area

Statistics from the County of Los Angeles for 1997 show the hospital's five-city primary service area (Glendora, San Dimas, Covina, La Verne and Azusa) with a population of approximately 216,000 (1997). (See Appendix A, map of SCHS hospitals' primary service areas and Appendix B, demographics of Huntington East Valley Hospital primary service area.)

Looking at *gender,* approximately 59 percent are female.

The *ethnic breakdown* is 53 percent White, 36 percent Hispanic 8 percent Asian, 3 percent Black, and less than 1 percent American Indian.

In *education,* the service area has 6 percent with some high-school education, 27 percent with a high-school diploma, 40 percent with some college, 16 percent with college degrees, 3 percent with some post-graduate studies, and 8 percent with graduate degrees.

In *household income,* Azusa residents average $21,180 per year, Glendora averages $23,051 per year, Covina residents average $29,944 per year, San Dimas residents average $39,560 per year, and La Verne residents average $40,530.

Social service recipients per city reveal the highest number in Azusa (7,733); followed by Covina (5,084), Glendora (2,943), San Dimas (1,919) and La Verne (1,602). Overall, approximately 9 percent of the total population are on some form of public assistance.

The above cited demographic statistics for the five-city area draw a picture of an affluent, well-educated population, but the numbers are heavily skewed by the inclusion of the 91741 zip code of Glendora, and the cities of San Dimas, Covina and La Verne.

Demographics for two specific areas within that five-city service area paint a much different picture: *Azusa (zip code 91702) and the southern Glendora (zip code 91740,* delineated from 91741 as the south side of Alosta Avenue, a major east-west thoroughfare. (See Appendix C, demographics of Azusa and 91740 zip code of Glendora).

These two areas are the focus of 1999-2001 community benefits services and programs.

Azusa

At a glance, some statistics stand out for Azusa:

- Approximately 22 percent of 1997 patients at Huntington East Valley Hospital are from Azusa.
- The largest number of households in the five-city area with income less than $10,00 annually.
- Labor force characteristics show 48 percent white collar, 37 blue collar, and 13 percent service occupations.
- Ranks highest in the area in public assistance (7,733 or 16 percent of the population).
- Has the largest percentage of Black, American Indian, Asian and Hispanic residents (35,037 or 74 percent).
- Has the highest utilization of the Huntington East Valley Hospital Emergency Department, with approximately 150 patients per month.
- Has 21 percent of the female population living in poverty, and 21 percent of the total population living in poverty (Los Angeles County Children's Planning Council statistics, 1997).
- The leading cause of death (94 deaths = 32 percent) in this community is heart disease, according to 1995 statistics from the County of Los Angeles. This number proportionately above the targeted 100 per 100,000 outlined by Healthy People 2000.

Glendora Zip Code 91740

- Approximately 8,200 households. Approximate 1997 population for this zip code was 25,984.
- Approximately 15 percent of all 1997 Huntington East Valley Hospital inpatients are from this zip code.
- The largest number of households with income less than $10,00 annually.
- Labor force characteristics: 63 percent white collar, 25 percent blue collar, and 11 percent service occupations (compared to zip code 91741: 70 percent white collar, 20 percent blue collar, and 10 percent service occupations).
- Has the largest percentage of Black, American Indian, Asian and Hispanic residents (35,037 or 74 percent)
- Huntington East Valley Hospital statistics for emergency room use by zip code show Glendora (91740) patients with the second highest utilization of the Emergency Department (approximately 90 patients per month).

IV. COMMUNITY NEEDS ASSESSMENT

Hospital commitment to SB697

Huntington East Valley Hospital's community outreach and community benefit program is under the purview of the Marketing & Community Outreach Department. Although ideally the two areas should be separated, budget and personnel constraints dictate the marriage of these two areas for the foreseeable future. The director of this department participates in Executive Team and department head meetings where community outreach is a regular agenda item.

Hospital leadership is focused on community. Executive Team members (the CEO, Vice President of Business Development, Vice President of Finance, Administrative Directors of Patient Care Services and Professional Services, and the directors of Human Resources, Marketing/Community Outreach and Fund Development), as well as department managers are encouraged to be involved in community outreach activities. In fact, the department manager performance evaluation was revised in 1997, including documentation for required community education efforts and community involvement. For employees, an objective cited in the hospital's 1998-99 Strategic Plan was to "Develop and Implement Employee Community Involvement/Participation Program."

The 1998-99 Huntington East Valley Hospital Strategic Plan also includes two objectives tied to the community benefit process:

- *Continually develop, coordinate community health partnerships to improve the health status of the communities we serve.*
- *Collaborate with Southern California Healthcare Systems entities to implement community outreach programs and increase utilization by under-served populations.*

Community Needs Assessment Methodology

Huntington East Valley's community needs assessment was implemented through a collaborative effort between two groups:

1) A ***task force of community outreach and education representatives*** from Huntington East Valley and our sister hospitals, Huntington Memorial Hospital in Pasadena and Methodist Hospital of Southern California in Arcadia. This group met on an as-needed basis to mentor, monitor and motivate each other

2) ***A joint team of the San Gabriel Valley Not-for-Profit Hospital Consortium (SGVNFPHC) and the Center for Health Services Management Research (CHSMR)*** at the University of La Verne in the nearby city of La Verne. The Consortium was made up of hospitals and health care providers, including:

Beverly Hospital

Citrus Valley Health Partners:

Citrus Valley Medical Center, Foothill Presbyterian Hospital

City of Hope National Medical Center

Kaiser Permanente - Baldwin Park

Pomona Valley Hospital Medical Center

Presbyterian Intercommunity Hospital

San Gabriel Valley Medical Center

Santa Teresita Hospital

Southern California Healthcare Systems:

Huntington East Valley Hospital, Huntington Memorial Hospital,

Methodist Hospital of Southern California

Numerous meetings during 1998, between hospital representatives and CHSMR, resulted in a common survey instrument and common parameters for the gathering and analysis of primary and secondary data for the San Gabriel Valley. Additional information was gleaned by Huntington East Valley Hospital from sources including the internet, the California Department of Health Services, the Children's Health Planning Council, Inforum, and others (see references for complete listing).

The Survey Instrument

A mail survey was created by CHSMR, based upon research conducted by various member hospitals in the form of phone surveys, written questionnaires and focus groups. An open-ended survey was created (see Appendix E) to assess perceived needs, barriers and resources for improving the health/quality-of-life in the areas served by each hospital.

The Research Questions

As outlined by CHSMR, the research questions were:

1. What are the unmet health/quality-of-life needs facing the population of responding organizations?

2. What are the major barriers to improving the health/quality-of-life of the population of responding organizations?

3. What improvements would enhance the health/quality-of-life of the population of responding organizations?

4. Who in the community has the greatest positive impact on the health/quality-of-life of the population of responding organizations?

5. What actions can hospitals take to improve the health/quality-of-life of the population of responding organizations in the hospital's service area?

6. What important issues should the hospital be made aware of relative to its service area?

7. Is there a willingness of respondents to participate in activities to discuss issues raised in this survey?

8. What additional community service and information sources would be of value to hospitals in this project?

The Sample

The survey mailing list was 1,640 individuals, organizations and companies as identified by the member hospitals. The respondents were classified by type using terms such as public safety/criminal justice, business and media/chambers of commerce, education, health care, social services/advocacy, seniors, youth, ethnic group, and community/civic leaders

After mailing a first and second wave of surveys under the signature of the CHSMR, the return was very low. To boost returns, each member hospital sent personalized letters and duplicate surveys to those individuals and/or groups within their service areas, encouraging a response. Final survey returns were 239 or 15 percent of the total. Some completed surveys were shared by various hospitals due to the large geographical area covered by agencies and/or organizations along the San Gabriel Valley corridor. Of the 313 stakeholders to whom surveys were initially mailed for Huntington East Valley's three-city service area, 61 responded, for a 20 percent response rate.

It's important to note that the primary data collected through CHSMR was from a wide-ranging geographical area, including primary and secondary service-area cities of Huntington East Valley. The reader of this report needs to take that into account when studying the "snapshot" that the primary data draws for Huntington East Valley.

Data Analysis

Data analysis for the written survey was conducted by the CHSMR at the University of La Verne, using a specially designed FileMaker Pro database as well as SAS statistical package. All data were analyzed for content and coded to allow for a variety of descriptive analytical techniques.

Preliminary Survey Findings

The preliminary findings of the community needs assessment survey will be presented as a summary of results. The total number of returned questionnaires for Huntington East Valley was 61.

Description of responding agencies/organizations.

Regarding categories that best describe the agency/organization, 28 percent (17) of the Huntington East Valley respondents described themselves as education-related. The second highest category represented was social services/advocacy (10), and the third highest was health care (9).

Unmet health/quality-of-life needs

Survey respondents identified 48 "Needs" in priority ranking of 1 to 3. The "Needs" were then grouped into six "General Areas." Under two of these "General Areas" -- Social Services and Health Services -- subsets were created for similar or related services. What floated to the top of the "Needs" list of priorities, as noted by Huntington East Valley Hospital respondents:

Child and Teen Care

Child Care
Youth Programs
School Care

General Issues

Quality of life/nurture
Decision-making skills

Health Services

Affordable Health Insurance & Health Care
Better Health Education
Case Management
Insurance for Underinsured
Easy Access, Health Care
Dental & Vision Care

Mental Health

Affordable & Better Mental Health Care Coverage
Child Care

Services for the Elderly

Caregiver Services

Social Services

Shelter
Employment
Transportation

Barriers to health care service

Lack of funding for services
Transportation problems
Cultural/language problems
Lack of health care education
Available resources
Lack of funds
Ignorance of public health
Insurance limitations

Most Important Unmet Health and Quality-of-Life Needs

Affordable care
Education/health information
Lack of insurance
Case management

Improvements That Will Enhance Health and Quality-of-Life

Health Services

Affordable Care
Easy access
Access/ Affordable Insurance
Adequate Care
Case Managers

Services for the General Community

Available Jobs
Transportation

Social Services

Funding/Financial Aid
Family Involvement

The Goal of the Huntington East Valley Hospital Community Benefits Program

In cooperation with other health care partners, the goal of Huntington East Valley Hospital's community benefits program is to provide health education and information on topics of importance to our community, and to provide or facilitate the provision of accessible healthcare services to the under-served in our area.

IV. Development of Community Benefits Plan

Four years ago, in the creation of the 1995 community benefits plan, Huntington East Valley Hospital focused on three of its five primary service cities: Glendora, Azusa and San Dimas (the other two primary service area cities are Covina and La Verne). Secondary service cities are Duarte, Covina, West Covina and Baldwin Park. The identification of the service area was made through information on hospital discharges and other demographic data.

However, in 1999, after reviewing demographic data and having learned more about the community benefits process, it was decided by the hospital's Executive Team to focus community benefits plan activities in two geographical areas: the zip code 91740 of Glendora, and Azusa (zip code 91702). In the entire five-city service area, these two areas are the most vulnerable in terms of income, education and access to resources

Suggestions and recommendations in the development of a community benefits plan were solicited via one-to-one interviews with:

- The hospital Executive Team
- Hospital department managers and key employees
- One-to-one interviews with school nurses from the Glendora Unified School District and the Azusa Unified School District
- Feedback from the community needs respondents (see Appendix C, list of responding stakeholders)
- Discussions with representatives from the Azusa Family Resource Center and the Family Resource Center Collaborative and others.

Input on the plan was solicited from the hospital's Executive Team, department managers, employees, volunteers, SCHS hospital entities, and collaboration and discussion with other health care institutions in the East San Gabriel Valley.

Follow-up discussions will take place with relevant community partners to further refine and target projects and resources.

Prioritization of needs and rationale for selection

As the State of California and the numerous not-for-profit health care providers have found, the community needs/community benefits process is not an exact science. It's the *aggregation and interpretation* of the numerous data sources that provides a direction and a focus for the community needs assessment and community benefits plan process. Prioritizing and identifying which needs are targeted in a community benefits plan is a balancing act between desires and financial realities.

In reviewing the first round of community benefits plans, OSHPD noted: "In some cases, the hospital may not target the most 'pressing' need. This may reflect financial limitations of the hospital, the fact that others in the community are addressing the need, the practical limits of what is achievable within the community, or other equally legitimate reasons" (Memo from OSHPD, July 29, 1998).

Using the community needs assessment as a basis, and taking into consideration community input via the community needs assessment and personal contacts, and present hospital programs, services and resources, a community benefits plan was drafted for 1999-2001, led by the hospital's Executive Team. The following health-related concerns and areas were chosen:

1. *Affordable Health Insurance and Health Care*
2. *More and Better Health Education*
3. *Collaboration With Other Agencies*

V. The Community Benefits Plan, 1999-2001

Initiative #1

Affordable Health Insurance and Health Care

Goal: Increase awareness of low- or no-cost health services in the communities we serve, and facilitate access to state and county health insurance programs.

Measurable outcomes: Beginning in 1999, facilitate access to Healthy Families and Medi-Cal services, making contact with at least 500 uninsured or under-served families.

In 1998, Huntington East Valley Hospital began a partnership with Latino HealthCare Consultants, a community-based organization, to implement two initiatives:

- The establishment of a Medi-Cal Resource Center.
- Outreach to area school districts and physicians to facilitate access to health care education, programs, services and resources.

In meeting its goal of outreach to the uninsured and under-served, Huntington East Valley will:

1999 (Year 1)

- Increase the days and hours of operation of the Medi-Cal Resource Center in Glendora. Goals are to go from two days per week, to include after-work hours and possibly weekend hours, to be more easily accessible for those who work.
- Investigate collaborative partnerships with organizations such as Azusa Pacific University's Parish Nursing Program, the Azusa Family Resource Center and area school districts.

2000 (Year 2)

- Implement two collaborative programs and/or services to vulnerable populations through area schools and religious organizations.
- Educate Huntington East Valley Hospital physicians and their office staffs on topics such as cultural sensitivity and ways to help patients overcome barriers to health care services.

2001 (Year 3)

- Expand outreach through outstation sites in Azusa, Glendora, Baldwin Park and other communities as needed.

Partners: Latino HealthCare Consultants, Glendora Unified School District, Azusa Unified School District, Baldwin Park Unified School District, Azusa Pacific University, California Department of Public Social Services, and area religious organizations.

Initiative #2

More and Better Health Education

Goal: Beginning in 1999, Huntington East Valley Hospital will expand the number and quality of community health education programs based on community needs and interest. Topics identified by the needs assessment and other health agencies include: teen health issues, women's health, and

Measurable Outcomes: Numbers of first-time people who attend health education programs both at Huntington East Valley Hospital and in the community.

In meeting its goal of increased and improved health education activities, Huntington East Valley will:

1999 (Year 1)
- Develop a health care speakers' bureau and communicate its resources and availability to area civic and service organizations.
- Investigate partnerships with disease-specific advocacy/research/support groups.
- Certify at least one hospital RN in enrollment procedures for Healthy Families.

2000 (Year 2)
- Host one additional disease-specific support group.
- Begin health-screening activities through the Glendora Farmers' Market, in partnership with area health care providers, once per month.
- Partner with disease-specific advocacy and research organizations to facilitate linkage between those in need and area health care resources, support groups and services.

2001 (Year 3)
- Host an additional disease-specific support group.

Partners
Local and regional disease-specific advocacy and research organizations, the County of Los Angeles, hospital nursing and education staffs, hospital marketing/community outreach department.

Initiative #3

Linkage with Community Partners to Improve Health

Goal: Beginning in 1999, Huntington East Valley Hospital will increase the number of collaborative organizations it is involved with, averaging two new partnership activities per year.

Measurable Outcome: Huntington East Valley Hospital will partner with a minimum of two new community-based organizations, offering expertise, resources and skills as deemed necessary.

In meeting its goal of two new collaborative activities per year, Huntington East Valley Hospital will:

1999 (Year 1)
- Identify community health collaborative organizations at work in our communities.
- Assign Executive Team members and department managers to attend meetings, conferences and workshops as appropriate, to understand the goals and objectives of these organizations.
- Identify which organizations Huntington East Valley Hospital can reasonably expect to partner with, given existing and possible programs, services and resources. Special consideration will be given to programs that are school- or faith-community based.
- Identify two programs to focus hospital resources.

2000 (Year 2)
- Implement collaborative relationship with two above-identified programs.

2001 (Year 3)
- Implement two additional collaborative relationships.

Potential New Partners:
- Azusa Pacific University Parish Nursing Program
- Azusa Unified School District Healthy Start Program
- Community Campus Partnership for Health
- East San Gabriel Valley Health Cabinet
- East San Gabriel Valley Children's Coalition
- East San Gabriel Valley Coalition for the Homeless
- ECHO Program.
- Family Resource Center Collaborative
- Glendorans for a Drug Free Youth
- Huntington Memorial Hospital
- Methodist Hospital of Southern California
- San Gabriel Valley Not-for-Profit Hospitals Consortium

"The data generated by the community benefits inventory should not, however, be used in isolation to define the community benefit role of a health care organization. Numbers alone cannot convey the value of community services provided by CHA and VHA organizations. The most valuable programs are not necessarily the most costly. Impossible-to-measure efforts, such as the organization's role as facilitator, convener and leader, are inseparable from the community benefit picture. Even the most conscientious efforts to measure community benefits undercount or overlook important programs and services."

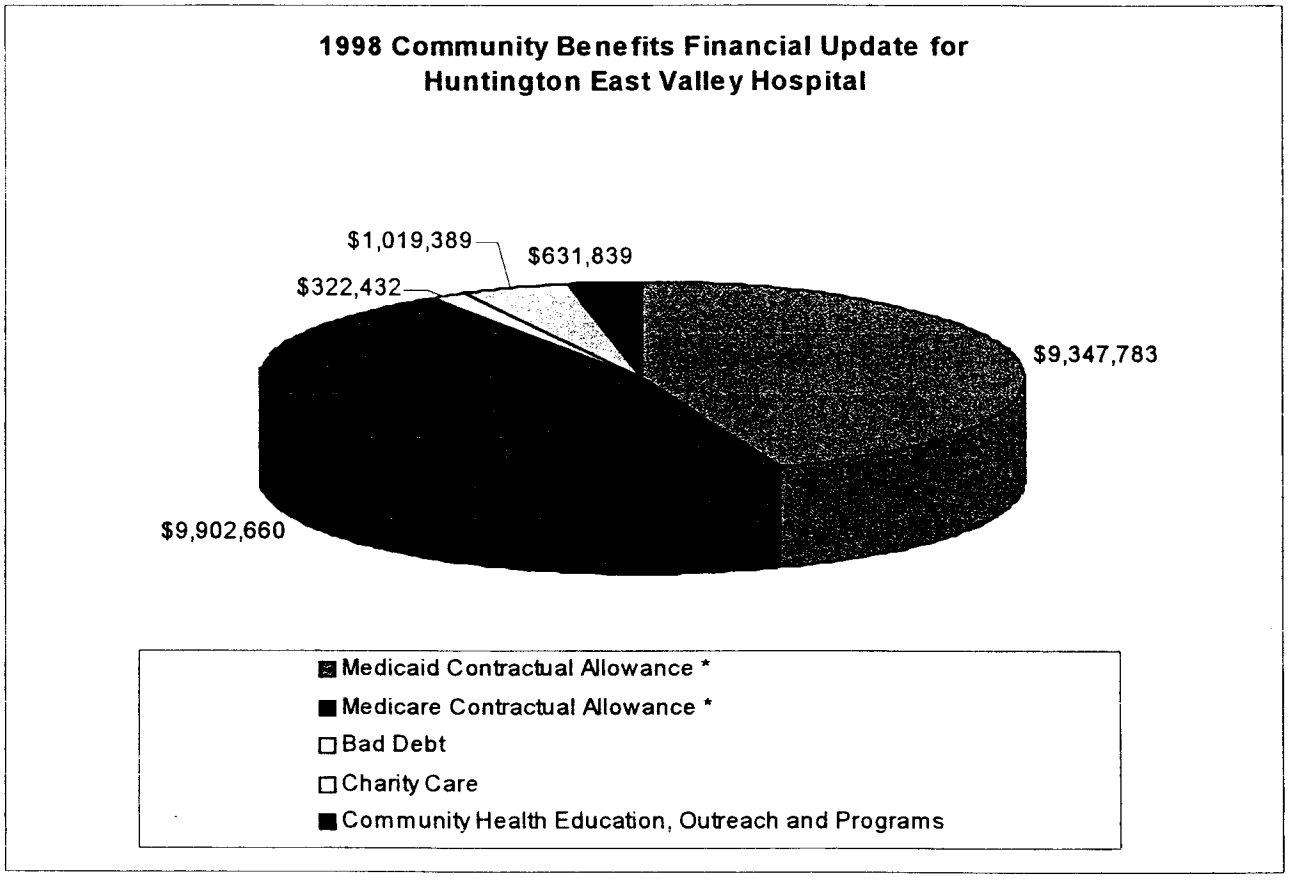
Manual, p. 2, Community Benefit Inventory
for Social Accountability Software

VI. Community Benefits Inventory

In 1998, Huntington East Valley purchased Community Benefit Inventory for Social Accountability software, by Lyons. It was used analyze and track community benefits activities. Highlighted are:

Medicaid Contractual Allowance *	$ 9,347,783
Medicare Contractual Allowance *	$ 9,902,660
Bad Debt	$ 322,432
Charity Care	$ 1,019,389
Community Health Education, Outreach and Programs	$ 631,839
TOTAL	**$21,224,103**

* Current system unable to calculate costs by payor.



A Closer Look at the Numbers

In 1998, Huntington East Valley Hospital purchased and utilized the "Community Benefit Inventory for Social Accountability" (CBISA) software program to track community benefit activities. This software was created by a collaboration of VHA, Inc. (Voluntary Hospitals of America) and CHA (The Catholic Health Association of the United States), in partnership with Lyon Software. As many other hospitals have found, even with forms to fill out, data to enter and tables to illustrate efforts, there is a lot of subjectivity and interpretation involved in using this software.

A number of paradoxes present themselves in the software. For instance, in trying to determine what is *quantifiable* versus *non-quantifiable*, it is unclear whether this *quantifiability* (for lack of a better term) applies to dollars or numbers of people served. In light of OSHPD guidelines, the manual for the CBISA software, and discussion with other hospitals, interpretation is in the mind of the beholder and varies from hospital to hospital.

One example of the paradox of guidelines is outlined below:

1. The CBISA manual (no date could be found in the binder), in its chapter titled "What Counts: Identifying True Community Benefits," offers two pages of examples of "Do Not Report," "Include in Narrative Report," and "Include in Community Benefit Inventory."
2. One example cited under "Include in Community Benefit Inventory" is "Staff using organizational funds or working hours to provide community service." One example is a nurse speaking to high-school students about drunk driving.
3. However, on page 4 of that manual, a quantified inventory should "best be quantified in terms of dollars spent, rather than hours spent or numbers of participants."
4. In using the CBISA software, the hospital is asked to include default parameters, including an average hourly rate of employees. For specific occurrences, the forms ask us to delineate between staff time and volunteer time. A dollar value is going to be assigned to staff time.
5. However, even if a staff member offers his or her expertise and personal time to another health-oriented or non-profit organization in the community, does not that time have a dollar value *to that organization?* The organization "benefits" from that time.

Another interesting paradox is that employee volunteer time to health-related organizations is considered non-quantifiable, but "office hours" time used for [general] community service is considered quantifiable for the community benefits inventory (CBISA Manual, p. 6.) Popular wisdom defines "health" to include socioeconomic, environmental and other conditions. So, why the delineation for non-health versus health-related organizations?

In good faith, Huntington East Valley Hospital gathered data on activities, hours spent, actual costs, persons served etc., and used the CBISA software to pull the community benefit inventory information together for this report.

What follows are highlights and, in some cases, explanatory narrative for dollars and benefits offered in this report:

Charity Care, Medi-Cal, Medi-Care and More

In the pie chart on page 28 at a glance, the reader can see the various categories of costs associated with community benefits. Because of a lack of cost-accounting systems, Huntington East Valley Hospital is only able to report Medi-Cal and Medi-*Care contractual allowances*, rather than "shortfalls." That is why the number is so large.

However, it must be noted that Huntington East Valley is a Disproportionate Share Hospital (DSH) and does serve as part of the "Safety Net" for the under-served. In fact, 91 percent of total patient care at Huntington East in 1998 was for Medi-Care and Medi-Cal patients (see hospital facts on page 10).

Some of the programs and services included in the pie chart as "Community Health Education, Outreach and Program" are:

General Community Support

As a member of our community, Huntington East Valley Hospital *supports employee and physician involvement in community activities.* This involvement included active planning and participation in community events like the Great Glendora Festival, assisting in preparedness for disasters through drills and education, and being members in civic/service organizations in the area.

Community board and committee membership activities take place both during office hours and volunteer time. Some of the organizations that benefited from the in-kind time and expertise of staff members, and some cash donations were:

- Baldwin Park "School to Career Program"
- Baldwin Park School District & Chamber of Commerce "Partners in Learning"
- City of Azusa
- Glendora Chamber of Commerce
- Glendora Community Coordinating Council
- Glendora Crime Stoppers
- Glendora Historical Society
- Glendora Holiday Basket Program
- Glendora Unified School District "Partners in Reading"
- Foothills Sunrise Rotary
- Glendora Library Literacy Program
- YWCA of San Gabriel Valley

Use of Hospital Facilities

Hospital facilities and dietary services are made available to community groups, health care professionals and non-profit organizations for meetings and seminars at no charge. Dietary services are often included.

Examples of these organizations include Alcoholics Anonymous; the Lupus Foundation of America Support Group; Eye-Das: The San Gabriel Valley Club for the Visually Impaired; the American Heart Association; the American Cancer Society and more. Estimates are that both the hospital auditorium and the Board Room are used 80 percent of the time for community-related

meetings and events. Costs involved include rent and maintenance, as these rooms are located in the medical office building adjacent to the hospital, which is not hospital-owned.

Health care programs and services geared to under-served populations include:

Babies Are Special (CPSP)

The *Los Angeles County Comprehensive Perinatal Program, called "Babies Are Special"* at Huntington East Valley Hospital. This fee-for-service program combines prenatal care for English- and Spanish-speaking mothers-to-be with assessment and education on topics such as breastfeeding, infant care, child safety and parenting. Outreach efforts for this program include teen mothers within area school districts and Medi-Cal and Medi-Cal eligible patients from throughout a five-city area.

Extra hospital monies are spent for this population to pay for car seats, strollers, taxi vouchers for those without any other means of transportation, gifts of baby clothes for mothers in need, gift baskets of non-commercial baby-care items and more. The nurse in charge of this program, plus the certified public health worker (CPHW), often go door-to-door in under-served neighborhoods to educate residents about the program. This program dovetails with the Healthy California 2000 objective of attaining a 90 percent level of pregnant women receiving prenatal care in their first trimester of pregnancy.

Beginning in 1998, hospital nurses began donating their time to crochet beautiful baby caps for newborns. These free baby gifts are made with yarn donated by hospital employees and community members. At present levels, it is estimated that 900 caps were donated in 1998.

Medi-Cal Resource Center

Opened in mid-1998, this center is a collaborative effort between Huntington East Valley Hospital, Latino HealthCare Consultants and the California Department of Public Social Services. Both in an office in an adjacent building, and in outreach to the schools and other organizations, efforts are geared to reach the uninsured and under-served of our communities. The desired outcome is to provide families and individuals help in maneuvering the new Medi-Cal Managed Care system, and to facilitate access to Medi-Cal and/or Healthy Families insurance. Costs include a Latino outreach consultant to staff the center and do outreach, office supplies, telephone costs and printing.

Community-Health Partnerships

Huntington East Valley Hospital offers the expertise and time (on and off the job) of department managers, the Executive Team and registered nurses. They participate in projects and programs such as the Great Glendora Festival Health Fair, the Azusa Golden Days Health Fair, Glendora Emergency Preparedness Fair, Rowland Electric Employee Health Fair and others. The Director of Marketing and Community Outreach serves as President of the Board of the Azusa Family Resource Center, a collaborative project that brings together health care organizations, schools, special-interest groups, businesses and residents together for health.

- American Cancer Society Relay for Life, Speakers' Bureau

- American Heart Association Heart Walk, Daffodil Days
- American Red Cross/NBC4 Health Fair Expo
- Azusa Family Resource Center, Board Membership
- Azusa Golden Days Health Fair
- East San Gabriel Valley Health Cabinet
- Family Resource Center Collaborative
- Susan G. Komen Foundation "Race for the Cure"
- San Gabriel Valley Not-for-Profit Hospital Consortium
- University of La Verne Center for Healthcare Services Management Research

AT & T Language Line and the Health Access Line

Language is a commonly reported barrier to health care service. To help bridge that gap, Huntington East Valley Hospital pays for two programs to better communication between physicians and hospital staff and patients. The AT&T Language line is available 24 hours a day and offers an extensive array of languages.

The Health Access Line, a joint effort of Southern California Healthcare Systems' hospitals also provides language support. Above and beyond the traditional physician referral program, the Health Access Line is multi-lingual, and available 7 days per week, 24 hours per day. In addition to physician referral, phone consultants offer additional information on programs and/or services from any of the SCHS hospitals, or callers are referred to the Social Services Department for further information. Physician information on the database includes health plans accepted and languages spoken by physicians and/or office staff to help make the referral more useful to the patient.

Other Educational Programs and Services

Ongoing education and training is available to physicians, their office staffs, hospital employees, LVN students, paramedics, EMT's and more. The hospital's community newsletter, a quarterly publication, has approximately 25 percent of its content dedicated to health awareness and education that reached 24,000 area residents in 1998. Senior Care Network, a multi-faceted program that reaches seniors, those with disabilities and other vulnerable populations, found a home at Huntington East Valley Hospital for four years. In-kind donations included office space, use of phone, fax and copier, which was used at no charge.

Other Programs and Services

Volunteer Department. The volunteer department continues to be instrumental in coordinating and motivating the community volunteers who help our patients and our community. Hospital volunteers logged more than 8,500 hours of service in 1998.

Hospital Chaplain. Beyond customary services to inpatients, the Huntington East Valley Hospital chaplain conducted two training sessions in 1998 for area clergy on body/spirit healing. Efforts also include recruiting "on call" clergy to meet the needs of patients of various denominations. The goal is to provide appropriate spiritual care by appropriate persons.

Huntington East Valley Hospital **9/14/99**
Summary of Quantifiable Benefits
For period from 01/01/98 through 12/31/98
Classified as to Poor and Broader Community

	Persons Served	Total Expense	Offsetting Revenue	Net Community Benefit	% of Hospital Expenses	% of Hospital Revenues
Benefits for the Poor						
Traditional Charity Care:	408	1,019,389	0	1,019,389	4.1	1.7
Unpaid Costs of Public Programs:						
Medicaid	1,158	9,347,783	0	9,347,783	38.4	15.7
Other Public Programs	0	0	0	0	.0	0.0
Community Services:						
Nonbilled Services	3,322	94,546	10,800	83,746	0.3	0.1
Medical Education	0	0	0	0	0.0	0.0
Subsidized Health Services	0	0	0	0	0.0	0.0
Research	0	0	0	0	0.0	0.0
Cash / Inkind Donations	20,134	30,591	0	30,591	0.1	0.0
Community Building	0	2,469	0	2,469	0.0	0.0
Totals for Poor	**25,022**	**10,494,778**	**10,800**	**10,483,978**	**43.0**	**17.6**
Benefits for Broader Community						
Unpaid costs of Medicare	1,078	9,902,660	0	9,902,660	40.6	16.6
Community Services:						
Nonbilled Services	40,427	351,103	1,000	350,103	1.4	0.5
Medical Education	491	25,558	0	25,558	0.1	0.0
Subsidized Health Services	1,545	8,483	0	8,483	0.0	0.0
Research	0	0	0	0	0.0	0.0
Cash / Inkind Donations	4,614	53,077	0	53,077	0.2	0.0
Community Building	550	53,683	2,808	50,875	0.2	0.0
Broader Community	**48,705**	**10,394,564**	**3,808**	**10,390,756**	**42.7**	**17.5**
Grand Totals:	**73,727**	**20,889,342**	**14,608**	**20,874,734**	**85.7**	**35.1**

Overview of Community Benefit Activities

USE OF FACILITY

Date	Description	Persons Served	Costs
1/1/98	Rotary		$35,253
1/1/98	Sana Care/IPA	104	$953
1/1/98	EYE-DAS	300	$778
1/1/98	AA Meetings	3120	$4,047
1/1/98	Lupus Group	250	$934
1/1/98	American Cancer Society Meetings & Training's		$4,783
2/17/98	Glendora Unified School District In-Service Training	22	$727
2/18/98	Glendora Police Department Citizens Academy Graduation	60	$652
6/25/98	American Cancer Society Board Retreat	20	$562
1/1/98	Rental Cost of Medical Office Building: Auditorium and Board Room		$3,100
	TOTAL USE OF FACILITY	**3772**	**$51,789**

SENIOR OUTREACH

Date	Description	Persons Served	Costs
1/1/98	Senior Mental Health Patients Transportation	2860	$132,502
1/1/98	50+ Health Connection - Education and Discounted Services	700	$8,400
1/16/98	50+ Senior Program: Answers about Long-Term Care	24	$626
1/16/98	50+ Senior Program: Some Like It Hot	24	$1,001
5/22/98	50+ Senior Program: Dealing with Arthritis	31	$639
6/16/98	50+ Senior Program: Fit for Adventure - Travel & Health	30	$718
6/16/98	50+ Senior Program: Credit Card and Check Fraud	30	$717
6/26/98	50+ Senior Program: Laughter Is Good Medicine	30	$295
7/8/98	50+ Senior Program: What Was Your Name?	37	$634
8/5/98	50+ Senior Program: Cooking for Cancer Protection	37	$965
8/18/98	50+ Senior Program: Vitamins and More	36	$802
9/23/98	50+ Senior Program: Reducing Cholesterol	39	$734
10/2/98	Senior Flu Clinic	338	$14,919
10/7/98	50+ Senior Program: Medication Management	10	$706
11/11/98	50+ Senior Program: Incredible Holiday Edibles	49	$984
12/11/98	50+ Senior Program: Success Over Stress	31	$702
	TOTAL SENIOR OUTREACH	**4306**	**$165,344**

MATERNAL/CHILD HEALTH

Date	Description	# Served	Costs
1/1/98	Adolescent Pregnancy Program	300	$3,352
1/1/98	Babies Are Special: car seats & strollers for new mothers	1200	$49,887
1/1/98	Babies Are Special: booklets for new mothers	1200	$10,743
1/1/98	Babies Are Special: Baby Care Basics Classes	180	$11,948
1/1/98	Babies Are Special: Childbirth Preparation Classes	180	$14,648
1/1/98	Babies Are Special: Infant/Child Safety CPR Classes	180	$11,948
1/1/98	Babies Are Special: Breastfeeding Classes	180	$11,948
	TOTAL MATERNAL/CHILD HEALTH	**3120**	**$111,122**

COMMUNITY OUTREACH

Date	Description	# Served	Costs
1/1/98	Senior Mental Health Outreach	345	$34,924
1/1/98	Volunteer Services To Project Sister		$4630
1/1/98	Medi-Cal Resource Center/Outreach		$28,725
1/1/98	Azusa Family Resource Center Board Membership		$1,769
1/1/98	Azusa Family Resource Center Collaborative		$2,469
1/1/98	Community Outreach Department		$53,061
1/1/98	Vials for Life		$2,000
1/1/98	Health Access Line	1080	$25,916
5/30/98	Azusa Centennial	6000	$1,218
7/11/98	Glendora Chamber of Commerce "Shop Glendora Week"		$1,214
10/10/98	Glendora Chamber "Great Glendora Festival" Health Fair		$4,236
6/62/98	American Cancer Society Daffodil Days		$3,050
	TOTAL COMMUNITY OUTREACH	**7425**	**$163,212**

CASH/IN-KIND DONATIONS TO SCHOOLS

Date	Description	# Served	Costs
1/1/98	Washington Elementary School Student Craft Fair		$25
1/1/98	Glendora Unified School District Reading to Students		$56
1/1/98	Baldwin Park "Partners in Learning"	40	$154
2/1/98	Azusa Pacific University Third Annual Soap Box Classic		$300
2/20/98	Azusa Pacific University Yearbook		$266
3/1/98	Bishop Amat High School		$145
4/30/98	Citrus College Latino Youth Conference		$125
5/9/98	La Verne Heights Elementary School		$85
5/15/98	Glendora High School Choral Boosters Club		$190
7/1/98	Charter Oak Football Boosters		$165
9/13/98	Citrus College Foundation "Taste of Autumn"		$500
10/1/98	Top Shelf Hockey		$250
10/5/98	Glendora High School - Music Camp Scholarship		$500
10/15/98	Glendora Unified School District		$40
10/19/98	Mini grants to school teachers		$300
	TOTAL CASH/IN-KIND DONATIONS TO SCHOOLS	**40**	**$3,101**

CASH/IN-KIND DONATIONS TO COMMUNITY

Date	Description	# Served	Costs
1/1/98	Glendora Crime Stoppers		$50
1/1/98	Methodist Hospital Golf Tournament		$3,056
1/1/98	YWCA of San Gabriel Valley		$150
1/1/98	Glendora Historical Society Booklets	1500	$500
1/1/98	Center for Health Services Management Research La Verne University		$5,000
2/17/98	Glendora Chamber of Commerce - Citizen of the Year Banquet		$1,100
3/1/98	Glendora Lions Club		$175
5/15/98	Nick Enriquez Benefit Golf Tournament	1	$250
5/18/98	Glendora Chamber of Commerce Golf Tournament		$1,406
6/7/98	Wellderness Telethon		$500
6/26/98	Azusa "Play for Kids" Golf Tournament		$128
7/23/98	Glendora Community Coordinating Council Campership Program	1	$68
7/27/98	Tracy Murray Basketball Camp	1	$90
9/15/98	Glendora Public Library: Great Trivia Challenge	75	$339
11/1/98	Glendora Lions Club: The Game of Glendora		$350
11/15/98	Race for the Cure		$239
12/1/98	Glendora Community Coordinating Council Holiday Baskets	130	$478
	TOTAL CASH/IN-KIND DONATIONS TO COMMUNITY	**1708**	**$13,879**

HEALTH FAIRS

Date	Description	Persons Served	Costs
1/1/98	C.O.P.D. and Pneumonia/Lung Screening Health Fair Expo	175	$161
3/16/98	Citrus College Foundation Health Fair	20000	$200
4/23/98	Health Fair Expo "Ask The Pharmacist"	400	$223
4/25/98	Health Fair Expo '98	400	$13,562
6/15/98	Emergency Preparedness Fair	200	$303
10/1/98	Azusa Golden Days - OB Outreach	1000	$134
10/22/98	Cal Poly Wellness Fair "It's All About You"	2000	$298
6/37/98	Rowland Electric Employee Picnic & Health Fair	300	$106
	TOTAL HEALTH FAIRS	**24475**	**$14,987**

OTHER

Date	Description	Persons Served	Costs
1/1/98	CME's 1998	200	$5,604
1/1/98	Physician Offices Clerical Staff Luncheon	20	$343
1/1/98	Glendora Coordinating Council Membership		$25
1/1/98	American Heart Association	1500	$5,939
1/1/98	Glendora Chamber of Commerce Membership		$6,794
1/1/98	Glendora Chamber of Commerce Health Information Flyer Inserts	550	$839
1/1/98	Transportation for OB, ER, and other patients	890	$6,232
1/1/98	Community Newsletter & 50+ Newsletter 25% of community newsletter	24000	$14,969
1/1/98	Clinical Experiences for CNA's, LVN's, Respiratory Therapists, Pharmacy	226	$14,171
1/1/98	Continuous Education for Nurses and Paramedics	45	$5,025
1/1/98	Follow-up for Discharged Patients	25	$2,007
1/1/98	Recruit and Train Community Clergy	30	$3,116
1/1/98	Senior Care Network	2	$6,543
1/1/98	Reddinet System		$4,644
1/3/98	CPR Recertification for the community and professionals	52	$3,436
3/21/98	Women and Good Health Education Lecture	45	$4,963
7/16/98	American Cancer Society/SGV Site Visit		$56
10/10/98	American Cancer Society - Maki Board of Directors Member		$19,260
10/24/98	Healthier Communities Best Practice Forum - Community Building		$2,186
11/14/98	New York Underground Breast Health Awareness Mailing	410	$2,253
	TOTAL OTHER	**27995**	**$108,405**
	GRAND TOTAL	**72841**	**$631,839**

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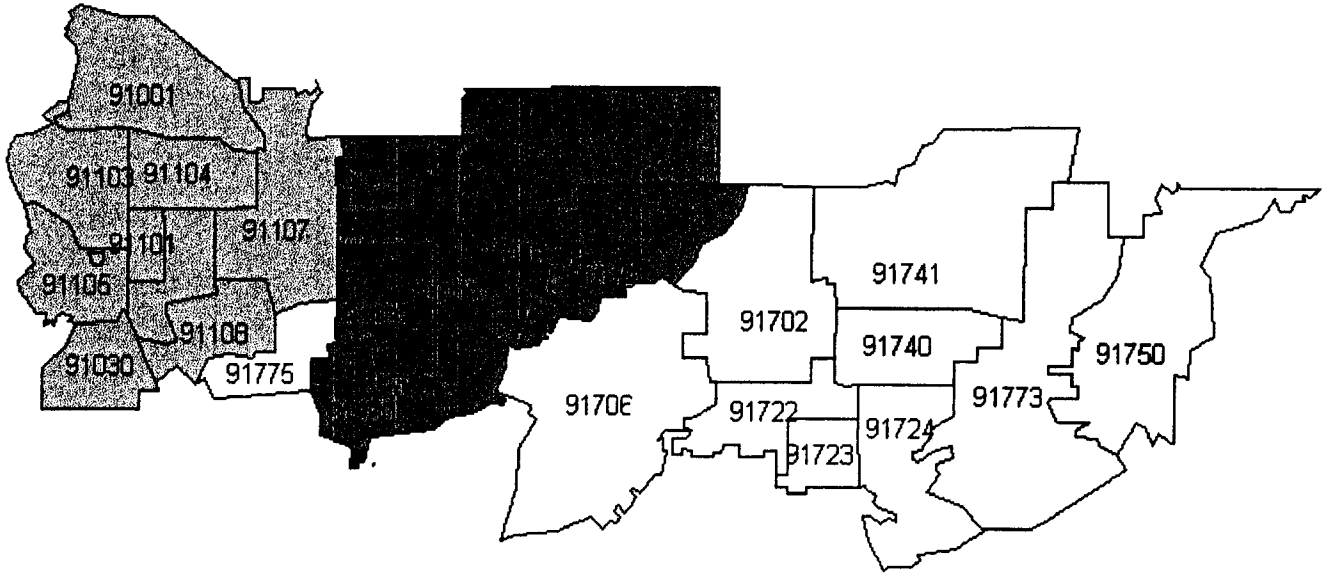
Appendix A
Huntington East Valley Hospital
Map of SCHS Hospitals' Primary Service Areas

Huntington East Valley Hospital
Map of SCHS Hospitals' Primary Service Areas



Light Grey/Yellow = Huntington East Valley Hospital
Primary Service Area

Appendix B
Huntington East Valley Hospital
Demographics: Primary & Secondary Service Areas

Huntington East Valley Hospital
Demographics, Primary & Secondary Service Areas

Population by Gender and Age
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

Age Group	Female Population	Male Population	Total Population
Under 6	20,581	21,260	41,841
6-13	26,033	27,333	53,366
14-17	12,037	12,813	24,850
18-24	19,867	21,246	41,113
25-34	30,858	33,374	64,232
35-44	34,013	33,981	67,994
45-54	26,438	25,473	51,911
55-64	17,272	15,813	33,085
65-74	14,396	11,392	25,788
75-84	8,972	5,415	14,387
85+	4,040	1,324	5,364
Total	214,507	209,424	423,931

Population by Gender by Zip Code
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

ZIP Code	City Name	Female Population	Male Population	Total Population
91706	Baldwin Park	38,052	38,863	76,915
91702	Azusa	27,848	28,381	56,229
91790	West Covina	21,257	20,543	41,800
91750	La Verne	17,962	16,861	34,823
91773	San Dimas	17,125	16,828	33,953
91722	Covina	16,216	15,679	31,895
91791	West Covina	14,809	14,259	29,068
91010	Duarte	14,033	13,244	27,277
91741	Glendora	13,035	12,483	25,518
91740	Glendora	12,851	12,227	25,078
91724	Covina	12,529	11,885	24,414
91723	Covina	8,790	8,171	16,961
Total		**214,507**	**209,424**	**423,931**

Projected 2003 Detailed Age/Gender Distribution by ZIP Code

1998 ZIP Report for HEV

Variable Name	Count	% Across
Projected Population	85,289	
Projected Population <65	77,088	90.4
Projected Male Pop <5	3,768	4.9
Projected Male Pop 5-9	3,678	4.8
Projected Male Pop 10-14	3,585	4.7
Projected Male Pop 15-17	1,964	2.5
Projected Male Pop 18-24	4,614	6
Projected Male Pop 25-34	6,354	8.2
Projected Male Pop 35-44	6,991	9.1
Projected Male Pop 45-54	5,310	6.9
Projected Male Pop 55-64	3,024	3.9
Projected Female Pop <5	3,724	4.8
Projected Female Pop 5-9	3,601	4.7
Projected Female Pop 10-14	3,466	4.5
Projected Female Pop 15-17	1,922	2.5
Projected Female Pop 18-24	4,533	5.9
Projected Female Pop 25-34	5,662	7.3
Projected Female Pop 35-44	6,462	8.4
Projected Female Pop 45-54	5,221	6.8
Projected Female Pop 55-64	3,209	4.2
Projected Population 65+	8,201	9.6
Projected Male Pop 65-74	1,961	23.9
Projected Male Pop 75-84	1,083	13.2
Projected Male Pop 85+	259	3.2
Projected Female Pop 65-74	2,455	29.9
Projected Female Pop 75-84	1,694	20.7
Projected Female Pop 85+	749	9.1

Population Growth by Age Group
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

Age Group	1998 Population	Estimated 2003 Population	% Increase
Under 18	120,057	123,384	2.8%
18-24	41,113	44,146	7.4%
25-44	132,226	126,757	-4.1%
45-64	84,996	99,954	17.6%
65-74	25,788	26,495	2.7%
75+	19,751	23,434	18.6%
Total	**423,931**	**444,170**	**4.8%**

Population Growth by Zip Code
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

Zip Code	City Name	1998 Population	Estimated 2003 Population	% Increase
91706	Baldwin Park	76,915	80,331	4.4%
91702	Azusa	56,229	58,728	4.4%
91010	Duarte	27,277	28,469	4.4%
91722	Covina	31,895	33,365	4.6%
91790	West Covina	41,800	44,188	5.7%
91723	Covina	16,961	17,566	3.6%
91740	Glendora	25,078	26,561	5.9%
91791	West Covina	29,068	30,534	5.0%
91724	Covina	24,414	25,029	2.5%
91750	La Verne	34,823	36,377	4.5%
91773	San Dimas	33,953	35,593	4.8%
91741	Glendora	25,518	27,429	7.5%
Total		**423,931**	**444,170**	**4.8%**

Labor Force Characteristics
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

	Females in Labor Force		No Workers in Family		White Collar Occupations		All Service Occupations		Blue Collar Occupations	
Zip Code	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total	Count	% of Total
91722	7,740	62.90	612	8.00	9,393	57.80	1,808	11.10	4,908	30.20
91773	8,583	62.70	545	6.40	13,336	71.50	1,638	8.80	3,499	18.80
91724	6,225	61.70	538	8.50	8,699	66.90	1,199	9.20	3,038	23.40
91741	6,403	60.10	574	8.50	9,595	69.30	1,334	9.60	2,768	20.00
91750	8,548	59.60	850	9.60	12,592	70.00	1,827	10.10	3,445	19.10
91723	4,022	58.90	411	10.00	5,444	64.50	951	11.30	1,963	23.20
91702	11,600	58.70	832	7.00	12,288	47.80	3,290	12.80	9,425	36.70
91740	5,818	58.60	454	7.30	7,960	63.20	1,346	10.70	3,163	25.10
91791	6,602	57.20	678	9.40	9,561	66.50	1,376	9.60	3,327	23.20
91790	9,214	57.20	907	9.00	12,053	60.70	1,989	10.00	5,637	28.40
91010	5,689	54.20	498	8.40	6,967	58.30	1,340	11.20	3,379	28.30
91706	13,815	53.00	1,420	9.20	13,438	42.60	3,775	12.00	13,543	43.00
Total	**94,259**	**58.30**	**8,319**	**8.40**	**121,326**	**59.40**	**21,873**	**10.70**	**58,095**	**28.50**

Huntington East Valley
Socioeconomic Indicators
HEV Primary and Secondary Service Area
Inforum 1998 Demographic Data

Zip Code	City	1988 Households	1998 Median Household Income	Median Age of Total Population	Median Years of School Completed	Median Home Value	Renter Occupied Households	% of Total Households	Geounit Quality Score	Population Density Centile
91706	Baldwin Park	18,675	38,010	26.90	12.10	153,831	7,487	40.10	49	89
91702	Azusa	16,084	39,539	28.60	12.50	151,266	7,211	44.80	52	81
91790	West Covina	12,582	46,593	33.30	12.90	190,392	3,663	29.10	60	89
91750	La Verne	11,879	57,028	38.10	14.00	255,223	2,891	24.30	69	73
91773	San Dimas	11,256	62,944	37.90	14.10	255,536	2,566	22.80	74	77
91722	Covina	10,357	44,717	33.20	12.90	172,590	3,261	31.50	58	86
91791	West Covina	9,347	52,102	34.90	13.60	228,201	2,871	30.70	71	86
91741	Glendora	8,928	58,593	40.70	14.20	283,220	2,309	25.90	75	74
91724	Covina	8,361	55,165	37.20	13.60	222,706	2,072	24.80	69	82
91740	Glendora	8,193	52,357	36.50	13.20	198,475	2,276	27.80	63	82
91010	Duarte	8,116	44,491	33.40	13.00	168,966	2,547	31.40	60	74
91723	Covina	6,328	39,292	34.70	13.10	198,960	3,724	58.80	55	86
	Total	**130,106**	**48,354**	**33.30**	**13.10**	**204,506**	**42,878**	**33.00**	**62**	**82**

Households by Income
HEV Primary & Secondary Service Area
Inforum 1998 Demographic Data

Income Bracket	Number of Households	% of Total
Under $25,000	30,509	23.4%
$25,000-49,999	38,157	29.3%
$50,000-74,999	30,441	23.4%
$75,000-99,999	15,354	11.8%
$100,000+	15,645	12.0%
	130,106	100.0%

Appendix C
Huntington East Valley Hospital
Demographics: Azusa & Glendora 91740

Huntington East Valley Hospital Demographics: Azusa & Glendora 91740

Population Growth by Age and Sex
1998 ZIP Report for HEV

Male Population Age 65+

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91740	611	855	39.9	1,301	52.2	1,503	15.5
91702	1,140	1,438	26.1	1,690	17.5	1,800	6.5
Total	**1,751**	**2,293**	**31.0**	**2,991**	**30.4**	**3,303**	**10.4**

Female Population 65+

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91740	1,160	1,418	22.2	1,999	41.0	2,345	17.3
91702	1,727	2,157	24.9	2,430	12.7	2,553	5.1
Total	**2,887**	**3,575**	**23.8**	**4,429**	**23.9**	**4,898**	**10.6**

Male Population 0-64

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91740	9,943	10,438	5.0	10,926	4.7	11,441	4.7
91702	19,728	25,567	29.6	26,691	4.4	27,847	4.3
Total	**29,671**	**36,005**	**21.3**	**37,617**	**4.5**	**39,288**	**4.4**

Female Population 0-64

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91702	19,814	24,596	24.1	25,418	3.3	26,528	4.4
91740	9,990	10,516	5.3	10,852	3.2	11,272	3.9
Total	**29,804**	**35,112**	**17.8**	**36,270**	**3.3**	**37,800**	**4.2**

Ethnic Demographic Analysis
1998 ZIP Report for HEV

White Population

Zip Code	1998 Population	Count	%D	%A	IOC
91740	25,078	16,023	52.83	63.9	171
91702	56,229	14,309	47.17	25.4	68
Total	**81,307**	**30,332**	**100.00**	**37.3**	**100**

Black Population

Zip Code	1998 Population	Count	%D	%A	IOC
91702	56,229	1,880	81.88	3.3	118
91740	25,078	416	18.12	1.7	59
Total	**81,307**	**2,296**	**100.00**	**2.8**	**100**

Asian Population

Zip Code	1998 Population	Count	%D	%A	IOC
91702	56,229	4,049	66.29	7.2	96
91740	25,078	2,059	33.71	8.2	109
Total	**81,307**	**6,108**	**100.00**	**7.5**	**100**

Hispanic Population

Zip Code	1998 Population	Count	%D	%A	IOC
91702	56,229	35,675	84.69	63.4	122
91740	25,078	6,450	15.31	25.7	50
Total	**81,307**	**42,125**	**100.00**	**51.8**	**100**

Self-Reported Health Status - Local Market Detail

TOTAL HEALTH STATUS	TOPICS USED TO DETERMINE HEALTH STATUS:
US HEALTH STATUS SCORE MEAN: 51.9	Arthritis (94) Cancer (94)
US HEALTH STATUS SCORE RANKINGS:	Diabetes (94) Heart Disease (94)
EXCELLENT: 100 - 69	Chest Pain (94) Chronic Breathing/Lung (94)
VERY GOOD: 68 - 57	High Blood Pressure (97) Chronic Pain (94)
GOOD: 56 - 47	0 Fruits/Vegetables (94) Chronic Stomach (94)
FAIR: 46 - 36	1+ HH Member Smokes (97) Regular Exercise (96)
POOR: 35 - 0	1+ HH Member Fair/Poor Health (97) Wellness (95)
	Bodily Pain: Very Severe/Severe (97)
	Social Interference: All The time/Most Time (97)

	BG Geocode	Cluster Nickname	1998 Households	Health Status Score
	60374006.01	Young Influentials	1,827	76.2
	60374039.02	Executive Suites	724	73.8
	60374039.01	Kids & Cul-de-Sacs	267	68.0
	60374012.01	Kids & Cul-de-Sacs	587	67.3
	60374012.02	Kids & Cul-de-Sacs	667	66.7
	60374012.01	Pools & Patios	599	66.4
Quintile 1			4,671	71.6
	60374040	Kids & Cul-de-Sacs	233	65.9
	60374043.01	Boomers & Babies	408	65.6
	60374042	Boomers & Babies	376	62.6
	60374044.01	Suburban Sprawl	85	62.5
	60374039.01	Boomers & Babies	152	61.5
	60374041	Suburban Sprawl	533	60.4
	60374006.02	Suburban Sprawl	409	60.3
	60374044	Suburban Sprawl	317	58.1
	60374006.02	Suburban Sprawl	435	57.8
	60374039.02	New Empty Nests	221	57.4
	60374040	New Empty Nests	275	57.4
	60374012.03	New Empty Nests	1,782	57.0
Quintile 2			5,226	59.5

	BG Geocode	Cluster Nickname	1998 Households	Health Status Score
	60374045	Suburban Sprawl	738	56.9
	60374042	New Empty Nests	364	56.8
	60374039.01	New Empty Nests	223	55.3
	60374012.02	New Empty Nests	353	55.3
	60374039.01	New Empty Nests	353	54.3
	60374042	New Beginnings	623	54.2
	60374039.02	New Empty Nests	616	53.8
	60374011.02	New Empty Nests	372	52.8
	60374008	New Empty Nests	854	52.6
Quintile 3			4,496	54.5
	60374011.01	New Beginnings	1,101	50.8
	60374042	Mobility Blues	740	49.4
	60374043	Mobility Blues	382	48.6
	60374045	Mobility Blues	672	48.0
	60374043	Mobility Blues	381	47.9
	60374006.02	Mobility Blues	546	47.6
	60374044.01	Mobility Blues	579	47.3
	60374041	Blue-Chip Blues	265	46.8
Quintile 4			4,666	48.7
	60374041	Blue-Chip Blues	286	46.5
	60374041	Blue-Chip Blues	340	46.1
	60374043.01	Blue-Chip Blues	234	45.8
	60374044	Blue-Chip Blues	626	45.0
	60374044	Gray Collars	387	38.1
	60374043	Gray Collars	453	37.3
	60374043	Hometown Retired	337	31.4
	60374045	Family Scramble	1,230	30.3
	60374044	Family Scramble	337	30.2
	60374006.02	Family Scramble	497	29.4
Quintile 5			4,727	36.4
Total			**23,786**	**54.2**

Household Income Levels
1998 ZIP Report for HEV

Household Income Less than $10,000 per Year

Zip Code	1998 Households	Count	%D	%A	IOC
91702	16,084	1,642	75.36	10.2	114
91740	8,193	537	24.64	6.6	73
Total	**24,277**	**2,179**	**100**	**9**	**100**

Household Income $10,000 - $19,999

Zip Code	1998 Households	Count	%D	%A	IOC
91702	16,084	1,918	73.37	11.9	111
91740	8,193	696	26.63	8.5	79
Total	**24,277**	**2,614**	**100**	**10.8**	**100**

Household Income $20,000 - $29,999

Zip Code	1998 Households	Count	%D	%A	IOC
91702	16,084	2,313	73.9	14.4	112
91740	8,193	817	26.1	10	77
Total	**24,277**	**3,130**	**100**	**12.9**	**100**

Source: Inforum 1998

Population Growth by Age and Sex
1998 ZIP Report for HEV

Male Population Age 65+

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth '90-98	2003 Population	% Growth 98-2003
91740	611	855	39.9	1,301	52.2	1,503	15.5
91702	1,140	1,438	26.1	1,690	17.5	1,800	6.5
Total	1,751	2,293	31.0	2,991	30.4	3,303	10.4

Female Population 65+

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91740	1,160	1,418	22.2	1,999	41.0	2,345	17.3
91702	1,727	2,157	24.9	2,430	12.7	2,553	5.1
Total	2,887	3,575	23.8	4,429	23.9	4,898	10.6

Male Population 0-64

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91740	9,943	10,438	5.0	10,926	4.7	11,441	4.7
91702	19,728	25,567	29.6	26,691	4.4	27,847	4.3
Total	29,671	36,005	21.3	37,617	4.5	39,288	4.4

Female Population 0-64

Zip Code	1980 Population	1990 Population	% Growth '80-'90	1998 Population	% Growth 90-98	2003 Population	% Growth 98-2003
91702	19,814	24,596	24.1	25,418	3.3	26,528	4.4
91740	9,990	10,516	5.3	10,852	3.2	11,272	3.9
Total	29,804	35,112	17.8	36,270	3.3	37,800	4.2

Appendix D
List of Responding Stakeholders
Huntington East Valley Hospital Needs Assessment

List of Responding Stakeholders
Huntington East Valley Hospital Needs Assessment

Stakeholder Name	Stakeholder Category	Target Population
29th Congressional District	Government and Political Leadership (2)	
29th Senate District	Government and Political Leadership (2)	
Acacia Counseling	Social Service/Advocacy (7)	Adults
Alcoholics Anonymous	Social Service/Advocacy (7)	All alcoholics, primarily white collar workers
American Cancer Society	Health Care (5)	All
American Heart Association	Health Care (5)	Women/men 40+ and school children K-8
Arrow Community Center Neighborhood/Christian Fellowship	Religious Communities (6)	Youth and families
Arrow High School	Education (4)	Students in alternative education, pregnant minors, work study students, independent
Azusa	Government and Political Leadership (2)	Entire population
Azusa Adult School	Education (4)	Adults 17 and a half and up
Azusa Family Resource Center	Social Service/Advocacy (7)	
Azusa Head Start	Education (4)	Preschool age children
Azusa High School	Education (4)	14 – 18 year old students
Azusa Pacific University	Education (4)	College students and employees
Azusa Pacific University School of Nursing	Education (4)	Children and families, home care, Homeless Clinic
Azusa Senior Center	Seniors (8)	Senior Citizens
Azusa Unified School District Healthy Start	Education (4)	Four elementary school's population
Bassett Unified School District	Education (4)	Preschool through adult

Bonita Unified School District	Education (4)	Minor children (ages 3 – 18 years)
Charter Behavioral Health	Health Care (5)	Youths and adults
Charter Oak Unified	Education (4)	Children K-12
Charter Oak Woman's Club	Community Leaders/Civic Leaders (11)	Women, children and senior citizen
Child Support Services and Resource Center	Youth (9)	Custodial and non-custodial parents
Community Senior Services	Seniors (8)	Senior Citizens
Covina Elementary School	Education (4)	Youth ages 3-17
Covina Parks & Recreation Department	Business and Media/Chambers of Commerce (3)	All
Covina Valley School District	Education (4)	School age children, preschool special education children
East San Gabriel Senior Care OASIS	Seniors (8)	Seniors 60 years and up of all races and religions
East San Gabriel Valley Alliance for the Mentally Ill (AMI)	Health Care (5)	Families coping with schizophrenia, manic-depression, major depression
East San Gabriel Valley Coalition for the Homeless	Social Service/Advocacy (7)	Any homeless person without children, or persons in wheelchairs, etc.
East San Gabriel Valley ROP	Education (4)	In school youth and displaced workers
ESGV League of Women Voters	Community Leaders/Civic Leaders (11)	Senior and all others
Evangelical Methodist Church	Religious Communities (6)	All
First Christian Church	Religious Communities (6)	Anyone and everyone
Gladstone School	Education (4)	
Glendora After Stroke Group	Health Care (5)	After stroke persons and their families
Glendora Chamber of Commerce	Business and Media/Chambers of Commerce (3)	Businesses in Glendora

Glendora Lions Club	Community Leaders/Civic Leaders (11)	Children and homeless
Glendora Police Department	Public Safety/Criminal Justice (1)	All
Glendora United Methodist Church	Religious Communities (6)	Preschoolers and families, youth and seniors
Holistic Care Center & Pain Clinic	Health Care (5)	Seniors, women and all other ages and sexes
Info Line	Social Service/Advocacy (7)	All
Joshua's House	Social Service/Advocacy (7)	Women and children
Joslyn Senior Center	Seniors (8)	Senior Citizens
LA County HS Health Care Azusa	Health Care (5)	
La Fetra Senior Center	Seniors (8)	Senior Citizens
La Verne City Hall	Government and Political Leadership (2)	Senior women, some senior men, youths and adults
Pasadena Planned Parenthood	Health Care (5)	Low income women ages 15 – 45
Project Info Community Services	Social Service/Advocacy (7)	Adolescents and their families, adults
RSVP	Social Service/Advocacy (7)	Retired or working Seniors, 55 or older
Sacred Heart Catholic Church	Religious Communities (6)	All groups, all ages
San Gabriel Valley Economic Council	Business and Media/Chambers of Commerce (3)	Top 2,500 business in the San Gabriel Valley
San Gabriel Valley Economic Partnership	Business and Media/Chambers of Commerce (3)	Business community and cities
San Gabriel Valley YMCA	Youth (9)	Youth and families
St. Dorothy Catholic Church	Religious Communities (6)	
University of La Verne, CHSMR	Education (4)	College students
WINGS	Social Service/Advocacy (7)	Battered women and their children

NOTE: Blanks exist in "Audience" column because of failure of respondents to specify this information.

Appendix E
Community Needs Assessment Survey Instrument

Community Needs Assessment Survey Instrument

SAN GABRIEL VALLEY NOT-FOR-PROFIT HEALTH SERVICES CONSORTIUM

COMMUNITY NEEDS AND RESOURCES ASSESSMENT

(Please print clearly in ink)

1. Name of your organization:

2. Your title/role in the organization and length of time in your position:

3. Primary geographic service area (by city or geographic boundaries):

4. What is the: a) primary target population(s) served by your organization (such as women, disabled, seniors, homeless, etc.) and b) where is the major geographic concentration of those populations located within your service area?

a) Primary Target Populations b) Major Concentrations

5. What major services does your organization provide? (Please check as many as apply)

- ☐ Advocacy
- ☐ Case Management
- ☐ Children and Youth Guidance
- ☐ Community Safety, Crime
- ☐ Counseling
- ☐ Custodial Care
- ☐ Domestic Violence
- ☐ Day Care
- ☐ Education
- ☐ Emergency Assistance
- ☐ Employment and Training
- ☐ Food Assistance
- ☐ General Assistance
- ☐ Health Care
- ☐ Health Promotion and Wellness
- ☐ Housing & Homeless
- ☐ Information Referral
- ☐ Instructional classes (workshops)
- ☐ Job Training and preparation
- ☐ Lectures and Presentations (Seminars)
- ☐ Mental Health
- ☐ Prevention/Intervention
- ☐ Spiritual
- ☐ Substance Abuse
- ☐ Support Groups, Hot lines/ Crisis
- ☐ Transportation
- ☐ Treatment / Care
- ☐ Tutoring
- ☐ Other, please specify:

6. What are the three most important *unmet* health/quality-of-life needs facing the population *your organization* serves? (Please rank in priority -- one being most important.)

(1)

(2)

(3)

7. What are the major barriers to improving the health/quality-of-life of the population you serve?

(1)

(2)

(3)

8. Identify the top three improvements that would enhance the health/quality-of-life for the population *you* serve.

(1)

(2)

(3)

9. What three *programs, organizations, or people* in your community have the most positive impact on the health/quality-of-life of the population *your organization* serves?

(1) Name:

Describe impact:

(2) Name:

Describe impact:

(3) Name:

Describe impact:

10. What three things can your community hospital(s) do to assist in improving the health/quality-of-life of your community?

(1)

(2)

(3)

11. General Comments: Is there anything else you feel is important for us to know about you or the community you serve?

11. (con't)

Would you or someone from your organization be willing to participate in:

- A phone survey regarding the issues covered here? ☐ Yes ☐ No
- A focus group regarding these issues? ☐ Yes ☐ No
- A community-wide task force regarding these issues? ☐ Yes ☐ No

Who else should we contact who has knowledge about the issues covered in this survey?

Name:
Address:
Phone:
Issue(s):

Name:
Address:
Phone:
Issue(s):

PLEASE RETURN THIS SURVEY IN THE ENCLOSED ENVELOPE NO LATER THAN AUGUST 10, 1998. Again, thank you for taking time to help us in this effort; we hope it will also be of help to you.

If you would like a personal copy or additional copies of the results of this survey, please give your name and mailing address below:

Your name:

Address:

San Gabriel Valley Not-For-Profit
Health Services Consortium
1950 Third Street, La Verne, CA 91750

Appendix F
San Gabriel Valley Not-for-Profit Hospital Consortium Participants in CHSMR Survey

San Gabriel Valley Not-for-Profit Hospital Consortium
Hospital Participants in CHSMR Survey

Mr. Chris Aldworth
Director of Planning
Pomona Valley Hospital Medical Center
1798 N. Garey Avenue
Pomona, CA 91767
Telephone: 909/865-9750
FAX: 909/865-9969

Ms. Miki Carpenter
Director of Community Education
Foothill Presbyterian Hospital
150 S. Grand Avenue, Suite C
Glendora, CA 91741
Telephone: 626/857-3342
FAX: 626/857-3493

Ms. Toni Cooke
Director of Community Outreach
Huntington Memorial Hospital
100 W. California Boulevard
Pasadena, CA 91105
Telephone: 626/397-8644
FAX: 626/593-7521

Ms. Eileen Diamond
Director of Business Development
San Gabriel Valley Medical Center
218 S. Santa Anita Avenue
San Gabriel, CA 91776
Telephone: 626/457-3226
FAX: 626/570-6555

Ms. Jilliane Harkema
Community Benefits Coordinator
Methodist Hospital
300 W. Huntington Drive
P.O. Box 60016
Arcadia, CA 91066-6016
Telephone: 626/574-2486
FAX: 626/462-2680

Ms. Mary Hubbard
Director, Special Projects
Santa Teresita Hospital
819 Buena Vista Street
Duarte, CA 91010
Telephone: 626/932-3414
FAX: 626/357-7166

Ms. Marcia Jackson
Corp. Director, Planning/Marketing
Citrus Valley Health Partners
140 W. College Street, 4th floor
Covina, CA 91723
Telephone: 626/858-8588
FAX: 626/858-8575

Ms. Cathy Kitsman
Director of Community & Public Relations
Beverly Hospital
309 W. Beverly Boulevard
Montebello, CA 90640
Telephone: 323/725-5019
FAX: 323/725-4338

Ms. Judy McAlister
Marketing/Communications Coordinator
Presbyterian Intercommunity Hospital
12401 E. Washington Boulevard
Whittier, CA 90602
Telephone: 562/698-0811 x 2818
FAX: 562/698-1728

Ms. Annette Mercurio
Manager, Health Education Services
City of Hope National Medical Center
1500 E. Duarte Road
Duarte, CA 91010
Telephone: 626/301-8221
FAX: 626/301-8868

List of Hospitals Participating in CHSMR Community Needs Assessment
Continued from previous page

Ms. Teri Muse
Area Director of Public Relations
Kaiser Permanente
1011 Baldwin Park Boulevard
Baldwin Park, CA 91706
Telephone: 626/851-5211
FAX: 626/851-5228

Ms. Sylvia Garcia-Novakoff
Director Marketing & Community Outreach
Huntington East Valley Hospital
150 W. Alosta Avenue
Glendora, CA 91740
Telephone: 626/335-0231 ext. 220
FAX: 626/857-0251

Ms. Jackie Sharpe
Planning/Marketing Research Analyst
Southern California Healthcare Systems
1300 E. Green Street
Pasadena, CA 91106
Telephone: 626/397-2900
FAX: 626/397-2984

1997 COMMUNITY BENEFITS REPORT UPDATE

Huntington
East Valley Hospital
An affiliate of Southern California Healthcare System

150 West Alosta Avenue
Glendora, CA 91740-6207
(626) 335-0231

HUNTINGTON EAST VALLEY HOSPITAL
1997 COMMUNITY BENEFITS REPORT UPDATE

As stated in our 1996 Community Benefits Plan, the goal of Huntington East Valley Hospital is: *"In cooperation with other healthcare partners, to provide health education, information, and accessible clinical services on topics deemed important as indicated by our community needs assessment."*

We have made significant progress on three of six stated areas, with the foundation being laid to move forward on the remaining three:

Non-Emergency Medical Care

Objective: Create new hospital-based, low-cost, easily accessible non-emergency medical services program.

Results: Implementation of "Fast Track Service," a low-cost medical program administered through the hospital's Emergency Services Department. FastTrack Service allows patients to access the expertise of ER physicians, and specially trained nurses at a lower, cost-effective rate. Patients with non-traumatic conditions, such as headaches, diarrhea, vomiting, etc., are the targeted population. Available 24 hours a day, seven days per week, treatment is cost-effective. In the last couple of months of 1997, special lower-cost cash pricing was established for this service. In 1997, the Emergency Department had 4,873 visit. Due to a new tracking process being in place in late 1997, it is unclear how many patients were seen in the ED for FastTrack Service. This problem has been alleviated for 1998 tracking.

Partners: Huntington East Valley Emergency Services Department personnel, feedback from area EMT's, other physicians, and the East Valley Emergency Medicine Group.

1998 Plans: More extensive outreach efforts are planned for this service. Publicity outlets include local family resource centers, churches and networking in the communities we serve.

Women's Health

Objective: To identify and prioritize healthcare issues of particular importance to women in our service area and to offer appropriate education, information and clinical support. Through a committee of women from the community, including a psychologist, a school district nurse, a local businesswoman, a former school board member, a hospital administrator, a physician, a community leader and others, the following topics were identified and followed through for 1997:

Results: **TOPIC: NUTRITION**

Activity: **Balanced Weight Loss Seminar, April 5, 1997**, 9 a.m. to 11 a.m. Taught by a women's health physician, this workshop covered topics such as the

primary causes of weight gain in women; how obesity compromises health, review of fad diets; and sensible methods for determining which weight-loss program is appropriate for whom. Approximately 20 women attended this event.
Partners: Sarah Stanton, M.D.; various weight-reduction companies.

TOPIC: STRESS
Activity: **Keys to Healthier Living, May 31, 1997**; 9 a.m. to 1 p.m. Relaxation through visualization, trigger-point therapy, aromatherapy and humor as therapy – all were topics for this half-day conference for women. Participating were a psychologist, a chiropractor and the owner of a day-spa. Keynote luncheon speaker was Diane Conway, author and humorist. Approximately 40 women attended this event.
Partners: Allied Behavioral Health Services, Peaches & Cream Salon, Steven C. Mandell, D.C.; Diane Conway, speaker.

TOPIC: BREAST CANCER/BREAST HEALTH
Activity: **Construction and opening of The Hill Breast Center** on the campus of Huntington East Valley Hospital. At an expense to the hospital of approximately $100,000, HEVH, in partnership with Congress Services and the Hill Radiology Medical Group, opened the Huntington Imaging Center/The Hill Breast Center. This center offers mammography, ultrasound-guided breast biopsy, among other services. In 1997, 531 women had breast-health services performed at this site.
Partners: Hill Radiology Medical Group, Congress Services and Huntingotn East Valley Hospital.
Activity: **Breast Health Awareness Day, October 18, 1997**; 9 a.m. to Noon. Dr. Kevin Kelly, director of breast imaging and supervising radiologist for mammography, was the keynote speaker at this morning event. Other topics included proper bra fit, breast self-exam education, and a tour of the hospital's new Hill Breast Center. Approximately 40 women attended this event.
Partners: Charter Communications, Lifetime Cable Network, The Hill Breast Center, Wellness Community - Foothills, the Cancer Center of Southern California, and the San Gabriel Valley American Cancer Society.

1998 Plans: Women and Good Health seminars will again focus on personal issues such as relaxation and stress-reduction (Spring 1998), along with breast health and mammography education through The Hill Breast Center (Fall 1998).

Heart Disease

Objective: Through community events and media relations, to educate, inform and screen community members to identify those at-risk of heart disease and to begin a thought process that will change health-threatening behaviors.

Results: *Activity:* **HeartWalk '97, November 16, 1997.** In cooperation with the Glendora Division of the American Heart Assn., Huntington East Valley Hospital's CEO, Jim Maki, along with several other hospital staff members, chaired and

implemented the second annual HeartWalk. More than 300 walkers participated in this event, which raised just under $22,000 to help the AHA continue to disseminate information and co-sponsor health education events such as Heart Score, Jump Rope for Heart and others.
Partners: Glendora Division of the American Heart Association, local cardiologists and physicians, Glendora & Charter Oak School Districts, HEVH staff, other healthcare organizations, local media outlets.

Activity: **American Red Cross/NBC4 Health Fair Expo, April 12, 1997, 8 a.m. to 3 p.m.** For the sixth year in a row, Huntington East Valley Hospital was a site for this event, which reached approximately 700+ people. Screenings and health-education efforts targeted to heart disease included: nutrition, exercise, blood pressure, heart disease, healthy lifestyles and others.
Partners: American Red Cross, NBC4, Foothill Transit, Sav-On Drugs, the American Heart Assn., and approximately 50 other health-education exhibitors and screeners.

1998 Plans: To partner with the Glendora Division of the American Heart Association to launch a **multi-division HeartWalk**, and to provide leadership to this organization through staff participation at the Board level. Also, **to again host Health Fair Expo**, increasing the number of screenings and educational exhibits related to heart disease and heart health, such as stroke screenings, cholesterol reduction, the benefits of exercise, etc.

HIV/AIDS/Sexually Transmitted Disease

Objective: Reduce the number of reported cases of sexually transmitted disease in junior high and high-school students within our service area.

Results: The topic of HIV, AIDS, and sexually transmitted disease is a sensitive one in Glendora and surrounding communities. Conversations with the Glendora Unified School District, for example, reveal that an approach "through a back door" (i.e. through churches and other youth-oriented organizations), rather than the school districts, would be necessary to disseminate information and provide education on these topics. A couple of different approaches had to be tabled.

1998 Plans: Further efforts to move this project forward, especially in relation to educating teens about issues of sexuality and STD's.

Mental Health Services (Inpatient, Outpatient)

Objective: Increase the number of senior citizens (age 60+) within the East San Gabriel Valley served by the hospital's Senior Mental Health and Senior Care Network case management programs.

Results: Huntington East Valley Hospital attended several Senior Health Fairs, initiated a senior membership program (for persons 50+), made weekly site visits to local board and care/skilled nursing facilities to educate them about the mental health services provided by the hospital. In 1997, 259 patients were admitted to the

inpatient program, and 448 patients were admitted to the partial hospitalization program. In late 1997, the hospital began offering a semimonthly Caregiver's Support Groups, under the auspices of the Senior Mental Health Program. Hospital staff also participated in senior health fairs in Azusa, Glendora and smaller business-based sites in 1997.

Partners: Huntington East Valley Hospital Senior Mental Health Services, Huntington Memorial Hospital's Senior Care Network, area board and care facilities and skilled nursing facilities.

1998 Plans: In conjunction with the hospital's 50+ Health Connection senior membership program, senior mental health will continue to be focused topic. Support groups, such as the Caregiver's Support Group, will continue in 1998, as well as the hospital's involvement in the Glendora Healthy Cities Project, whose focus in caregivers for 1998.

Cancer

Objective: To integrate clinical, educational and community outreach programs to educate, inform, screen, and facilitate treatment of community members and to begin a thought process that will change health-threatening behaviors.

Results: Construction, start-up of outpatient diagnostic imaging center (Spring 1997); implementation of Special Touch breast self-exam program (Spring 1997); serve as referral hospital, resource for the Cancer Center of Southern California (CCSC); publicize system-wide efforts in cancer-related support groups, educational seminars (all of 1997). participated in American Cancer Society's Daffodil Days fundraiser, as well as leadership for the local ACS board of directors by HEVH President and CEO, Jim Maki. As an affiliate of SCHS, HEVH cooperated with the CCSC to publish a quarterly newsletter to patients and family members in the San Gabriel Valley.

Partners: American Cancer Society, Hill Medical Radiology Group, other SCHS entities, Cancer Center of Southern California.

1998 Plans: The Cancer Center of Southern California, a program of Southern California Health Systems, is going to see many exciting changes in 1998, including an affiliation with the City of Hope in nearby Duarte. The partnership between these two entities promises to increase the clinical, educational and outreach activities in the San Gabriel Valley and beyond.

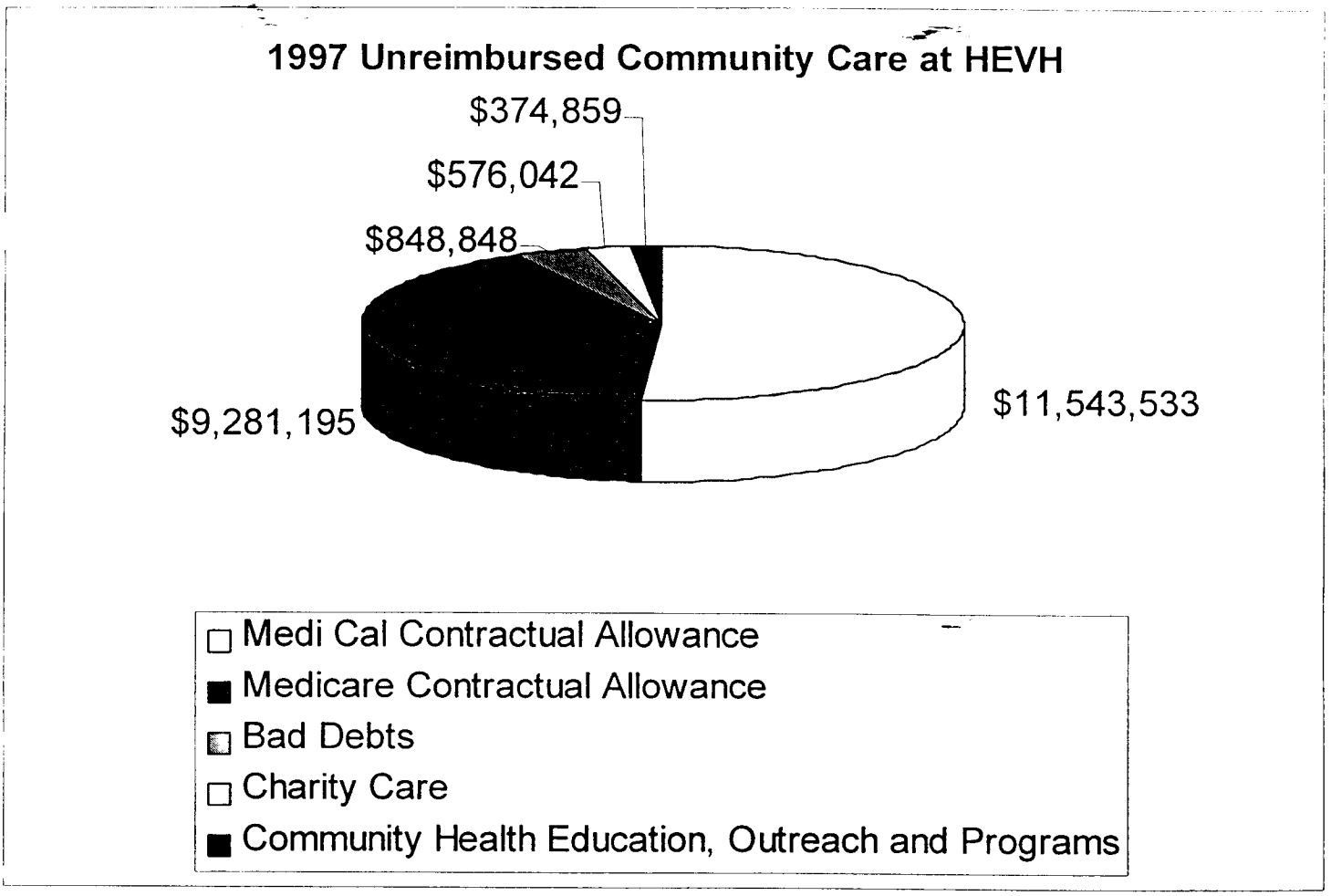
OTHER PROGRAMS:

HEVH participated in numerous community-outreach projects, reaching a total of 8,000+ community members: Great Glendora Festival (October 1997); Wells Fargo community fair (July 12); Cinco de Mayo Health Fair co-sponsored by a local Spanish-language radio station (May 4); and the Wal-Mart Employee Health Fair, among others.

For more information on Huntington East Valley Hospital's Community Benefits Plan, please contact **Sylvia Garcia-Novakoff**, Director of Marketing & Community Outreach, at (626) 335-02131, ext. 220; Fax (626) 857-0251. Huntington East Valley Hospital is located at 150 W. Alosta Avenue, Glendora, CA 91740-6207.

1997 Community Benefits Financial Update

Medicaid Contractual Allowance	$11,543,533
Medicare Contractual Allowance	$ 9,281,195
Bad Debt	$ 848,848
Charity Care	$ 576,042
Community Health Education, Outreach and Programs	$ 374,859
Total:	**$22,624,477**



Huntington
East Valley Hospital
An affiliate of Southern California Healthcare System

Executive Summary
Community Needs Assessment & Community Benefits Plan

Prepared by:

Sylvia Garcia-Novakoff
Director of Marketing/Public Relations

To be submitted to OSHPD March 15, 1997

EXECUTIVE SUMMARY

In September, 1994, California SB 697 was passed into law and approved by Governor Pete Wilson. The "spirit of the legislation," according to the Office of Statewide Health Planning and Development's (OSHPD) Health Policy and Planning Division, is fourfold:

- Challenges hospitals to foster organizational commitment to the community-benefit process and in addressing targeted needs;
- Promotes collaboration, partnership and leadership in the community;
- Promotes creativity and innovation in addressing community needs; and
- Promotes efficient use of resources via collaborations and program evaluations.

In response to this legislative mandate, Huntington East Valley Hospital, following its affiliation with Pasadena, Calif.-based Southern California Healthcare Systems (SCHS) in April 1995, conducted a community needs assessment and developed a community benefits plan. The methodology, findings and results of this research is summarized here.

The community needs assessment: methodology

The target area for the Huntington East Valley Hospital Community Needs Assessment and Community Benefits Plan was a 42-square-mile region consisting of Azusa, Glendora and San Dimas, totaling 44,116 households. The survey was implemented through a cooperative effort between the three hospital entities of SCHS, including Huntington East Valley, Huntington Memorial Hospital in Pasadena, Calif., and Methodist Hospital of Southern California in Arcadia.

The community needs assessment survey – including preparation, process and data analysis – was implemented between April and December 1995 with input by two committees:

1) A committee of hospital employees representing women's health, senior mental health, social services, education/performance improvement, emergency services, marketing/public relations, volunteer services and managed care; and

2) A task force of SCHS strategic planning and research personnel, plus community outreach and education directors from Huntington Memorial Hospital and Methodist Hospital, respectively.

In all, approximately 750 surveys were mailed to governmental, religious, social-service, law enforcement, and other agencies and organizations that serve the three-city area under study during the first week of October 1995. Ninety surveys were returned by the end of the month (a 14.6 percent return rate). Some completed surveys were then shared by the three hospital entities due to the duplication of agencies and/or organizations along the San Gabriel Valley corridor. As a result, an additional 41 surveys were gathered, bringing the total sample size for this study to 131.

The community needs assessment: survey findings

The goals of the written survey were to gauge "perceptions" of healthcare concerns and healthcare services in terms of importance, seriousness and adequacy. The main subheadings of the survey asked respondents for their perceptions of:

- health concerns
- health services
- mental health services
- substance abuse services
- seriousness of listed social concerns (i.e. domestic violence, sexual assault, etc.)
- healthcare information sources, and
- barriers to healthcare services.

It is interesting to note that some of the survey items considered important were *not* necessarily considered inadequately served. For instance, heart disease, lung disease and cancer were considered important but services to prevent and/or treat them were not considered inadequate.

It also should be noted that a large percentage of respondents marked "Don't Know" when asked about the importance and/or inadequacy of healthcare services and programs. This may relate to the fact that in responses to another survey question, "Lack of Information" about healthcare was ranked high (71.4%). This points Huntington East Valley to a twofold challenge of meeting healthcare needs *and* communicating those services to our community.

Based on the survey results, the four top healthcare concerns were:

Healthcare Concerns Perceived Important

1) Heart Disease (56.1%)
2) Cancer (50%)
3) HIV/AIDS (47.2%)
4) Stress (46%)

The top four healthcare services considered inadequate were:

Perceived Inadequacy of Services in Preventing and/or Treating These Problems:

1) HIV/AIDS (55.3%)
2) Sexually Transmitted Diseases (52.8%)
3) Stress (52.5%)
4) Nutritional Disorders (41.2%)

Other Services

Respondents were also asked to rate general health services, mental health services and substance abuse services in our community. In order of most inadequate, the services were:

1) Long-term hospitalization and/or residential care for the mentally disabled (53.3%)
2) Alcohol abuse prevention (52.1%)
3) Drug Inpatient/hospital treatment (52.1%)
4) Outpatient/clinic mental health counseling (51.2%)
5) Short-term hospital treatment for mental illness (50.4%)
6) Drug abuse prevention (50.4%)
7) Adult day care for the mentally ill (49.6%)
8) Nutritional counseling (46.7%)
9) Preventative clinic/outpatient medical care (45.1%)
10) Day care for the physically disabled (41.5%)
11) Non-emergency medical care (40.5%).

The Community Benefits Plan

Using the community needs assessment as a basis, and taking into consideration community input, present hospital programs, services and resources, a community benefits plan was drafted for 1996-97, focusing on the following healthcare concerns considered to be important and/or inadequately served in our communities:

- HIV/AIDS/Sexually Transmitted Disease
- Mental Health Services (Inpatient, Outpatient)
- Non-Emergency Medical Care
- Heart Disease
- Cancer, and
- Women's Health.

Input on the plan was solicited from the hospital's board of directors, the hospital's administrative team, department directors, employees, volunteers, the other SCHS hospital entities, and collaboration and discussion with other healthcare institutions in the East San Gabriel Valley. The community benefits plan will be evaluated on a six-month basis, beginning with June 1997, through the use of the hospital's performance improvement and continuous quality improvement processes.

Huntington East Valley Hospital's community outreach programs and services for 1996-97 will focus on the following goal, topics and objectives:

Goal: In cooperation with other healthcare partners, to provide health education, information, and accessible clinical services to the community on topics deemed important by our community needs assessment.

Topic:	**HIV/AIDS/Sexually Transmitted Disease**
Objective:	Reduce the number of reported cases of sexually transmitted disease in junior high and high-school students within our service area.
Activities:	Dissemination of teaching tools to school teachers; seminars and workshops for students and parents.
Partners:	Planned Parenthood East San Gabriel Valley, Glendora/Charter Oak Unified School Districts, American Red Cross/NBC 4 (Health Fair Expo).

Topic: **Mental Health Services (Inpatient, Outpatient)**

Objective: Increase the number of senior citizens (age 60+) within the East San Gabriel Valley served by the hospital's Senior Mental Health and Senior Care Network case management programs.

Activities: Senior health fairs, senior membership program, site visits to local board and care/skilled nursing facilities.

Partners: Huntington East Valley Hospital Senior Mental Services, Huntington Memorial Hospital's Senior Care Network, area board and care facilities and skilled nursing facilities.

Topic: **Non-Emergency Medical Care**

Objective: Create new hospital-based low-cost, easily accessible non-emergency medical services program.

Activities: Implementation of "Fast Track Service," low-cost medical program through Emergency Services Department.

Partners: Huntington East Valley Emergency Services Department and ICU/CCU physicians and nurses.

Topic: **Heart Disease**

Objective: Through community events and media relations, to educate, inform and screen community members to identify those at-risk of heart disease and to begin a thought process that will change health-threatening behaviors.

Activities: HeartWalk '96 and '97; HeartScore '97, American Red Cross/NBC4 Health Fair Expo, free blood-pressure screenings.

Partners: American Heart Association, HEVH cardiologists, Glendora & Charter Oak School Districts, HEVH staff, other healthcare organizations, local media outlets.

Topic: **Cancer.**

Objective: To integrate clinical, educational and community outreach programs to educate,

inform, screen, and facilitate treatment of community members and to begin a thought process that will change health-threatening behaviors.

Activities: Construction, implementation of outpatient diagnostic imaging center (Spring 1997); special diagnostic screenings for breast cancer (Spring, Fall 1997) and prostrate cancer (September 1997); implementation of Special Touch breast self-exam program (Spring 1997); serve as referral hospital, resource for the Cancer Center of Southern California; support groups, educational seminars (Spring/Fall 1997).

Partners: American Cancer Society, Hill Medical Radiology Group, other SCHS entities, Cancer Center of Southern California, local Chambers of Commerce, local media outlets and others.

Topic: Women's Health

Objective: To identify and prioritize healthcare issues of particular importance to women in our service area and to offer appropriate education, information and clinical support.

Activities: Symposiums, screenings, workshops on menopause, hormone replacement therapy, osteoporosis, stress, diet, nutrition; implementation of special "women's health" clinic.

Partners: American Menopause Foundation, various HEVH physicians and clinical specialists, other SCHS hospitals, American Psychological Association, managed-care providers.

Community Needs Assessment Report & Community Benefits Plan

Huntington
East Valley Hospital
An affiliate of Southern California Healthcare System

150 W. Alosta Avenue
Glendora, CA. 91740-6207
(818) 335-0231

April 1, 1997

EXECUTIVE SUMMARY

In September, 1994, California SB 697 was passed into law and approved by Governor Pete Wilson. The "spirit of the legislation," according to the Office of Statewide Health Planning and Development's (OSHPD) Health Policy and Planning Division, is fourfold:

- Challenges hospitals to foster organizational commitment to the community-benefit process and in addressing targeted needs;
- Promotes collaboration, partnership and leadership in the community;
- Promotes creativity and innovation in addressing community needs; and
- Promotes efficient use of resources via collaborations and program evaluations.

In response to this legislative mandate, Huntington East Valley Hospital, following its affiliation with Pasadena, Calif.-based Southern California Healthcare Systems (SCHS) in April 1995, conducted a community needs assessment and developed a community benefits plan. The methodology, findings and results of this research is summarized here.

The community needs assessment: methodology

The target area for the Huntington East Valley Hospital Community Needs Assessment and Community Benefits Plan was a 42-square-mile region consisting of Azusa, Glendora and San Dimas, totaling 44,116 households. The survey was implemented through a cooperative effort between the three hospital entities of SCHS, including Huntington East Valley, Huntington Memorial Hospital in Pasadena, Calif., and Methodist Hospital of Southern California in Arcadia.

The community needs assessment survey – including preparation, process and data analysis – was implemented between April and December 1995 with input by two committees:

1) A committee of hospital employees representing women's health, senior mental health, social services, education/performance improvement, emergency services, marketing/public relations, volunteer services and managed care; and

2) A task force of SCHS strategic planning and research personnel, plus community outreach and education directors from Huntington Memorial Hospital and Methodist Hospital, respectively.

In all, approximately 750 surveys were mailed to governmental, religious, social-service, law enforcement, and other agencies and organizations that serve the three-city area under study during the first week of October 1995. Ninety surveys were returned by the end of the month (a 14.6 percent return rate). Some completed surveys were then shared by the three hospital entities due to the duplication of agencies and/or organizations along the San Gabriel Valley corridor. As a result, an additional 41 surveys were gathered, bringing the total sample size for this study to 131.

The community needs assessment: survey findings

The goals of the written survey were to gauge "perceptions" of healthcare concerns and healthcare services in terms of importance, seriousness and adequacy. The main subheadings of the survey asked respondents for their perceptions of:

- health concerns
- health services
- mental health services
- substance abuse services
- seriousness of listed social concerns (i.e. domestic violence, sexual assault, etc.)
- healthcare information sources, and
- barriers to healthcare services.

It is interesting to note that some of the survey items considered important were *not* necessarily considered inadequately served. For instance, heart disease, lung disease and cancer were considered important but services to prevent and/or treat them were not considered inadequate.

It also should be noted that a large percentage of respondents marked "Don't Know" when asked about the importance and/or inadequacy of healthcare services and programs. This may relate to the fact that in responses to another survey question, "Lack of Information" about

healthcare was ranked high (71.4%). This points Huntington East Valley to a twofold challenge of meeting healthcare needs *and* communicating those services to our community.
Based on the survey results, the four top healthcare concerns were:

Healthcare Concerns Perceived Important

1) Heart Disease (56.1%)
2) Cancer (50%)
3) HIV/AIDS (47.2%)
4) Stress (46%)

The top four healthcare services considered inadequate were:

Perceived Inadequacy of Services in Preventing and/or Treating These Problems:

1) HIV/AIDS (55.3%)
2) Sexually Transmitted Diseases (52.8%)
3) Stress (52.5%)
4) Nutritional Disorders (41.2%)

Other Services

Respondents were also asked to rate general health services, mental health services and substance abuse services in our community. In order of most inadequate, the services were:

1) Long-term hospitalization and/or residential care for the mentally disabled (53.3%)
2) Alcohol abuse prevention (52.1%)
3) Drug Inpatient/hospital treatment (52.1%)
4) Outpatient/clinic mental health counseling (51.2%)
5) Short-term hospital treatment for mental illness (50.4%)
6) Drug abuse prevention (50.4%)
7) Adult day care for the mentally ill (49.6%)
8) Nutritional counseling (46.7%)
9) Preventative clinic/outpatient medical care (45.1%)

10) Day care for the physically disabled (41.5%)
11) Non-emergency medical care (40.5%).

The Community Benefits Plan

Using the community needs assessment as a basis, and taking into consideration community input, present hospital programs, services and resources, a community benefits plan was drafted for 1996-97, focusing on the following healthcare concerns considered to be important and/or inadequately served in our communities:

- HIV/AIDS/Sexually Transmitted Disease
- Mental Health Services (Inpatient, Outpatient)
- Non-Emergency Medical Care
- Heart Disease
- Cancer, and
- Women's Health.

Input on the plan was solicited from the hospital's board of directors, the hospital's administrative team, department directors, employees, volunteers, the other SCHS hospital entities, and collaboration and discussion with other healthcare institutions in the East San Gabriel Valley. The community benefits plan will be evaluated on a six-month basis, beginning with June 1997, through the use of the hospital's performance improvement and continuous quality improvement processes.

Huntington East Valley Hospital's community outreach programs and services for 1996-97 will focus on the following goal, topics and objectives:

Goal: In cooperation with other healthcare partners, to provide health education, information, and accessible clinical services to the community on topics deemed important by our community needs assessment.

Topic:	**HIV/AIDS/Sexually Transmitted Disease**
Objective:	Reduce the number of reported cases of sexually transmitted disease in junior high and high-school students within our service area.
Activities:	Dissemination of teaching tools to school teachers; seminars and workshops for students and parents.

Partners: Planned Parenthood East San Gabriel Valley, Glendora/Charter Oak Unified School Districts, American Red Cross/NBC 4 (Health Fair Expo).

Topic: Mental Health Services (Inpatient, Outpatient)

Objective: Increase the number of senior citizens (age 60+) within the East San Gabriel Valley served by the hospital's Senior Mental Health and Senior Care Network case management programs.

Activities: Senior health fairs, senior membership program, site visits to local board and care/skilled nursing facilities.

Partners: Huntington East Valley Hospital Senior Mental Services, Huntington Memorial Hospital's Senior Care Network, area board and care facilities and skilled nursing facilities.

Topic: Non-Emergency Medical Care

Objective: Create new hospital-based low-cost, easily accessible non-emergency medical services program.

Activities: Implementation of "Fast Track Service," low-cost medical program through Emergency Services Department.

Partners: Huntington East Valley Emergency Services Department and ICU/CCU physicians and nurses.

Topic: Heart Disease

Objective: Through community events and media relations, to educate, inform and screen community members to identify those at-risk of heart disease and to begin a thought process that will change health-threatening behaviors.

Activities: HeartWalk '96 and '97; HeartScore '97, American Red Cross/NBC4 Health Fair Expo, free blood-pressure screenings.

Partners: American Heart Association, HEVH cardiologists, Glendora & Charter Oak School Districts, HEVH staff, other healthcare organizations, local media outlets.

Topic: Cancer.

Objective: To integrate clinical, educational and community outreach programs to educate, inform, screen, and facilitate treatment of community members and to begin a thought process that will change health-threatening behaviors.

Activities: Construction, implementation of outpatient diagnostic imaging center (Spring 1997); special diagnostic screenings for breast cancer (Spring, Fall 1997) and prostrate cancer (September 1997); implementation of Special Touch breast self-exam program (Spring 1997); serve as referral hospital, resource for the Cancer Center of Southern California; support groups, educational seminars (Spring/Fall 1997).

Partners: American Cancer Society, Hill Medical Radiology Group, other SCHS entities, Cancer Center of Southern California, local Chambers of Commerce, local media outlets and others.

Topic: Women's Health.

Objective: To identify and prioritize healthcare issues of particular importance to women in our service area and to offer appropriate education, information and clinical support.

Activities: Symposiums, screenings, workshops on menopause, hormone replacement therapy, osteoporosis, stress, diet, nutrition; implementation of special "women's health" clinic.

Partners: American Menopause Foundation, various HEVH physicians and clinical specialists, other SCHS hospitals, American Psychological Association, managed-care providers.

I. SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

Mission Statement

Southern California Healthcare Systems is committed to serving the people of Southern California by being the preeminent health delivery corporation, which integrates all types of healthcare services, and which functions as a unified system, whose affiliates and subsidiaries collaborate on behalf of those communities seeking our services to improve their health status. As a nonprofit corporation, Southern California Healthcare Systems maintains its charitable purpose in its patient care, education, and research programs.

Specifically, it pursues this mission by:

- providing a network of high quality and efficient services for disease prevention, early diagnosis, acute and chronic treatment, rehabilitation, and palliative care; which enables medically–necessary care in the most appropriate setting.
- establishing partnerships with physicians in ways which align physicians, hospitals, and payors.
- seeking long term relationships with payors by demonstrating superior clinical outcomes and convenient, patient–friendly services at competitive prices.
- participating in appropriate alliances with other integrated delivery systems.
- developing and using its resources as effectively as possible, and, managing its business affairs responsibly, in order to assure the financial base required to serve in the future while meeting current needs.

Definition of Health

Recognizing the diversity among the communities served by the Huntington East Valley Hospital, many different definitions of health may apply. Therefore, it is important that our strategies and services take into consideration the unique social, economic and environmental assets of each community.

Southern California Healthcare Systems and its affiliated hospitals believe that health results from the proper care of the mind, body and spirit. We believe that through an integration of medical, social and community initiatives a healthier community can be achieved. As a leader in the delivery of healthcare, our role is to serve as a partner, advocate and facilitator of this process.

Southern California Healthcare Systems Facts

Southern California Healthcare Systems (SCHS) is a non-profit, integrated healthcare delivery system formed in 1992 to provide a comprehensive continuum of high quality, cost effective healthcare services to residents of the San Gabriel Valley, a large, 29-city area northeast of Los Angeles.

Headquartered in Pasadena, SCHS is composed of three non-profit, general acute hospitals with nearly 1,100 acute beds; two skilled nursing facilities with 131 beds; a medical foundation; physician practice and IPA management companies; and affiliated companies with laboratories, pharmacies, imaging centers and home care. SCHS hospitals have over 1,500 physicians on staff and nearly 3,500 employees. Annual net operating revenues for SCHS total approximately $380 million. Because SCHS is non-profit, any surpluses are returned to the community in the form of replacement facilities, new patient programs, education and research.

SCHS hospital entities include: Huntington Memorial Hospital (HMH) in Pasadena, a 103-year-old, 606-bed regionally oriented, full-service tertiary hospital; Methodist Hospital of Southern California in Arcadia, a 92-year-old, 347-bed general acute hospital; Huntington East Valley Hospital in Glendora (formerly Glendora Community Hospital), a 128-bed general acute hospital. In May 1995, SCHS announced the first step in a process to fully affiliate with Beverly Hospital in Montebello, a 212-bed general acute care facility.

Because it is referred to as an *integrated healthcare delivery system*, SCHS is committed to integration of all types of healthcare services, facilitated through relationships among hospitals, physician groups and other health providers. Functioning as a unified system, SCHS affiliates and subsidiaries collaborate on behalf of their communities, allowing patients and

physicians, employers and insurance companies a wide range of options for care throughout the entire San Gabriel Valley.

According to SCHS President and CEO Fred Meyer, "By reducing our cost structure and eliminating administrative burdens, we can turn out dollars to patient care programs and be very competitive in this managed care environment." (Source: Southern California Healthcare Systems, 1995)

II. HOSPITAL – SPECIFIC

Huntington East Valley Hospital Mission Statement

In partnership, the medical staff, allied health professionals, employees, and volunteers of Huntington East Valley Hospital are dedicated to serving the people of the east San Gabriel Valley by providing high quality healthcare, in a caring, compassionate and friendly environment. As a nonprofit subsidiary of Southern California Healthcare Systems, the hospital's programs are responsive to the healthcare and educational needs of east San Gabriel Valley communities, while also offering access to a full range of services in an integrated delivery system.

We pursue this Mission by fostering these Values:

- Convey Honesty, Integrity, and Respect in all of our actions;
- Learn what is most important to those we serve and actively seek to continuously improve our service;
- Accept personal responsibility to broaden individual knowledge and skills, enhancing our overall performance;
- Promote teamwork through group planning, cooperative problem solving, and effective communication;
- Recognize each other for exceptional service and celebrate successes;
- Build financial strength for the future to ensure our continued ability to serve the east San Gabriel Valley; and
- Develop plans and actions to meet the changing needs of the health care environment.

Board of Directors Reaffirmation of Mission Statement

June 18, 1995.

Huntington East Valley Hospital Facts

Huntington East Valley Hospital has provided quality healthcare services for more than 35 years to residents in Glendora and the East San Gabriel Valley. The hospital first opened its doors on May 22, 1958 as Glendora Community Hospital, the city's first hospital. It was then a 76-bed hospital. Today, Huntington East Valley is a 128-bed acute care hospital that is fully accredited by the Joint Commission on the Accreditation of HealthCare Organizations (JCAHO); the Emergency Department is certified by the American Heart Association and the laboratory is accredited by the College of American Pathologists. Accreditation by JCAHO is a voluntary process supported by the American College of Surgeons, American Hospital Association and the American Medical Association, and this demonstrates the hospital's strong commitment to the highest standards of medical care.

In April 1995, Huntington East Valley became part of Southern California Healthcare Systems, creating an integrated healthcare delivery system spanning the San Gabriel Valley corridor and beyond. Huntington East Valley now has as sister hospitals: Huntington Memorial Hospital in Pasadena, and Methodist Hospital of Southern California in Arcadia. Together, this healthcare system provides access to more than 2,000 physicians and more than 100 specialty programs and services.

Huntington East Valley Hospital Programs and Services

Full-service Hospital (Accredited, Joint Commission on the Accreditation of HealthCare Organizations)

24-Hour Emergency Services – Physician on Duty (American Heart Association approved)

"Babies Are Special" Comprehensive Perinatal Services Program

Cardio-Pulmonary Services – Inpatient and Outpatient

Clinical Laboratory – Inpatient and Outpatient (Accredited, College of American Pathologists)

Community Education

CT Scanner

Diagnostic & Therapeutic Services

Echocardiography

Family Centered Maternity Care

FastTrack Service (Non-emergency, after-hours care)

General Surgery

Home Health Care

Inpatient and Outpatient Services

Intensive Care/Coronary Care Unit (Approved - American Heart Assn.)

Laser Eye Surgery

Mammography

Nuclear Medicine

Nutritional Services

Pharmacy Services

Physical Therapy

Physician Referral Service

Radiology

Respiratory Therapy

Same-Day Surgery

Senior Mental Health Services – Inpatient & Outpatient

Snoring & Sleep Disorders Center

Social Services/Discharge Planning

Volunteer Services

Description of the Huntington East Valley Hospital Community

The area addressed for the Huntington East Valley Hospital Community Needs Assessment is a 42-square-mile area consisting of Azusa, Glendora (2 zip codes), and San Dimas totaling 44,116 households. As a whole, these communities have a population of 139,323 as of 1994. Since 1990, there has been a growth of 4.3% and it is estimated that by 1999 there will be a 2.7% growth in population.

The four zip code area has an overall average household income of $57,536, with Glendora (91741) having the highest household income average of $70,481 and Azusa the lowest at $42,411. Azusa also has the largest number of households (1,750 or 4.0%) with income lower than $10,000 and the largest number of households (1,954 or 4.4%) with income between $10,000 - $19,999. Considering all four zip codes, 7.9% of the households have incomes lower than $10,000 and 9.4% of the households have incomes between $10,000 - $19,999.

The dominant age group for this four zip code area is the 25 - 34 year olds equaling 23,739 or 17.0% of the total population. This group is followed closely by the 35 - 44 year olds with 22,102. The age group with the fewest members is the 65+ year olds with only 12,399 or 8.9%.

Ethnically speaking, the white population dominates in total numbers with 80,893 or 58.1% of the total population. The next largest ethnic group is Hispanic with 47,775 (34.3%) people. The "other" ethnic population encompasses all other ethnic groups excluding white, black, Asian and Hispanic and only numbers 174. The black population had the lowest total numbers of only 1,891 people or 1.4% of the population residing in this four zip code area. San

Dimas has the highest white population, Azusa the highest black, Asian, Hispanic and other populations.

Azusa also has the highest number of unemployed at 2,225 or 55.8% of the total. Glendora (91741) the least with 537. These numbers correlate with the educational levels observed; Azusa has the greatest population obtaining a high school diploma as the highest level of education. San Dimas has the largest number of people holding a 4+ year degree. The overall average for completed years in school is 13.4 years.

These four zip codes do not have a high cumulative number of people having been diagnosed with AIDS. Only 102 cases have been diagnosed as of March 1995. Of this number, there are only 39 people living with AIDS in this four zip code area.

Analyzing the population on public assistance, Azusa far outnumbers (10,794) the remaining three zip codes regarding the total on AFDC, Food Stamps, MediCal and General Relief. The next highest zip code is Glendora (91740) with 2,933. Overall, there are 15,409 people receiving some type of public assistance with most of the assistance being in the form of AFDC-FG.

For further review of the above statistics, please see Appendix D: Demographics of service area studied. (Source: Inforum, United Way of Greater Los Angeles)

Community Benefits Inventory

In 1994, Huntington East Valley Hospital spent approximately $756,525 on community health needs. Following is a breakdown and description of those dollars:

COMMUNITY HEALTH EDUCATION

Huntington East Valley Hospital recognizes its responsibility to provide health education, endorse early detection/prevention of disease, and promote healthy lifestyles within the community. A community outreach program is comprised of screenings/health fairs, referral services, classes and lectures/hospital tours. Many programs targeted the needs of senior citizens and expectant mothers due to the demand in the community.

Red Cross Health Fair Expo. The hospital was very proud to be chosen by the Red Cross to participate in their annual Health Fair Expo. As a site, the hospital served between 675 to 750 people during the six hour fair. The emphasis was to promote disease prevention and detect potential disease in early stages through screenings and education.

In April, 1994, the hospital provided various health screenings including vision, glaucoma, blood profile, blood pressure, body fat analysis, skin cancer, pulmonary function, dental, hearing and chiropractic exam. All screenings were free (except for a nominal charge for the blood profile) and exhibitors were restricted from marketing or selling products or services.

Additionally, information was disseminated on a variety of health risks and care such as heart disease, strokes, correct use of pharmaceuticals, nutrition and pre-natal care, through brochures, videos and demonstrations. Community organizations and agencies i.e. fire dept.,

American Cancer Society and health maintenance organizations participated by staffing booths and providing health informational materials.

The Great Glendora Festival. In October, the staff of the cardio-respiratory department had a booth where they screened the lung function of approximately 150 people at the Great Glendora Festival, a community fair organized by the Chamber of Commerce.

Free Blood Pressure Testing: In emergency room, free blood pressure testing is provided 24-hours a day, 7 days a week to the public. Public response averaged 30 tests per month in 1994.

Free Senior Flu Clinic. The hospital held two clinics in September & October which combined, inoculated approximately 500 patients against the flu.

Medical Explorer Program. In conjunction with Boy Scouts of America, this program gave 28 honor students from local high schools an opportunity to gain knowledge by observing and helping health professionals in action. The idea of the program was to allow students who aspire to pursue a future career in the medical field to get an early grasp on what is happening in the ever-changing field. Special medical techniques, instructional videos, or guest speakers were provided for their weekly 1 1/2-hour meeting and field trips were occasionally arranged. For example, Explorers observed a dermatologist demonstrate how to stitch a wound, a hip replacement surgery on a dog and a cadaver. Although the Explorer group operated on their own

budget, the hospital provided the meeting room, a director, three adult advisors, educational materials and the training opportunities.

Senior Mental Health Program. The Geropsych department designed the Senior Mental Health program to be a resource to the community. Being a resource included giving extensive referrals, providing a speaker's bureau and working with other groups i.e. Chamber of Commerce and county mental health agencies to identify potential problems in the community and ways to deal with them. The Speaker's Bureau provided speakers who lectured on a variety of topics relevant to senior mental health at non-profit organizations, civic groups and facilities for the elderly.

Geropsych Department Open House. On May 18, 1994, the Geropsych Department held an open house in order to educate the public on the special needs of the elderly and inform them of the services available to meet those needs.

Maternity Teas. For expectant couples, the hospital hosted monthly teas during 1994 in the auditorium and gave a tour of the maternity unit in order to educate them about their pregnancy and make them more comfortable with the process. Two staff members were present to give a tour of OB department, interact with the expectant parents and answer questions.

OB Department Open House. On October 19, 1994, the hospital held an open house of the OB Department Tours and appetizers were provided to more than 200 people from the community.

Childbirth Preparation Classes. This class covered Lamaze instruction, relaxation techniques, emotional aspects of the child-bearing year, caesarean births, breastfeeding and newborn care. Eight sessions of this five-week course were held in 1994.

Hospital Tours. The hospital gave area second grade students an opportunity to learn more about hospitals by giving them a tour of our facilities. The program started with a lecture in the Auditorium attended by staff members for 1 1/2 hours, and concluded with a brief tour of the hospital. Students were given refreshments and a grab bag filled with surgical hats, booties, masks and a hospital-type coloring book.

1994 EMS Week. During Emergency Medical Services (EMS) Week in late April, the hospital hosted a luncheon for the local paramedics in our auditorium in order to show our support and appreciation.

Also, the hospital provided special EMS flyers informing the public on use of the 911 emergency system and CPR techniques. Flyers were distributed through the library, senior center, and other community organizations.

Career day participation and community lectures. The hospital staff suppported the community by participation in career days at local high schools and giving interviews to college students working on research projects in the healthcare field.

X-Ray Halloween Candy. As a community service, we x-ray Halloween candy to look for foreign objects and ease the fears of anxious parents.

VALUE/COSTS ASSOCIATED WITH COMMUNITY HEALTH EDUCATION

HEALTH FAIRS/SCREENINGS

Direct Expenses	$ 41,167
Staff Hours	703
Volunteer Hours	440
Physician Hours	24
Number of People Served	1,760

HEALTH EDUCATION CLASSES/ LECTURES/TOURS

Direct Expenses	$ 28,031
Staff Hours	890
Number of People Served	2,713

TOTALS

Direct Expenses	$69,198
Staff Hours	1,593
Volunteer Hours	440
Physician Hours	24
Number of People Served	4,473

PROFESSIONAL MEMBERSHIPS

As a member of our community, Huntington East Valley Hospital supported employee and physician involvement in community organizations. This involvement included active planning and participation in community events like the Great Glendora Festival, assisting in preparedness for possible disaster through disaster drills and education, and being members in civic clubs in the area.

Examples of hours spent in these activities include:

- Member, San Gabriel Valley Nurse Managers.

- Member, Perinatal Social Workers Association.
- Member, Southern California Assn. of Directors of Volunteer Services (SCADVS).
- Member, Glendora Coordinating Council
- Member, Foothill Health Advisory Committee - purpose of committee was to share and disseminate information between Healthcare facilities.
- Member, Kiwanis Club.
- Member, Glendora Chamber of Commerce.

IN-KIND SUPPORT

The hospital incurred other costs associated with providing community benefits. For instance, our facilities were often loaned to community groups, healthcare professionals and non-profit organizations for meetings and seminars at no or minimal charge.

AA Meetings. The local chapter of Alcoholic Anonymous held a three-hour meeting every Saturday night in the hospital's auditorium.

Civic Organizations. In order to support our community, the hospital provided meeting space to non-profit and community organizations. The Glendora Chamber of Commerce and the Kiwanis Club took advantage of our facilities for meetings. Also, the Hospital funded the printing of annual booklets for the Glendora Historical Society.

Healthcare professionals. The hospital meeting space was also used for classes and lectures by doctors and healthcare organization on such topics as eye surgury and financial planning for senior citizens.

We estimate the total value of this in-kind suppport to be $26,500.

CHARITY CARE

In an effort to meet the health care need of this area, Huntington East Valley Hospital provided care without charge to members of the community. Charity care totaled $ 337,419 in 1994 and included uninsured patients, insurance coverage shortfalls, and bad debt write-offs. In addition to this direct support, the hospital programs provided more than $8,000 in charity care through the following programs:

Community Flu Shots. In addition to the flu clinic, the emergency room offered free flu shots to the public.

OB Giveaways. Beginning in February, 1994, every mother who delivered a baby at the hospital received a stroller or car seat. We estimate over 600 families were provided with these items.

Tray favors. On certain holidays, volunteers create small gifts delivered to the patients on their meal tray. This service covered eight holidays and served 40 to 60 patients per holiday.

Baby Quilts. The hospital disseminated baby quilts donated by ABC Quilts to underprivileged families of newborns.

Food Drives. The hospital's human resources department organized charity drives for food and toys at Thanksgiving and Christmas. Food Baskets donations are given to the Glendora Coordinating Council for distribution to needy families.

DIRECT PATIENT SUPPORT

Huntington East Valley Hospital provided its patients with many support services which are not mandated. These services were created to meet the patient's individual needs including their spiritual, mental and emotional needs.

Social Services. The social worker may assist in discharge planning, may assist as families struggle with medical decisions, and may provide supportive services to encourage both physical, mental, emotional and spiritual health. This service was available at any time of the day. Cost of this service in 1994 is estimated to have been $ 57,700.

Language Line. Translation services were provided to non-English speaking patients through use of the AT&T Language Line service.
Cost of the language line in 1994 was $ 600.

Volunteer Department. The volunteer department continues to be instrumental in coordinating and motivating the community volunteers who help our patients and our community. In 1994, 4,009 hours of service were given by volunteers at Huntington East Valley Hospital. Value of this service was $ 40,090. Cost of maintaining a Volunteer Department was $ 17,200.

Medical Explorer Volunteers. Scouts in the Medical Explorer program (detailed in the Community Health Education section above) were assigned to various departments (physical therapy, gero-psych, maternity, laboratory, medical records, and ER) all year. They performed

clerical tasks or supported care-giving such as feeding babies in maternity. Explorers volunteered 6 to 7 hours per week, approximately 300 hours annually, valued at $3,000.

Patient grooming. Volunteers from Citrus College Cosmetology Department came every other week to the Geropsych ward to groom patients by providing manicures and hair styling. This service benefitted the patient by raising their morale and confidence. Students volunteered approximately 208 hours, valued at $ 2,080. We spent more than $400 to support this program.

Paramedic support. Our ER provides free food to the paramedics and restocks their supplies. The cost of this service averages $300 per month, for an annual total of $ 3,600.

Bible Ministry. Volunteers visited patients to provide inspirational support through audio tapes of the Bible. This service was brought to the patient's room, one day a week. In 1994, volunteers spent 39 hours, valued at $ 390, on this service.

EDUCATION AND TRAINING OF HEALTH PROFESSIONALS

Huntington East Valley Hospital is dedicated to the education of health care professionals by providing clinical experience and support for students and supplying continuing education to our staff through in-house training and outside education and seminars.

EMT Student training. Students from East San Gabriel Valley Regional Occupation Program (ROP) were given clinical training in our emergency room. The student followed the RN or technician who instructed them in procedures and practices. The students were not paid by the hospital and earned the credit hours they needed for their certification. In 1994, four students per week worked eight shifts each. Total time spent in the EMS training program was 1,664 hours.

In-house Continuing Education. The hospital was approved to provide continuing education to its professional staff. Classes were provided on many special topics including management assaultive behavior, Alzhiemer's disease, antibiotic update and issues of sexuality/grief and loss for elderly patients, in addition to standard classes such as CPR, neo-natal resuscitation, and advance coding.

Outside professional training. The hospital also funds outside education classes and industry seminars costs for the staff. The cost of outside professional training in 1994 was $ 22,175.

Medical Library & Physician Training. The hospital houses a medical library. Subscriptions for the medical staff totaled $1,400 in 1994. The hospital was certified by the California Medical Association to provide training to any physician. A staff member spent a significant amount of time on coordinating the educational programs sponsored by the medical staff and maintaining the hospital's certification. The cost of this service is estimated to have been $6,000.

Dues and Subscriptions. The hospital paid staff members' dues to professional organizations and supplied selected health-related or community publications. In 1994, the cost of this service was $75,940.

Total expenses for the education and training of hospital staff was $ 84,833.

III. COMMUNITY NEEDS ASSESSMENT

Methodology

Huntington East Valley's community needs assessment was implemented through a cooperative effort between two task forces:

1) An internal hospital task force comprised of representatives from the following areas: social services, social services, education/performance improvement, managed care, senior mental health, marketing & public relations, volunteer services and others; and

2) A task force of community outreach and education representatives from the two other hospital entities of Pasadena, Calif.-based Southern California Healthcare Systems (SCHS), including Huntington Memorial Hospital in Pasadena, Calif., and Methodist Hospital in Arcadia, Calif. Huntington East Valley became an SCHS affiliate in April 1995 and soon thereafter was brought into the community needs assessment process.

Numerous meetings between the hospital representatives and SCHS resulted in an agreed-upon emphasis to assess community health needs in the primary service areas for all three hospitals. For Huntington East Valley, the three primary service cities are Glendora, Azusa and San Dimas. Secondary Huntington East Valley service cities are Duarte, Covina, West Covina and Baldwin Park (please see map, Appendix E). The identification of the primary service areas

was made through information on hospital discharges and other demographic data (SCHS, April 1995).

The Instrument

After months of collaboration, it was concluded that the primary needs assessment tool would be a written survey. The questionnaire was designed by pulling concepts from various sources, including the United Way (1995), PATCH (Planned Assistance to Community Health), and "Healthy People 2,000" (U.S. Department of Health and Human Services, 1994), a nationwide study of health promotion and disease prevention objectives, among others.

The final survey format was identical for the three hospitals, with the exception of closing comments asking respondents for future participation in focus groups (HEVH) and community meetings (Huntington Memorial). Methodist Hospital was slated to do, instead, depth interviews with selected community leaders. The main subheadings of the survey included respondents' perceptions of : health concerns, health services, mental health services, substance abuse services, seriousness of named social concerns (i.e. domestic violence, sexual assault, drop-out rate of students, etc.), health care information sources, and barriers to health care services. Scales used gauged adequacy (Don't Know Inadequate, Adequate), importance (Don't Know, Moderately, Very), frequency of use (Never Used, Occasionally, Frequently), and seriousness (Don't know, Not Serious, Serious).

Approximately 750 surveys were mailed the first week of October 1995 and responses were requested by month's end. Ninety surveys were returned, or 14.6 percent. Some completed surveys were later shared by all three hospitals due to the duplication of agencies and/or

organizations along the San Gabriel Valley corridor. As a result of this, an additional 41 surveys were gathered from the other two hospitals, bringing the total sample size for this study to 131.

The Sample

Based on the experience of the United Way, in efforts to get a "big picture" of community health needs, surveys were mailed to area "service providers," defined as agencies and/or organizations that provide education, governmental, social-service and/or religious support to wide populations within the service areas (United Way 1995). Service providers included in this survey were: realty companies, schools (both public and private), churches, healthcare facilities, top employers, civic and service organizations, city dignitaries, chamber of commerce directors, city department and division heads, U.S. and state congressmen, federal and county social-service agencies, and law enforcement and fire officials. Mailing lists were gathered from city halls, social-service agencies, chambers of commerce and telephone directories for all three cities.

Measures

Dependent variables of importance in the survey include perceived importance of health care issues, perceived adequacy of prevention/treatment of these problems, perceived adequacy of health services, perceived adequacy of mental health services, perceived adequacy of substance abuse services, and perceived seriousness of numerous social concerns. Of special interest to this study are groups of questions related to sources of health care information

(Section F, Questions 45-58) and perceived seriousness of barriers to service (Section G, Questions 59-72). For health care information sources, respondents used a scale of "Never Used (0)," "Occasionally (1)," and "Frequently (2)." Open-ended comments regarding barriers and/or problems with health care services also were solicited at the end of the survey.

Independent variables of interest are type of agency or organization, level of operation (ranging from neighborhood level to national level), and characteristics of target population (if any) served by that agency/organization, including ethnicity, income, age, gender, disabilities (if any) and disease/condition emphasized (if any).

In addition to the quantitative portion of question G: Barriers to Service, respondents were invited to comment freely on the open-ended question "Any additional comments on barriers or problems with healthcare in our community?" Of the 131 completed surveys, 38 (29%) included such qualitative comments.

Three general comment categories emerged from these comments based on the nature and emphasis of their message: "Low Cost Health Care Services/Eligibility Requirements," "Lack of Specialty Services/Care," and "Lack of Information About Available Care." The category names were taken from question G headings. Each of the comments was recorded and then grouped into the most appropriate category. In the event that a comment was found to contain messages that could possibly fit more than one category, the comment was assigned to the category which most accurately encompassed its main point.

Each category has been listed with a definition of what it includes, the total number of comments assigned to it, the percentage of comments assigned to that category based on the total number of comments received, and the percentage of comments assigned to that category based

on the total number of surveys received. Following each category and its rate of response details is a selection of examples of the comments received that were assigned to that category. The comment samples were selected based on content (i.e. not repetitious, specifically defined), level of organizational operation, and degree of clarity.

Data Analysis

An SPSS command file was written for the survey for statistical analysis of the data. Each response was coded, and in all cases the number "9" denoted a missing value. The probability level was set at 95 percent, with a sampling error of 0.5. Several statistical tests were conducted under the heading of "descriptive statistics," including percentages and bar charts (see Appendix for overview of results, and complete data run).

Preliminary Findings

The preliminary findings of the community needs assessment survey will be presented as a summary of results. The total number of returned questionnaires was 131. The data of the survey was analyzed by a statistical computer software program (SPSS) Following is a summary of the results.

Description of responding agencies/organizations.

Regarding categories that best describe the agency/organization, almost a third of the respondents described themselves as human services. The second most frequently checked category was education, and the category mostly identified after that was healthcare. The level

of operation that the agencies/organizations operate on was almost equally broken up between city level, regional level, national level and county level. (Only a few respondents operate on neighborhood, state or all levels.)

The populations served by those agencies/organizations.

A specific target population was identified only by a quarter of the agencies, and the majority of these respondents answered that they target all ethnic groups. Only a small minority (about 10 percent) indicated that they target predominantly disabled persons, Hispanics, Caucasians, youths, Asians, or pregnant women.

However, almost a quarter of the respondents target primarily women and slightly less target both male and female, while only a small number of respondents target primarily men.

Slightly less than half of the respondents provided the average household income of their target audience. A third of them described a low income group with a salary of $5,000-14,000 and $15,000-34,999.

With regard to the average age of the target group, more than half of the respondents answered. The majority of the responses was divided almost equally between 25-44 years; 0-17 years; and 18-24 years.

The large majority (almost 88 percent) of agencies did not indicate any specific diseases that they are concerned with. The few answers received included mentally handicapped; poverty; alcoholism; family planning; post-stroke; tooth decay; AIDS; cancer; sexual abuse and child care.

Major health concerns

In assessing the perceptions on specific healthcare concerns, five major health concerns could be identified as *very important* to the community (ranked in order of importance):

1) Heart disease
2) Cancer
3) HIV/AIDS
4) (tied) Lung disease and stress.

The four major health concerns of *moderate importance* included:

1) nutritional disorders
2) stroke
3) smoking related diseases and
4) sexually transmitted diseases (STD's).

Gauging the inadequacy of healthcare services

To better gauge potential unmet healthcare needs, respondents were also asked about the *adequacy of the services* in preventing or treating these health problems. Respondents tended to rate services associated with heart disease, cancer and lung disease as adequate. Respondents rated the following to be inadequately treated or prevented:

1) HIV/AIDS
2) Stress
3) Sexually transmitted diseases
4) Nutritional counseling/disorders

Since HIV/AIDS and stress were both of high concern and considered to have inadequate services to prevent and/or treat these health problems, the survey indicates that services regarding these two health care issues need to be addressed.

Rating healthcare services in the community

Furthermore, when rating general healthcare services in their community, respondents identified four major areas of inadequacy:

1) Nutritional counseling
2) Day care for the physically disabled.
3) Preventative clinic/outpatient medical care
4) Non-emergency medical care.

Mental health services

Overall, mental health services were rated as inadequate by more than 50 percent of the agencies, and as adequate by a small minority of respondents. Of major concern regarding inadequacy were:

1) Long-term hospitalization
2) Residential care for the mentally disabled
3) Outpatient/clinic counseling. Both areas received ratings slightly higher than 50 percent in inadequacy.

Substance abuse services

Similarly, almost all substance abuse services were rated inadequate by more than half of the people. Alcohol abuse prevention and drug inpatient/hospital treatment were rated No. 1 and No. 2 as most inadequate.

Social concerns

In areas of social concern, respondents were asked to rate the seriousness of a number of social issues.The top three concerns were:

1) Youths in conflict (including gang activities)

2) Domestic violence

3) Neglect/abuse of children. Also, more than half of the people surveyed felt that literacy rates, homelessness, sexual assault, and child care were serious issues in their communities. Overall, each of the social concerns were perceived as serious by more than half of the respondents, except for senior day care which was rated as serious by 43percent (but seen as not serious by 26 percent).

Health care information sources

There was a clear perception of how health care information is gathered by respondents' target populations. Ranked in order, they are:

1) Family/friends

2) Television

3) Newspapers

4) Healthcare professionals. Least often used as frequent sources were computer online services (only 1.7%), however almost half of the respondents marked it as an occasional source. Seminars/workshops/classes and the library were used frequently by less than a quarter of the respondents. Virtually all of the listed sources were used occasionally by more than half of the respondents.

Barriers to health care service

The most serious barrier to health care service appears to be the *cost* of services. Also, lack of information about available services, wait for services, and eligibility requirements seem to be important factors that keep people from using services. Lack of child care, and lack of transportation were of secondary importance. Inconvenient locations, perceptions about quality of service, and confidentiality appeared to be of less concern.

IV. APPROACH TO DEVELOPMENT OF COMMUNITY BENEFITS PLAN

Input, suggestions and direction in the development of a community benefits plan was solicited via one-to-one interviews/meetings with: the CEO, VP of Operations/Nursing, a panel of women representatives from the community and others.

Using the community needs assessment as a basis, and taking into consideration community input, present hospital programs, services and resources, a community benefits plan was drafted for 1996-97, focusing on the following healthcare concerns considered to be important and/or inadequately served in our communities:

- HIV/AIDS/Sexually Transmitted Disease
- Mental Health Services (Inpatient, Outpatient)
- Non-Emergency Medical Care
- Heart Disease
- Cancer, and
- Women's Health.

Input on the plan was solicited from the hospital's board of directors, the hospital's administrative team, department directors, employees, volunteers, the other SCHS hospital entities, and collaboration and discussion with other healthcare institutions in the East San Gabriel Valley. The community benefits plan will be evaluated on a six-month basis, beginning with June 1997, through the use of the hospital's performance improvement and continuous quality improvement processes.

Huntington East Valley Hospital's community outreach programs and services for 1996-97 will focus on the following goal, topics and objectives:

Goal: In cooperation with other healthcare partners, to provide health education, information, and accessible clinical services to the community on topics deemed important by our community needs assessment.

Topic: HIV/AIDS/Sexually Transmitted Disease

Objective: Reduce the number of reported cases of sexually transmitted disease in junior high and high-school students within our service area.

Activities: Dissemination of teaching tools to school teachers; seminars and workshops for students and parents.

Partners: Planned Parenthood East San Gabriel Valley, Glendora/Charter Oak Unified School Districts, American Red Cross/NBC 4 (Health Fair Expo).

Topic: Mental Health Services (Inpatient, Outpatient)

Objective: Increase the number of senior citizens (age 60+) within the East San Gabriel Valley served by the hospital's Senior Mental Health and Senior Care Network case management programs.

Activities: Senior health fairs, senior membership program, site visits to local board and care/skilled nursing facilities.

Partners: Huntington East Valley Hospital Senior Mental Services, Huntington Memorial Hospital's Senior Care Network, area board and care facilities and skilled nursing facilities.

Topic: Non-Emergency Medical Care

Objective: Create new hospital-based low-cost, easily accessible non-emergency medical services program.

Activities: Implementation of "Fast Track Service," low-cost medical program through Emergency Services Department.

Partners: Huntington East Valley Emergency Services Department and ICU/CCU physicians and nurses.

Topic: Heart Disease

Objective: Through community events and media relations, to educate, inform and screen community members to identify those at-risk of heart disease and to begin a thought process that will change health-threatening behaviors.

Activities: HeartWalk '96 and '97; HeartScore '97, American Red Cross/NBC4 Health Fair Expo, free blood-pressure screenings.

Partners: American Heart Association, HEVH cardiologists, Glendora & Charter Oak School Districts, HEVH staff, other healthcare organizations, local media outlets.

Topic: Cancer.

Objective: To integrate clinical, educational and community outreach programs to educate, inform, screen, and facilitate treatment of community members and to begin a thought process that will change health-threatening behaviors.

Activities: Construction, implementation of outpatient diagnostic imaging center (Spring 1997); special diagnostic screenings for breast cancer (Spring, Fall 1997) and prostrate cancer (September 1997); implementation of Special Touch breast self-exam program (Spring 1997); serve as referral hospital, resource for the Cancer Center of Southern California; support groups, educational seminars (Spring/Fall 1997).

Partners: American Cancer Society, Hill Medical Radiology Group, other SCHS entities, Cancer Center of Southern California, local Chambers of Commerce, local media outlets and others.

Topic: Women's Health.

Objective: To identify and prioritize healthcare issues of particular importance to women in our service area and to offer appropriate education, information and clinical support.

Activities: Symposiums, screenings, workshops on menopause, hormone replacement therapy, osteoporosis, stress, diet, nutrition; implementation of special "women's health" clinic.

Partners: American Menopause Foundation, various HEVH physicians and clinical specialists, other SCHS hospitals, American Psychological Association, managed-care providers.

References

Office of Statewide Health Planning and Development (OSHPD). "SB 697 – Community Benefits Legislation." Handout from "Taking the Next Step: Your Community Benefits Plan" workshop, November 9, 1995.

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Senate Bill 697. Bill Mandating Not-for-Profit Hospitals to Conduct Community Needs Assessments and Adopt Community Benefit Plans. United States Senate.

Southern California Healthcare Systems. (1995, July 20). Hospital Service Areas Document.

United Way service provider questionnaire.

U.S. Department of Health and Human Services. (1994). Healthy People 2,000 Review 1994, Hyattsville, MD: Public Health Service.

Appendix A:
Overview of Quantitative Survey Results

Overview of Quantitative Survey Results

The results of the community health assessment survey will be presented in percentages. The total number of returned questionnaires was 131. In the following, each question will be broken down into its response rate, and into the percentages of its corresponding responses.

Q 1: Asked the respondents to check one category that best describes their agency/organization. There were no missing cases.
30.5% checked the category human services; 23.7% education; 19.8% healthcare; 11.5% government ; 6.9% religious/ministerial; 4.6% private business; 1.5% law enforcement; .8% political and another .8% checked fire.

Q 2: Asked the level that the agency/organization operates on. There were 2 missing values (1.5%). 22.9% operate on city level; 19.8% operate on regional level; another 19.8% on national level; 16% on county level; 9.2% on state level; another 9.2% on neighborhood level; and 1.5% operate on all levels.

Q 3: Asked whether their agency targets a specific population. 51.9% answered 'No,' while 45% answered 'Yes.' There were 4 missing cases (3.1%).

Part A of the question examined the ethnicity or unique characteristic of the target audience. For 74% this question did not apply. 15.3% target all ethnic groups; 3.8% target Hispanics; 2.3% Caucasians; another 2.3% youths; 1.5% Asians; and .8% target pregnant women.

Part B inquired about the household income of the target audience. This question was not applicable for 52.7%. 16.8% fell in the group of $5,000-14,999; 14.5% into the group of $15,00-34,999; 9.2% into the group of $35,000-49,999; 3.1% into the group of $50,000-74,999; 1.5% into $100,000 and above; and 2.3% of the respondents checked all of the income groups.

Part C asked for the average age of the target group. 45.8% did not reply to that question. 14.5% answered 25-44 years; 13.7% answered 0-17 years; 6.9% checked 45-64 years; 4.6% answered 65 years and above, while another 4.6% answered under 65 years; 13.7% checked 18-24 years; 2.3% checked 50 years and above; another 2.3% answered 0 years; and 1.5% answered 18 years and above.

Part D asked the respondents if the target audience was primarily disabled. Of the 71 valid responses, 80.3% answered 'No,' 18.3% 'Yes,' and 1.4% replied with 'Both.'

In part E respondents identified the gender of their target audience. Of the 69 valid answers, 47.8% targets women; 37.7% target both male and female; and 14.5% target primarily men.

Part F of question 3. asked for any specific diseases that the agency might deal with. 87.8% did not reply to this question. 3.8% identified mentally handicapped; 1.5% poverty; 1.5% alcoholism; another 1.5% family planning; .8% post-stroke; .8% tooth decay; .8% AIDS/cancer; .8% sexual abuse; and another .8% child care.

SECTION A: The questions in section A were about health concerns.

Part A asked about the perceived importance of some specific health care concerns in the community. The following lists the health concerns, and the corresponding counts and valid percentages of importance evaluations (ranked in order of most important).

Concern	Don't Know		Moderately Impt.		Very Impt.	
Heart disease	16	13%	38	30.9%	69	56.1%
Cancer	20	16.4%	41	33.6%	61	50%
HIV/AIDS	17	13.6%	49	39.2%	59	47.2%
Stress	25	20.2%	42	33.9%	57	46%
Lung disease	25	20.2%	42	33.9%	57	46%
STD	17	13.7%	52	41.9%	55	44.4
Smoking related	20	16.3%	53	43.1%	50	40.7%
Stroke	21	16.9%	57	46%	46	37.1%
Nutritional disorders	37	29.6%	59	47.2%	29	23.2%

Part B asked about the perceived adequacy of services in preventing and/or treating these problems. *The responses are presented in order of most inadequate.*

Problem	Don't Know		Inadequate		Adequate	
HIV/AIDS	33	26.8%	68	55.3%	22	17.9%
STD	34	27.6%	65	52.8%	24	19.5%
Stress	39	33.1%	62	52.5%	17	14.4%
Nutritional disorders	51	42.9%	49	41.2%	19	16%
Smoking related	36	30.5	40	33.9%	42	35.6%
Lung disease	40	33.9%	37	31.4%	41	34.7%
Cancer	33	27.3%	33	27.3%	56	45.5%
Stroke	38	30.9%	33	26.8%	52	42.3%
Heart disease	30	24.4%	29	23.6%	64	52%

SECTIONS B, C & D: In these sections, the survey asked the respondents to rate the adequacy of particular health services in their community. The following is a list of the services and the counts and percentages of the responses to each item.

SECTION B: General Health Services (ranked in order of most inadequate).

Service	Don't Know		Inadequate		Adequate	
Nutritional counseling	43	35.2%	57	46.7%	22	18%
Preventative clinic/ outpatient medical care	20	16.4%	55	45.1%	47	38.5%
Day care/physically disabled	55	44.7%	51	41.5%	17	13.8%
Non-emergency med. care	16	13.2%	49	40.5%	56	46.3%
Family planning	36	29.3%	48	39%	39	31.7%
Dental care	21	17.2%	43	35.2%	58	47.5%
Prenatal care	33	27%	42	34.4%	47	38.5%
Emergency medical care	12	9.8%	41	33.6%	69	56.6%
Nursing home care	36	29.5%	39	32%	47	38.5%
Rehab. care /phys. disabled	51	41.8%	38	31.1%	33	27%
Pediatric prev.care/immuniz.	28	23%	37	30.3%	57	46.7%
Skilled home healthcare	47	38.5%	34	27.9%	41	33.6%
Short-term hospital treatment	27	22.5%	23	19.2%	70	58.3%

SECTION C: Mental Health Services (ranked in order of most inadequate).

Service	Don't Know		Inadequate		Adequate	
Long-term hospitalization	42	35%	64	53.3%	14	11.7%
Outpatient/clinic counseling	26	21.5%	62	51.2%	33	27.3%
Short-term hospital treatment and/or residential care	35	28.9%	61	50.4%	25	20.7%
Adult day care	47	38.8%	60	49.6%	14	11.6%

SECTION D: Substance Abuse Services (ranked in order of most inadequate).

Service	Don't Know		Inadequate		Adequate	
Alcohol abuse prevention	24	20.0%	62	52.1%	33	27.7%
Drug inpatient/ hospital treatment	33	27.7%	62	52.1%	24	20.2%
Drug abuse prevention	22	18.5%	60	50.4%	37	31.1%
Alcohol inpatient/ hospital treatment	34	28.6%	58	48.7%	27	22.7%
Drug outpatient/clinic treatment	36	30.3%	57	47.9%	26	21.8%
Alcohol outpatient/ clinic treatment	36	30.3%	56	47.1%	27	22.7%

SECTION E: Social Concerns

Respondents were asked to indicate how serious they perceive the following issues to be. Below is the list of concerns and the corresponding counts and percentage values of the answers, ranked in order of most serious.

Social Issue	Don't Know		Not Serious		Serious	
Youths in conflict	5	4%	14	11.1%	107	84.9%
Domestic violence	14	11.3%	17	13.7%	93	75%
Neglect/abuse of children	17	13.6%	16	12.8%	92	73.6%
Literacy rate	14	22.3%	34	27.4%	76	61.3%
Homelessness	7	5.7%	42	34.1%	74	60.2%
Sexual assault	24	19.5%	27	22%	72	58.5%
Child care	16	12.9%	37	29.8%	71	57.3%
Drop-out rate of students	16	12.8%	40	32%	69	55.2%
Neglect/abuse of elderly	32	25.8%	26	21%	66	53.2%
Environmental health	15	12.1%	43	32.8%	66	53.2%
Senior day care	37	30.1%	33	26.8%	53	43.1%

SECTION F: ***This section was about healthcare information sources.*** It asked respondents to indicate their perception of how health care information is received in their community. The following is a list of healthcare information sources and the evaluations of each source in counts and percentages, ranked in order of most frequently used.

Information Source	Never Used		Occasionally		Frequently	
Family/friends	6	4.8%	47	37.3%	73	57.9%
Television	6	4.8%	60	48%	59	47.2%
Newspapers	2	1.6	66	53.7%	55	44.7%
Healthcare professionals	13	10.5%	59	47.6%	52	41.9
Service agencies/organiz'ns	12	9.6%	71	56.8%	42	33.6%
Newsletters/pamphlets/ brochures	4	3.2%	79	63.7%	41	33.1%
Pharmacists	21	16.9%	66	53.2%	37	29.8%
Magazines	14	11.4%	73	59.3%	36	29.3%
Hospitals	10	8.1%	78	62.9%	36	29%
Radio	19	15.3%	72	58.1%	33	26.6%
Community screenings	14	11.4%	78	63.4%	31	25.2%
Library	22	17.9%	75	61%	26	21.1%
Seminars/workshops/classes classes	25	20%	76	60.8%	24	19.2%
Computer online services	60	50%	58	48.3%	2	1.7%

SECTION G: ***The last section asked respondents to indicate their perception of how serious each of the following barriers is for people in the community.*** Below is a presentation of the results, ranked in order of most serious.

Healthcare Barriers	Don't Know		Not Serious		Serious	
Cost of services	10	7.8%	17	13.3%	101	78.9%
Lack of information about available services	7	5.6%	29	23%	90	71.4%
Wait for services	15	11.7%	31	24.2%	82	64.1%
Eligibility requirements	24	19%	26	20.6%	76	60.3%
Lack of child care	21	16.7%	35	27.8%	70	55.6%
Lack of transportation	9	7.1%	48	37.8%	70	55.1%
Language/cultural barriers	14	11.2%	50	40%	61	48.8%
Reluctance to go outside family/friends for help	37	29.4%	39	31%	50	39.7%
Lack of specialty services/care	29	23.2%	52	41.6%	44	35.2%
Perceptions about quality of service	21	16.8%	63	50.4%	41	32.8%
Prior bad experience	36	28.8%	49	39.2%	40	32%
Inconvenient locations	17	13.6%	70	56%	38	30.4%
Concerns about confidentiality	34	27.4%	61	49.2%	29	23.4%

SECTION G: ***Open-ended questions regarding prioritized unmet healthcare needs:***

1) Low Cost Health Care Services/Eligibility Requirements: 15 Comments
2) Lack of Specialty Services/Care: 14 Comments
3) Lack of Information About Available Services: 9 Comments

For a detailed summary of the open-ended question responses, see Appendix B.

Appendix B:
Summary of Responses to Open-ended Questions Regarding Unmet Healthcare Needs in the Community

Synopsis of Answers to Open-ended Questions

The open-ended questions asked for additional comments on barriers or problems regarding services in the community. The following is a presentation of the comments, in order of most frequently cited.

1. Low Cost Health Care Services/Eligibility Requirements: 15 Comments

This category generated the greatest response rate, with 39.5% of all responses (11.5% of the total surveys) specifically indicating cost and/or eligibility as a barrier to services. It includes all categories of cost and eligibility concerns including affordable access for the working-class poor, youth, elderly, uninsured, immigrants, and those ineligible for Medi-Cal.

March of Dimes (HealthCare, National): "Complications and barriers due to type of health insurance coverage and limitations the coverage imposes."

Lutheran Social Services (Human Services, State): "For persons over 18 and under 65 medical coverage is very hard to obtain."

Church of the Open Door (Religious/Ministerial, Regional): "Affordability is the key to many of these categories. Services are available, but for many who cannot afford insurance, it is a real problem to get adequate treatment."

Union Station Foundation (Human Services, Regional): "There is a shortage of care at any level for persons without income or insurance."

Visiting Nurse Association of East San Gabriel Valley (Health Care, Regional): "There are services available for any client if there is insurance or enough money for private pay. It is the working-poor family, the immigrant family, and the mentally ill that need assistance in linking with community agencies."

Lone Hill Middle School (Education, Regional): "Difficulty finding urgent emergency services or sliding scale or fee for service for people with no insurance; lack of specialist who accept MediCal for services locally..."

City of Glendora (Government, City): "Often affordable services mean long waits-even a waiting list of months."

2. Lack of Specialty Services/Care: 14 Comments

This category accounted for 36.8% of the total responses (10.7% of the total surveys). It includes, but is not limited to, comments concerning resources for day care, elderly care, outreach programs, sexual abuse programs, substance rehabilitation programs, youth issues, and services for the mentally ill.

Bienvenidos Village For Children (Shelter, County): "No resources for drug rehab for mothers with children (living in). Lack of post partum services. Family support services for at risk and families in crisis inadequate."

Arcardia Mental Health Center (Human Services/Government, County): "Need for cultural sensitivity & education, need for diversity training, need for integration of services."

Foothill Family Service (Human Services, Regional): "Teens have special health care needs that are often inadequately met- they do not feel comfortable in pediatric services and yet are often not adequately served by adult programs.

Foothill Developmental School (Education, Regional): "Lack of information on learning disabilities in pediatric communication community."

Glendora City Council Member (Government, City): "For some years now we have talked about sick care for young ones who would normally go to day care. For working parents it has become a necessity and a hardship when kids cannot go to day care. It would be nice to resurvey the schools to update our child care study and see if this is a concern."

St. Lucy's High School (Education, City): "Little given to topics for teen-agers; prevention-care available/ also eating disorders, smoking etc."

Azusa High School (Education, Neighborhood): "We need an outreach program for our teens and their families."

3. Lack of Information About Available Services: 9 Comments

This category includes concerns for inability to locate information or services and programs which are available in the community. It accounted for 23.7% of the total responses (6.9% of the total surveys).

Planned Parenthood (Healthcare, National, State, & City): "Excellent services are available but so often some people who need them most do not know where they are or how to get there..."

U.S. Center of World Mission (Religious, National): "Provide a handbook for new immigrants."

Project Information Community Services, Inc. (Alcohol Prevention, County, Regional, City & Neighborhood): "There are lots of resources available to the people in the Glendora area. However, people in general have a problem with how to access these resources. Since the City of Glendora has hired a person to give out resources, I feel this should help people to find a source of help. However, there should be a collective effort for each agency, etc. to submit their services to this central place for easy access by the client."

Valley Support Services of the VNA (Health Care, City): "Some agencies seem to be good about referring inquiries to other neighborhood agencies; sometimes I wish for a 'resource clearinghouse."

Glendorans for Drug Free Youth (Non-profit, City): "The City's counseling referral service is good but somehow we need to get information out to parents. The community tends to deny we have problems."

Appendix C:
Community Needs Assessment Survey Instrument

Huntington

East Valley Hospital

An affiliate of Southern California Healthcare Systems

October 9, 1995

Dear Neighbor:

As members of the East San Gabriel Valley, we share in the responsibility to serve our communities in the best way possible. As a newly reorganized non-profit entity, Huntington East Valley Hospital's mission is to assess our service area and to determine its health needs. To accomplish that, we need your help.

Enclosed is a "Community Needs Assessment Survey." Please direct this to the appropriate person in your organization who would have a "big picture" sense of the population you serve and community needs. This might be the President, Owner, Human Resources Director, Community Relations Representative, etc.

Please take a few minutes to fill out the enclosed survey and return it in the self-addressed stamped envelope provided, or mail it to Huntington East Valley Hospital, Public Relations Department, 150 West Alosta Avenue, Glendora, CA 91740.

We would appreciate your response by **Tuesday, October 31**.

Thank you in advance for your cooperation. If you have any questions, please contact Sylvia Novakoff, Director of Public Relations at (818) 335-0231, ext. 471.

Sincerely,

James W. Maki
President & CEO

JWM:sn

150 West Alosta Avenue • Glendora, CA 91740-6207

(818) 335-0231 • Fax (818) 335-5082

Community Health Assessment Survey

Huntington East Valley Hospital

Agency/Organization: _____

Address: _____

Telephone (_____) _____

1. Please check one of the following categories that best describes your agency/organization:

❑ Private Business ❑ Education ❑ Law Enforcement
❑ Human Services ❑ Religious/Ministerial ❑ Other (please specify): _____
❑ Government ❑ Healthcare

2. Does your agency/organization operate at one of the following levels?

❑ National ❑ State ❑ County ❑ Regional ❑ City ❑ Neighborhood

3. Does your agency/organization target a specific population? ❑ Yes ❑ No

If "yes," please identify your population through the following categories. If "no," skip to Section A.

A. Ethnicity: ❑ Caucasian ❑ Hispanic ❑ Asian ❑ African-American
❑ Other (please specify): _____

B. Household Income (Average):

❑ $5,000 - 14,999 ❑ $15,000 - 34,999 ❑ $35,000 - 49,999 ❑ $50,000 - 74,999 ❑ $100,000+

C. Age (Average): ❑ 0-17 ❑ 18-24 ❑ 25-44 ❑ 45-64 ❑ 65+

D. Disabled (primarily): ❑ Yes ❑ No

E. Gender (primarily): ❑ Male ❑ Female

F. Disease/condition (please specify): _____

Please circle the appropriate answer to the following questions:

A. Health Concerns

	PART A — *How important do you perceive these healthcare concerns to be in our community?*			PART B — *How adequate do you perceive services to be in preventing/treating these problems?*		
	Don't Know	Moderately	Very	Don't Know	Inadequate	Adequate
1. Cancer	0	1	2	0	1	2
2. HIV/AIDS	0	1	2	0	1	2
3. Sexually transmitted diseases	0	1	2	0	1	2
4. Heart disease	0	1	2	0	1	2
5. Stroke	0	1	2	0	1	2
6. Lung disease (e.g. asthma)	0	1	2	0	1	2
7. Smoking related diseases	0	1	2	0	1	2
8. Nutritional disorders (e.g. anorexia, bulimia)	0	1	2	0	1	2
9. Stress (work and/or home related)	0	1	2	0	1	2
10. Other (specify): _____	0	1	2	0	1	2

Please indicate how serious you perceive the following issues to be in our community.

E. Social Concerns:

	Don't Know	Not Serious	Serious
34. Domestic violence	0	1	2
35. Youths in conflict (including gang activity)	0	1	2
36. Sexual assault	0	1	2
37. Neglect/abuse of children	0	1	2
38. Neglect/abuse of elderly	0	1	2
39. Drop-out rate of students	0	1	2
40. Literacy rate	0	1	2
41. Homelessness	0	1	2
42. Child care	0	1	2
43. Senior day care	0	1	2
44. Environmental health (sanitation, pollution, etc.)	0	1	2

Listed below are frequent sources of health information. Please give us your perception of how this information is received in our community.

F. Healthcare Information Sources:

	Never Used	Occasionally	Frequently
45. Television	0	1	2
46. Radio	0	1	2
47. Magazines	0	1	2
48. Newsletters/pamphlets/brochures	0	1	2
49. Newspapers	0	1	2
50. Library	0	1	2
51. Healthcare professionals (nurse, MD, etc.)	0	1	2
52. Pharmacists	0	1	2
53. Family/friends	0	1	2
54. Hospitals	0	1	2
55. Service agencies/organizations	0	1	2
56. Community screenings	0	1	2
57. Computer online services	0	1	2
58. Seminars/workshops/classes	0	1	2

Appendix D:
Demographics of Service Area Studied

SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

COMMUNITY DEMOGRAPHICS

HUNTINGTON EAST VALLEY HOSPITAL

Source: Inforum, 1993 OSHPD Discharge Data

Population:

Zip Code	City	1990 Population	1994 Population	Est. 1999 Population	Number of Households	Area in Square Miles
91702	Azusa	52,261	55,551	56,433	15,934	10.6
91740	Glendora	23,990	24,043	20,110	7,831	4.7
91741	Glendora	24,846	26,346	30,848	9,238	10.9
91773	San Dimas	32,453	33,383	35,675	11,113	16.2
	Total	133,550	139,323	143,066	44,116	42.4

Household Income:

Zip Code	City	1989 Avg HH Income	1994 Avg HH Income		HH with Income < $10,000	HH w/Income $10,000 - $19,999
91702	Azusa	$37,044	$42,411		1,750	1,954
91740	Glendora	$46,557	$53,481		532	675
91741	Glendora	$61,584	$71,487		525	652
91773	San Dimas	$60,165	$70,481		662	849
	Average	$49,746	$57,536	Total	3,469	4,130

Education:

Zip Code	City	High School Graduate	College Degree (4+ yrs)		Median Yrs of School Completed
91702	Azusa	7,172	3,392		12.5
91740	Glendora	4,155	2,581		13.2
91741	Glendora	3,695	4,739		14.2
91773	San Dimas	4,736	5,971		14.1
	Total	19,758	16,683	Average	13.4

Age:

Zip Code	City	< 6 yrs	6 - 13 yrs	14 - 17 yrs	18 - 24 yrs	25 - 34 yrs
91702	Azusa	6,747	7,233	2,953	8,330	10,953
91740	Glendora	2,442	2,831	1,289	2,168	4,175
91741	Glendora	2,230	3,011	1,479	2,160	3,647
91773	San Dimas	2,909	3,932	1,785	3,159	4,964
	Total	14,328	17,007	7,506	15,817	23,739

Zip Code	City	35 - 44 yrs	45 - 54 yrs	55 - 64 yrs	65+ yrs
91702	Azusa	7,457	4,733	3,390	3,755
91740	Glendora	3,999	2,726	1,940	2,473
91741	Glendora	4,381	3,705	2,661	3,072
91773	San Dimas	6,265	4,663	2,607	3,099
	Total	22,102	15,827	10,598	12,399

Race:

- POPULATION -

Zip Code	City	White	Black	Asian	Hispanic	Other
91702	Azusa	18,375	919	2,985	33,019	100
91740	Glendora	17,211	202	1,443	5,083	19
91741	Glendora	21,683	86	1,093	3,389	17
91773	San Dimas	23,624	684	2,647	6,284	38
	Total	80,893	1,891	8,168	47,775	174

Unemployment:

Zip Code	City	Unemployed
91702	Azusa	2,225
91740	Glendora	605
91741	Glendora	537
91773	San Dimas	623
	Total	3,990

SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS

COMMUNITY DEMOGRAPHICS

HUNTINGTON EAST VALLEY HOSPITAL

Source: United Way of Greater Los Angeles

AIDS Cases:

Zip Code	City	AIDS Cases Diagnosed Cumulative	Persons Living with AIDS
91702	Azusa	22	7
91740	Glendora	5	-
91741	Glendora	55	22
91773	San Dimas	20	10
	Total	102	39

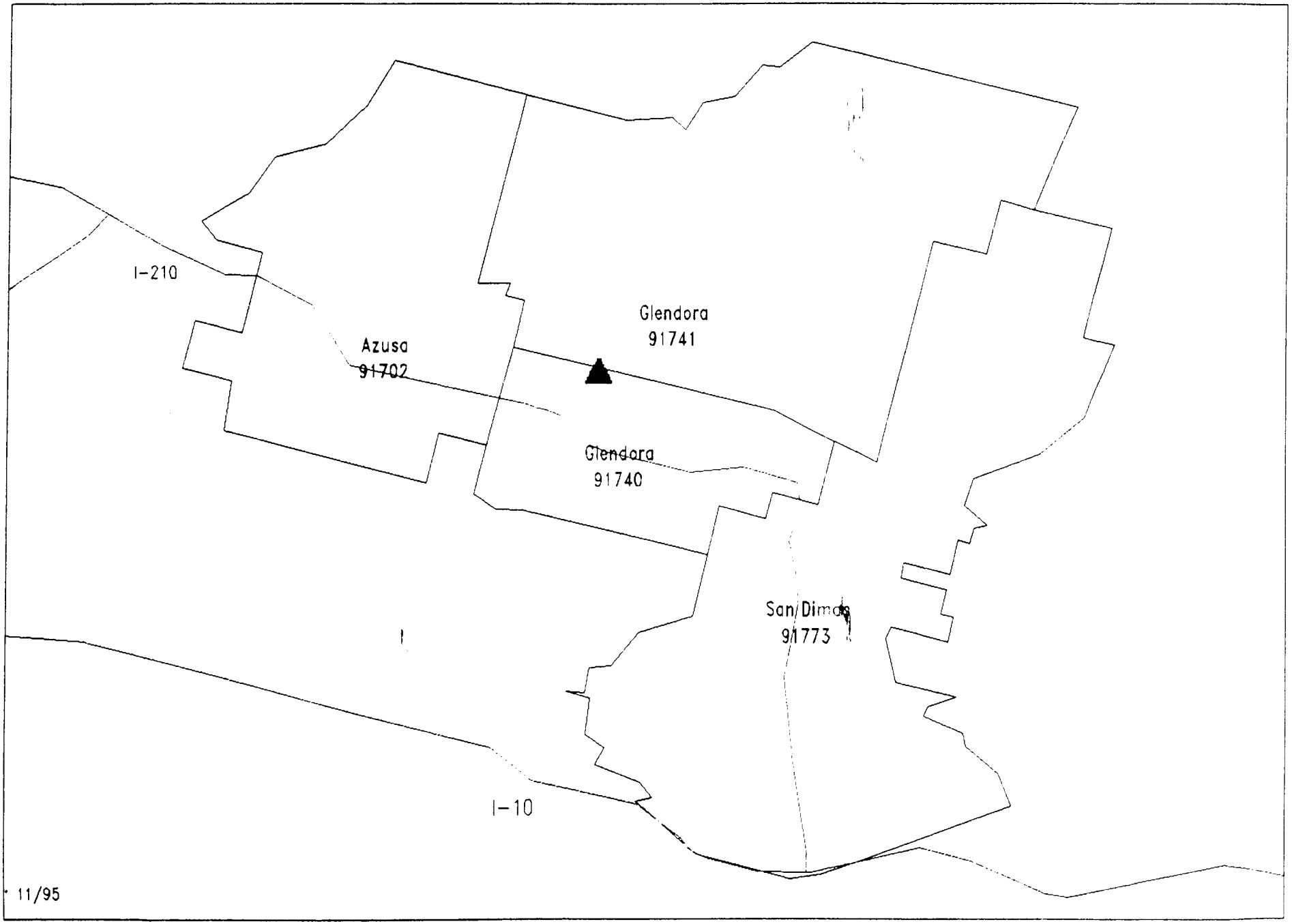
PUBLIC ASSISTANCE RECIPIENTS:

Zip Code	City	AFDC-FG	AFDC-U	Food Stamps Only	MediCal Only	General Relief	Total
91702	Azusa	4,771	886	1,110	3,778	249	10,794
91740	Glendora	1,346	225	207	1,063	92	2,933
91741	Glendora	N/A	N/A	N/A	N/A	N/A	N/A
91773	San Dimas	797	94	184	552	55	1,682
	Total	6,914	1,205	1,501	5,393	396	15,409

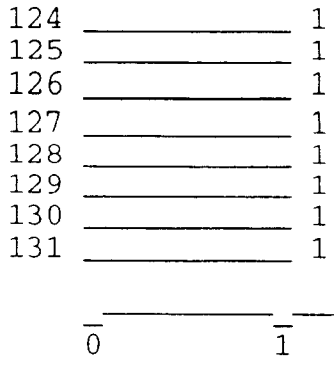
Note: No data is available for 91741 as it was not a zip code in 1990.

Appendix E:
Map of Huntington East Valley Hospital Service Area

HUNTINGTON EAST VALLEY HOSPITAL
COMMUNITY NEEDS ASSESSMENT ZIP CODES



Appendix F:
SPSS/PC+ Data Output,
Community Needs Assessment Survey



Mean	66.000	Std err	3.317	Median	66.000
Mode	1.000	Std dev	37.961	Variance	1441.000
Kurtosis	-1.200	S E Kurt	.420	Skewness	.000
S E Skew	.212	Range	130.000	Minimum	1.000
Maximum	131.000	Sum	8646.000		

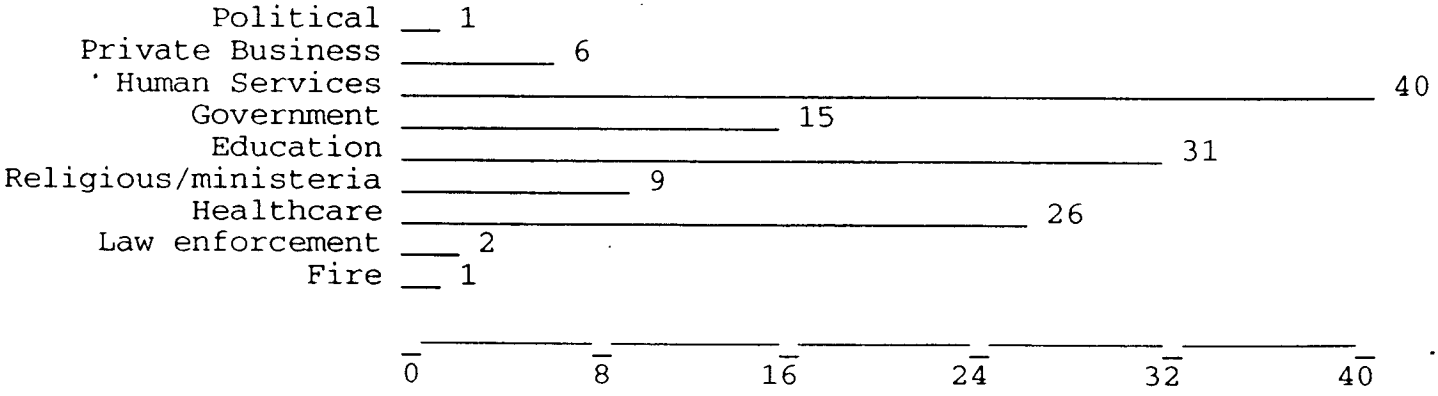
* Multiple modes exist. The smallest value is shown.

Valid cases 131 Missing cases 0

- -

Q1 Agency/organization

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Political	0	1	.8	.8	.8
Private Business	1	6	4.6	4.6	5.3
Human Services	2	40	30.5	30.5	35.9
Government	3	15	11.5	11.5	47.3
Education	4	31	23.7	23.7	71.0
Religious/ministeria	5	9	6.9	6.9	77.9
Healthcare	6	26	19.8	19.8	97.7
Law enforcement	7	2	1.5	1.5	99.2
Fire	8	1	.8	.8	100.0
	Total	131	100.0	100.0	



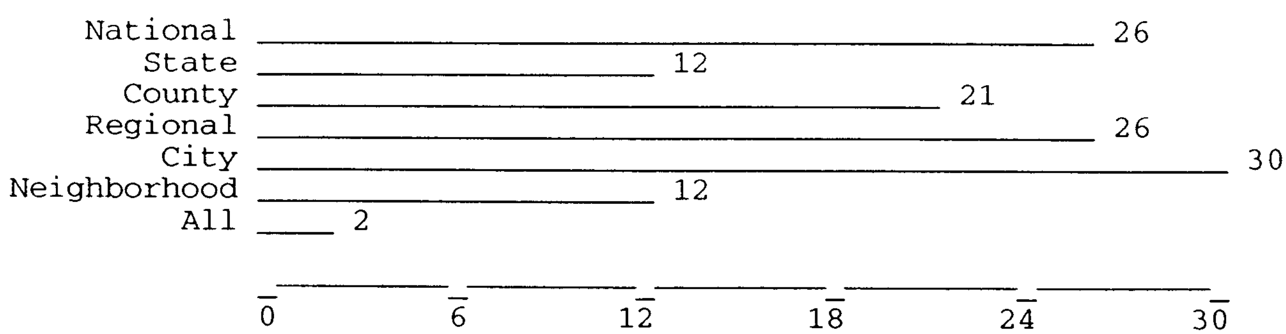
Mean	3.649	Std err	.149	Median	4.000
Mode	2.000	Std dev	1.700	Variance	2.891
Kurtosis	-.944	S E Kurt	.420	Skewness	.279
S E Skew	.212	Range	8.000	Minimum	.000
Maximum	8.000	Sum	478.000		

Valid cases 131 Missing cases 0

- -

Q2 Level of operation

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
National	1	26	19.8	20.2	20.2
State	2	12	9.2	9.3	29.5
County	3	21	16.0	16.3	45.7
Regional	4	26	19.8	20.2	65.9
City	5	30	22.9	23.3	89.1
Neighborhood	6	12	9.2	9.3	98.4
All	8	2	1.5	1.6	100.0
	9	2	1.5	Missing	
	Total	131	100.0	100.0	



Mean	3.527	Std err	.153	Median	4.000
Mode	5.000	Std dev	1.732	Variance	3.001
Kurtosis	-.782	S E Kurt	.423	Skewness	-.010
S E Skew	.213	Range	7.000	Minimum	1.000
Maximum	8.000	Sum	455.000		

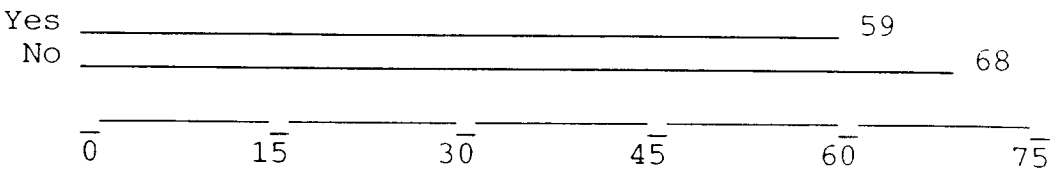
Valid cases 129 Missing cases 2

- -

Q3 Target population

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	59	45.0	46.5	46.5

No	2	68	51.9	53.5	100.0
	9	4	3.1	Missing	
	Total	131	100.0	100.0	



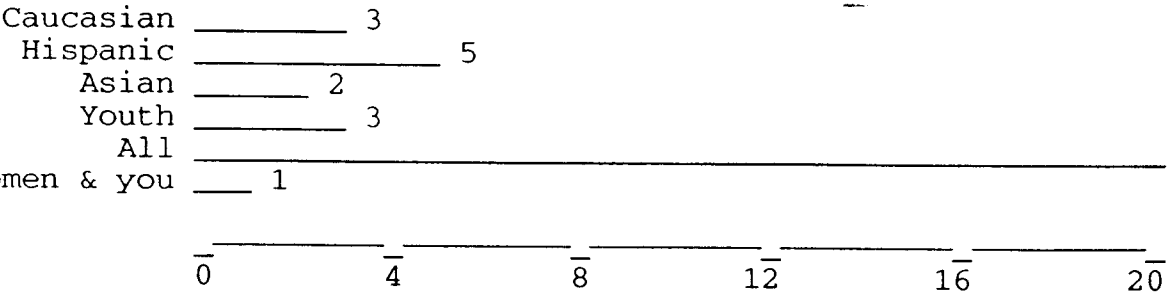
Mean	1.535	Std err	.044	Median	2.000
Mode	2.000	Std dev	.501	Variance	.251
Kurtosis	-2.011	S E Kurt	.427	Skewness	-.144
S E Skew	.215	Range	1.000	Minimum	1.000
Maximum	2.000	Sum	195.000		

Valid cases 127 Missing cases 4

- -

Q3A Ethnicity

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Caucasian	1	3	2.3	8.8	8.8
Hispanic	2	5	3.8	14.7	23.5
Asian	3	2	1.5	5.9	29.4
Youth	5	3	2.3	8.8	38.2
All	6	20	15.3	58.8	97.1
Pregnant women & you	7	1	.8	2.9	100.0
	9	97	74.0	Missing	
	Total	131	100.0	100.0	

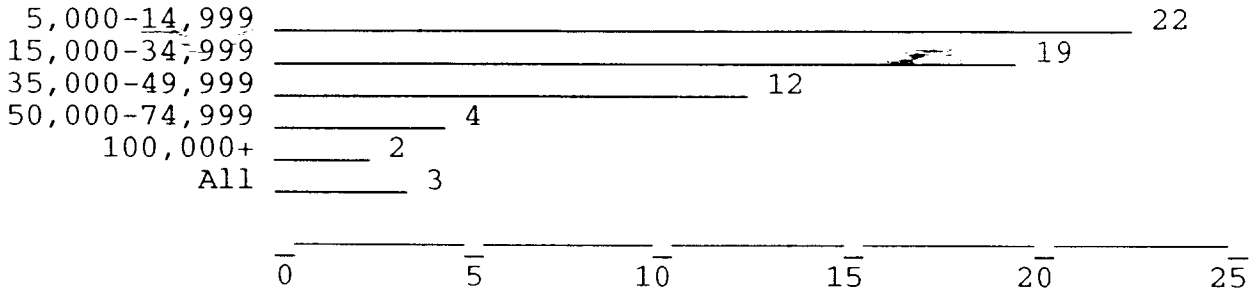


Mean	4.735	Std err	.331	Median	6.000
Mode	6.000	Std dev	1.928	Variance	3.716
Kurtosis	-.767	S E Kurt	.788	Skewness	-.975
S E Skew	.403	Range	6.000	Minimum	1.000
Maximum	7.000	Sum	161.000		

Valid cases 34 Missing cases 97

Q3B Household income

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
5,000-14,999	1	22	16.8	35.5	35.5
15,000-34,999	2	19	14.5	30.6	66.1
35,000-49,999	3	12	9.2	19.4	85.5
50,000-74,999	4	4	3.1	6.5	91.9
100,000+	5	2	1.5	3.2	95.2
All	6	3	2.3	4.8	100.0
	9	69	52.7	Missing	
	Total	131	100.0	100.0	

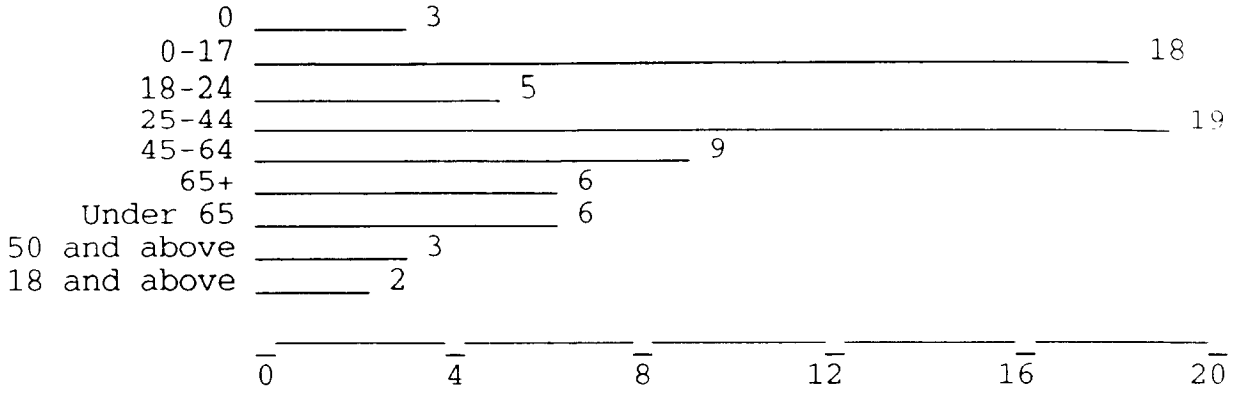


Mean	2.258	Std err	.172	Median	2.000
Mode	1.000	Std dev	1.354	Variance	1.834
Kurtosis	1.132	S E Kurt	.599	Skewness	1.230
S E Skew	.304	Range	5.000	Minimum	1.000
Maximum	6.000	Sum	140.000		

Valid cases 62 Missing cases 69

Q3C Target Age

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	0	3	2.3	4.2	4.2
0-17	1	18	13.7	25.4	29.6
18-24	2	5	3.8	7.0	36.6
25-44	3	19	14.5	26.8	63.4
45-64	4	9	6.9	12.7	76.1
65+	5	6	4.6	8.5	84.5
Under 65	6	6	4.6	8.5	93.0
50 and above	7	3	2.3	4.2	97.2
18 and above	8	2	1.5	2.8	100.0
	9	60	45.8	Missing	
	Total	131	100.0	100.0	



Mean	3.155	Std err	.240	Median	3.000
Mode	3.000	Std dev	2.026	Variance	4.104
Kurtosis	-.435	S E Kurt	.563	Skewness	.525
S E Skew	.285	Range	8.000	Minimum	.000
Maximum	8.000	Sum	224.000		

Valid cases 71 Missing cases 60

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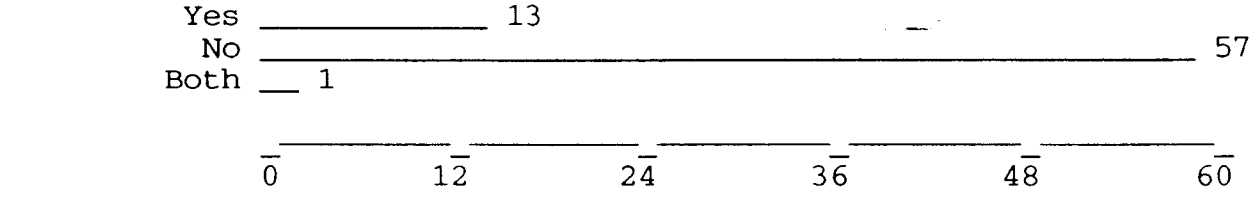
Q3D Disabled

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Yes	1	13	9.9	18.3	18.3
No	2	57	43.5	80.3	98.6
Both	3	1	.8	1.4	100.0
	9	60	45.8	Missing	
		131	100.0	100.0	



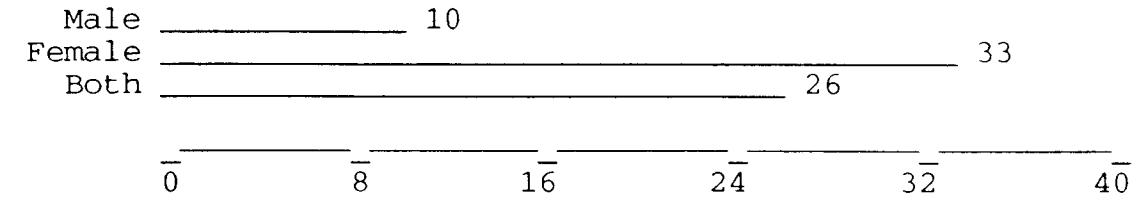
Mean	1.831	Std err	.049	Median	2.000
Mode	2.000	Std dev	.414	Variance	.171
Kurtosis	1.184	S E Kurt	.563	Skewness	-1.161
S E Skew	.285	Range	2.000	Minimum	1.000
Maximum	3.000	Sum	130.000		

Valid cases 71 Missing cases 60

- -

Q3E Target Gender

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Male	1	10	7.6	14.5	14.5
Female	2	33	25.2	47.8	62.3
Both	3	26	19.8	37.7	100.0
	9	62	47.3	Missing	
	Total	131	100.0	100.0	



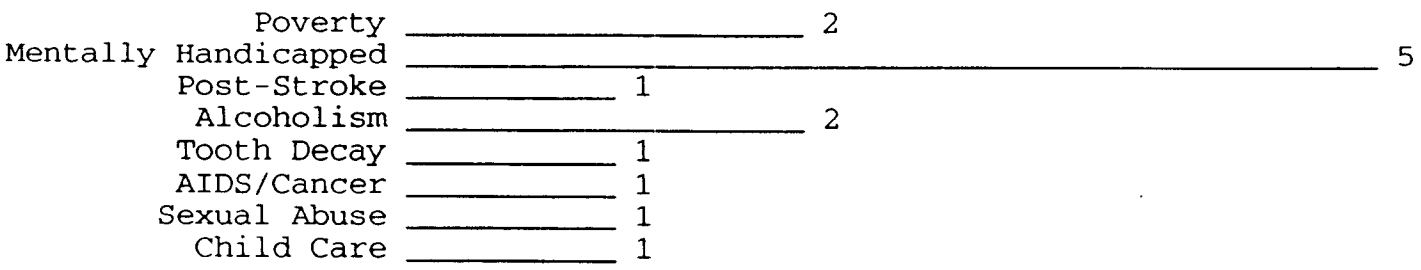
Mean	2.232	Std err	.083	Median	2.000
Mode	2.000	Std dev	.689	Variance	.475
Kurtosis	-.845	S E Kurt	.570	Skewness	-.339
S E Skew	.289	Range	2.000	Minimum	1.000
Maximum	3.000	Sum	154.000		

Valid cases 69 Missing cases 62

- -

Q3F Specific disease

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Poverty	0	2	1.5	12.5	12.5
Mentally Handicapped	1	5	3.8	31.3	43.8
Post-Stroke	2	1	.8	6.3	50.0
Alcoholism	3	2	1.5	12.5	62.5
Tooth Decay	4	1	.8	6.3	68.8
AIDS/Cancer	5	1	.8	6.3	75.0
Sexual Abuse	6	1	.8	6.3	81.3
Child Care	7	1	.8	6.3	87.5
Family Planning	8	2	1.5	12.5	100.0
	9	115	87.8	Missing	
	Total	131	100.0	100.0	



Family Planning _____ 2

0 1 2 3 4 5

Mean	3.188	Std err	.702	Median	2.500
Mode	1.000	Std dev	2.810	Variance	7.896
Kurtosis	-1.023	S E Kurt	1.091	Skewness	.647
S E Skew	.564	Range	8.000	Minimum	.000
Maximum	8.000	Sum	51.000		

Valid cases 16 Missing cases 115

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Q4A Cancer important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	20	15.3	16.4	16.4
Moderately	1	41	31.3	33.6	50.0
Very	2	61	46.6	50.0	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	

Dont know _____ 20
Moderately _____ 41
Very _____ 61

0 15 30 45 60 75

Mean	1.336	Std err	.067	Median	1.500
Mode	2.000	Std dev	.745	Variance	.556
Kurtosis	-.934	S E Kurt	.435	Skewness	-.637
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	163.000		

Valid cases 122 Missing cases 9

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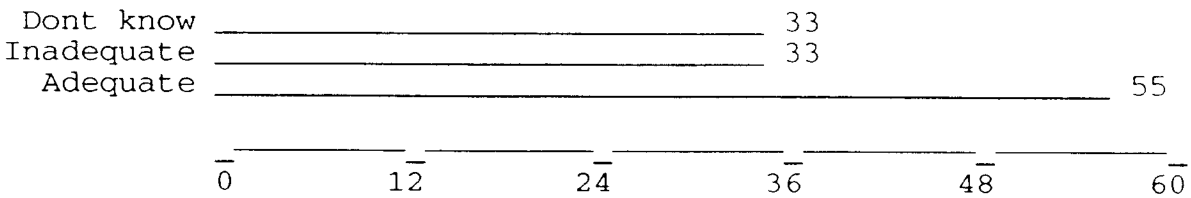
Q4B Cancer prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	33	25.2	27.3	27.3
Inadequate	1	33	25.2	27.3	54.5
Adequate	2	55	42.0	45.5	100.0
	9	10	7.6	Missing	

	Total	131	100.0	100.0	



Mean	1.182	Std err	.076	Median	1.000
Mode	2.000	Std dev	.837	Variance	.700
Kurtosis	-1.484	S E Kurt	.437	Skewness	-.355
S E Skew	.220	Range	2.000	Minimum	.000
Maximum	2.000	Sum	143.000		

Valid cases 121 Missing cases 10

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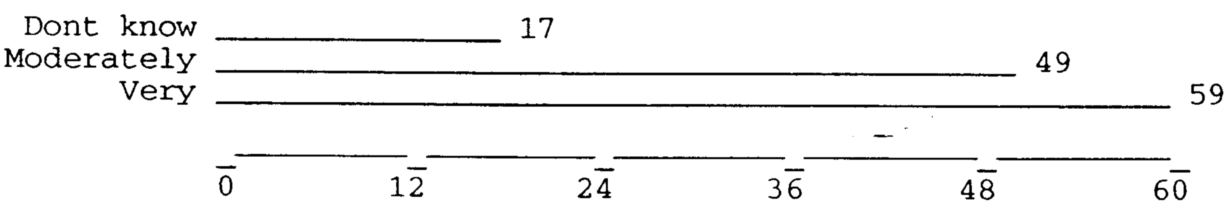
Q5A HIV/AIDS important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	17	13.0	13.6	13.6
Moderately	1	49	37.4	39.2	52.8
Very	2	59	45.0	47.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.336	Std err	.063	Median	1.000
Mode	2.000	Std dev	.706	Variance	.499
Kurtosis	-.823	S E Kurt	.430	Skewness	-.584
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	167.000		

Valid cases 125 Missing cases 6

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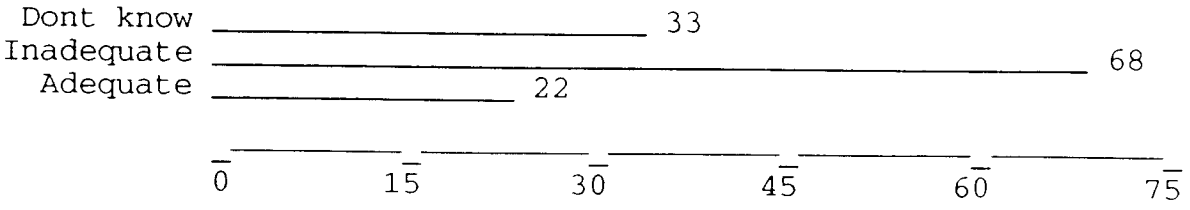
Q5B HIV/AIDS prevent/treat

Valid Cum

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	33	25.2	26.8	26.8
Inadequate	1	68	51.9	55.3	82.1
Adequate	2	22	16.8	17.9	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	

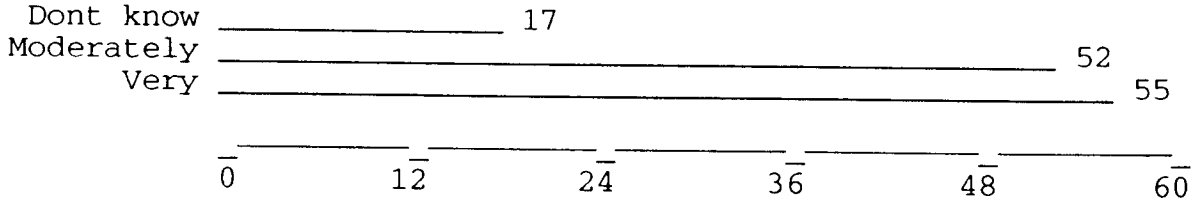


Mean	.911	Std err	.060	Median	1.000
Mode	1.000	Std dev	.665	Variance	.443
Kurtosis	-.718	S E Kurt	.433	Skewness	.101
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	112.000		

Valid cases 123 Missing cases 8

Q6A STD important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	17	13.0	13.7	13.7
Moderately	1	52	39.7	41.9	55.6
Very	2	55	42.0	44.4	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	

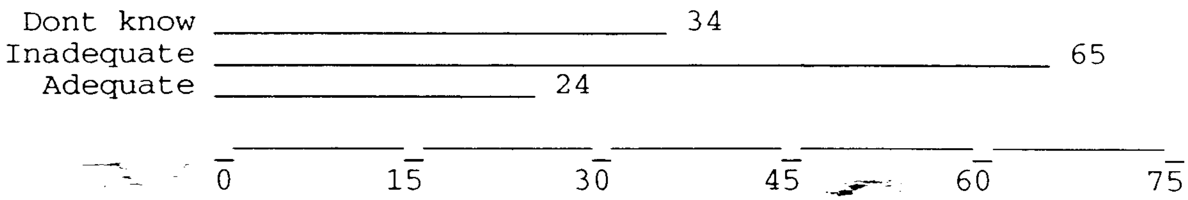


Mean	1.306	Std err	.063	Median	1.000
Mode	2.000	Std dev	.700	Variance	.491
Kurtosis	-.851	S E Kurt	.431	Skewness	-.506
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	162.000		

Valid cases 124 Missing cases 7

Q6B STD prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	34	26.0	27.6	27.6
Inadequate	1	65	49.6	52.8	80.5
Adequate	2	24	18.3	19.5	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	

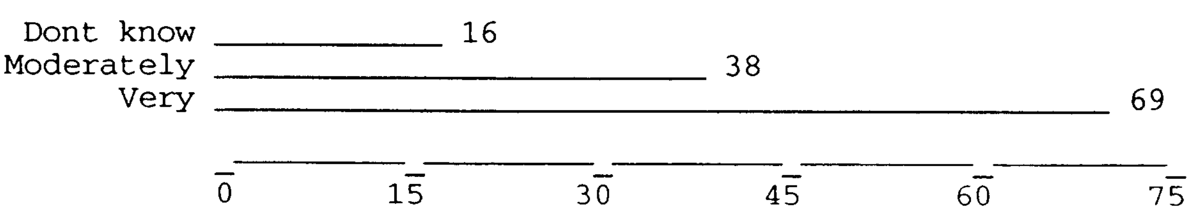


Mean	.919	Std err	.062	Median	1.000
Mode	1.000	Std dev	.685	Variance	.469
Kurtosis	-.840	S E Kurt	.433	Skewness	.104
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	113.000		

Valid cases 123 Missing cases 8

Q7A Heart disease important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	16	12.2	13.0	13.0
Moderately	1	38	29.0	30.9	43.9
Very	2	69	52.7	56.1	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.431	Std err	.064	Median	2.000
Mode	2.000	Std dev	.714	Variance	.510
Kurtosis	-.567	S E Kurt	.433	Skewness	-.852
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	176.000		

Valid cases 123 Missing cases 8

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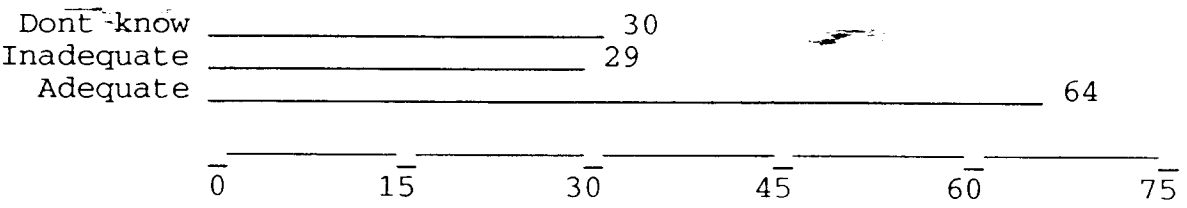
Q7B Heart disease prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	30	22.9	24.4	24.4
Inadequate	1	29	22.1	23.6	48.0
Adequate	2	64	48.9	52.0	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.276	Std err	.075	Median	2.000
Mode	2.000	Std dev	.833	Variance	.693
Kurtosis	-1.332	S E Kurt	.433	Skewness	-.559
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	157.000		

Valid cases 123 Missing cases 8

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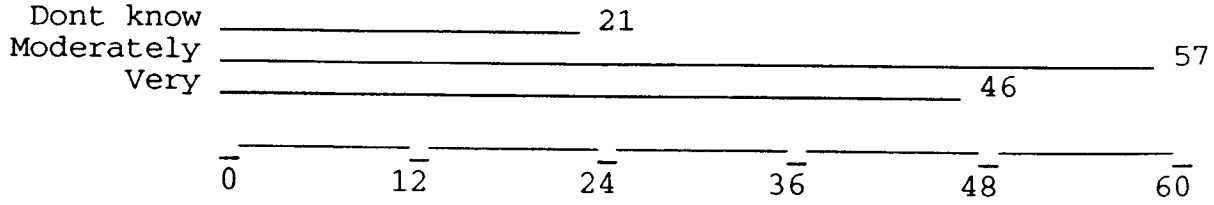
Q8A Stroke important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	21	16.0	16.9	16.9
Moderately	1	57	43.5	46.0	62.9
Very	2	46	35.1	37.1	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.202	Std err	.064	Median	1.000
Mode	1.000	Std dev	.710	Variance	.504
Kurtosis	-.970	S E Kurt	.431	Skewness	-.312
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	149.000		

Valid cases 124 Missing cases 7

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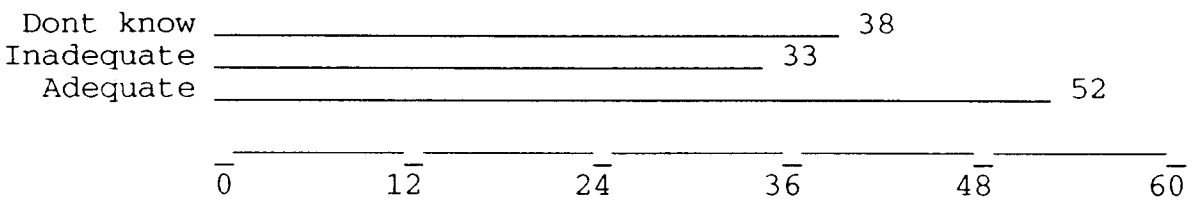
Q8B Stroke prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	38	29.0	30.9	30.9
Inadequate	1	33	25.2	26.8	57.7
Adequate	2	52	39.7	42.3	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.114	Std err	.077	Median	1.000
Mode	2.000	Std dev	.851	Variance	.725
Kurtosis	-1.590	S E Kurt	.433	Skewness	-.221
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	137.000		

Valid cases 123 Missing cases 8

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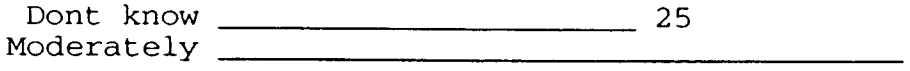
Q9A Lung disease important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	25	19.1	20.2	20.2
Moderately	1	42	32.1	33.9	54.0
Very	2	57	43.5	46.0	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Very

Mean	1.258	Std err	.070	Median	1.000
Mode	2.000	Std dev	.774	Variance	.600
Kurtosis	-1.173	S E Kurt	.431	Skewness	-.485
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	156.000		

Valid cases 124 Missing cases 7

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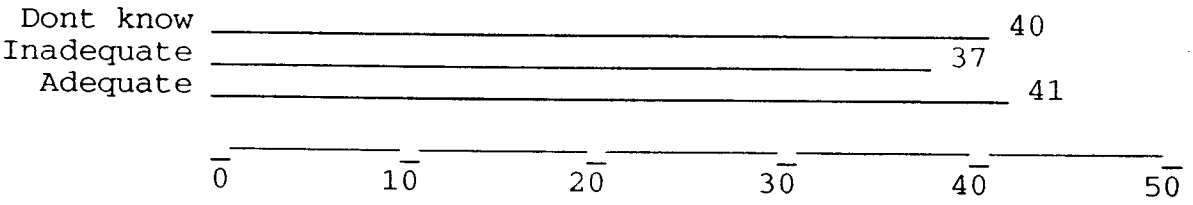
Q9B Lung disease prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	40	30.5	33.9	33.9
Inadequate	1	37	28.2	31.4	65.3
Adequate	2	41	31.3	34.7	100.0
	9	13	9.9	Missing	
	Total	131	100.0	100.0	



Mean	1.008	Std err	.077	Median	1.000
Mode	2.000	Std dev	.832	Variance	.692
Kurtosis	-1.558	S E Kurt	.442	Skewness	-.016
S E Skew	.223	Range	2.000	Minimum	.000
Maximum	2.000	Sum	119.000		

Valid cases 118 Missing cases 13

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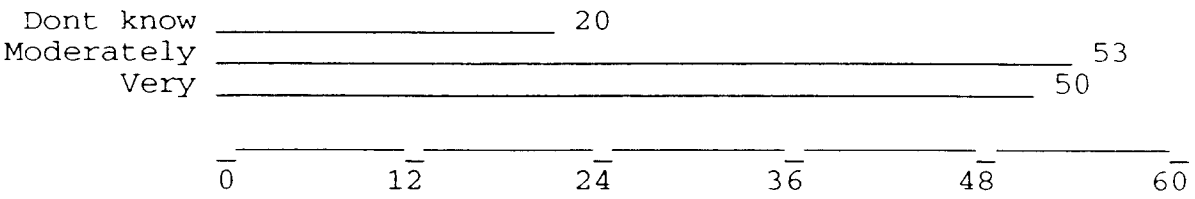
Q10A Smoking related important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	20	15.3	16.3	16.3
Moderately	1	53	40.5	43.1	59.3
Very	2	50	38.2	40.7	100.0
	9	8	6.1	Missing	

Total	131	100.0	100.0



Mean	1.244	Std err	.065	Median	1.000
Mode	1.000	Std dev	.717	Variance	.514
Kurtosis	-.974	S E Kurt	.433	Skewness	-.399
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	153.000		

Valid cases 123 Missing cases 8

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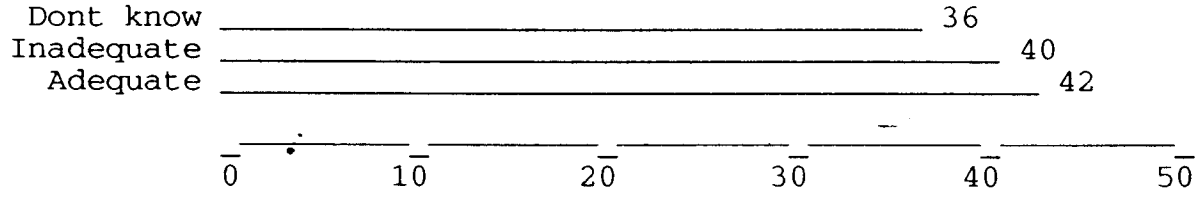
Q10B Smoking related prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	36	27.5	30.5	30.5
Inadequate	1	40	30.5	33.9	64.4
Adequate	2	42	32.1	35.6	100.0
	9	13	9.9	Missing	
	Total	131	100.0	100.0	



Mean	1.051	Std err	.075	Median	1.000
Mode	2.000	Std dev	.815	Variance	.664
Kurtosis	-1.487	S E Kurt	.442	Skewness	-.094
S E Skew	.223	Range	2.000	Minimum	.000
Maximum	2.000	Sum	124.000		

Valid cases 118 Missing cases 13

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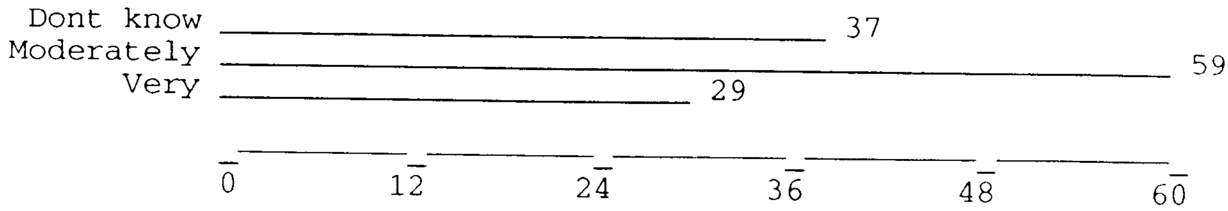
Q11A Nutritional disorders important

	Valid	Cum

Value Label	Value	Frequency	Percent	Percent	Percent
Dont know	0	37	28.2	29.6	29.6
Moderately	1	59	45.0	47.2	76.8
Very	2	29	22.1	23.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	.936	Std err	.065	Median	1.000
Mode	1.000	Std dev	.727	Variance	.528
Kurtosis	-1.084	S E Kurt	.430	Skewness	.098
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	117.000		

Valid cases 125 Missing cases 6

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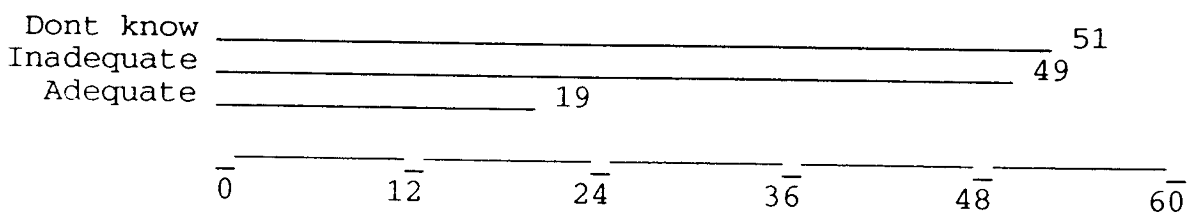
Q11B Nutritional disorders prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	51	38.9	42.9	42.9
Inadequate	1	49	37.4	41.2	84.0
Adequate	2	19	14.5	16.0	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	



Mean	.731	Std err	.066	Median	1.000
Mode	.000	Std dev	.721	Variance	.520
Kurtosis	-.967	S E Kurt	.440	Skewness	.456
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	87.000		

Valid cases 119 Missing cases 12

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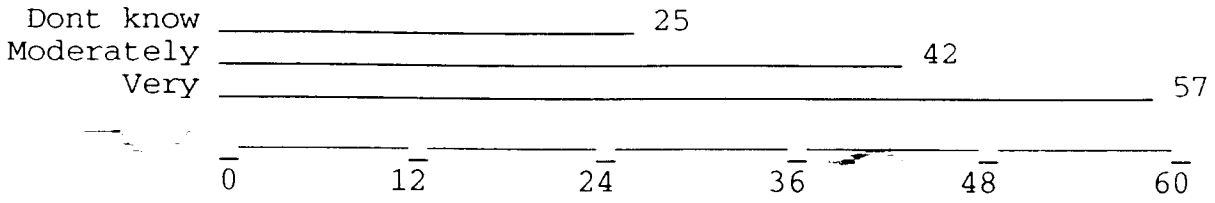
Q12A Stress important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	25	19.1	20.2	20.2
Moderately	1	42	32.1	33.9	54.0
Very	2	57	43.5	46.0	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.258	Std err	.070	Median	1.000
Mode	2.000	Std dev	.774	Variance	.600
Kurtosis	-1.173	S E Kurt	.431	Skewness	-.485
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	156.000		

Valid cases 124 Missing cases 7

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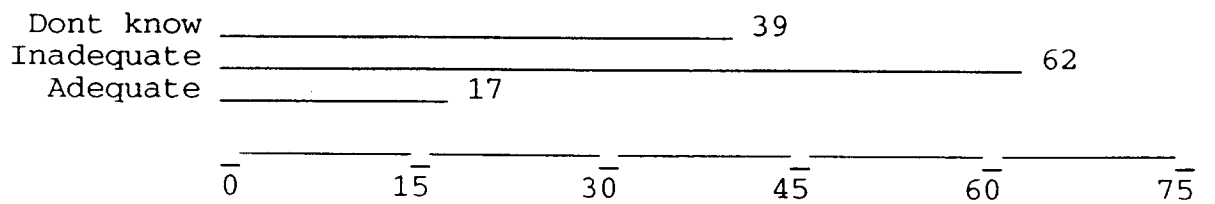
Q12B Stress prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	39	29.8	33.1	33.1
Inadequate	1	62	47.3	52.5	85.6
Adequate	2	17	13.0	14.4	100.0
	9	13	9.9	Missing	
	Total	131	100.0	100.0	



Mean	.814	Std err	.061	Median	1.000
Mode	1.000	Std dev	.666	Variance	.444
Kurtosis	-.754	S E Kurt	.442	Skewness	.229
S E Skew	.223	Range	2.000	Minimum	.000

Maximum	2.000	Sum	96.000

Valid cases 118 Missing cases 13

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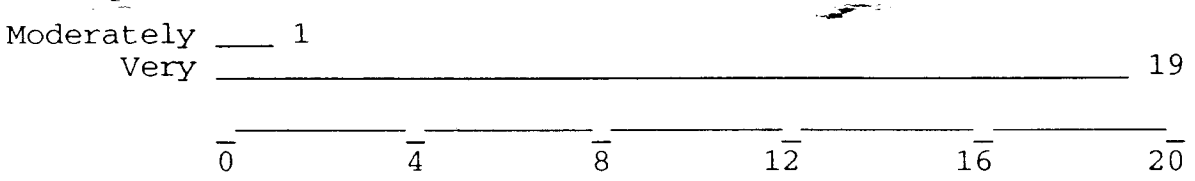
Q13A Other important

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Moderately	1	1	.8	5.0	5.0
Very	2	19	14.5	95.0	100.0
	9	111	84.7	Missing	
	Total	131	100.0	100.0	



Mean	1.950	Std err	.050	Median	2.000
Mode	2.000	Std dev	.224	Variance	.050
Kurtosis	20.000	S E Kurt	.992	Skewness	-4.472
S E Skew	.512	Range	1.000	Minimum	1.000
Maximum	2.000	Sum	39.000		

Valid cases 20 Missing cases 111

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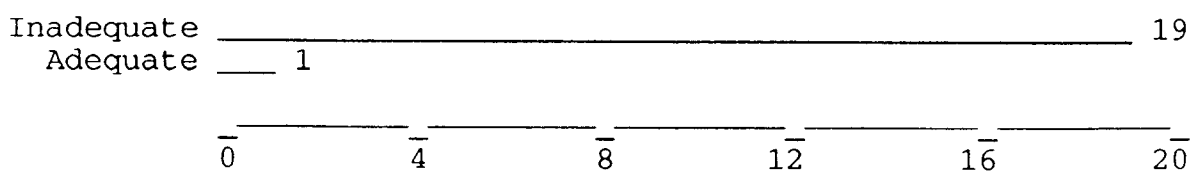
Q13B Other prevent/treat

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Inadequate	1	19	14.5	95.0	95.0
Adequate	2	1	.8	5.0	100.0
	9	111	84.7	Missing	
	Total	131	100.0	100.0	



Mean	1.050	Std err	.050	Median	1.000
Mode	1.000	Std dev	.224	Variance	.050

Kurtosis	20.000	S E Kurt	.992	Skewness	4.472
S E Skew	.512	Range	1.000	Minimum	1.000
Maximum	2.000	Sum	21.000		

Valid cases 20 Missing cases 111

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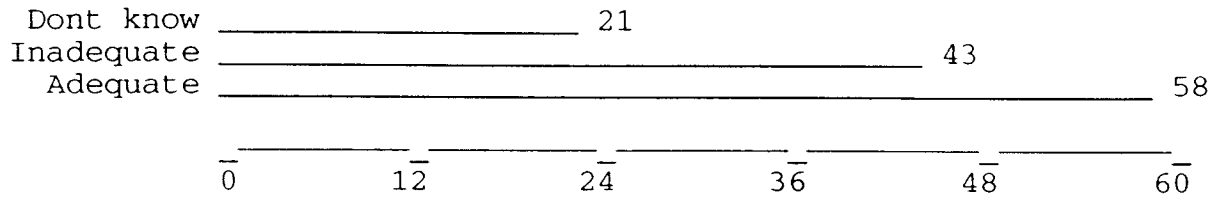
Q14 Dental care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	21	16.0	17.2	17.2
Inadequate	1	43	32.8	35.2	52.5
Adequate	2	58	44.3	47.5	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	1.303	Std err	.068	Median	1.000
Mode	2.000	Std dev	.748	Variance	.560
Kurtosis	-1.011	S E Kurt	.435	Skewness	-.563
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	159.000		

Valid cases 122 Missing cases 9

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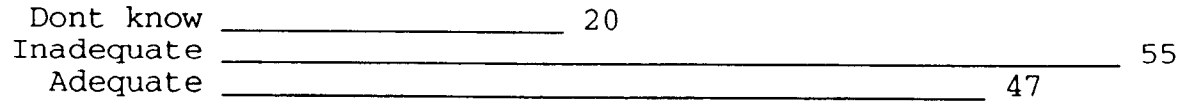
Q15 prev. clinic/outpatient care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	20	15.3	16.4	16.4
Inadequate	1	55	42.0	45.1	61.5
Adequate	2	47	35.9	38.5	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



0 12 24 36 48 60

Mean	1.221	Std err	.064	Median	1.000
Mode	1.000	Std dev	.710	Variance	.504
Kurtosis	-.962	S E Kurt	.435	Skewness	-.348
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	149.000		

Valid cases 122 Missing cases 9

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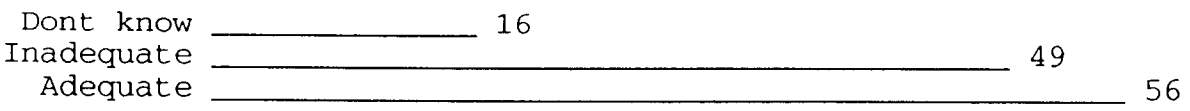
Q16 Non-emergency care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	16	12.2	13.2	13.2
Inadequate	1	49	37.4	40.5	53.7
Adequate	2	56	42.7	46.3	100.0
	9	10	7.6	Missing	
	Total	131	100.0	100.0	



0 12 24 36 48 60

Mean	1.331	Std err	.064	Median	1.000
Mode	2.000	Std dev	.700	Variance	.490
Kurtosis	-.813	S E Kurt	.437	Skewness	-.560
S E Skew	.220	Range	2.000	Minimum	.000
Maximum	2.000	Sum	161.000		

Valid cases 121 Missing cases 10

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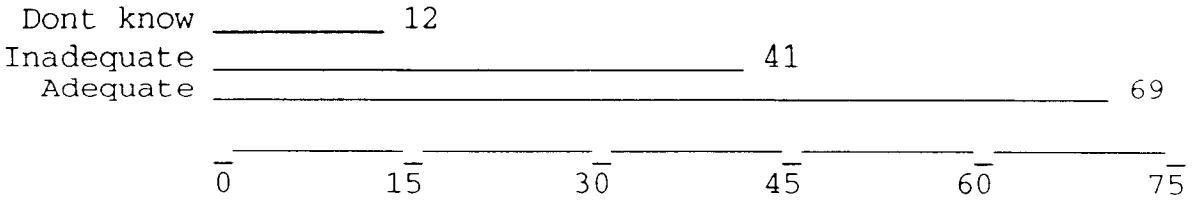
Q17 Emergency care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	12	9.2	9.8	9.8
Inadequate	1	41	31.3	33.6	43.4
Adequate	2	69	52.7	56.6	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	1.467	Std err	.061	Median	2.000
Mode	2.000	Std dev	.670	Variance	.449
Kurtosis	-.361	S E Kurt	.435	Skewness	-.883
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	179.000		

Valid cases 122 Missing cases 9

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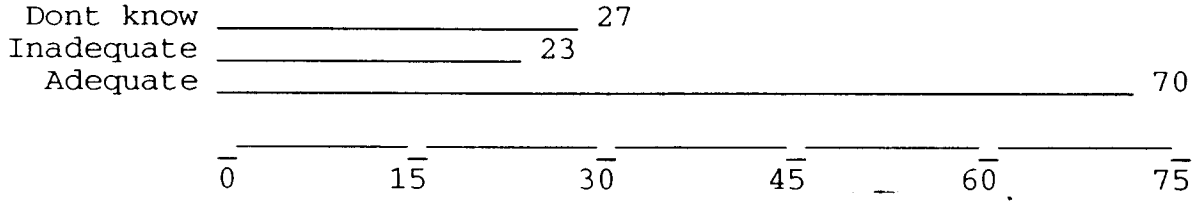
Q18 Short-term hospital phys. illness

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	27	20.6	22.5	22.5
Inadequate	1	23	17.6	19.2	41.7
Adequate	2	70	53.4	58.3	100.0
	9	11	8.4	Missing	
	Total	131	100.0	100.0	



Mean	1.358	Std err	.076	Median	2.000
Mode	2.000	Std dev	.828	Variance	.686
Kurtosis	-1.119	S E Kurt	.438	Skewness	-.756
S E Skew	.221	Range	2.000	Minimum	.000
Maximum	2.000	Sum	163.000		

Valid cases 120 Missing cases 11

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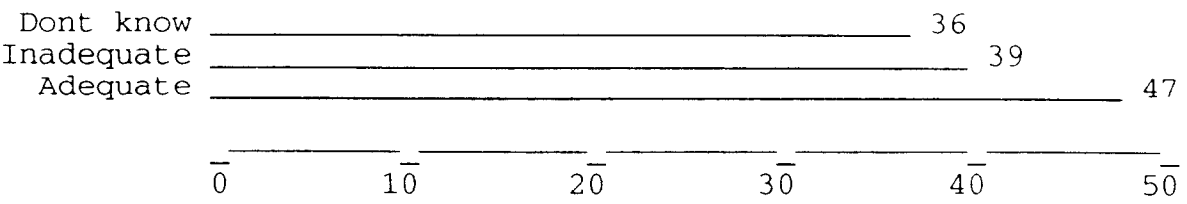
Q19 Nursing home care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent

Dont know	0	36	27.5	29.5	29.5
Inadequate	1	39	29.8	32.0	61.5
Adequate	2	47	35.9	38.5	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	1.090	Std err	.075	Median	1.000
Mode	2.000	Std dev	.823	Variance	.678
Kurtosis	-1.506	S E Kurt	.435	Skewness	-.170
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	133.000		

Valid cases 122 Missing cases 9

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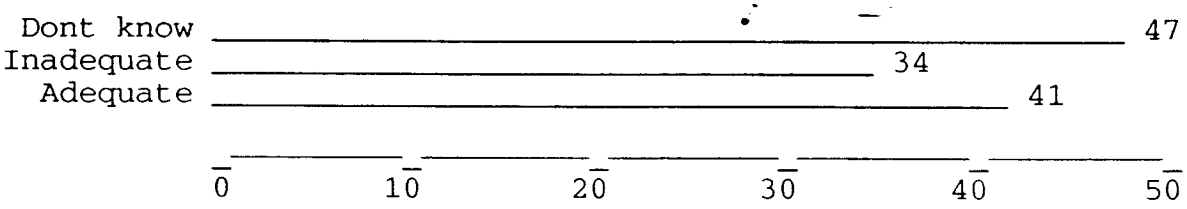
Q20 Skilled home healthcare

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	47	35.9	38.5	38.5
Inadequate	1	34	26.0	27.9	66.4
Adequate	2	41	31.3	33.6	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	.951	Std err	.077	Median	1.000
Mode	.000	Std dev	.851	Variance	.725
Kurtosis	-1.620	S E Kurt	.435	Skewness	.095
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	116.000		

Valid cases 122 Missing cases 9

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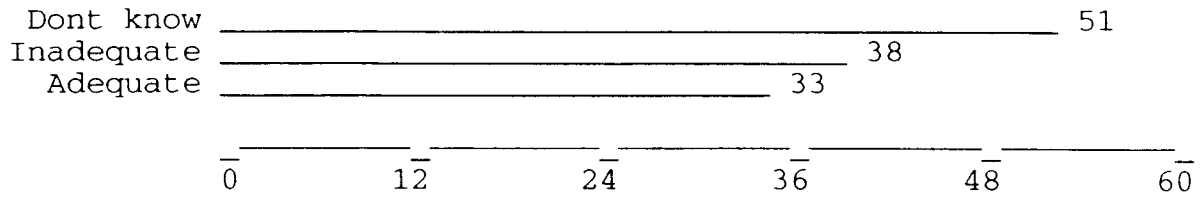
Q21 Rehab care for phys. disabled

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	51	38.9	41.8	41.8
Inadequate	1	38	29.0	31.1	73.0
Adequate	2	33	25.2	27.0	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	.852	Std err	.074	Median	1.000
Mode	.000	Std dev	.820	Variance	.672
Kurtosis	-1.458	S E Kurt	.435	Skewness	.280
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	104.000		

Valid cases 122 Missing cases 9

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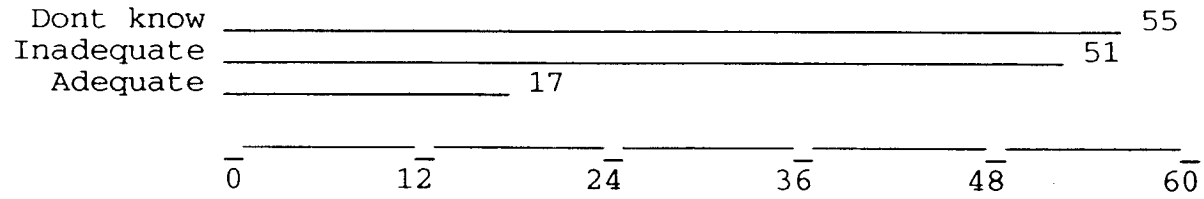
Q22 Day care for the phys. disabled

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	55	42.0	44.7	44.7
Inadequate	1	51	38.9	41.5	86.2
Adequate	2	17	13.0	13.8	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	.691	Std err	.063	Median	1.000
Mode	.000	Std dev	.703	Variance	.494
Kurtosis	-.855	S E Kurt	.433	Skewness	.516
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	85.000		

Valid cases 123 Missing cases 8

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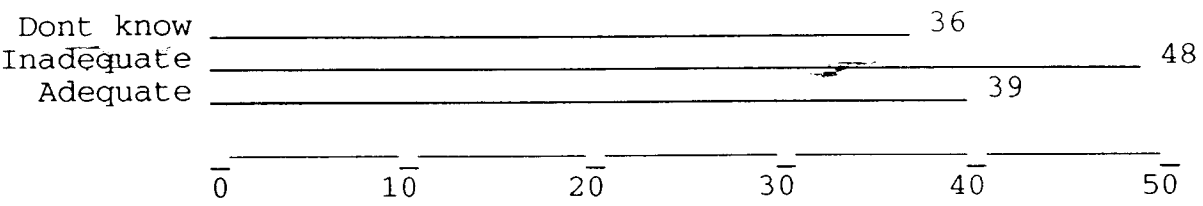
Q23 Family planning

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	36	27.5	29.3	29.3
Inadequate	1	48	36.6	39.0	68.3
Adequate	2	39	29.8	31.7	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.024	Std err	.071	Median	1.000
Mode	1.000	Std dev	.784	Variance	.614
Kurtosis	-1.364	S E Kurt	.433	Skewness	-.043
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	126.000		

Valid cases 123 Missing cases 8

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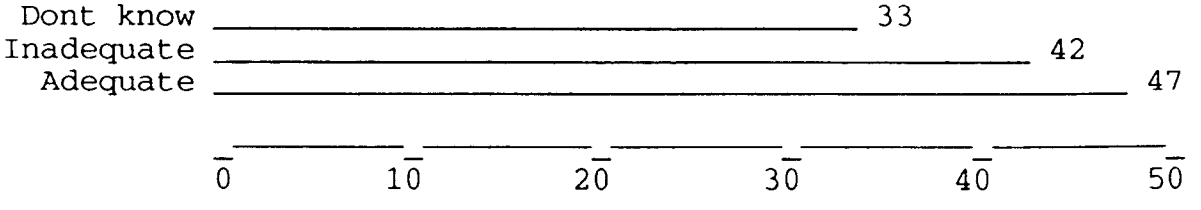
Q24 Prenatal care & counseling

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	33	25.2	27.0	27.0
Inadequate	1	42	32.1	34.4	61.5
Adequate	2	47	35.9	38.5	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	1.115	Std err	.073	Median	1.000

Mode	2.000	Std dev	.805	Variance	.648
Kurtosis	-1.424	S E Kurt	.435	Skewness	-.212
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	136.000		

Valid cases 122 Missing cases 9

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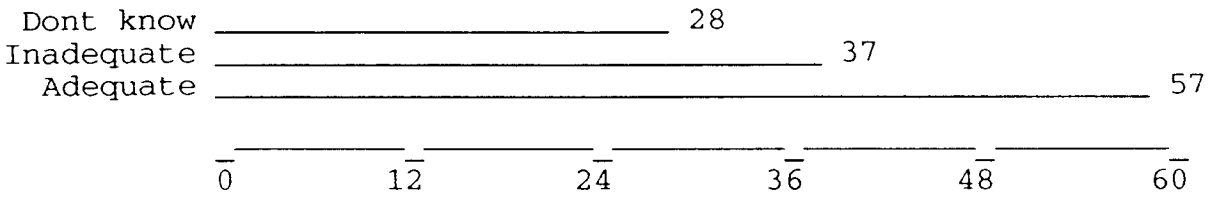
Q25 Pediatric prev. care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	28	21.4	23.0	23.0
Inadequate	1	37	28.2	30.3	53.3
Adequate	2	57	43.5	46.7	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	



Mean	1.238	Std err	.073	Median	1.000
Mode	2.000	Std dev	.803	Variance	.646
Kurtosis	-1.303	S E Kurt	.435	Skewness	-.459
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	151.000		

Valid cases 122 Missing cases 9

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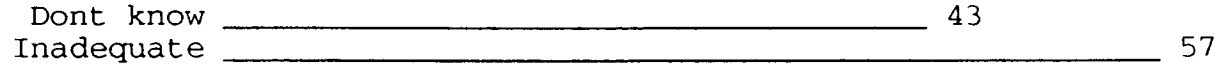
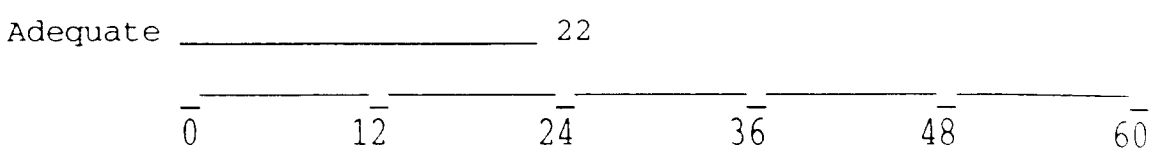
Q26 Nutritional counseling

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	43	32.8	35.2	35.2
Inadequate	1	57	43.5	46.7	82.0
Adequate	2	22	16.8	18.0	100.0
	9	9	6.9	Missing	
	Total	131	100.0	100.0	





Mean	.828	Std err	.064	Median	1.000
Mode	1.000	Std dev	.712	Variance	.507
Kurtosis	-.991	S E Kurt	.435	Skewness	.263
S E Skew	.219	Range	2.000	Minimum	.000
Maximum	2.000	Sum	101.000		

Valid cases 122 Missing cases 9

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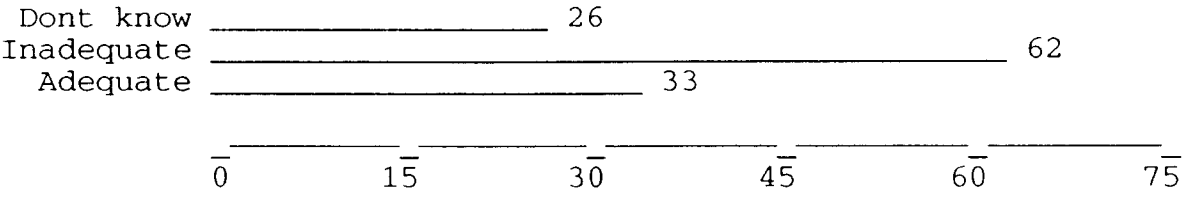
Q27 MH outpatient/clinic counseling

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	26	19.8	21.5	21.5
Inadequate	1	62	47.3	51.2	72.7
Adequate	2	33	25.2	27.3	100.0
	9	10	7.6	Missing	
	Total	131	100.0	100.0	



Mean	1.058	Std err	.064	Median	1.000
Mode	1.000	Std dev	.699	Variance	.488
Kurtosis	-.925	S E Kurt.	.437	Skewness	-.079
S E Skew	.220	Range	2.000	Minimum	.000
Maximum	2.000	Sum	128.000		

Valid cases 121 Missing cases 10

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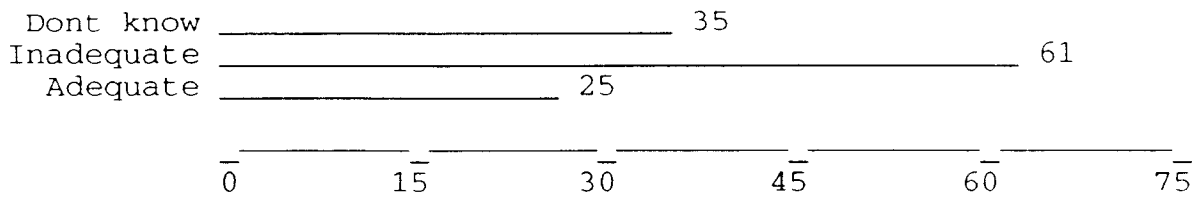
Q28 Short-term hospital treat. for MH

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	35	26.7	28.9	28.9
Inadequate	1	61	46.6	50.4	79.3
Adequate	2	25	19.1	20.7	100.0
	9	10	7.6	Missing	

Total	131	100.0	100.0



Mean	.917	Std err	.064	Median	1.000
Mode	1.000	Std dev	.702	Variance	.493
Kurtosis	-.946	S E Kurt	.437	Skewness	.116
S E Skew	.220	Range	2.000	Minimum	.000
Maximum	2.000	Sum	111.000		

Valid cases 121 Missing cases 10

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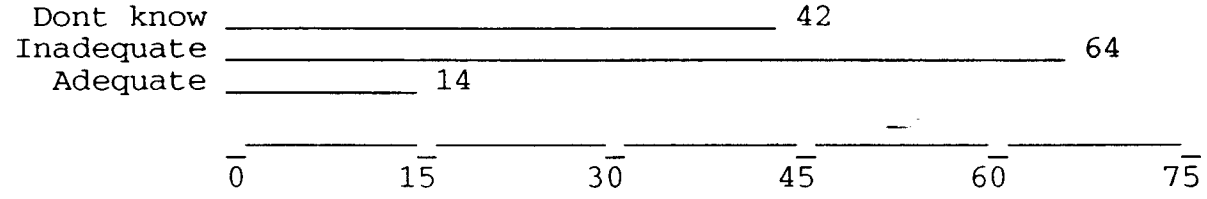
Q29 Long-term hosp. and/or res. care for men

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	42	32.1	35.0	35.0
Inadequate	1	64	48.9	53.3	88.3
Adequate	2	14	10.7	11.7	100.0
	9	11	8.4	Missing	
	Total	131	100.0	100.0	



Mean	.767	Std err	.059	Median	1.000
Mode	1.000	Std dev	.645	Variance	.416
Kurtosis	-.668	S E Kurt	.438	Skewness	.260
S E Skew	.221	Range	2.000	Minimum	.000
Maximum	2.000	Sum	92.000		

Valid cases 120 Missing cases 11

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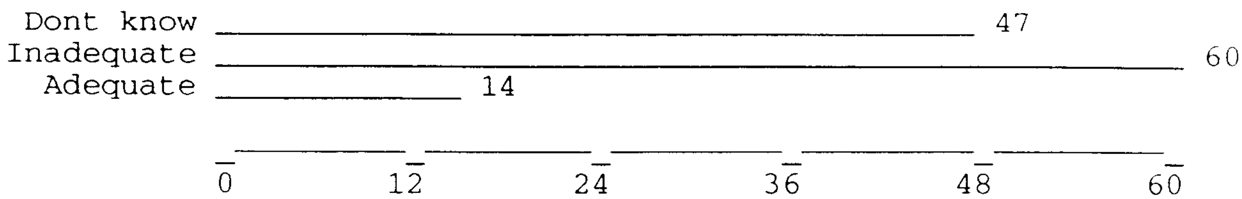
Q30 Adult day care for mentally disabled

	Valid	Cum

Value Label	Value	Frequency	Percent	Percent	Percent
Dont know	0	47	35.9	38.8	38.8
Inadequate	1	60	45.8	49.6	88.4
Adequate	2	14	10.7	11.6	100.0
	9	10	7.6	Missing	
	Total	131	100.0	100.0	



Mean	.727	Std err	.060	Median	1.000
Mode	1.000	Std dev	.658	Variance	.433
Kurtosis	-.734	S E Kurt	.437	Skewness	.356
S E Skew	.220	Range	2.000	Minimum	.000
Maximum	2.000	Sum	88.000		

Valid cases 121 Missing cases 10

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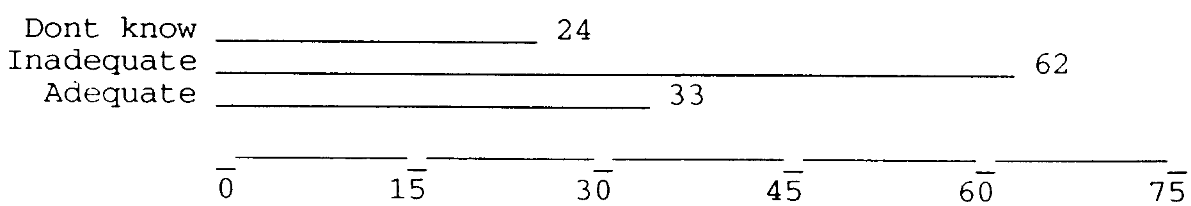
Q31 Alcohol abuse prev.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	24	18.3	20.2	20.2
Inadequate	1	62	47.3	52.1	72.3
Adequate	2	33	25.2	27.7	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	

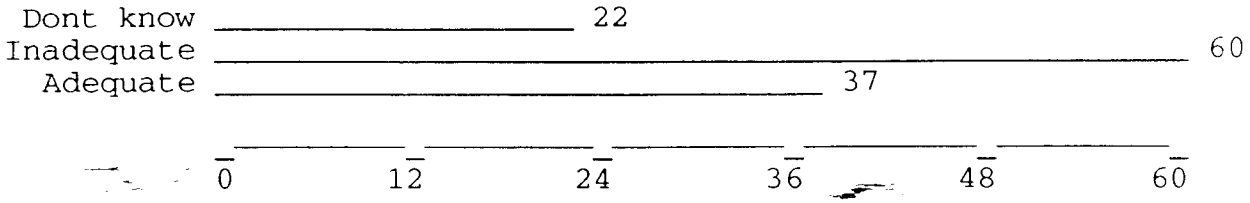


Mean	1.076	Std err	.063	Median	1.000
Mode	1.000	Std dev	.691	Variance	.477
Kurtosis	-.877	S E Kurt	.440	Skewness	-.100
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	128.000		

Valid cases 119 Missing cases 12

Q32 Drug Abuse Prev.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	22	16.8	18.5	18.5
Inadequate	1	60	45.8	50.4	68.9
Adequate	2	37	28.2	31.1	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	

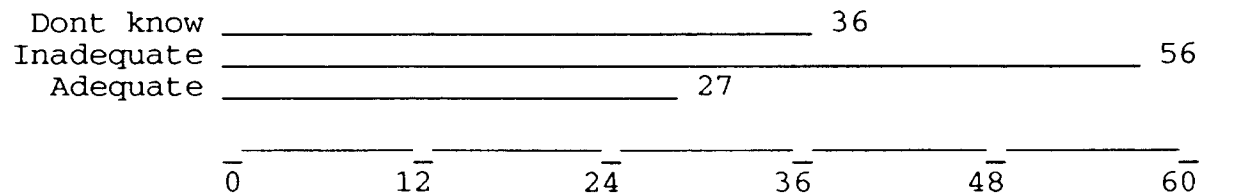


Mean	1.126	Std err	.064	Median	1.000
Mode	1.000	Std dev	.696	Variance	.484
Kurtosis	-.909	S E Kurt	.440	Skewness	-.175
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	134.000		

Valid cases 119 Missing cases 12

Q33 Alcohol outpatient/clinic treat.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	36	27.5	30.3	30.3
Inadequate	1	56	42.7	47.1	77.3
Adequate	2	27	20.6	22.7	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	



Mean	.924	Std err	.067	Median	1.000
Mode	1.000	Std dev	.727	Variance	.528
Kurtosis	-1.082	S E Kurt	.440	Skewness	.117
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	110.000		

Valid cases 119 Missing cases 12

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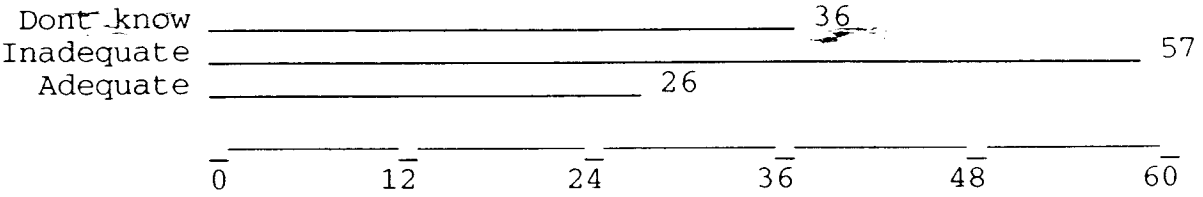
Q34 Drug outpatient/clinic treat.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	36	27.5	30.3	30.3
Inadequate	1	57	43.5	47.9	78.2
Adequate	2	26	19.8	21.8	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	



Mean	.916	Std err	.066	Median	1.000
Mode	1.000	Std dev	.720	Variance	.518
Kurtosis	-1.045	S E Kurt	.440	Skewness	.127
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	109.000		

Valid cases 119 Missing cases 12

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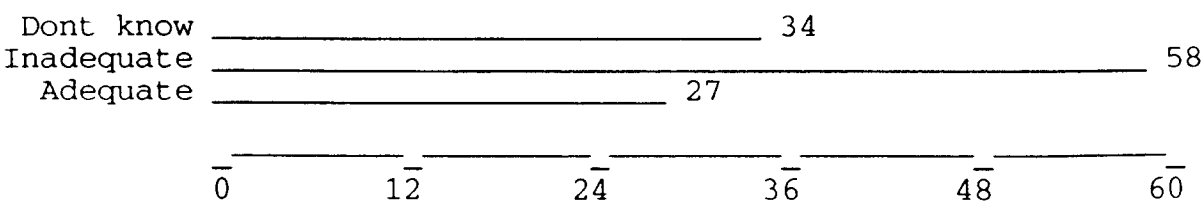
Q35 Alcohol inpatient/hospital treat.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	34	26.0	28.6	28.6
Inadequate	1	58	44.3	48.7	77.3
Adequate	2	27	20.6	22.7	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	



Mean	.941	Std err	.066	Median	1.000
Mode	1.000	Std dev	.717	Variance	.513
Kurtosis	-1.028	S E Kurt	.440	Skewness	.087
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	112.000		

Valid cases 119 Missing cases 12

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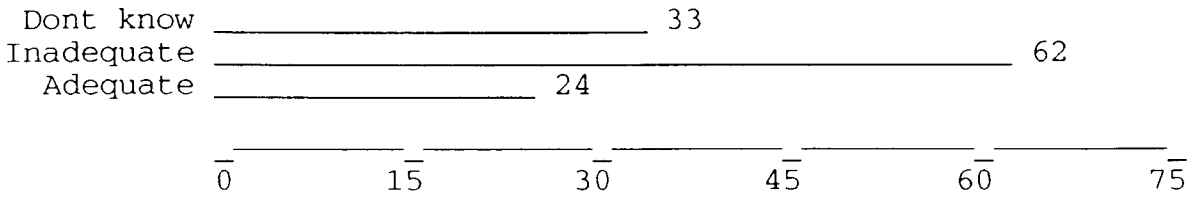
Q36 Drug inpatient/hospital treat.

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	33	25.2	27.7	27.7
Inadequate	1	62	47.3	52.1	79.8
Adequate	2	24	18.3	20.2	100.0
	9	12	9.2	Missing	
	Total	131	100.0	100.0	



Mean	.924	Std err	.063	Median	1.000
Mode	1.000	Std dev	.691	Variance	.477
Kurtosis	-.877	S E Kurt	.440	Skewness	.100
S E Skew	.222	Range	2.000	Minimum	.000
Maximum	2.000	Sum	110.000		

Valid cases 119 Missing cases 12

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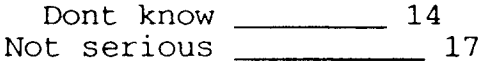
Q37 Domestic violence

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	14	10.7	11.3	11.3
Not serious	1	17	13.0	13.7	25.0
Serious	2	93	71.0	75.0	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Serious _____

0 20 40 60 80 100

Mean	1.637	Std err	.061	Median	2.000
Mode	2.000	Std dev	.679	Variance	.461
Kurtosis	1.147	S E Kurt	.431	Skewness	-1.622
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	203.000		

Valid cases 124 Missing cases 7

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Q38 Youths in conflict

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	5	3.8	4.0	4.0
Not serious	1	14	10.7	11.1	15.1
Serious	2	107	81.7	84.9	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	

Dont know __ 5
Not serious _____ 14
Serious _____ 107

0 40 80 120 160 200

Mean	1.810	Std err	.043	Median	2.000
Mode	2.000	Std dev	.485	Variance	.235
Kurtosis	5.976	S E Kurt	.428	Skewness	-2.584
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	228.000		

Valid cases 126 Missing cases 5

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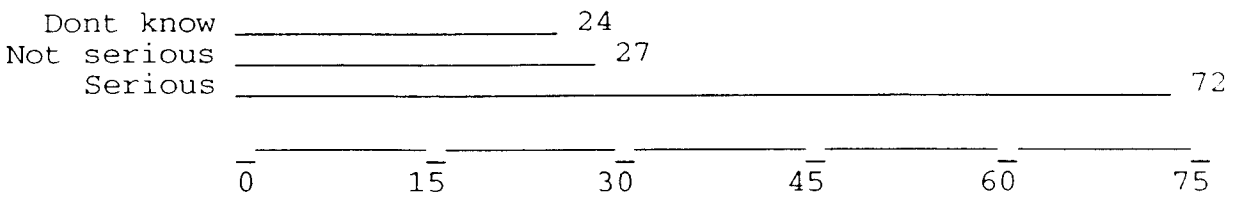
Q39 Sexual assault

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	24	18.3	19.5	19.5
Not serious	1	27	20.6	22.0	41.5
Serious	2	72	55.0	58.5	100.0
	9	8	6.1	Missing	

Total	131	100.0	100.0



Mean	1.390	Std err	.072	Median	2.000
Mode	2.000	Std dev	.796	Variance	.633
Kurtosis	-.924	S E Kurt	.433	Skewness	-.823
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	171.000		

Valid cases 123 Missing cases 8

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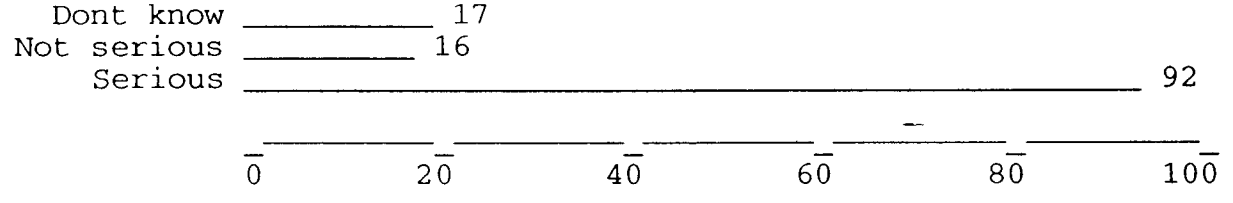
Q40 Neglect/abuse of children

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	17	13.0	13.6	13.6
Not serious	1	16	12.2	12.8	26.4
Serious	2	92	70.2	73.6	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.600	Std err	.064	Median	2.000
Mode	2.000	Std dev	.718	Variance	.516
Kurtosis	.607	S E Kurt	.430	Skewness	-1.485
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	200.000		

Valid cases 125 Missing cases 6

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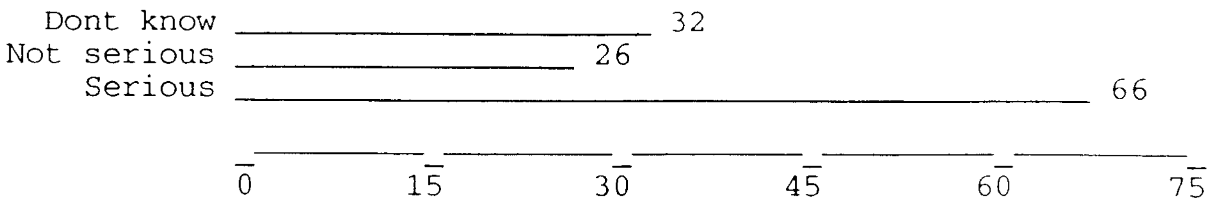
Q41 Neglect/abuse of elderly

		Valid	Cum

Value Label	Value	Frequency	Percent	Percent	Percent
Dont know	0	32	24.4	25.8	25.8
Not serious	1	26	19.8	21.0	46.8
Serious	2	66	50.4	53.2	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.274	Std err	.076	Median	2.000
Mode	2.000	Std dev	.849	Variance	.721
Kurtosis	-1.386	S E Kurt	.431	Skewness	-.560
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	158.000		

Valid cases 124 Missing cases 7

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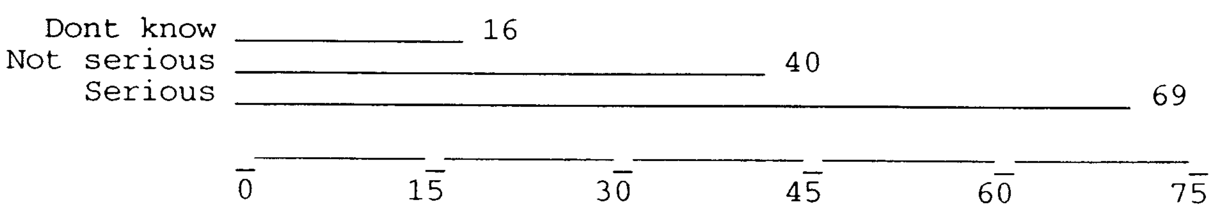
Q42 Drop-out rate of students

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	16	12.2	12.8	12.8
Not serious	1	40	30.5	32.0	44.8
Serious	2	69	52.7	55.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.424	Std err	.064	Median	2.000
Mode	2.000	Std dev	.710	Variance	.504
Kurtosis	-.588	S E Kurt	.430	Skewness	-.825
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	178.000		

Valid cases 125 Missing cases 6

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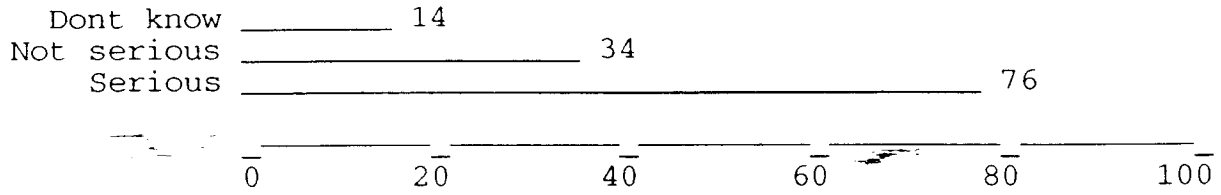
Q43 Literacy rate

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	14	10.7	11.3	11.3
Not serious	1	34	26.0	27.4	38.7
Serious	2	76	58.0	61.3	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.500	Std err	.062	Median	2.000
Mode	2.000	Std dev	.693	Variance	.480
Kurtosis	-.190	S E Kurt	.431	Skewness	-1.045
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	186.000		

Valid cases 124 Missing cases 7

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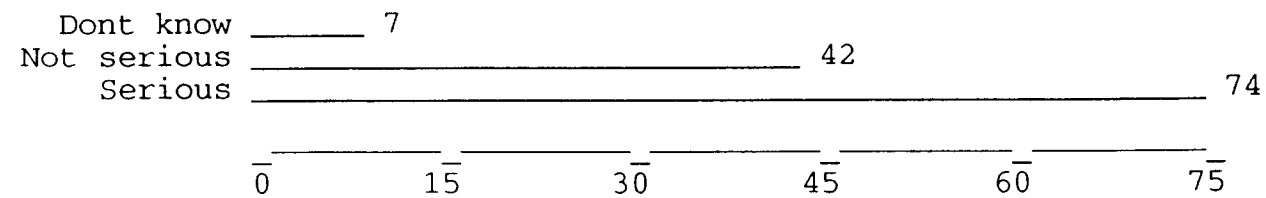
Q44 Homelessness

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	7	5.3	5.7	5.7
Not serious	1	42	32.1	34.1	39.8
Serious	2	74	56.5	60.2	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.545	Std err	.054	Median	2.000
Mode	2.000	Std dev	.604	Variance	.365
Kurtosis	-.051	S E Kurt	.433	Skewness	-.968
S E Skew	.218	Range	2.000	Minimum	.000

Maximum	2.000	Sum	190.000

Valid cases 123 Missing cases 8

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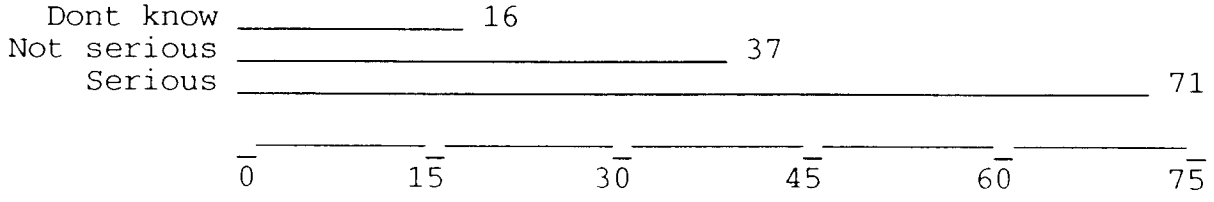
Q45 Child care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	16	12.2	12.9	12.9
Not serious	1	37	28.2	29.8	42.7
Serious	2	71	54.2	57.3	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.444	Std err	.064	Median	2.000
Mode	2.000	Std dev	.713	Variance	.509
Kurtosis	-.514	S E Kurt	.431	Skewness	-.890
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	179.000		

Valid cases 124 Missing cases 7

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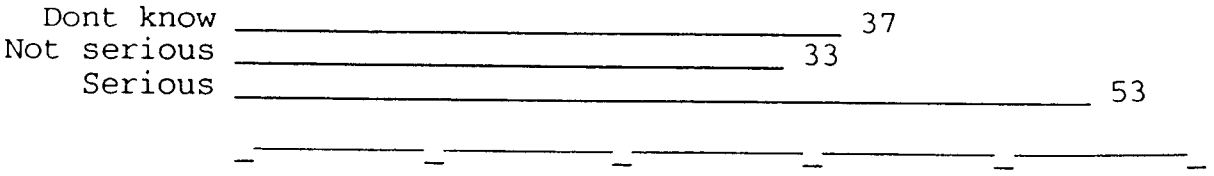
Q46 Senior day care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	37	28.2	30.1	30.1
Not serious	1	33	25.2	26.8	56.9
Serious	2	53	40.5	43.1	100.0
.	9	8	6.1	Missing	
	Total	131	100.0	100.0	



0 12 24 36 48 60

Mean	1.130	Std err	.077	Median	1.000
Mode	2.000	Std dev	.849	Variance	.721
Kurtosis	-1.571	S E Kurt	.433	Skewness	-.253
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	139.000		

Valid cases 123 Missing cases 8

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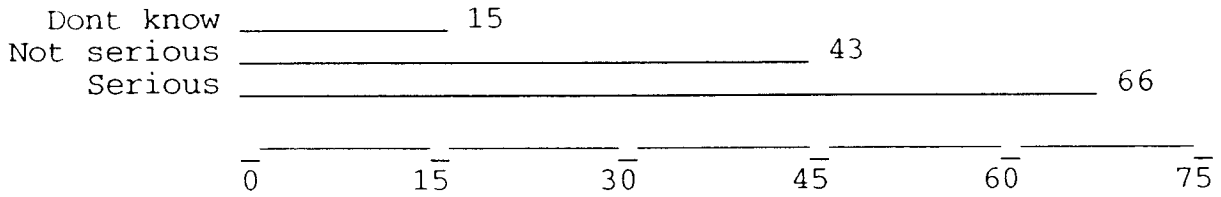
Q47 Environmental health

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	15	11.5	12.1	12.1
Not serious	1	43	32.8	34.7	46.8
Serious	2	66	50.4	53.2	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.411	Std err	.063	Median	2.000
Mode	2.000	Std dev	.699	Variance	.488
Kurtosis	-.613	S E Kurt	.431	Skewness	-.768
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	175.000		

Valid cases 124 Missing cases 7

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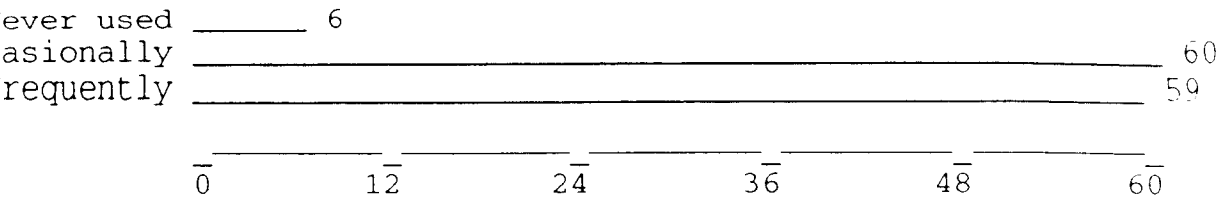
Q48 Television

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	6	4.6	4.8	4.8
Occasionally	1	60	45.8	48.0	52.8
Frequently	2	59	45.0	47.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.424	Std err	.052	Median	1.000
Mode	1.000	Std dev	.586	Variance	.343
Kurtosis	-.692	S E Kurt	.430	Skewness	-.433
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	178.000		

Valid cases 125 Missing cases 6

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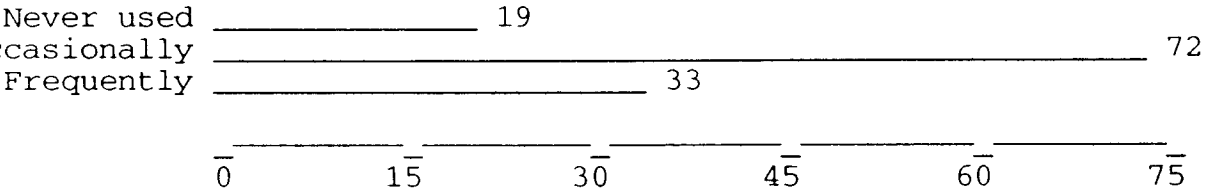
Q49 Radio

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	19	14.5	15.3	15.3
Occasionally	1	72	55.0	58.1	73.4
Frequently	2	33	25.2	26.6	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.113	Std err	.057	Median	1.000
Mode	1.000	Std dev	.640	Variance	.410
Kurtosis	-.555	S E Kurt	.431	Skewness	-.103
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	138.000		

Valid cases 124 Missing cases 7

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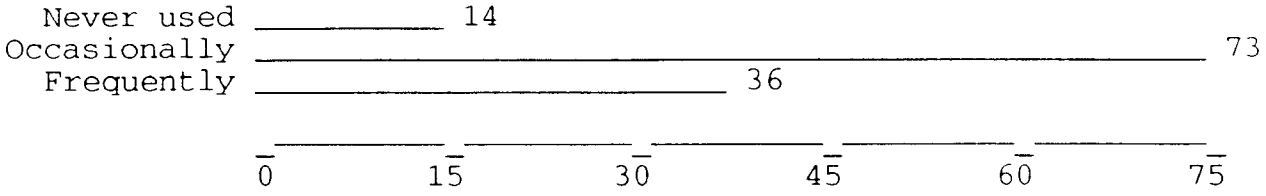
Q50 Magazines

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	14	10.7	11.4	11.4

Occasionally	1	73	55.7	59.3	70.7
Frequently	2	36	27.5	29.3	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.179	Std err	.055	Median	1.000
Mode	1.000	Std dev	.614	Variance	.378
Kurtosis	-.449	S E Kurt	.433	Skewness	-.123
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	145.000		

Valid cases 123 Missing cases 8

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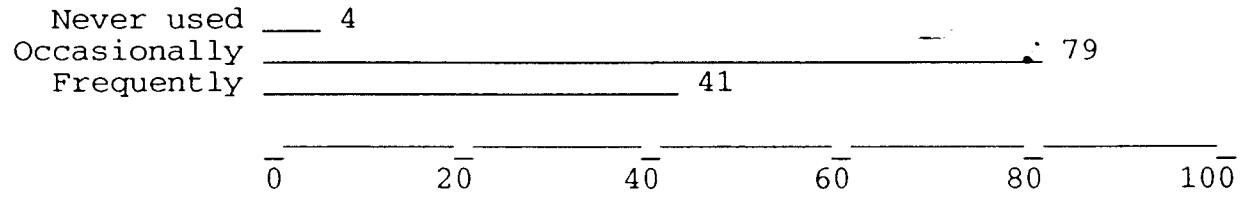
Q51 Newsletters/pamphlets/brochures

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	4	3.1	3.2	3.2
Occasionally	1	79	60.3	63.7	66.9
Frequently	2	41	31.3	33.1	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.298	Std err	.047	Median	1.000
Mode	1.000	Std dev	.525	Variance	.276
Kurtosis	-.619	S E Kurt	.431	Skewness	.188
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	161.000		

Valid cases 124 Missing cases 7

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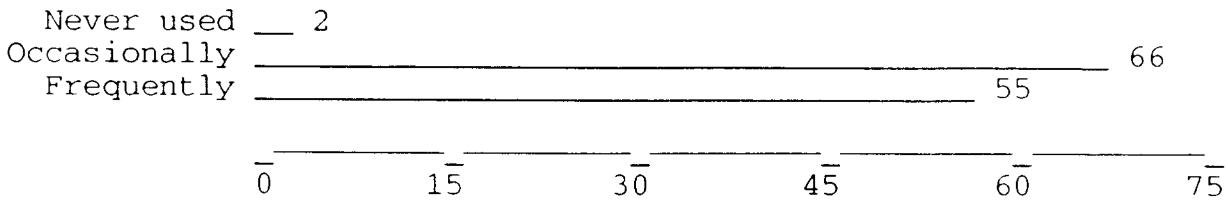
Q52 Newspapers

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	2	1.5	1.6	1.6
Occasionally	1	66	50.4	53.7	55.3
Frequently	2	55	42.0	44.7	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.431	Std err	.048	Median	1.000
Mode	1.000	Std dev	.529	Variance	.280
Kurtosis	-1.271	S E Kurt	.433	Skewness	-.056
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	176.000		

Valid cases 123 Missing cases 8

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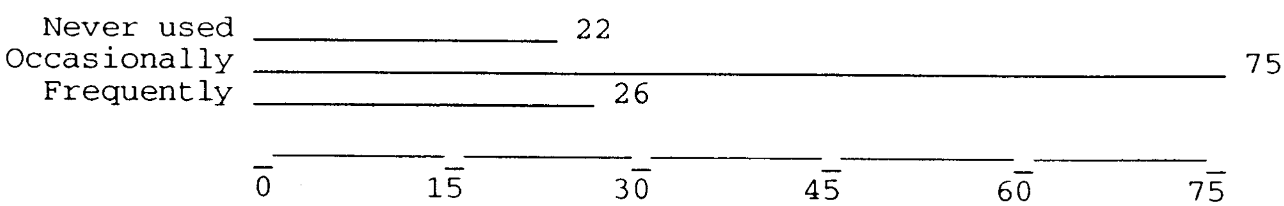
Q53 Library

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	22	16.8	17.9	17.9
Occasionally	1	75	57.3	61.0	78.9
Frequently	2	26	19.8	21.1	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.033	Std err	.056	Median	1.000
Mode	1.000	Std dev	.626	Variance	.392
Kurtosis	-.403	S E Kurt	.433	Skewness	-.023
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	127.000		

Valid cases 123 Missing cases 8

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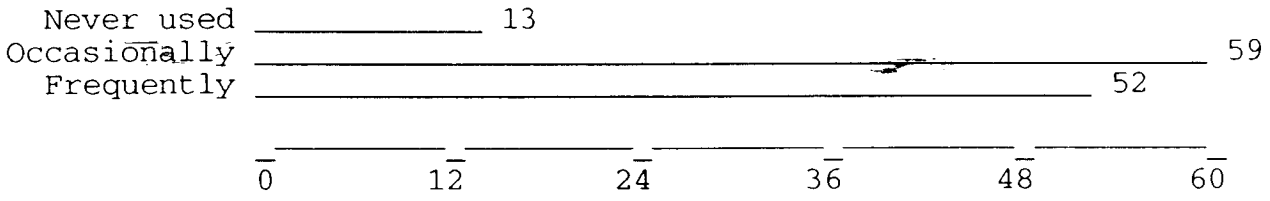
Q54 Healthcare professionals

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	13	9.9	10.5	10.5
Occasionally	1	59	45.0	47.6	58.1
Frequently	2	52	39.7	41.9	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.315	Std err	.059	Median	1.000
Mode	1.000	Std dev	.655	Variance	.429
Kurtosis	-.712	S E Kurt	.431	Skewness	-.430
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	163.000		

Valid cases 124 Missing cases 7

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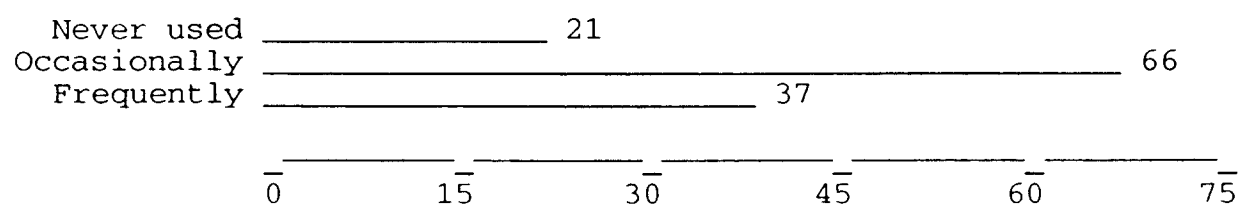
Q55 Pharmacists

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	21	16.0	16.9	16.9
Occasionally	1	66	50.4	53.2	70.2
Frequently	2	37	28.2	29.8	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.129	Std err	.061	Median	1.000
Mode	1.000	Std dev	.674	Variance	.455

Kurtosis	-.786	S E Kurt	.431	Skewness	-.159
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	140.000		

Valid cases 124 Missing cases 7

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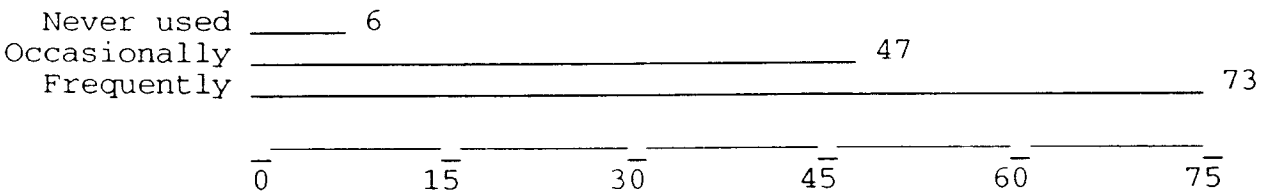
Q56 Family/friends

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	6	4.6	4.8	4.8
Occasionally	1	47	35.9	37.3	42.1
Frequently	2	73	55.7	57.9	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	



Mean	1.532	Std err	.052	Median	2.000
Mode	2.000	Std dev	.589	Variance	.347
Kurtosis	-.264	S E Kurt	.428	Skewness	-.841
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	193.000		

Valid cases 126 Missing cases 5

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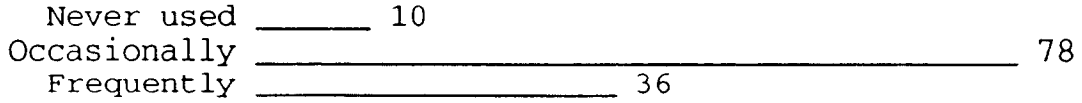
Q57 Hospitals

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	10	7.6	8.1	8.1
Occasionally	1	78	59.5	62.9	71.0
Frequently	2	36	27.5	29.0	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	



Mean	1.210	Std err	.052	Median	1.000
Mode	1.000	Std dev	.574	Variance	.330
Kurtosis	-.278	S E Kurt	.431	Skewness	-.028
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	150.000		

Valid cases 124 Missing cases 7

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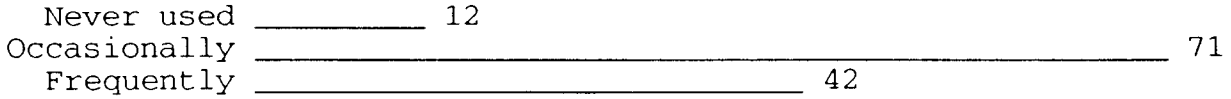
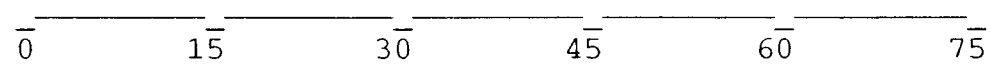
Q58 Service agencies/organizations

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	12	9.2	9.6	9.6
Occasionally	1	71	54.2	56.8	66.4
Frequently	2	42	32.1	33.6	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	





Mean	1.240	Std err	.055	Median	1.000
Mode	1.000	Std dev	.614	Variance	.377
Kurtosis	-.542	S E Kurt	.430	Skewness	-.192
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	155.000		

Valid cases 125 Missing cases 6

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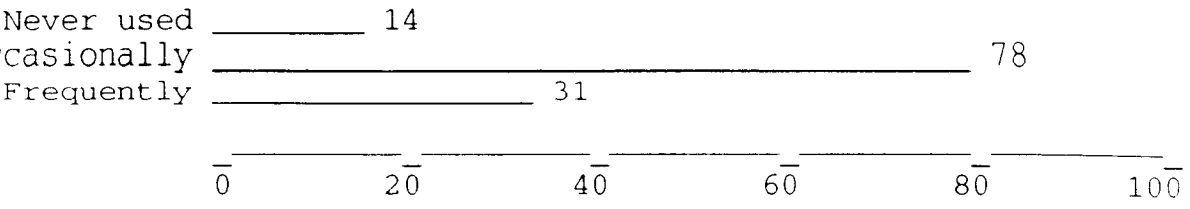
Q59 Community screenings

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	14	10.7	11.4	11.4
Occasionally	1	78	59.5	63.4	74.8
Frequently	2	31	23.7	25.2	100.0
	9	8	6.1	Missing	
	Total	131	100.0	100.0	



Mean	1.138	Std err	.053	Median	1.000
Mode	1.000	Std dev	.591	Variance	.350
Kurtosis	-.213	S E Kurt	.433	Skewness	-.041
S E Skew	.218	Range	2.000	Minimum	.000
Maximum	2.000	Sum	140.000		

Valid cases 123 Missing cases 8

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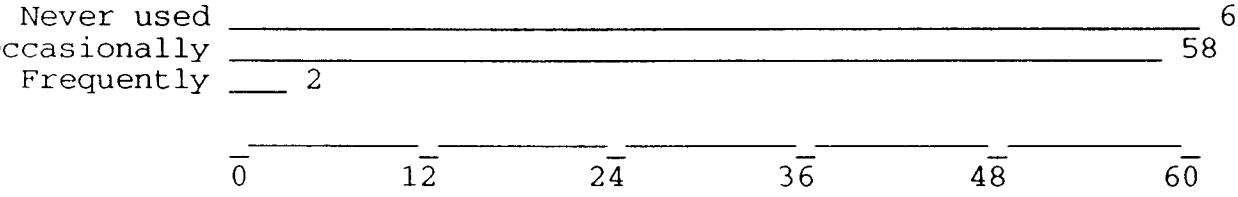
Q60 Computer online services

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	60	45.8	50.0	50.0
Occasionally	1	58	44.3	48.3	98.3
Frequently	2	2	1.5	1.7	100.0
	9	11	8.4	Missing	
	Total	131	100.0	100.0	



Mean	.517	Std err	.049	Median	.500
Mode	.000	Std dev	.534	Variance	.285
Kurtosis	-1.220	S E Kurt	.438	Skewness	.269
S E Skew	.221	Range	2.000	Minimum	.000
Maximum	2.000	Sum	62.000		

Valid cases 120 Missing cases 11

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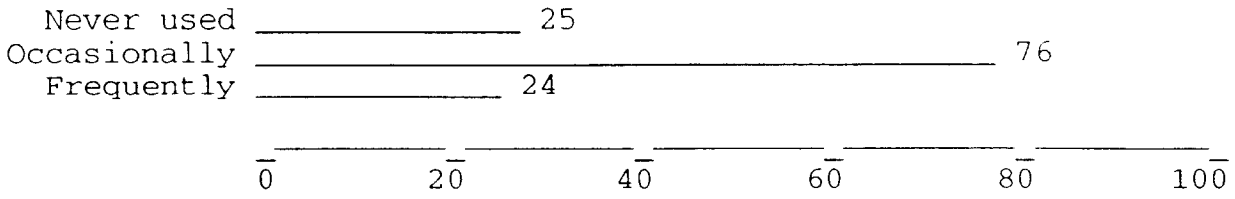
Q61 Seminars/workshops/classes

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Never used	0	25	19.1	20.0	20.0

Occasionally	1	76	58.0	60.8	80.8
Frequently	2	24	18.3	19.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	.992	Std err	.056	Median	1.000
Mode	1.000	Std dev	.629	Variance	.395
Kurtosis	-.418	S E Kurt	.430	Skewness	.006
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	124.000		

Valid cases 125 Missing cases 6

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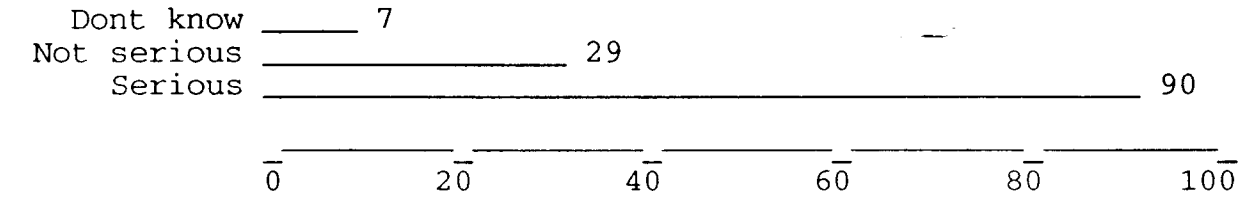
Q62 Lack of info about services

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	7	5.3	5.6	5.6
Not serious	1	29	22.1	23.0	28.6
Serious	2	90	68.7	71.4	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	



Mean	1.659	Std err	.052	Median	2.000
Mode	2.000	Std dev	.582	Variance	.339
Kurtosis	1.295	S E Kurt	.428	Skewness	-1.512
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	209.000		

Valid cases 126 Missing cases 5

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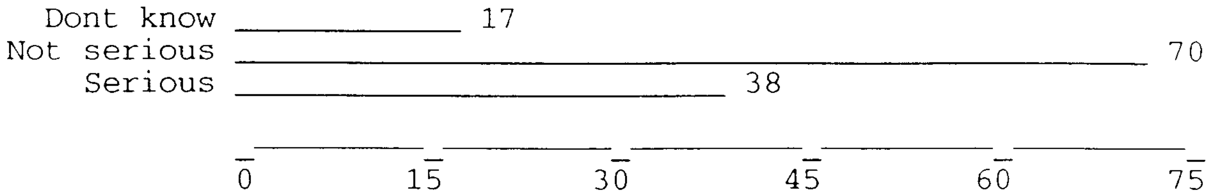
Q63 Inconvenient locations

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	17	13.0	13.6	13.6
Not serious	1	70	53.4	56.0	69.6
Serious	2	38	29.0	30.4	100.0
	9	6	4.6	Missing	
		-------	-------	-------	
	Total	131	100.0	100.0	



Mean	1.168	Std err	.058	Median	1.000
Mode	1.000	Std dev	.644	Variance	.415
Kurtosis	-.623	S E Kurt	.430	Skewness	-.170
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	146.000		

Valid cases 125 Missing cases 6

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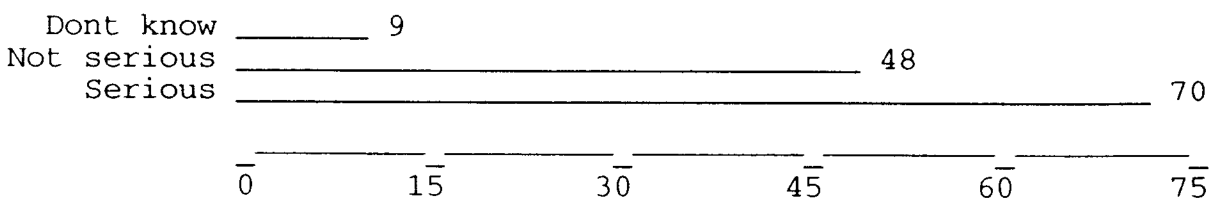
Q64 Lack of transportation

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	9	6.9	7.1	7.1
Not serious	1	48	36.6	37.8	44.9
Serious	2	70	53.4	55.1	100.0
	9	4	3.1	Missing	
		-------	-------	-------	
	Total	131	100.0	100.0	



Mean	1.480	Std err	.056	Median	2.000
Mode	2.000	Std dev	.628	Variance	.394
Kurtosis	-.351	S E Kurt	.427	Skewness	-.804
S E Skew	.215	Range	2.000	Minimum	.000
Maximum	2.000	Sum	188.000		

Valid cases 127 Missing cases 4

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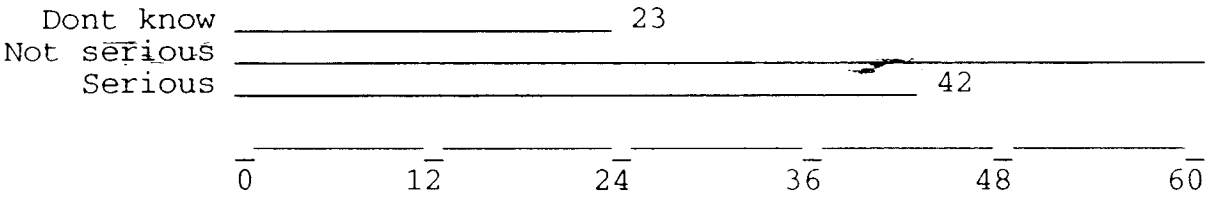
Q65 Inconvenient hours/days

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	23	17.6	18.4	18.4
Not serious	1	60	45.8	48.0	66.4
Serious	2	42	32.1	33.6	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.152	Std err	.063	Median	1.000
Mode	1.000	Std dev	.708	Variance	.501
Kurtosis	-.974	S E Kurt	.430	Skewness	-.226
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	144.000		

Valid cases 125 Missing cases 6

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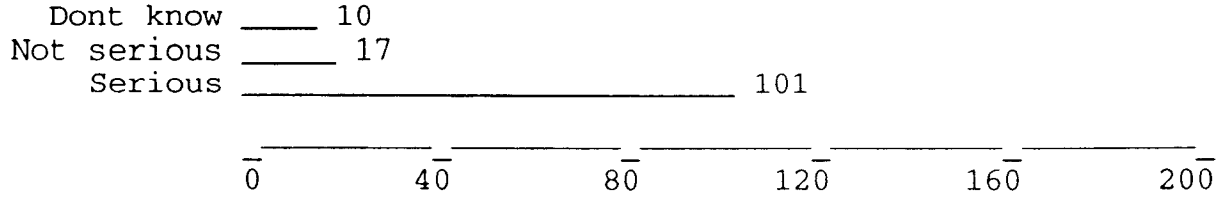
Q66 Cost of services

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	10	7.6	7.8	7.8
Not serious	1	17	13.0	13.3	21.1
Serious	2	101	77.1	78.9	100.0
	9	3	2.3	Missing	
	Total	131	100.0	100.0	



Mean	1.711	Std err	.053	Median	2.000

Mode	2.000	Std dev	.604	Variance	.365
Kurtosis	2.562	S E Kurt	.425	Skewness	-1.953
S E Skew	.214	Range	2.000	Minimum	.000
Maximum	2.000	Sum	219.000		

Valid cases 128 Missing cases 3

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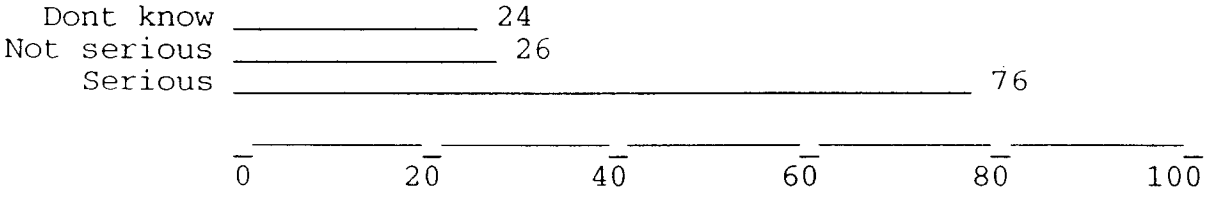
Q67 Eligibility requirements

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	24	18.3	19.0	19.0
Not serious	1	26	19.8	20.6	39.7
Serious	2	76	58.0	60.3	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	



Mean	1.413	Std err	.071	Median	2.000
Mode	2.000	Std dev	.793	Variance	.628
Kurtosis	-.833	S E Kurt	.428	Skewness	-.883
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	178.000		

Valid cases 126 Missing cases 5

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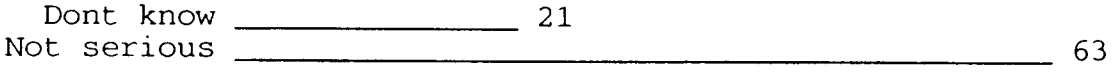
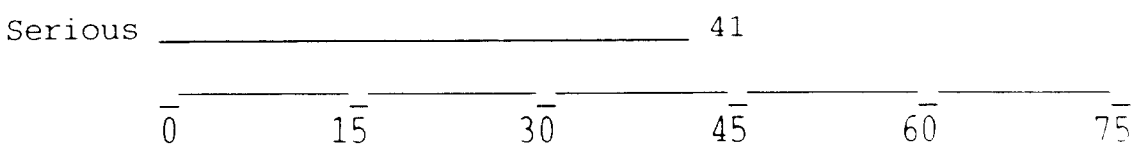
Q68 Perceptions about quality of service

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	21	16.0	16.8	16.8
Not serious	1	63	48.1	50.4	67.2
Serious	2	41	31.3	32.8	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	





Mean	1.160	Std err	.062	Median	1.000
Mode	1.000	Std dev	.689	Variance	.474
Kurtosis	-.873	S E Kurt	.430	Skewness	-.219
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	145.000		

Valid cases 125 Missing cases 6

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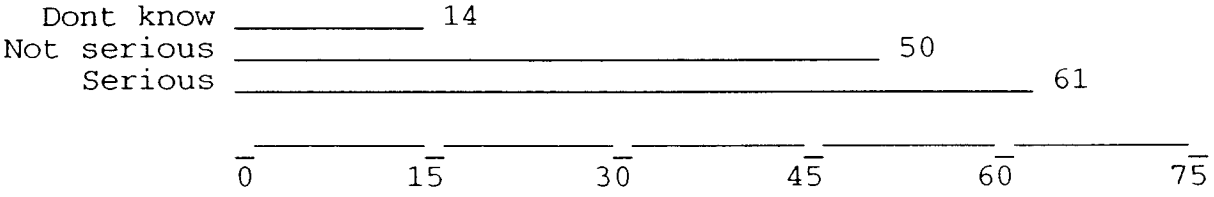
Q69 Language/cultural barriers

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	14	10.7	11.2	11.2
Not serious	1	50	38.2	40.0	51.2
Serious	2	61	46.6	48.8	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.376	Std err	.061	Median	1.000
Mode	2.000	Std dev	.680	Variance	.462
Kurtosis	-.681	S E Kurt	.430	Skewness	-.634
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	172.000		

Valid cases 125 Missing cases 6

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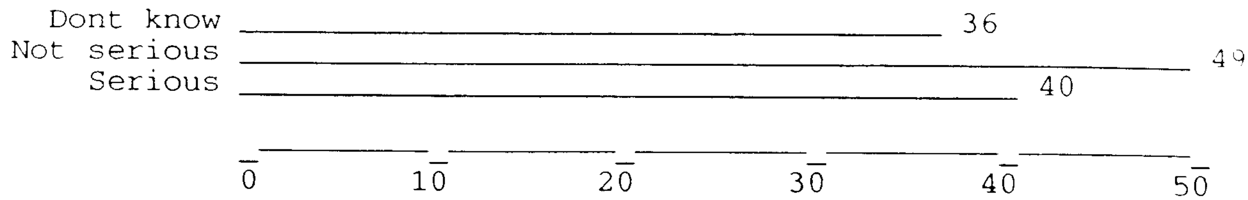
Q70 . Prior bad experience

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	36	27.5	28.8	28.8
Not serious	1	49	37.4	39.2	68.0
Serious	2	40	30.5	32.0	100.0
	9	6	4.6	Missing	

Total	131	100.0	100.0	



Mean	1.032	Std err	.070	Median	1.000
Mode	1.000	Std dev	.782	Variance	.612
Kurtosis	-1.357	S E Kurt	.430	Skewness	-.056
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	129.000		

Valid cases 125 Missing cases 6

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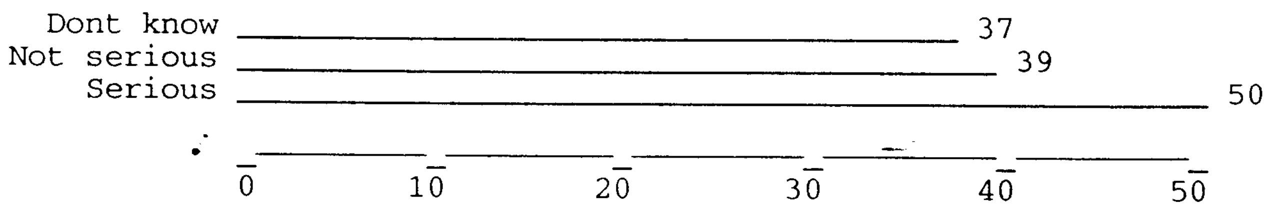
Q71 Reluct. to go outside family/friends

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	37	28.2	29.4	29.4
Not serious	1	39	29.8	31.0	60.3
Serious	2	50	38.2	39.7	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	



Mean	1.103	Std err	.074	Median	1.000
Mode	2.000	Std dev	.828	Variance	.685
Kurtosis	-1.516	S E Kurt	.428	Skewness	-.196
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	139.000		

Valid cases 126 Missing cases 5

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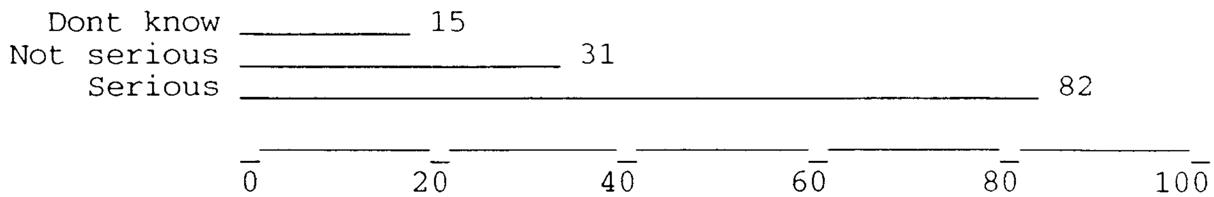
Q72 Wait for services

Valid Cum

Value Label	Value	Frequency	Percent	Percent	Percent
Dont know	0	15	11.5	11.7	11.7
Not serious	1	31	23.7	24.2	35.9
Serious	2	82	62.6	64.1	100.0
	9	3	2.3	Missing	
	Total	131	100.0	100.0	



Mean	1.523	Std err	.062	Median	2.000
Mode	2.000	Std dev	.698	Variance	.488
Kurtosis	-.040	S E Kurt	.425	Skewness	-1.142
S E Skew	.214	Range	2.000	Minimum	.000
Maximum	2.000	Sum	195.000		

Valid cases 128 Missing cases 3

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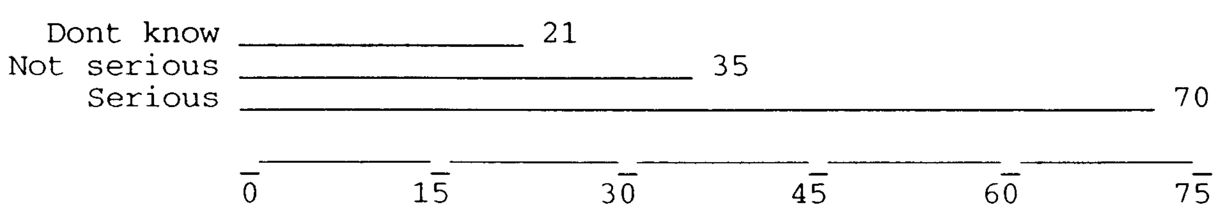
Q73 Lack of child care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	21	16.0	16.7	16.7
Not serious	1	35	26.7	27.8	44.4
Serious	2	70	53.4	55.6	100.0
	9	5	3.8	Missing	
	Total	131	100.0	100.0	

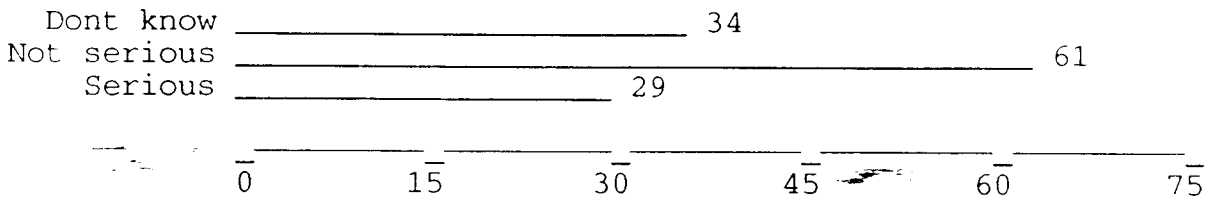


Mean	1.389	Std err	.068	Median	2.000
Mode	2.000	Std dev	.759	Variance	.576
Kurtosis	-.826	S E Kurt	.428	Skewness	-.788
S E Skew	.216	Range	2.000	Minimum	.000
Maximum	2.000	Sum	175.000		

Valid cases 126 Missing cases 5

Q74 Concerns about confidentiality

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	34	26.0	27.4	27.4
Not serious	1	61	46.6	49.2	76.6
Serious	2	29	22.1	23.4	100.0
	9	7	5.3	Missing	
	Total	131	100.0	100.0	

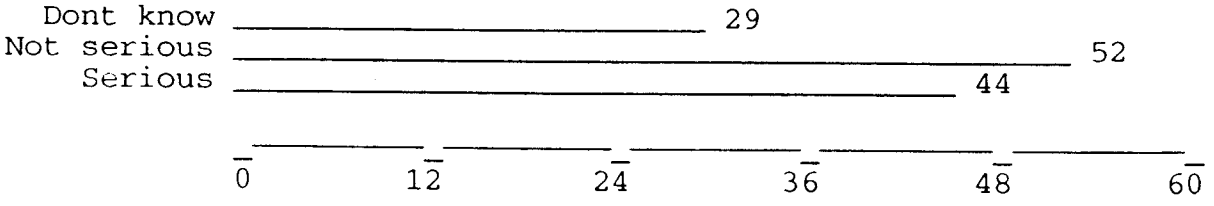


Mean	.960	Std err	.064	Median	1.000
Mode	1.000	Std dev	.715	Variance	.511
Kurtosis	-1.018	S E Kurt	.431	Skewness	.059
S E Skew	.217	Range	2.000	Minimum	.000
Maximum	2.000	Sum	119.000		

Valid cases 124 Missing cases 7

Q75 Lack of specialty services/care

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Dont know	0	29	22.1	23.2	23.2
Not serious	1	52	39.7	41.6	64.8
Serious	2	44	33.6	35.2	100.0
	9	6	4.6	Missing	
	Total	131	100.0	100.0	



Mean	1.120	Std err	.068	Median	1.000
Mode	1.000	Std dev	.758	Variance	.574
Kurtosis	-1.225	S E Kurt	.430	Skewness	-.204
S E Skew	.217	Range	2.000	Minimum	.000

Maximum 2.000 Sum 140.000

Valid cases 125 Missing cases 6

This procedure was completed at 0:43:29
save outfile 'c:\data\chris525.94\AZUSA_2.sps'.
The SPSS/PC+ system file is written to
file c:\data\chris525.94\AZUSA_2.sps
95 variables (including system variables) will be saved.
0 variables have been dropped.

The system file consists of:

432 Characters for the header record.
3040 Characters for variable definition.
3248 Characters for labels.
14336 Characters for data.
21056 Total file size.

131 out of 131 cases have been saved.

This procedure was completed at 0:43:32
get file 'c:\data\chris525.94\AZUSA_2.sps'.
The SPSS/PC+ system file is read from
file c:\data\chris525.94\AZUSA_2.sps
The file was created on 11/25/95 at 0:43:29
and is titled SPSS/PC+
The SPSS/PC+ system file contains
131 cases, each consisting of
95 variables (including system variables).
95 variables will be used in this session.

This procedure was completed at 0:43:33
display.

IDNUM	Q1	Q2	Q3	Q3A
Q3B	Q3C	Q3D	Q3E	Q3F
Q4A	Q4B	Q5A	Q5B	Q6A
Q6B	Q7A	Q7B	Q8A	Q8B
Q9A	Q9B	Q10A	Q10B	Q11A
Q11B	Q12A	Q12B	Q13A	Q13B
Q14	Q15	Q16	Q17	Q18
Q19	Q20	Q21	Q22	Q23
Q24	Q25	Q26	Q27	Q28
Q29	Q30	Q31	Q32	Q33
Q34	Q35	Q36	Q37	Q38
Q39	Q40	Q41	Q42	Q43
Q44	Q45	Q46	Q47	Q48
Q49	Q50	Q51	Q52	Q53
Q54	Q55	Q56	Q57	Q58
Q59	Q60	Q61	Q62	Q63

Appendix G:
Preliminary Results, 1995 Economic Benefit Inventory

Preliminary Results, Huntington East Valley Hospital
1995 Economic Benefit Inventory

The following are Huntington East Valley's preliminary findings of community benefit costs – both "hard" and "soft" data – based on information gleaned from numerous meetings, workshops and articles about how to best calculate these numbers. It is expected that 1995 and 1996 numbers will be generated and included with the hospital's next community benefits plan to be submitted as appropriate.

Benefits for Vulnerable Populations

Charity	$100,195
Medicare Shortfalls	$852,589
Medi-Cal Shortfalls*	$2,010,296

Benefits for the Broader Community

Community Health Education	$10,688
Direct Patient Services	$48,476
Professional Development	$7,369
In-Kind Support to Community Agencies	$7,236

Total	**$3,036,849**

**Note: Huntington East Valley Hospital is a designated disproportionate share (DSH) hospital.*

March 7, 2001

Mr. H. Chester Horn Jr., Esq.
Deputy Attorney General
State of California
Deputy Attorney General
Department of Justice
Office of Attorney General
200 South Spring Street
Suite 500
Los Angeles, California 90013

Dear Mr. Horn:

My Firm, TMGI - Glendora, Inc., has been engaged by PanPacific Health Enterprises, Inc. (PHE), a for-profit entity, to provide hospital management services for Huntington East Valley Hospital (HEVH), a non-profit hospital, which PHE is purchasing. HEVH is currently owned by Southern California Healthcare Systems. It is anticipated that HEVH's name will be changed once PHE assumes control.

PHE does not believe that this transaction will cause a negative impact on the provision of health care services to the community. PHE has agreed to the following:

- PHE agrees to retain the charity/indigent care policies of HEVH.
- PHE agrees to continue to provide Medicare and Medi-cal Services.
- PHE will continue to provide community benefit health programs.
- PHE will continue to operate emergency services
- PHE will continue to provide existing programs and will look at additional programs

I am prepared to discuss the above with you or your representatives. I may be reached at (909) 308-4107 and by FAX (909) 698-0568.

Very truly yours,

Norm Martin
President/CEO

CC: J. Chang
PanPacific Health Enterprises, Inc.

March 7, 2001

Mr. H. Chester Horn Jr., Esq.
Deputy Attorney General
State of California
Deputy Attorney General
Department of Justice
Office of Attorney General
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Los Angeles, California 90013

Dear Mr. Horn:

My Firm, TMGI - Glendora, Inc., has been engaged by PanPacific Health Enterprises, Inc. (PHE), a for-profit entity, to provide hospital management services for Huntington East Valley Hospital (HEVH), a non-profit hospital, which PHE is purchasing. HEVH is currently owned by Southern California Healthcare Systems. It is anticipated that HEVH's name will be changed once PHE assumes control.

PHE does not believe that this transaction will cause a negative impact on the provision of health care services to the community. PHE has agreed to the following:

- PHE agrees to retain the charity/indigent care policies of HEVH.
- PHE agrees to continue to provide Medicare and Medi-cal Services.
- PHE will continue to provide community benefit health programs.
- PHE will continue to operate emergency services
- PHE will continue to provide existing programs and will look at additional programs

I am prepared to discuss the above with you or your representatives. I may be reached at (909) 308-4107 and by FAX (909) 698-0568.

Very truly yours,

Norm Martin
President/CEO

CC: J. Chang
PanPacific Health Enterprises, Inc.

March 7, 2001

Mr. H. Chester Horn Jr., Esq.
Deputy Attorney General
State of California
Deputy Attorney General
Department of Justice
Office of Attorney General
200 South Spring Street
Suite 500
Los Angeles, California 90013

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Norm Martin
President/CEO

CC: J. Chang
PanPacific Health Enterprises, Inc.

ACTION ITEM TO BE CONSIDERED AND ADOPTED BY THE HUNTINGTON EAST VALLEY HOSPITAL BOARD OF DIRECTORS AT ITS REGULARLY SCHEDULED MEETING ON MARCH 28, 2001

The Board ratifies and approves the actions of the officers in the negotiation and execution of the Asset Sale Agreement and directs the officers to take all necessary or appropriate action to consummate the transactions contemplated by the Asset Sale Agreement, including preparing and filing the Notice to the Attorney General.

STATEMENT BY CHAIR OF THE BOARD

The undersigned, Robert A. Gordon, Sr., states that he is the Chairman of the Board of Huntington East Valley Hospital, a California nonprofit public benefit corporation, and that the contents of the written notice by Huntington East Valley Hospital to the Attorney General of the State of California relating to the proposed sale of assets by Huntington East Valley Hospital to PanPacific Health Enterprises, Inc. are true, accurate and complete.

IN WITNESS WHEREOF, the undersigned has set his hand this 15th day of March, 2001.

ROBERT A. GORDON, SR.

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, September 27, 2000
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	**CALL TO ORDER**	Robert Gordon
II.	**APPROVAL OF MINUTES ** ACTION ITEM** **July 19, 2000 Board of Directors Meeting**	Robert Gordon
III.	**PRESIDENT'S REPORT**	Jim Maki
	A. HEVH Transition B. 2000/2001 DSH Preliminary Qualification C. Seismic Study	
IV.	**MEDICAL STAFF REPORT ** ACTION ITEM**	Marc Domaguing, M.D.
V.	**FINANCE REPORT ** ACTION ITEM**	Cindy Trousdale
	A. Finance/Corporate Compliance Committee Meetings Of August 22, 2000 and September 26,2000	
	** **B. Financial Statement – Eight Months Ended August 31, 2000**	
VI.	**PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM**	
	** **A. Quality Council Report** ** **B. Patient Satisfaction Survey Summary Report** ** **C. Environment of Care Report – 2nd Quarter 2000** ** **D. Risk Management Report**	
VII.	**OTHER BUSINESS**	
VIII.	**ADJOURNMENT**	

NEXT SCHEDULED MEETING:

WEDNESDAY, NOVEMBER 15, 2000 - 7:15 A.M. - HEVH BOARD ROOM

C/AGENDABOARD 092700 DRAFT
/NVK, 090600

B. HEVH Transition

Mr. Maki reported that 20 companies have approached Shattuck Hammond regarding an interest in purchasing HEVH, seven of which have requested Confidentiality Agreements; 6 of which were returned to Shattuck Hammond. Medical Pathways has expressed a strong interest. Citrus Valley Healthcare Partners have had a site visit of HEVH, but are not interested in proceeding with a purchase. The goal is that by July 20, 2000, any interested party would present an offer to Shattuck Hammond. If Medical Pathways purchases HEVH, they intend to run all capitation through the hospital, and the IPA takes the risk. There are 23,000 lives in Medical Pathways' IPA, East Valley Select.

SCHS will consider all options including total shut-down costs, maintaining ownership and creating a deal with Medical Pathways. It was noted that while closure of the hospital is an option, it would be very expensive to do so.

Mr. Carmack stated that all parties that have shown an interest in possible purchase of HEVH have been diligently pursued via personal phone conversations by Shattuck Hammond. It will be difficult for SCHS to fund HEVH beyond this year.

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, November 15, 2000
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	CALL TO ORDER	Robert Gordon
II.	APPROVAL OF MINUTES ** ACTION ITEM September 27, 2000 Board of Directors Meeting	Robert Gordon
III.	CHAIRMAN'S REPORT	Robert Gordon
	A. Appointment of Nominating Committee B. Review of Bylaws	
IV.	PRESIDENT'S REPORT	Jim Maki
	A. HEVH Transition B. Governing Board Self Evaluations C. Mission/Vision/Values Statements – Annual Review	
V.	MEDICAL STAFF REPORT ** ACTION ITEM	Marc Domaguing, M.D.
VI.	FINANCE REPORT ** ACTION ITEM	Jim Maki
	**A. Finance/Corporate Compliance Committee Meetings Minutes of September 26, 2000	
	** B. Financial Statement – Ten months Ended October 31, 2000	
VII.	PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM	John Zimmerman
	** A. Patient Satisfaction Survey Report ** B. Risk Management Report ** C. Environment of Care Report, 3rd Quarter 2000 D. Evaluation of Services provided by Horizon E. Report on Heart Attacks Outcomes, 1994-1996 F. Hospital Plan for Provision of Care – Annual Review G. Hospital Performance Improvement Plan – Annual Review	
VIII.	EDUCATION/ORIENTATION	Jim Maki
IX.	OTHER BUSINESS	
	A. Schedule of meetings 2001	
X.	ADJOURNMENT	

NEXT SCHEDULED MEETING
WEDNESDAY, JANUARY 24, 2001 – 7:15 A.M. – HEVH BOARD ROOM

III. PRESIDENT'S REPORT

A. HEVH Transition

Mr. Maki reported a very positive meeting with the SCHS Board of Directors yesterday. At the present time SCHS is not considering closing the hospital as an option. Negotiations continue with approximately six prospective buyers, but we are still waiting for a reasonable offer. The SCHS Board would like to sell to someone who will be community focused and continue to operate as an acute care hospital. In the meantime, efforts continue to find ways to make the hospital more profitable.

Mr. Caswell mentioned that we should consider the long-term commitment of the medical staff.

Dr. Sahhar also agrees and feels that a meeting needs to take place with the medical staff to reassure them that everything is being done in the best interest of the hospital, the medical staff and the community.

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, January 24, 2001
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	CALL TO ORDER	Robert Gordon
II.	APPROVAL OF MINUTES ** ACTION ITEM November 15, 2000 Board of Directors Meeting	Robert Gordon
III.	CHAIRMAN'S REPORT	Robert Gordon
	A. Election of Board Members by the Nominating Committee	
IV.	PRESIDENT'S REPORT	Jim Maki
	A. HEVH Transition	
V.	MEDICAL STAFF REPORT ** ACTION ITEM	Marc Domaguing, M.D.
VI.	FINANCE REPORT ** ACTION ITEM	Jim Maki
	**A. Finance/Corporate Compliance Committee Meetings Minutes of October 24, 2000 and November 14, 2000	
	** B. Financial Statements – Twelve months Ended December 31, 2000 (Not available until the day of the meeting)	
VII.	PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM	John Zimmerman
	** A. Quality Council Report ** B. Patient Satisfaction Survey Report ** C. Risk Management Report ** D. Environment of Care Report, 4th Quarter 2000 ** E. Annual Employee Health Report F. Conflict of Interest G. Critical Incident Review	
VIII.	EDUCATION/ORIENTATION	Jim Maki
IX.	OTHER BUSINESS	
X.	ADJOURNMENT	

NEXT SCHEDULED MEETING
WEDNESDAY, MARCH 28, 2001 – 7:15 A.M. – HEVH BOARD ROOM

IV. PRESIDENT'S REPORT

A. HEVH Transition

Mr. Maki thanked everyone who participated in the interviews conducted by the Camden Group. The sales agreement has not been signed yet. The appraisal took longer than anticipated. The Mardel Group is working on getting their financing in order and the sales agreement should be signed within the next couple of weeks. They are also looking to sign an interim management agreement with SCHS while the sale is going through. The census has held at an average of 46-47 this month.

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
April 28, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, April 28, 2000 in the Board Room of Methodist Hospital, 300 West Huntington Drive, Arcadia, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Lois S. Matthews
Francis X. McCormack

EXCUSED:

Gleeson "Tige" Payne
Robert S. Rollo

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
William Caswell
Robert Gordon, Sr.
Dennis M. Lee
James Maki
Cindy Trousdale

Chairman McCormack called the meeting to order at 7:35 a.m.

MINUTES

The minutes of the Board of Directors meeting of March 31, 2000 were reviewed. Mr. Carmack recommended a change to the summary under "SCHS Audit" on page four. His suggested change was to clarify that Kathy Schneider was not actually performing the audit but will be leading and organizing the effort.

There was also a question raised about the amount of the HEV Capital Budget that would need to be approved by the SCHS Finance Committee. Discussion of this was deferred to later in the meeting.

It was moved, seconded and carried to approve the minutes of the March 31, 2000 meeting with the above modification.

CHAIRMAN'S REPORT

Ratify Actions Taken by Board at March 31, 2000 meeting

Mr. McCormack requested that the Board ratify the actions taken by the Board at the March 31, 2000 meeting since there was not a quorum.

It was moved, seconded and carried to ratify the actions taken by the SCHS Board at its March 31, 2000 meeting.

SCHS Strategic Planning Ad Hoc Committee

Mr. McCormack gave a brief summary of the most recent meeting of the SCHS Strategic Planning Ad Hoc Committee. At that meeting the committee heard a presentation from Mr. Michael Madden, CEO, Providence St. Joseph's Hospital in Burbank. There may be another meeting of this committee in May to continue their discussions.

PRESIDENT'S REPORT

SCHS Activities Update/Status

Mr. Ralph indicated that both Methodist Hospital and Huntington Memorial Hospital are performing better than their budgets through the first quarter of this fiscal year. Operations redesign efforts continue at both facilities. The Joint Commission on Accreditation of Healthcare Organizations will be surveying both Huntington and Methodist in August and September of this year.

Huntington East Valley Proposals

Mr. Ralph summarized the proposals that had been received from three consultants that would assist us in developing a strategic direction for Huntington East Valley Hospital. The companies were Shattuck Hammond Partners, Cain Brothers and Deloitte & Touche. These companies were interviewed by Mr. Ralph, Mr. Carmack, Mr. Caswell and Mr. Maki. It is the recommendation that we retain Shattuck Hammond Partners. They are the most qualified company to help us in this very important project.

In response to a question, it was indicated that the direction that Huntington East Valley Hospital would take would likely involve a name change. It was mentioned that the transaction time frame would be from three to six months. There was also discussion about the cost of a fairness opinion. Mr. Ralph will clarify this with Shattuck Hammond. Mr. Gordon expressed a concern

with respect to Citrus Valley Health Partners as a potential partner. Mr. McCormack mentioned that he has looked at the contract and has several suggestions to make and would do so at a subsequent time with Mr. Ralph.

It was moved, seconded and carried to approve retaining Shattuck Hammond Partners in concept, subject to Mr. McCormack's review of the contract.

FINANCE COMMITTEE

HEVH Cash Flow

Mr. Maki gave a summary of Huntington East Valley's cash position after the first quarter of this year. They are faced with the likelihood of needing approximately $1.4 million dollars in cash to pay claims from 1999 under their capitated agreements. There was also approximately $540,000 in cash that is needed to pay down obligations in their accounts payable. The request is for a cash call of $1,940,000 of which 2/3 would be provided by Huntington Memorial Hospital and 1/3 by Methodist Hospital of Southern California. Mr. Maki pointed out that the estimated IBNR obligation for the full year is $2.1 million dollars of which approximately $700,000 would be paid to Huntington Memorial and Methodist Hospital. Mr. Maki indicated that they are continuing to look at ways of reducing their operating expenses. The total cash needs for the entire year are anticipated to be approximately $3.7 million dollars. The balance of these cash needs would be reviewed at a future date.

There were questions raised about the "due to affiliates" line items in the balance sheet. Information was given and the amounts that appear in these categories were clarified. In response to a question as to how this cash call will be implemented, it was agreed that this should be an inter-company advance and/or equity transfer from the hospitals to SCHS.

It was moved, seconded and carried to approve a capital call to Huntington Memorial and Methodist Hospital in the amount of $1,940,000.

SoCal Clini Lab Update

Mr. Carmack gave a brief update on Southern California Clini Lab dissolution. We are finalizing the remaining transactions. A request has been made to Community Bank to extend the term of their loan for one to two years under current terms. It is anticipated that there will not be any difficulty with this request. The other main issue relates to the costs associated with moving the core lab back to Huntington Memorial Hospital. The total cost of this move is estimated at approximately $2.25 million. We are analyzing which portion of this cost should be allocated to SCCL as a function of the dissolution.

Managed Care Update

Mr. Caswell gave an update on various subjects under managed care. Medical Pathways is still processing claims for APPA. We are still conducting a 100% audit on all approved claims. We are also working with the hospitals to get all of their claims processed so that we can have a final reconciliation of the APPA dissolution. Mr. Caswell also informed the Board that the capitated contracts under the old HPG physician organization have been terminated. To date there have been no noticeable movement of patients as a result. We are also moving forward on terminating the capitated agreements through Medical Pathways. Most of these capitated contracts should terminate by July 2000 with the exception of PacifiCare, AEtna and Blue Cross. Mr. Caswell is meeting with these organizations to negotiate termination of those capitated agreements.

SCHS Corporate Financials

Mr. Caswell briefly reviewed the performance of the SCHS actual to budget financials. There are no significant variances from the budget. Cash balances are appropriate to handle monthly expenses. He mentioned that the resolution to the master lease on the Berger building appears to be approximately $14,000 over what was budgeted. Mr. Marangi recommended that we obtain a release from Pacific Clinics in the event that they were to default on their lease payments in the future.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:05 a.m. The next meeting of the Board will be held on May 26, 2000 at 7:30 a.m. at Huntington Memorial Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

Southern California Healthcare Systems

MEMORANDUM

TO: **SCHS Finance Committee**
John F. Kooken, Chairman
Arne Kalm
Leonard Marangi

FROM: **Stephen A. Ralph**

DATE: **April 18, 2000**

As was decided at the January SCHS Board meeting, we have been pursuing the overall strategy around Huntington East Valley Hospital. To that end I wanted to update you on where we are, as well as have you review the attached proposals we received from three appropriate firms to assist us in this transaction.

First, as I believe we concluded in January, our strategic direction is to continue to look for ways of divesting ourselves of Huntington East Valley as soon as possible. On the short term, we are continuing to look at how we can effectively manage East Valley while minimizing the amount of cash necessary from the other two hospitals to support it. However, given the operating losses that we anticipate for 2000, as well as Huntington East Valley's IBNR of approximately $2 million that is on their books, it is clear that an infusion of cash will be necessary for the hospital.

I have met with representatives of Citrus Valley Health Partners, Tenet Healthcare and the County of Los Angeles as it relates to their interests in Huntington East Valley. This was obviously exploratory only and no details and/or aspects of any transaction were discussed. In my meetings with Pete Makowski of Citrus Valley Health Partners, he indicated a strong interest in Huntington East Valley, particularly from a market share perspective as it relates to Foothill Presbyterian. In conversations with Tenet, they, too, express some interest in East Valley, also from a market perspective as it relates to San Dimas Community Hospital, which is a facility that they own.

Finally, we have had a couple sessions with the County, but this may go nowhere, mostly because the County is still unsure as to what they are going to do with respect to replacement of the downtown County facility, whether or not they are going to move forward with the Baldwin Park facility and, to be quite honest, the political climate would make this a long shot. Nevertheless, we will keep all of our options open.

To that end, myself, along with Tim Carmack, Bill Caswell and Jim Maki, have interviewed three consultants/advisors who we could retain to assist us in this overall transaction. Two of them tend to be more of the investment banker/merger and acquisition type in the healthcare business while the third, Deloitte, is more of a consultant. I believe it is critical that we retain one of these groups to help us with this transaction. This will be a critical and time-consuming effort and we need the talent not only to make it happen, but to generate as much value for us as soon as possible.

Following our review of their proposals as well as the interviews, our recommendation is to retain Shattuck Hammond Partners. Michael Hammond, who is well known to many of us, as well as to Citrus Valley and Tenet, has considerable experience in this particular market and is certainly familiar with the San Gabriel Valley, having put together the Foothill/Citrus Valley deal, as well as other Tenet activities in the Greater Los Angeles area. While I recognize the overall fee for his firm may be a little more expensive, I think what we wind up with is a much better outcome. Our second choice would be Cain Brothers and Steve Hollis, with whom some of your are familiar. I think Steve, too, knows this market and is certainly familiar with Huntington East Valley, having done the original Glencomm/SCHS transaction. I do believe, however, that he is not as sophisticated in terms of knowing Tenet and some of the other players.

Finally, we did not feel that Deloitte brought the kind of knowledge or approach that we are looking for. They were looking for more of a consulting engagement and do not bring the experience of what we are looking for in terms of a divestiture of the organization.

I would like to make a decision as soon as possible in terms of who to retain and get on with this process. The market for acute hospitals is not very good, so the sooner we can get on with it, the better off we will be.

Please review these proposals and let me know your thoughts.

Encls.

cc: Francis X. McCormack
Tim Carmack
Dennis Lee
James Maki
Bill Caswell

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
June 30, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, June 30, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Francis X. McCormack

EXCUSED:

Lois S. Matthews
Gleeson "Tige" Payne

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
William Caswell
Dennis M. Lee
James Maki
Cecilia Montalvo
Dodie Ulrich

Chairman McCormack called the meeting to order at 7:40 a.m.

MINUTES

The minutes of the Board of Directors meeting of April 28, 2000 were approved.

Mr. Ralph welcomed and introduced Cecilia Montalvo from Shattuck Hammond Partners and Kathy Schneider, Director of Finance at Huntington Memorial Hospital.

CHAIRMAN'S REPORT

Methodist Leadership Retreat

The Chairman requested Mr. Kalm to report on the recent Methodist Hospital Board retreat held in Newport Beach.

Mr. Kalm noted that this was an annual event for the Methodist Board, executive management and certain members of the Medical Staff. The two speakers this year were Don Wegmiller, a consultant, and Tom Priselac, CEO of Cedars-Sinai Medical Center. The presentations focused on the pros and cons of hospital systems. Sunday morning the discussions were around the importance of culture and focused on some of differences between Huntington and Methodist, the importance of involving physicians in any changes being made, and the need to articulate the added value of any proposed changes. One of the things emphasized at the session was that "execution" was more important than strategy. Mr. Kalm also reported that there were positive comments from medical staff and indications were that there may be some form of action taken to explore new ways of cooperation between Huntington and Methodist and other things the System could do together, e.g., joint planning, marketing, etc.

PRESIDENT'S REPORT

Strategic Planning/ Business Development

Mr. Ralph indicated that the way the System had functioned would not be the approach going forward, and that we would focus on the hospitals and hospital-related services, meeting the needs of our local communities, etc. Although both Huntington and Methodist are heavily engaged in redesign efforts/cost cutting, it was agreed that it is time to look toward the future and to explore opportunities for how the two hospitals can work closer together and add value. This may be through market share growth, better collaboration in areas like human resources, finance, materials management, and certainly around clinical programs. He indicated we have been reviewing our strategic plans and opportunities for business development and marketing. He has asked Dennis Lee to head up a task force that will be exploring ways Huntington and Methodist can collaborate in the planning and business development areas. Initially, William Caswell and Kelly Linden will serve on this committee with Mr. Lee, with the group being expanded to include others as appropriate. Mr. Ralph emphasized the need to look at ways of jointly pursuing business development and marketing, which hopefully may lead to the alignment of some of our clinical programs and institutions.

Mr. Lee reiterated the matter of "execution" and the need to set up a process which will better execute our strategies to obtain the maximum benefit. Discussion followed regarding affiliation/ merger options.

Huntington East Valley Hospital (HEVH) Update

Mr. Maki advised that the HEVH transition team had been meeting and an impact study is being prepared and a time frame being set. He added that they will continue to work with the Attorney General's office during the entire process.

Ms. Montalvo reviewed the Shattuck Hammond management presentation packet, copies of which previously had been sent to the Board members. She indicated that this material had been sent to seven different organizations that were possibly interested in purchasing the hospital and that her company had spoken with twenty different companies. She pointed out that some of potential buyers were not interested in smaller urban hospitals. She commented briefly on the organizations that had indicated an interest, and added that the final date for receiving proposals had been extended until July 20. Once the proposals have been reviewed, they will be weighed against the cost of maintaining the operation versus closing down the hospital. Discussion followed regarding the various potential buyer, the hospital's cash flow, present liabilities and the comparison between selling the hospital or closing it.

It was pointed out that since the System has advanced between $4-5 million to HEVH, which is not collectible, both Methodist and Huntington will have to write down this amount sometime in the near future. Mr. Ralph suggested waiting to do any accounting adjustments since more complete financial information will be available by the end of July. Mr. Maki reminded the group that the $1.7 million loss in 1999 was due to the excessive claims paid on the hospital's capitated business. Since the hospital is withdrawing from all capitation and moving back to per diem rates, he felt 2001 would be considerably better financially for the hospital. Discussion followed regarding the ability to turn HEVH into profitable entity. Mr. Marangi noted that in 2001 a positive cash flow of $1 million was projected and this should be a consideration in the final decision regarding the hospital's future.

FINANCE COMMITTEE

SoCal Clini Lab

Mr. Carmack reviewed the financial analysis and final accounting for the laboratory, copies of which had been sent to the Directors. He commented on the intercompany payables and receivables, the effect of the outreach sale on the balance sheet, the Huntington, Methodist and Huntington East Valley equity balances as of May 31, 2000 and the pro forma equity balances with the effect of forgiving the SCHS and HEVH intercompany debt. He then discussed the possibility of selling the laboratory building and indicated he had received an "over-the-phone" informal appraisal of approximately $6.5 million, which included the land and building. The matter of the write-offs was raised and, following a brief discussion, it was determined it would be best to postpone the write-offs until after the final report had been prepared, which would probably be the latter part of July.

Managed Care Update

Mr. Caswell stated that the legal documents have been drafted regarding the dissolution of APPA and the legal process was proceeding towards resolution by year end. He added that the $500,000 from the recently approved capital call for the payment of APPA claims was being held in abeyance subject to claims processing.

Mr. Caswell then reviewed a handout of three graphs. The first illustrated the SCHS cap "disenrollment timeline" for APPA, HPG and AHC with the various health plans. He then reviewed "pie charts" on the managed care service mix and payor mix for both Huntington and Methodist. Also, he informed the Board that the capitated contract with PacifiCare had terminated as of June 1, although there are still several unresolved issues. He pointed out that PacifiCare is the current health carrier for all SCHS/hospital employees and that William Murin and Kevin Simes are in the process of reviewing other options. Discussion followed.

Finance Committee Meeting

Mr. Kalm requested that the July 25 meeting of the SCHS Finance Committee be moved to Monday, July 24 at noon. It was agreed and a notice will be sent confirming the change in date.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:15 a.m. The next meeting of the Board will be held on July 28, 2000 at 7:30 a.m. at Methodist Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
July 28, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, July 28, 2000 in the Board Room of Methodist Hospital, 300 West Huntington Drive, Arcadia, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Lois S. Matthews
Francis X. McCormack

EXCUSED:

Arne Kalm
Gleeson "Tige" Payne

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

William Caswell
Steve James
Dennis Lee
James Maki
Kathy Schneider
Dodie Ulrich

Chairman McCormack called the meeting to order at 7:40 a.m.

MINUTES

The minutes of the Board of Directors meeting of June 30, 2000 were approved.

CHAIRMAN'S REPORT

Methodist Hospital – Revised Bylaws

Mr. Lee distributed and commented briefly on a memorandum summarizing some minor changes in the hospital's Bylaws, which had been approved by the Methodist Board at its June 29, 2000 meeting. He then requested approval by the SCHS Board of these revised Bylaws.

promising buyer appears to be Medical Pathways. All options are being explored, including keeping the hospital open as part of SCHS versus closing it down. Discussion followed.

Business Development/Marketing – Update

Mr. Lee reported on the meetings of the Business Development Committee with Bill Caswell, Kelly Linden and himself, and pointed out that there are some opportunities available for Huntington and Methodist to create a better working affiliation relationship. The committee's feeling was that the next step would be for the hospitals to share the development of each hospital's strategic plan and then to create a joint strategic business plan. He added that the committee would be looking at service lines and evaluating how critical they are in terms of respective and combined operations, along with ways to increase market share. More detailed work needs to be accomplished in terms of joint marketing and advertising, and it was the consensus of the committee that joint advertising may not be feasible at this time. Mr. Lee pointed out that as Huntington and Methodist develop individual marketing materials, it is important not to advertise in such a way as to make it appear to the public that we are competing against each other.

Mr. Lee stated that there is strong commitment among the executives at both Methodist and Huntington to continue the affiliation. Mr. Ralph cited, as an example, the consolidation of psychiatric patients at Huntington's Della Martin Center, with the planned closing down of the psychiatric service at Methodist Hospital. He emphasized that what SCHS does should be effective and add value. He added that this consolidation was one of the System's true successes in the way it was addressed and the way it was communicated to the Medical Staff, as a number of the physicians involved expressed their appreciation at being included in the process. He complimented Catherine McLoughlin, the Director of Psychiatric Services, for handling this transition. He then requested the Board's approval of the closing down of the psychiatric program at Methodist Hospital.

Upon motion made, seconded and unanimously carried, the Board approved the closure of the psychiatric services at Methodist Hospital and the consolidation of these services with the psychiatric program at Huntington Memorial Hospital.

FINANCE COMMITTEE

SoCal Clini Lab

Ms. Schneider reviewed the financial statements for the lab. The SCHS and HEVH intercompany receivables have been written off and there may be a write-down of the laboratory building on Raymond Avenue once the appraisal is completed. It was noted that SoCal Clini Lab (SCCL) owes Huntington Memorial Hospital (HMH) close to $1.8 million and, as the semi-annual payments are received by SCCL from Unilab, these funds would be used to pay off the debt to HMH and also to be applied against the debt owed by Methodist Hospital.

Upon motion made, seconded and unanimously carried the Board authorized the payoff from the SoCal Clini Lab funds of outside liabilities and the debt owed to Huntington Memorial Hospital, with the monitoring of payouts as the semi-annual payments are received from Unilab.

Huntington East Valley Hospital – Capital Call

Mr. Maki reported on the current cash flow and cash needs for the hospital. He stated that the hospital would need approximately $1.8 million to cover the projected loss for the year 2000. Discussion followed.

Upon motion made, seconded and unanimously carried, the Board approved a capital call in the sum of $1.8 million to cover the projected loss for the year 2000 for Huntington East Valley Hospital.

Earthquake Insurance

Mr. Kooken reported that management had recommended SCHS not renew the earthquake insurance on Huntington East Valley Hospital. The premium would be $165,000 with a $3 million deductible and a policy limit of $20 million. The Finance Committee agreed with management's recommendation.

The Board was in agreement that the earthquake insurance for HEVH not be renewed this year.

SCHS YTD Financial Statements

Mr. Caswell shared that the SCHS financials were "in transition," and that a full consolidated report would be available at the September meeting. A detailed Berger Building schedule (budget vs. actual) would be available at that time.

Managed Care Update

Dissolution of APPA: Mr. Caswell reported that the legal work is in process for the dissolution of APPA. The APPA capital call of $500,000 (previously approved by the SCHS Board) has not yet been called, but may be needed by mid to late August. He added that it might be necessary to request additional funds prior to October 1 once the APPA claims backlog is brought up to date.

Significant efforts are being made by Medical Pathways on the backlog of APPA and hospital claims.

Health Plans: Mr. Caswell advised that as of August 1, the only capitation contract remaining is with Blue Cross, and that contract will terminate as of December 31, 2001. He added that we have set SCHS-wide "rates and terms" in our contracts and have been aggressive in our position with the health plans. Although the contract with Aetna has been terminated, an acceptable agreement may still be reached as negotiations are continuing. Mr. Caswell indicated that positive discussions have taken place with the IPAs, particularly Medical Pathways and Physician Associates in support of the hospitals' contracting strategy. He advised that a similar meeting had taken place with HealthCare Partners regarding a relationship/ partnership. Mr. Ralph added that SCHS is making efforts to get the physician groups to align with the hospitals and reiterated that SCHS needs to take a firm position with the health plans. Discussion followed.

Wells Fargo Bank Resolution

Mr. Caswell advised that a new account needed to be established as part of the transition of Huntington East Valley Hospital out of the capitated business. This account will be used to pay claims processed by Medical Pathways for claims with year 2000 dates of services. The bank has requested a Board resolution authorizing it to accept facsimile signatures. Ms. Schneider reiterated that no claims would be funded until reviewed by her and her staff and that the bank prepares a daily report, which is sent to her for review and approval. She added that these claims have a time limit or we are charged interest on these claims. Mr. Caswell then presented the bank resolution to the Board for approval (a copy of which previously had been sent to the Board members).

Upon motion made, seconded and unanimously carried, the Board approved the Wells Fargo Bank Resolution authorizing the bank to accept facsimile signatures. A copy of that Resolution is attached to the original minutes.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:00 a.m. The next meeting of the Board will be held on September 29, 2000 at 7:30 a.m. at Huntington Memorial Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
September 26, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Tuesday, September 26, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

Arne Kalm
John F. Kooken
Craig D. Lucas
Francis X. McCormack
Gleeson "Tige" Payne

EXCUSED:

James N. Gamble
Leonard M. Marangi
Lois S. Matthews

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
Robert Gordon
Michael Hammond
Dennis Lee
James Maki
Cecilia Montalvo
Cindy Trousdale
Dodie Ulrich

Chairman McCormack called the meeting to order at 12:15 p.m.

MINUTES

The minutes of the Board of Directors meeting of July 28, 2000 were approved.

CHAIRMAN'S REPORT

Resolution – SCHS Deferred Compensation

The Chairman advised that the trustee for the SCHS Deferred Compensation Plan was being changed to MetLife Trust Company, N.A., and presented a Resolution for the Board's approval authorizing same.

Upon motion made, seconded and unanimously carried, the Board approved the Resolution authorizing the change in trustee for the SCHS Deferred Compensation Plan to MetLife Trust company, N.A. A copy of that resolution is attached to the original minutes.

PRESIDENT'S REPORT

Huntington East Valley Hospital – Update

Mr. Ralph welcomed Michael Hammond and Cecilia Montalvo from Shattuck Hammond Partners, the firm handling the Huntington East Valley Hospital (HEVH) transaction. Mr. Hammond then distributed copies of and commented on the status report of the HEVH transaction, which outlined the three options, the Shattuck Hammond recommendation, the status of sale, profiles of interested buyers, etc.

Mr. Hammond reviewed the three options for the future of Huntington East Valley Hospital: (1) closure of the hospital and liquidation of assets; (2) sale of the hospital; or (3) continue to operate the hospital as an affiliate of SCHS. He presented an estimated cost comparison between the three options:

	Net Cash
Estimated Cost of Hospital Closure	$13,554,000
Estimated Cost of Sale of Hospital	$ 4,875,000
Estimated Cost of Continued Operation	$ 7,423,000

Mr. Hammond then commented on some of the risk factors and net cash calculations involved for each of the three options. He added that Shattuck Hammond would be keeping the Attorney General's office informed as the transaction progresses. The Board was in general agreement that the closure of the hospital was not a viable option at this time.

Ms. Montalvo commented on the various individuals who had indicated an interest in the hospital, the degree of interest and the probability of consummation of a sale. Discussion followed.

Mr. Hammond then presented Shattuck Hammond's recommendation, which was to aggressively and quickly move forward to identify a qualified buyer and consummate a sale of the hospital.

The Board was in agreement with Shattuck Hammond's recommendation to quickly move forward to identify a qualified buyer to acquire the Huntington East Valley Hospital (as indicated on page 10 of the Shattuck Hammond report). Paralleling the sale effort, it was agreed that everything feasible should be explored immediately to stabilize the financial picture at HEVH.

JCAHO Survey

Mr. Ralph reported that Huntington and Methodist had completed their respective Joint Commission surveys and both had excellent scores: Huntington 92% and Methodist 91%.

Business Development/Marketing – Update

Due to time constraints, the business development/marketing update was deferred to next month's meeting of the Board.

Huntington Memorial Hospital – Bylaws

Mr. Ralph commented on his September 19, 2000 memorandum regarding the changes in the HMH Bylaws. He then asked for approval of the revised Bylaws.

Upon motion made, seconded and unanimously carried, the Board approved the Huntington Memorial Hospital revised Bylaws (effective June 2000), as outlined in Mr. Ralph's memorandum dated September 19, 2000, a copy of which is attached to the original minutes.

Sale of Huntington Transitional Care Center

Mr. Ralph advised the Board that the Huntington Transitional Care Center (HTCC) was in the process of being sold. The land and building are owned by the Huntington Trust. He added that the HTCC had been operating at a loss of approximately $140,000 per month and was being sold as an ongoing, long-term care facility.

FINANCE COMMITTEE

HEVH Capital Equipment Purchase

Mr. Ralph advised that Huntington East Valley Hospital had experienced an equipment crisis situation during the first part of August and had to replace its sterilizer at a cost of approximately $18,000. Since neither the Board nor the Finance Committee was meeting until September, management authorized the purchase of the new sterilizer.

Managed Care Update

Health Plans: Mr. Caswell advised that the first round of "Project Indispensable" had been completed and the results were very successful on the contract rates and terms with four of the health plans. He added that the recent negotiations with Blue Shield had also gone very well. He emphasized the need to be sensitive to the physician groups, as the more favorable hospital rates raise the potential of negatively impacting the IPAs and their risk pools. The contracts with

PacifiCare and HealthNet will be up for renewal on December 31, 2000, and a "notice of termination" has been sent to both health plans, along with our proposed rates and terms.

Dissolution of APPA: Legal documents have been filed for the dissolution of APPA. Claims continue to be received at the rate of approximately 150 per week, the majority of which are duplicates. It still has not been determined how much of the $500,000 capital call previously approved by the Board will be needed to cover the balance of the unpaid claims.

SCHS Claims: A handout was reviewed showing the status of the current backlog of SCHS claims and a timeline for resolution. Mr. Caswell indicated that he and the contracting staff are meeting weekly with Medical Pathways and all possible efforts are being made to bring the claims processing to a current basis.

SCHS Financial Statements

Mr. Ralph commented briefly on the financials, copies of which had been sent to the Directors. He pointed out that the greatest variance was in the "outside services" category, which represented legal fees regarding the dissolution of APPA, consulting fees for the Huntington East Valley Hospital transaction, and Ernst & Young accounting fees.

OTHER

Wage Order – Non-exempt employees

Mr. Carmack raised the issue of the new wage order, which will take effect October 1, 2000. This requires that all non-exempt employees who miss taking a scheduled break, must be paid one full hour's pay. He pointed out that this could have a substantial financial impact on the hospitals. Discussion followed.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
December 14, 2000

The regular meeting of the Board of Directors of Southern California Healthcare Systems was convened on Thursday, December 14, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Lois S. Matthews
Leonard M. Marangi
Francis X. McCormack

EXCUSED:

Gleeson "Tige" Payne
James Rothenberg

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
Robert Gordon
Michael Hammond
Dennis Lee
James Maki
Cecilia Montalvo
Cindy Trousdale
Dodie Ulrich

Chairman McCormack called the meeting to order at 12:20 p.m.

MINUTES

The minutes of the Board of Directors meeting of September 26, 2000 were approved.

CHAIRMAN'S REPORT

Ratification of Actions - September 26, 2000 Board Meeting

Due to the lack of a quorum at the September 26, 2000 meeting of the Board, the Chairman requested approval of the actions taken at that meeting.

Upon motion made, seconded and unanimously carried, the Board ratified the actions approved at the September 26, 2000 meeting of the SCHS Board.

Election of Directors and Officers

The Chairman presented the proposed slate of Directors for election for the January 2001-December 2002 term:

Representing Huntington Memorial Hospital

James N. Gamble
John F. Kooken
Leonard M. Marangi
Lois S. Matthews
Gleeson "Tige" Payne
James Rothenberg

Representing Methodist Hospital

Arne Kalm
Craig D. Lucas
Francis X. McCormack

Upon motion made, seconded and unanimously carried, the above-named Directors were elected for a two-year term, commencing January 2001.

The Chairman then presented the proposed slate of Officers for the January 2001 – December 2001 term:

John F. Kooken	Chairman
Leonard Marangi	Vice Chairman
Craig D. Lucas	Secretary
Stephen A Ralph	President
Assistant Treasurer	Timothy Carmack
Assistant Secretary	Dodie Ulrich

It was noted that the office of Treasurer was yet to be determined, pending some anticipated Board member changes from Methodist Hospital.

Upon motion made, seconded and unanimously carried, the above-named officers were elected for a term of one-year, commencing January 2001.

PRESIDENT'S REPORT

Huntington East Valley Hospital

Mr. Ralph welcomed Michael Hammond and Cecilia Montalvo from Shattuck Hammond Partners, the firm handling the Huntington East Valley Hospital (HEVH) transaction. Mr. Hammond reviewed briefly the three options for HEVH and the costs involved for each option, which were (i) to sell; (ii) to continue to operate; or (iii) to close it down. Shattuck Hammond's prior recommendation to the Board had been to secure a qualified buyer as soon as possible.

Mr. Hammond then distributed copies of and commented on a summary of a proposed Memorandum of Intent to Purchase HEVH, which had been submitted by PanPacific Health Enterprises, along with a deposit of $195,000 in the form of a cashier's check. The principal of PanPacific Health Enterprises is C. Joseph Chang. Mr. Ralph thanked Ms. Matthews, who had referred Mr. Chang to us. Mr. Hammond gave a brief background on Mr. Chang and his company and pointed out that Mr. Chang's offer was contingent upon his being able to secure the necessary financing. He added that he felt confident that this could be accomplished. Mr. Hammond then reviewed the terms of the offer:

Purchase price to be $6.5 million; $5 million payable upon close of escrow (financed in part by California Bank and Trust in the amount of $3,250,000 and the Small Business Administration in the amount of $970,000); $1.5 million payable not later than 12 months following the closing date, with interest payable to SCHS at the prime lending rate. Discussion followed. Mr. Hammond reiterated that the exposure for continued operation of HEVH could be substantial, the cost of closure of the hospital would be estimated at $13 million, and therefore the PanPacific offer was the best option.

He then presented Shattuck Hammond's recommendation, which was that the SCHS Board authorize management to sell Huntington East Valley Hospital, based on the terms described in Shattuck Hammond's summary dated December 14, 2000, including negotiations regarding security for the $1.5 million note. Discussion followed regarding the hospital's indebtedness and it was pointed out that there is a possibility that another capital call to HMH and MHSC might be required to cover ongoing expenses for the first quarter of 2001.

Upon motion made, seconded and unanimously carried, the Board authorized continued negotiations toward the sale of Huntington East Valley Hospital to PanPacific Health Enterprises, as outlined in the Shattuck Hammond December 14, 2000 summary (a copy of which is attached to the original minutes), with efforts being made to eliminate or reduce the $1.5 million note. The Board further authorized Mr. Ralph to execute the purchase agreement in connection with this sale, subject to Mr. Ralph making reasonable efforts to contact the members of the Finance Committee to secure their prior approval of the final sales agreement.

FINANCE COMMITTEE

Annual Audit

Mr. Carmack reported that he had reviewed the matter of whether or not a formal audit was needed for SCHS. Kathy Schneider performed much of the audit work for 1999 and Ernst & Young reviewed the final product. This resulted in substantial savings, as the cost of the 1999 audit was approximately $20,000. The cost of the 1998 formal audit was approximately $45,000. Ernst & Young has advised that there will be approximately $10,000 in audit costs for this year to be paid by the System because of inter-company transfers, etc. The individual hospitals will each have formal audits done by Ernst & Young. The Finance Committee discussed this matter and its last meeting and felt this audit was not needed and recommended a formal audit be waived for 2000.

After a brief discussion, the Board was in agreement that a formal audit would not be needed for the year 2000.

September and October Financials

Mr. Caswell noted that the financials had been prepared in a new format and that a new column would be added which would compare figures with the prior year. He extended his appreciation to Mr. Carmack and Ms. Schneider for their efforts in preparing these statements.

2001 Operating and Capital Budgets

Mr. Caswell commented on the System and three hospital budgets for 2001, which previously had been approved by the SCHS Finance Committee.

Upon motion made, seconded and unanimously carried, the Board approved the 2001 operating and capital budgets for Southern California Healthcare Systems, Huntington Memorial Hospital, Methodist Hospital and Huntington East Valley Hospital.

Discussion followed regarding cost-savings measures being implemented. Mr. Ralph reported that Huntington is on target as far as budgeted savings of $11-12 million through Operation MOVE. Mr. Lee stated that Methodist had targeted $13 million in savings, of which 85-90% has been identified. Mr. Maki pointed out that the financial status of Huntington East Valley is improving and should get better in 2001.

Managed Care Update

Mr. Caswell reported that the contract negotiations with Health Net are progressing well and it is anticipated they will be consummated in January. He noted the Medi-Cal is the largest contract to be negotiated.

He reported that APPA would be dissolved as of December 22, 2000, and that three additional SCHS entities (Medical Value Plan, Foothills Physician Services and Arcadia Health Services, dba Southern California Medical Management) also will be dissolved as of year-end.

EXECUTIVE SESSION

The Board then met in executive session to review and approve the deferred compensation program for funding in 2000.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

Craig D. Lucas
Secretary

Huntington East Valley Hospital

Southern California Healthcare System
Board of Directors

December 14, 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Summary of Proposed Acquisition Terms - PanPacific Health Enterprises

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

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

Purchase Price

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

Conditions Precedent

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

Other

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

Recommendations

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

This recommendation is based on the following:

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

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

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

Huntington East Valley Hospital
Comparison of Five-Year Financial Forecast

	AS PRESENTED 9/26/00 BY SHATTUCK HAMMOND		BUDGET	
PROFIT/(LOSS)PER YEAR:	40 ADC	43 ADC	43 ADC	
2000	(1,681)	(1,681)	(2,353)	
2001	(1,508)	(940)	(485)	
2002	(1,557)	(972)	(646)	
2003	(1,630)	(1,027)	(696)	
2004	(1,707)	(1,086)	(753)	
2005	(1,789)	(1,150)	(821)	
TOTAL	(9,872)	(6,856)	(5,753)	
PRESENT VALUE OF 5 YEAR CASH REQUIREMENTS:				
2001	2,557	2,205	2,612	see next page for detail
2002	1,325	833	627	
2003	1,190	723	558	
2004	1,115	671	519	
2005	1,056	635	497	
	7,243	5,067	4,813	

CONTRIBUTIONS TO HEV FROM HMH/MH DURING 2000:	
2000 Capital Call	3,700
Increase in Due to Affiliates during 2000 thru 10/00	767
	4,467

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

Huntington East Valley Hospital
Detail of 2001 Cash Requirements

Forecasted cash Needs for 2001 are for the following:		Quarter Needed 1st QTR	2nd QTR	3rd QTR	4th QTR
Net Income (Loss)	(485)	(121)	(121)	(121)	(121)
Add back non cash Depreciation	854	214	214	214	214
(Increase) Patient Receivables and Inventories	(350)	(88)	(88)	(88)	(88)
(Decrease) in IBNR-to outside providers	(702)	(176)	(176)	(176)	(176)
(Decrease) in IBNR - funded by SCHS 2000 cap premium	(1,011)	(337)	(337)	(337)	-
Cash Used in Operations	(1,694)	(508)	(508)	(508)	(171)
Captial Expenditures	(700)	(175)	(175)	(175)	(175)
Decrease in LTD	(227)	(57)	(57)	(57)	(57)
(Decrease) in Current Portion due to Affiliates - HMF	(300)	(75)	(75)	(75)	(75)
Cash Needs	(2,921)	(815)	(815)	(815)	(478)
Present Value of Cash Needs - discounted at 8.5%	2,612				

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

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, September 27, 2000
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	**CALL TO ORDER**	Robert Gordon
II.	**APPROVAL OF MINUTES ** ACTION ITEM** **July 19, 2000 Board of Directors Meeting**	Robert Gordon
III.	**PRESIDENT'S REPORT**	Jim Maki
	A. HEVH Transition B. 2000/2001 DSH Preliminary Qualification C. Seismic Study	
IV.	**MEDICAL STAFF REPORT ** ACTION ITEM**	Marc Domaguing, M.D.
V.	**FINANCE REPORT ** ACTION ITEM**	Cindy Trousdale
	A. Finance/Corporate Compliance Committee Meetings Of August 22, 2000 and September 26,2000 ** **B. Financial Statement – Eight Months Ended August 31, 2000**	
VI.	**PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM**	
	** **A. Quality Council Report** ** **B. Patient Satisfaction Survey Summary Report** ** **C. Environment of Care Report – 2nd Quarter 2000** ** **D. Risk Management Report**	
VII.	**OTHER BUSINESS**	
VIII.	**ADJOURNMENT**	

NEXT SCHEDULED MEETING:

WEDNESDAY, NOVEMBER 15, 2000 - 7:15 A.M. - HEVH BOARD ROOM

B. HEVH Transition

Mr. Maki reported that 20 companies have approached Shattuck Hammond regarding an interest in purchasing HEVH, seven of which have requested Confidentiality Agreements; 6 of which were returned to Shattuck Hammond. Medical Pathways has expressed a strong interest. Citrus Valley Healthcare Partners have had a site visit of HEVH, but are not interested in proceeding with a purchase. The goal is that by July 20, 2000, any interested party would present an offer to Shattuck Hammond. If Medical Pathways purchases HEVH, they intend to run all capitation through the hospital, and the IPA takes the risk. There are 23,000 lives in Medical Pathways' IPA, East Valley Select.

SCHS will consider all options including total shut-down costs, maintaining ownership and creating a deal with Medical Pathways. It was noted that while closure of the hospital is an option, it would be very expensive to do so.

Mr. Carmack stated that all parties that have shown an interest in possible purchase of HEVH have been diligently pursued via personal phone conversations by Shattuck Hammond. It will be difficult for SCHS to fund HEVH beyond this year.

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, November 15, 2000
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	CALL TO ORDER	Robert Gordon
II.	APPROVAL OF MINUTES ** ACTION ITEM September 27, 2000 Board of Directors Meeting	Robert Gordon
III.	CHAIRMAN'S REPORT	Robert Gordon
	A. Appointment of Nominating Committee B. Review of Bylaws	
IV.	PRESIDENT'S REPORT	Jim Maki
	A. HEVH Transition B. Governing Board Self Evaluations C. Mission/Vision/Values Statements – Annual Review	
V	MEDICAL STAFF REPORT ** ACTION ITEM	Marc Domaguing, M.D.
VI	FINANCE REPORT ** ACTION ITEM	Jim Maki
	**A. Finance/Corporate Compliance Committee Meetings Minutes of September 26, 2000	
	** B. Financial Statement – Ten months Ended October 31, 2000	
VII	PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM	John Zimmerman
	** A. Patient Satisfaction Survey Report ** B. Risk Management Report ** C. Environment of Care Report, 3rd Quarter 2000 D. Evaluation of Services provided by Horizon E. Report on Heart Attacks Outcomes, 1994-1996 F. Hospital Plan for Provision of Care – Annual Review G. Hospital Performance Improvement Plan – Annual Review	
VIII.	EDUCATION/ORIENTATION	Jim Maki
IX.	OTHER BUSINESS	
	A. Schedule of meetings 2001	
X.	ADJOURNMENT	

NEXT SCHEDULED MEETING
WEDNESDAY, JANUARY 24, 2001 – 7:15 A.M. – HEVH BOARD ROOM

III. PRESIDENT'S REPORT

A. HEVH Transition

Mr. Maki reported a very positive meeting with the SCHS Board of Directors yesterday. At the present time SCHS is not considering closing the hospital as an option. Negotiations continue with approximately six prospective buyers, but we are still waiting for a reasonable offer. The SCHS Board would like to sell to someone who will be community focused and continue to operate as an acute care hospital. In the meantime, efforts continue to find ways to make the hospital more profitable.

Mr. Caswell mentioned that we should consider the long-term commitment of the medical staff.

Dr. Sahhar also agrees and feels that a meeting needs to take place with the medical staff to reassure them that everything is being done in the best interest of the hospital, the medical staff and the community.

HUNTINGTON EAST VALLEY HOSPITAL
BOARD OF DIRECTORS MEETING

Wednesday, January 24, 2001
HEVH Board Room - 7:15 a.m.

A G E N D A

I.	CALL TO ORDER	Robert Gordon
II.	APPROVAL OF MINUTES ** ACTION ITEM November 15, 2000 Board of Directors Meeting	Robert Gordon
III.	CHAIRMAN'S REPORT	Robert Gordon
	A. Election of Board Members by the Nominating Committee	
IV.	PRESIDENT'S REPORT	Jim Maki
	A. HEVH Transition	
V.	MEDICAL STAFF REPORT ** ACTION ITEM	Marc Domaguing, M.D.
VI.	FINANCE REPORT ** ACTION ITEM	Jim Maki
	**A. Finance/Corporate Compliance Committee Meetings Minutes of October 24, 2000 and November 14, 2000	
	** B. Financial Statements – Twelve months Ended December 31, 2000 (Not available until the day of the meeting)	
VII.	PERFORMANCE IMPROVEMENT REPORT ** ACTION ITEM	John Zimmerman
	** A. Quality Council Report	
	** B. Patient Satisfaction Survey Report	
	** C. Risk Management Report	
	** D. Environment of Care Report, 4th Quarter 2000	
	** E. Annual Employee Health Report	
	F. Conflict of Interest	
	G. Critical Incident Review	
VIII.	EDUCATION/ORIENTATION	Jim Maki
IX.	OTHER BUSINESS	
X.	ADJOURNMENT	

NEXT SCHEDULED MEETING
WEDNESDAY, MARCH 28, 2001 – 7:15 A.M. – HEVH BOARD ROOM

IV. PRESIDENT'S REPORT

A. HEVH Transition

Mr. Maki thanked everyone who participated in the interviews conducted by the Camden Group. The sales agreement has not been signed yet. The appraisal took longer than anticipated. The Mardel Group is working on getting their financing in order and the sales agreement should be signed within the next couple of weeks. They are also looking to sign an interim management agreement with SCHS while the sale is going through. The census has held at an average of 46-47 this month.

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
April 28, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, April 28, 2000 in the Board Room of Methodist Hospital, 300 West Huntington Drive, Arcadia, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Lois S. Matthews
Francis X. McCormack

EXCUSED:

Gleeson "Tige" Payne
Robert S. Rollo

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
William Caswell
Robert Gordon, Sr.
Dennis M. Lee
James Maki
Cindy Trousdale

Chairman McCormack called the meeting to order at 7:35 a.m.

MINUTES

The minutes of the Board of Directors meeting of March 31, 2000 were reviewed. Mr. Carmack recommended a change to the summary under "SCHS Audit" on page four. His suggested change was to clarify that Kathy Schneider was not actually performing the audit but will be leading and organizing the effort.

There was also a question raised about the amount of the HEV Capital Budget that would need to be approved by the SCHS Finance Committee. Discussion of this was deferred to later in the meeting.

It was moved, seconded and carried to approve the minutes of the March 31, 2000 meeting with the above modification.

CHAIRMAN'S REPORT

Ratify Actions Taken by Board at March 31, 2000 meeting

Mr. McCormack requested that the Board ratify the actions taken by the Board at the March 31, 2000 meeting since there was not a quorum.

It was moved, seconded and carried to ratify the actions taken by the SCHS Board at its March 31, 2000 meeting.

SCHS Strategic Planning Ad Hoc Committee

Mr. McCormack gave a brief summary of the most recent meeting of the SCHS Strategic Planning Ad Hoc Committee. At that meeting the committee heard a presentation from Mr. Michael Madden, CEO, Providence St. Joseph's Hospital in Burbank. There may be another meeting of this committee in May to continue their discussions.

PRESIDENT'S REPORT

SCHS Activities Update/Status

Mr. Ralph indicated that both Methodist Hospital and Huntington Memorial Hospital are performing better than their budgets through the first quarter of this fiscal year. Operations redesign efforts continue at both facilities. The Joint Commission on Accreditation of Healthcare Organizations will be surveying both Huntington and Methodist in August and September of this year.

Huntington East Valley Proposals

Mr. Ralph summarized the proposals that had been received from three consultants that would assist us in developing a strategic direction for Huntington East Valley Hospital. The companies were Shattuck Hammond Partners, Cain Brothers and Deloitte & Touche. These companies were interviewed by Mr. Ralph, Mr. Carmack, Mr. Caswell and Mr. Maki. It is the recommendation that we retain Shattuck Hammond Partners. They are the most qualified company to help us in this very important project.

In response to a question, it was indicated that the direction that Huntington East Valley Hospital would take would likely involve a name change. It was mentioned that the transaction time frame would be from three to six months. There was also discussion about the cost of a fairness opinion. Mr. Ralph will clarify this with Shattuck Hammond. Mr. Gordon expressed a concern

with respect to Citrus Valley Health Partners as a potential partner. Mr. McCormack mentioned that he has looked at the contract and has several suggestions to make and would do so at a subsequent time with Mr. Ralph.

It was moved, seconded and carried to approve retaining Shattuck Hammond Partners in concept, subject to Mr. McCormack's review of the contract.

FINANCE COMMITTEE

HEVH Cash Flow

Mr. Maki gave a summary of Huntington East Valley's cash position after the first quarter of this year. They are faced with the likelihood of needing approximately $1.4 million dollars in cash to pay claims from 1999 under their capitated agreements. There was also approximately $540,000 in cash that is needed to pay down obligations in their accounts payable. The request is for a cash call of $1,940,000 of which 2/3 would be provided by Huntington Memorial Hospital and 1/3 by Methodist Hospital of Southern California. Mr. Maki pointed out that the estimated IBNR obligation for the full year is $2.1 million dollars of which approximately $700,000 would be paid to Huntington Memorial and Methodist Hospital. Mr. Maki indicated that they are continuing to look at ways of reducing their operating expenses. The total cash needs for the entire year are anticipated to be approximately $3.7 million dollars. The balance of these cash needs would be reviewed at a future date.

There were questions raised about the "due to affiliates" line items in the balance sheet. Information was given and the amounts that appear in these categories were clarified. In response to a question as to how this cash call will be implemented, it was agreed that this should be an inter-company advance and/or equity transfer from the hospitals to SCHS.

It was moved, seconded and carried to approve a capital call to Huntington Memorial and Methodist Hospital in the amount of $1,940,000.

SoCal Clini Lab Update

Mr. Carmack gave a brief update on Southern California Clini Lab dissolution. We are finalizing the remaining transactions. A request has been made to Community Bank to extend the term of their loan for one to two years under current terms. It is anticipated that there will not be any difficulty with this request. The other main issue relates to the costs associated with moving the core lab back to Huntington Memorial Hospital. The total cost of this move is estimated at approximately $2.25 million. We are analyzing which portion of this cost should be allocated to SCCL as a function of the dissolution.

Managed Care Update

Mr. Caswell gave an update on various subjects under managed care. Medical Pathways is still processing claims for APPA. We are still conducting a 100% audit on all approved claims. We are also working with the hospitals to get all of their claims processed so that we can have a final reconciliation of the APPA dissolution. Mr. Caswell also informed the Board that the capitated contracts under the old HPG physician organization have been terminated. To date there have been no noticeable movement of patients as a result. We are also moving forward on terminating the capitated agreements through Medical Pathways. Most of these capitated contracts should terminate by July 2000 with the exception of PacifiCare, AEtna and Blue Cross. Mr. Caswell is meeting with these organizations to negotiate termination of those capitated agreements.

SCHS Corporate Financials

Mr. Caswell briefly reviewed the performance of the SCHS actual to budget financials. There are no significant variances from the budget. Cash balances are appropriate to handle monthly expenses. He mentioned that the resolution to the master lease on the Berger building appears to be approximately $14,000 over what was budgeted. Mr. Marangi recommended that we obtain a release from Pacific Clinics in the event that they were to default on their lease payments in the future.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:05 a.m. The next meeting of the Board will be held on May 26, 2000 at 7:30 a.m. at Huntington Memorial Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

Southern California Healthcare Systems

MEMORANDUM

TO: **SCHS Finance Committee**
John F. Kooken, Chairman
Arne Kalm
Leonard Marangi

FROM: **Stephen A. Ralph**

DATE: **April 18, 2000**

As was decided at the January SCHS Board meeting, we have been pursuing the overall strategy around Huntington East Valley Hospital. To that end I wanted to update you on where we are, as well as have you review the attached proposals we received from three appropriate firms to assist us in this transaction.

First, as I believe we concluded in January, our strategic direction is to continue to look for ways of divesting ourselves of Huntington East Valley as soon as possible. On the short term, we are continuing to look at how we can effectively manage East Valley while minimizing the amount of cash necessary from the other two hospitals to support it. However, given the operating losses that we anticipate for 2000, as well as Huntington East Valley's IBNR of approximately $2 million that is on their books, it is clear that an infusion of cash will be necessary for the hospital.

I have met with representatives of Citrus Valley Health Partners, Tenet Healthcare and the County of Los Angeles as it relates to their interests in Huntington East Valley. This was obviously exploratory only and no details and/or aspects of any transaction were discussed. In my meetings with Pete Makowski of Citrus Valley Health Partners, he indicated a strong interest in Huntington East Valley, particularly from a market share perspective as it relates to Foothill Presbyterian. In conversations with Tenet, they, too, express some interest in East Valley, also from a market perspective as it relates to San Dimas Community Hospital, which is a facility that they own.

Finally, we have had a couple sessions with the County, but this may go nowhere, mostly because the County is still unsure as to what they are going to do with respect to replacement of the downtown County facility, whether or not they are going to move forward with the Baldwin Park facility and, to be quite honest, the political climate would make this a long shot. Nevertheless, we will keep all of our options open.

To that end, myself, along with Tim Carmack, Bill Caswell and Jim Maki, have interviewed three consultants/advisors who we could retain to assist us in this overall transaction. Two of them tend to be more of the investment banker/merger and acquisition type in the healthcare business while the third, Deloitte, is more of a consultant. I believe it is critical that we retain one of these groups to help us with this transaction. This will be a critical and time-consuming effort and we need the talent not only to make it happen, but to generate as much value for us as soon as possible.

Following our review of their proposals as well as the interviews, our recommendation is to retain Shattuck Hammond Partners. Michael Hammond, who is well known to many of us, as well as to Citrus Valley and Tenet, has considerable experience in this particular market and is certainly familiar with the San Gabriel Valley, having put together the Foothill/Citrus Valley deal, as well as other Tenet activities in the Greater Los Angeles area. While I recognize the overall fee for his firm may be a little more expensive, I think what we wind up with is a much better outcome. Our second choice would be Cain Brothers and Steve Hollis, with whom some of your are familiar. I think Steve, too, knows this market and is certainly familiar with Huntington East Valley, having done the original Glencomm/SCHS transaction. I do believe, however, that he is not as sophisticated in terms of knowing Tenet and some of the other players.

Finally, we did not feel that Deloitte brought the kind of knowledge or approach that we are looking for. They were looking for more of a consulting engagement and do not bring the experience of what we are looking for in terms of a divestiture of the organization.

I would like to make a decision as soon as possible in terms of who to retain and get on with this process. The market for acute hospitals is not very good, so the sooner we can get on with it, the better off we will be.

Please review these proposals and let me know your thoughts.

Encls.

cc: Francis X. McCormack
Tim Carmack
Dennis Lee
James Maki
Bill Caswell

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
June 30, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, June 30, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Francis X. McCormack

EXCUSED:

Lois S. Matthews
Gleeson "Tige" Payne

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
William Caswell
Dennis M. Lee
James Maki
Cecilia Montalvo
Dodie Ulrich

Chairman McCormack called the meeting to order at 7:40 a.m.

MINUTES

The minutes of the Board of Directors meeting of April 28, 2000 were approved.

Mr. Ralph welcomed and introduced Cecilia Montalvo from Shattuck Hammond Partners and Kathy Schneider, Director of Finance at Huntington Memorial Hospital.

CHAIRMAN'S REPORT

Methodist Leadership Retreat

The Chairman requested Mr. Kalm to report on the recent Methodist Hospital Board retreat held in Newport Beach.

Mr. Kalm noted that this was an annual event for the Methodist Board, executive management and certain members of the Medical Staff. The two speakers this year were Don Wegmiller, a consultant, and Tom Priselac, CEO of Cedars-Sinai Medical Center. The presentations focused on the pros and cons of hospital systems. Sunday morning the discussions were around the importance of culture and focused on some of differences between Huntington and Methodist, the importance of involving physicians in any changes being made, and the need to articulate the added value of any proposed changes. One of the things emphasized at the session was that "execution" was more important than strategy. Mr. Kalm also reported that there were positive comments from medical staff and indications were that there may be some form of action taken to explore new ways of cooperation between Huntington and Methodist and other things the System could do together, e.g., joint planning, marketing, etc.

PRESIDENT'S REPORT

Strategic Planning/ Business Development

Mr. Ralph indicated that the way the System had functioned would not be the approach going forward, and that we would focus on the hospitals and hospital-related services, meeting the needs of our local communities, etc. Although both Huntington and Methodist are heavily engaged in redesign efforts/cost cutting, it was agreed that it is time to look toward the future and to explore opportunities for how the two hospitals can work closer together and add value. This may be through market share growth, better collaboration in areas like human resources, finance, materials management, and certainly around clinical programs. He indicated we have been reviewing our strategic plans and opportunities for business development and marketing. He has asked Dennis Lee to head up a task force that will be exploring ways Huntington and Methodist can collaborate in the planning and business development areas. Initially, William Caswell and Kelly Linden will serve on this committee with Mr. Lee, with the group being expanded to include others as appropriate. Mr. Ralph emphasized the need to look at ways of jointly pursuing business development and marketing, which hopefully may lead to the alignment of some of our clinical programs and institutions.

Mr. Lee reiterated the matter of "execution" and the need to set up a process which will better execute our strategies to obtain the maximum benefit. Discussion followed regarding affiliation/ merger options.

Huntington East Valley Hospital (HEVH) Update

Mr. Maki advised that the HEVH transition team had been meeting and an impact study is being prepared and a time frame being set. He added that they will continue to work with the Attorney General's office during the entire process.

Ms. Montalvo reviewed the Shattuck Hammond management presentation packet, copies of which previously had been sent to the Board members. She indicated that this material had been sent to seven different organizations that were possibly interested in purchasing the hospital and that her company had spoken with twenty different companies. She pointed out that some of potential buyers were not interested in smaller urban hospitals. She commented briefly on the organizations that had indicated an interest, and added that the final date for receiving proposals had been extended until July 20. Once the proposals have been reviewed, they will be weighed against the cost of maintaining the operation versus closing down the hospital. Discussion followed regarding the various potential buyer, the hospital's cash flow, present liabilities and the comparison between selling the hospital or closing it.

It was pointed out that since the System has advanced between $4-5 million to HEVH, which is not collectible, both Methodist and Huntington will have to write down this amount sometime in the near future. Mr. Ralph suggested waiting to do any accounting adjustments since more complete financial information will be available by the end of July. Mr. Maki reminded the group that the $1.7 million loss in 1999 was due to the excessive claims paid on the hospital's capitated business. Since the hospital is withdrawing from all capitation and moving back to per diem rates, he felt 2001 would be considerably better financially for the hospital. Discussion followed regarding the ability to turn HEVH into profitable entity. Mr. Marangi noted that in 2001 a positive cash flow of $1 million was projected and this should be a consideration in the final decision regarding the hospital's future.

FINANCE COMMITTEE

SoCal Clini Lab

Mr. Carmack reviewed the financial analysis and final accounting for the laboratory, copies of which had been sent to the Directors. He commented on the intercompany payables and receivables, the effect of the outreach sale on the balance sheet, the Huntington, Methodist and Huntington East Valley equity balances as of May 31, 2000 and the pro forma equity balances with the effect of forgiving the SCHS and HEVH intercompany debt. He then discussed the possibility of selling the laboratory building and indicated he had received an "over-the-phone" informal appraisal of approximately $6.5 million, which included the land and building. The matter of the write-offs was raised and, following a brief discussion, it was determined it would be best to postpone the write-offs until after the final report had been prepared, which would probably be the latter part of July.

Managed Care Update

Mr. Caswell stated that the legal documents have been drafted regarding the dissolution of APPA and the legal process was proceeding towards resolution by year end. He added that the $500,000 from the recently approved capital call for the payment of APPA claims was being held in abeyance subject to claims processing.

Mr. Caswell then reviewed a handout of three graphs. The first illustrated the SCHS cap "disenrollment timeline" for APPA, HPG and AHC with the various health plans. He then reviewed "pie charts" on the managed care service mix and payor mix for both Huntington and Methodist. Also, he informed the Board that the capitated contract with PacifiCare had terminated as of June 1, although there are still several unresolved issues. He pointed out that PacifiCare is the current health carrier for all SCHS/hospital employees and that William Murin and Kevin Simes are in the process of reviewing other options. Discussion followed.

Finance Committee Meeting

Mr. Kalm requested that the July 25 meeting of the SCHS Finance Committee be moved to Monday, July 24 at noon. It was agreed and a notice will be sent confirming the change in date.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:15 a.m. The next meeting of the Board will be held on July 28, 2000 at 7:30 a.m. at Methodist Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
July 28, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Friday, July 28, 2000 in the Board Room of Methodist Hospital, 300 West Huntington Drive, Arcadia, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Lois S. Matthews
Francis X. McCormack

EXCUSED:

Arne Kalm
Gleeson "Tige" Payne

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

William Caswell
Steve James
Dennis Lee
James Maki
Kathy Schneider
Dodie Ulrich

Chairman McCormack called the meeting to order at 7:40 a.m.

MINUTES

The minutes of the Board of Directors meeting of June 30, 2000 were approved.

CHAIRMAN'S REPORT

Methodist Hospital – Revised Bylaws

Mr. Lee distributed and commented briefly on a memorandum summarizing some minor changes in the hospital's Bylaws, which had been approved by the Methodist Board at its June 29, 2000 meeting. He then requested approval by the SCHS Board of these revised Bylaws.

Upon motion made, seconded and unanimously carried, the Board approved the revised Methodist Hospital Bylaws and the changes as summarized in Mr. Lee's July 28, 2000 memorandum. A copy of that memorandum is attached to the original minutes.

It was indicated that Huntington Memorial Hospital had also made some changes to its Bylaws and these would be brought forth for approval in September.

SCHS AUDITED FINANCIAL STATEMENTS

Mr. Steve James of Ernst & Young, reviewed the Audited Financial Statements, which were in draft form. He noted that Kathy Schneider had prepared the original statements, which were then sent to Ernst & Young for review. Ernst & Young's responsibility was to issue an opinion. He indicated that Ernst & Young had reviewed and agreed with the estimates made by management teams regarding asset impairment. There were significant audit adjustments made and all conflicting issues with management were resolved to Ernst & Young's satisfaction. Mr. James pointed out that this was a complex audit. He added that he wanted to disclose to the Board that one of Ernst & Young's employees had been hired by Huntington Memorial Hospital and added that that employee has severed all ties with Ernst & Young, so there would be no potential conflict of interest.

Mr. James stated that although the System had declining assets in 1999, primarily due to the expense involved with APPA, SCHS was still a financially viable organization. He commented on the debt service ratio and indicated that management was able to obtain a waiver of forbearance from the insurers until the end of 2000. Although it appears SCHS will still be in default at the end of this year, the bond insurers have indicated that they could see no reason why they would not continue to give SCHS a waiver as long as SCHS continues to show financial improvement according to plan. Mr. James added that it is not uncommon to receive extended waivers and that communication is the key. Mr. Marangi requested that the Board be kept informed on this matter.

PRESIDENT'S REPORT

Resignation of Robert Rollo

Mr. Ralph informed the Board that Mr. Rollo had resigned recently from the Huntington Memorial Hospital Board and would no longer be a member of the SCHS Board. Huntington will be recommending someone in the near future to fill this vacancy.

Huntington East Valley Hospital – Update

Mr. Maki reported on the progress of the potential sale of HEVH. Out of 18 interested parties, it was narrowed down to 7 who signed confidentiality agreements. He added that Citrus Valley Health Partners has withdrawn from any possible negotiations, and at the present time the most

promising buyer appears to be Medical Pathways. All options are being explored, including keeping the hospital open as part of SCHS versus closing it down. Discussion followed.

Business Development/Marketing – Update

Mr. Lee reported on the meetings of the Business Development Committee with Bill Caswell, Kelly Linden and himself, and pointed out that there are some opportunities available for Huntington and Methodist to create a better working affiliation relationship. The committee's feeling was that the next step would be for the hospitals to share the development of each hospital's strategic plan and then to create a joint strategic business plan. He added that the committee would be looking at service lines and evaluating how critical they are in terms of respective and combined operations, along with ways to increase market share. More detailed work needs to be accomplished in terms of joint marketing and advertising, and it was the consensus of the committee that joint advertising may not be feasible at this time. Mr. Lee pointed out that as Huntington and Methodist develop individual marketing materials, it is important not to advertise in such a way as to make it appear to the public that we are competing against each other.

Mr. Lee stated that there is strong commitment among the executives at both Methodist and Huntington to continue the affiliation. Mr. Ralph cited, as an example, the consolidation of psychiatric patients at Huntington's Della Martin Center, with the planned closing down of the psychiatric service at Methodist Hospital. He emphasized that what SCHS does should be effective and add value. He added that this consolidation was one of the System's true successes in the way it was addressed and the way it was communicated to the Medical Staff, as a number of the physicians involved expressed their appreciation at being included in the process. He complimented Catherine McLoughlin, the Director of Psychiatric Services, for handling this transition. He then requested the Board's approval of the closing down of the psychiatric program at Methodist Hospital.

Upon motion made, seconded and unanimously carried, the Board approved the closure of the psychiatric services at Methodist Hospital and the consolidation of these services with the psychiatric program at Huntington Memorial Hospital.

FINANCE COMMITTEE

SoCal Clini Lab

Ms. Schneider reviewed the financial statements for the lab. The SCHS and HEVH intercompany receivables have been written off and there may be a write-down of the laboratory building on Raymond Avenue once the appraisal is completed. It was noted that SoCal Clini Lab (SCCL) owes Huntington Memorial Hospital (HMH) close to $1.8 million and, as the semi-annual payments are received by SCCL from Unilab, these funds would be used to pay off the debt to HMH and also to be applied against the debt owed by Methodist Hospital.

Upon motion made, seconded and unanimously carried the Board authorized the payoff from the SoCal Clini Lab funds of outside liabilities and the debt owed to Huntington Memorial Hospital, with the monitoring of payouts as the semi-annual payments are received from Unilab.

Huntington East Valley Hospital – Capital Call

Mr. Maki reported on the current cash flow and cash needs for the hospital. He stated that the hospital would need approximately $1.8 million to cover the projected loss for the year 2000. Discussion followed.

Upon motion made, seconded and unanimously carried, the Board approved a capital call in the sum of $1.8 million to cover the projected loss for the year 2000 for Huntington East Valley Hospital.

Earthquake Insurance

Mr. Kooken reported that management had recommended SCHS not renew the earthquake insurance on Huntington East Valley Hospital. The premium would be $165,000 with a $3 million deductible and a policy limit of $20 million. The Finance Committee agreed with management's recommendation.

The Board was in agreement that the earthquake insurance for HEVH not be renewed this year.

SCHS YTD Financial Statements

Mr. Caswell shared that the SCHS financials were "in transition," and that a full consolidated report would be available at the September meeting. A detailed Berger Building schedule (budget vs. actual) would be available at that time.

Managed Care Update

Dissolution of APPA: Mr. Caswell reported that the legal work is in process for the dissolution of APPA. The APPA capital call of $500,000 (previously approved by the SCHS Board) has not yet been called, but may be needed by mid to late August. He added that it might be necessary to request additional funds prior to October 1 once the APPA claims backlog is brought up to date.

Significant efforts are being made by Medical Pathways on the backlog of APPA and hospital claims.

Health Plans: Mr. Caswell advised that as of August 1, the only capitation contract remaining is with Blue Cross, and that contract will terminate as of December 31, 2001. He added that we have set SCHS-wide "rates and terms" in our contracts and have been aggressive in our position with the health plans. Although the contract with Aetna has been terminated, an acceptable agreement may still be reached as negotiations are continuing. Mr. Caswell indicated that positive discussions have taken place with the IPAs, particularly Medical Pathways and Physician Associates in support of the hospitals' contracting strategy. He advised that a similar meeting had taken place with HealthCare Partners regarding a relationship/ partnership. Mr. Ralph added that SCHS is making efforts to get the physician groups to align with the hospitals and reiterated that SCHS needs to take a firm position with the health plans. Discussion followed.

Wells Fargo Bank Resolution

Mr. Caswell advised that a new account needed to be established as part of the transition of Huntington East Valley Hospital out of the capitated business. This account will be used to pay claims processed by Medical Pathways for claims with year 2000 dates of services. The bank has requested a Board resolution authorizing it to accept facsimile signatures. Ms. Schneider reiterated that no claims would be funded until reviewed by her and her staff and that the bank prepares a daily report, which is sent to her for review and approval. She added that these claims have a time limit or we are charged interest on these claims. Mr. Caswell then presented the bank resolution to the Board for approval (a copy of which previously had been sent to the Board members).

Upon motion made, seconded and unanimously carried, the Board approved the Wells Fargo Bank Resolution authorizing the bank to accept facsimile signatures. A copy of that Resolution is attached to the original minutes.

ADJOURNMENT

There being no further business, the meeting was adjourned at 9:00 a.m. The next meeting of the Board will be held on September 29, 2000 at 7:30 a.m. at Huntington Memorial Hospital.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
September 26, 2000

The regular meeting of the Board of Directors of Southern California Healthcare systems was convened on Tuesday, September 26, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

Arne Kalm
John F. Kooken
Craig D. Lucas
Francis X. McCormack
Gleeson "Tige" Payne

EXCUSED:

James N. Gamble
Leonard M. Marangi
Lois S. Matthews

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
Robert Gordon
Michael Hammond
Dennis Lee
James Maki
Cecilia Montalvo
Cindy Trousdale
Dodie Ulrich

Chairman McCormack called the meeting to order at 12:15 p.m.

MINUTES

The minutes of the Board of Directors meeting of July 28, 2000 were approved.

CHAIRMAN'S REPORT

Resolution – SCHS Deferred Compensation

The Chairman advised that the trustee for the SCHS Deferred Compensation Plan was being changed to MetLife Trust Company, N.A., and presented a Resolution for the Board's approval authorizing same.

Upon motion made, seconded and unanimously carried, the Board approved the Resolution authorizing the change in trustee for the SCHS Deferred Compensation Plan to MetLife Trust company, N.A. A copy of that resolution is attached to the original minutes.

PRESIDENT'S REPORT

Huntington East Valley Hospital – Update

Mr. Ralph welcomed Michael Hammond and Cecilia Montalvo from Shattuck Hammond Partners, the firm handling the Huntington East Valley Hospital (HEVH) transaction. Mr. Hammond then distributed copies of and commented on the status report of the HEVH transaction, which outlined the three options, the Shattuck Hammond recommendation, the status of sale, profiles of interested buyers, etc.

Mr. Hammond reviewed the three options for the future of Huntington East Valley Hospital: (1) closure of the hospital and liquidation of assets; (2) sale of the hospital; or (3) continue to operate the hospital as an affiliate of SCHS. He presented an estimated cost comparison between the three options:

	Net Cash
Estimated Cost of Hospital Closure	$13,554,000
Estimated Cost of Sale of Hospital	$ 4,875,000
Estimated Cost of Continued Operation	$ 7,423,000

Mr. Hammond then commented on some of the risk factors and net cash calculations involved for each of the three options. He added that Shattuck Hammond would be keeping the Attorney General's office informed as the transaction progresses. The Board was in general agreement that the closure of the hospital was not a viable option at this time.

Ms. Montalvo commented on the various individuals who had indicated an interest in the hospital, the degree of interest and the probability of consummation of a sale. Discussion followed.

Mr. Hammond then presented Shattuck Hammond's recommendation, which was to aggressively and quickly move forward to identify a qualified buyer and consummate a sale of the hospital.

The Board was in agreement with Shattuck Hammond's recommendation to quickly move forward to identify a qualified buyer to acquire the Huntington East Valley Hospital (as indicated on page 10 of the Shattuck Hammond report). Paralleling the sale effort, it was agreed that everything feasible should be explored immediately to stabilize the financial picture at HEVH.

JCAHO Survey

Mr. Ralph reported that Huntington and Methodist had completed their respective Joint Commission surveys and both had excellent scores: Huntington 92% and Methodist 91%.

Business Development/Marketing – Update

Due to time constraints, the business development/marketing update was deferred to next month's meeting of the Board.

Huntington Memorial Hospital – Bylaws

Mr. Ralph commented on his September 19, 2000 memorandum regarding the changes in the HMH Bylaws. He then asked for approval of the revised Bylaws.

Upon motion made, seconded and unanimously carried, the Board approved the Huntington Memorial Hospital revised Bylaws (effective June 2000), as outlined in Mr. Ralph's memorandum dated September 19, 2000, a copy of which is attached to the original minutes.

Sale of Huntington Transitional Care Center

Mr. Ralph advised the Board that the Huntington Transitional Care Center (HTCC) was in the process of being sold. The land and building are owned by the Huntington Trust. He added that the HTCC had been operating at a loss of approximately $140,000 per month and was being sold as an ongoing, long-term care facility.

FINANCE COMMITTEE

HEVH Capital Equipment Purchase

Mr. Ralph advised that Huntington East Valley Hospital had experienced an equipment crisis situation during the first part of August and had to replace its sterilizer at a cost of approximately $18,000. Since neither the Board nor the Finance Committee was meeting until September, management authorized the purchase of the new sterilizer.

Managed Care Update

Health Plans: Mr. Caswell advised that the first round of "Project Indispensable" had been completed and the results were very successful on the contract rates and terms with four of the health plans. He added that the recent negotiations with Blue Shield had also gone very well. He emphasized the need to be sensitive to the physician groups, as the more favorable hospital rates raise the potential of negatively impacting the IPAs and their risk pools. The contracts with

PacifiCare and HealthNet will be up for renewal on December 31, 2000, and a "notice of termination" has been sent to both health plans, along with our proposed rates and terms.

Dissolution of APPA: Legal documents have been filed for the dissolution of APPA. Claims continue to be received at the rate of approximately 150 per week, the majority of which are duplicates. It still has not been determined how much of the $500,000 capital call previously approved by the Board will be needed to cover the balance of the unpaid claims.

SCHS Claims: A handout was reviewed showing the status of the current backlog of SCHS claims and a timeline for resolution. Mr. Caswell indicated that he and the contracting staff are meeting weekly with Medical Pathways and all possible efforts are being made to bring the claims processing to a current basis.

SCHS Financial Statements

Mr. Ralph commented briefly on the financials, copies of which had been sent to the Directors. He pointed out that the greatest variance was in the "outside services" category, which represented legal fees regarding the dissolution of APPA, consulting fees for the Huntington East Valley Hospital transaction, and Ernst & Young accounting fees.

OTHER

Wage Order – Non-exempt employees

Mr. Carmack raised the issue of the new wage order, which will take effect October 1, 2000. This requires that all non-exempt employees who miss taking a scheduled break, must be paid one full hour's pay. He pointed out that this could have a substantial financial impact on the hospitals. Discussion followed.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

Craig D. Lucas
Secretary

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
December 14, 2000

The regular meeting of the Board of Directors of Southern California Healthcare Systems was convened on Thursday, December 14, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman Francis X. McCormack presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
Arne Kalm
John F. Kooken
Craig D. Lucas
Lois S. Matthews
Leonard M. Marangi
Francis X. McCormack

EXCUSED:

Gleeson "Tige" Payne
James Rothenberg

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
Robert Gordon
Michael Hammond
Dennis Lee
James Maki
Cecilia Montalvo
Cindy Trousdale
Dodie Ulrich

Chairman McCormack called the meeting to order at 12:20 p.m.

MINUTES

The minutes of the Board of Directors meeting of September 26, 2000 were approved.

CHAIRMAN'S REPORT

Ratification of Actions - September 26, 2000 Board Meeting

Due to the lack of a quorum at the September 26, 2000 meeting of the Board, the Chairman requested approval of the actions taken at that meeting.

Upon motion made, seconded and unanimously carried, the Board ratified the actions approved at the September 26, 2000 meeting of the SCHS Board.

Election of Directors and Officers

The Chairman presented the proposed slate of Directors for election for the January 2001-December 2002 term:

Representing Huntington Memorial Hospital

James N. Gamble
John F. Kooken
Leonard M. Marangi
Lois S. Matthews
Gleeson "Tige" Payne
James Rothenberg

Representing Methodist Hospital

Arne Kalm
Craig D. Lucas
Francis X. McCormack

Upon motion made, seconded and unanimously carried, the above-named Directors were elected for a two-year term, commencing January 2001.

The Chairman then presented the proposed slate of Officers for the January 2001 – December 2001 term:

John F. Kooken	Chairman
Leonard Marangi	Vice Chairman
Craig D. Lucas	Secretary
Stephen A Ralph	President
Assistant Treasurer	Timothy Carmack
Assistant Secretary	Dodie Ulrich

It was noted that the office of Treasurer was yet to be determined, pending some anticipated Board member changes from Methodist Hospital.

Upon motion made, seconded and unanimously carried, the above-named officers were elected for a term of one-year, commencing January 2001.

PRESIDENT'S REPORT

Huntington East Valley Hospital

Mr. Ralph welcomed Michael Hammond and Cecilia Montalvo from Shattuck Hammond Partners, the firm handling the Huntington East Valley Hospital (HEVH) transaction. Mr. Hammond reviewed briefly the three options for HEVH and the costs involved for each option, which were (i) to sell; (ii) to continue to operate; or (iii) to close it down. Shattuck Hammond's prior recommendation to the Board had been to secure a qualified buyer as soon as possible.

Mr. Hammond then distributed copies of and commented on a summary of a proposed Memorandum of Intent to Purchase HEVH, which had been submitted by PanPacific Health Enterprises, along with a deposit of $195,000 in the form of a cashier's check. The principal of PanPacific Health Enterprises is C. Joseph Chang. Mr. Ralph thanked Ms. Matthews, who had referred Mr. Chang to us. Mr. Hammond gave a brief background on Mr. Chang and his company and pointed out that Mr. Chang's offer was contingent upon his being able to secure the necessary financing. He added that he felt confident that this could be accomplished. Mr. Hammond then reviewed the terms of the offer:

Purchase price to be $6.5 million; $5 million payable upon close of escrow (financed in part by California Bank and Trust in the amount of $3,250,000 and the Small Business Administration in the amount of $970,000); $1.5 million payable not later than 12 months following the closing date, with interest payable to SCHS at the prime lending rate. Discussion followed. Mr. Hammond reiterated that the exposure for continued operation of HEVH could be substantial, the cost of closure of the hospital would be estimated at $13 million, and therefore the PanPacific offer was the best option.

He then presented Shattuck Hammond's recommendation, which was that the SCHS Board authorize management to sell Huntington East Valley Hospital, based on the terms described in Shattuck Hammond's summary dated December 14, 2000, including negotiations regarding security for the $1.5 million note. Discussion followed regarding the hospital's indebtedness and it was pointed out that there is a possibility that another capital call to HMH and MHSC might be required to cover ongoing expenses for the first quarter of 2001.

Upon motion made, seconded and unanimously carried, the Board authorized continued negotiations toward the sale of Huntington East Valley Hospital to PanPacific Health Enterprises, as outlined in the Shattuck Hammond December 14, 2000 summary (a copy of which is attached to the original minutes), with efforts being made to eliminate or reduce the $1.5 million note. The Board further authorized Mr. Ralph to execute the purchase agreement in connection with this sale, subject to Mr. Ralph making reasonable efforts to contact the members of the Finance Committee to secure their prior approval of the final sales agreement.

FINANCE COMMITTEE

Annual Audit

Mr. Carmack reported that he had reviewed the matter of whether or not a formal audit was needed for SCHS. Kathy Schneider performed much of the audit work for 1999 and Ernst & Young reviewed the final product. This resulted in substantial savings, as the cost of the 1999 audit was approximately $20,000. The cost of the 1998 formal audit was approximately $45,000. Ernst & Young has advised that there will be approximately $10,000 in audit costs for this year to be paid by the System because of inter-company transfers, etc. The individual hospitals will each have formal audits done by Ernst & Young. The Finance Committee discussed this matter and its last meeting and felt this audit was not needed and recommended a formal audit be waived for 2000.

After a brief discussion, the Board was in agreement that a formal audit would not be needed for the year 2000.

September and October Financials

Mr. Caswell noted that the financials had been prepared in a new format and that a new column would be added which would compare figures with the prior year. He extended his appreciation to Mr. Carmack and Ms. Schneider for their efforts in preparing these statements.

2001 Operating and Capital Budgets

Mr. Caswell commented on the System and three hospital budgets for 2001, which previously had been approved by the SCHS Finance Committee.

Upon motion made, seconded and unanimously carried, the Board approved the 2001 operating and capital budgets for Southern California Healthcare Systems, Huntington Memorial Hospital, Methodist Hospital and Huntington East Valley Hospital.

Discussion followed regarding cost-savings measures being implemented. Mr. Ralph reported that Huntington is on target as far as budgeted savings of $11-12 million through Operation MOVE. Mr. Lee stated that Methodist had targeted $13 million in savings, of which 85-90% has been identified. Mr. Maki pointed out that the financial status of Huntington East Valley is improving and should get better in 2001.

Managed Care Update

Mr. Caswell reported that the contract negotiations with Health Net are progressing well and it is anticipated they will be consummated in January. He noted the Medi-Cal is the largest contract to be negotiated.

He reported that APPA would be dissolved as of December 22, 2000, and that three additional SCHS entities (Medical Value Plan, Foothills Physician Services and Arcadia Health Services, dba Southern California Medical Management) also will be dissolved as of year-end.

EXECUTIVE SESSION

The Board then met in executive session to review and approve the deferred compensation program for funding in 2000.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:50 p.m.

Respectfully submitted,

Craig D. Lucas
Secretary

Huntington East Valley Hospital

Southern California Healthcare System
Board of Directors

December 14, 2000

SHATTUCK HAMMOND PARTNERS
A DIVISION OF PRICEWATERHOUSECOOPERS SECURITIES, LLC

Summary of Proposed Acquisition Terms - PanPacific Health Enterprises

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

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

Purchase Price

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

Conditions Precedent

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

Other

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

Recommendations

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

This recommendation is based on the following:

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

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

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

Huntington East Valley Hospital
Comparison of Five-Year Financial Forecast

	AS PRESENTED 9/26/00 BY SHATTUCK HAMMOND		BUDGET	
PROFIT/(LOSS)PER YEAR:	40 ADC	43 ADC	43 ADC	
2000	(1,681)	(1,681)	(2,353)	
2001	(1,508)	(940)	(485)	
2002	(1,557)	(972)	(646)	
2003	(1,630)	(1,027)	(696)	
2004	(1,707)	(1,086)	(753)	
2005	(1,789)	(1,150)	(821)	
TOTAL	(9,872)	(6,856)	(5,753)	
PRESENT VALUE OF 5 YEAR CASH REQUIREMENTS:				
2001	2,557	2,205	2,612	see next page for detail
2002	1,325	833	627	
2003	1,190	723	558	
2004	1,115	671	519	
2005	1,056	635	497	
	7,243	5,067	4,813	

CONTRIBUTIONS TO HEV FROM HMH/MH DURING 2000:	
2000 Capital Call	3,700
Increase in Due to Affiliates during 2000 thru 10/00	767
	4,467

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

Huntington East Valley Hospital
Detail of 2001 Cash Requirements

Forecasted cash Needs for 2001 are for the following:		Quarter Needed			
		1st QTR	2nd QTR	3rd QTR	4th QTR
Net Income (Loss)	(485)	(121)	(121)	(121)	(121)
Add back non cash Depreciation	854	214	214	214	214
(Increase) Patient Receivables and Inventories	(350)	(88)	(88)	(88)	(88)
(Decrease) in IBNR-to outside providers	(702)	(176)	(176)	(176)	(176)
(Decrease) in IBNR - funded by SCHS 2000 cap premium	(1,011)	(337)	(337)	(337)	-
Cash Used in Operations	(1,694)	(508)	(508)	(508)	(171)
Captial Expenditures	(700)	(175)	(175)	(175)	(175)
Decrease in LTD	(227)	(57)	(57)	(57)	(57)
(Decrease) in Current Portion due to Affiliates - HMF	(300)	(75)	(75)	(75)	(75)
Cash Needs	(2,921)	(815)	(815)	(815)	(478)
Present Value of Cash Needs - discounted at 8.5%	2,612				

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

DRAFT - Subject to approval
at 3/28/2001 meeting.

MINUTES
BOARD OF DIRECTORS
SOUTHERN CALIFORNIA HEALTHCARE SYSTEMS
February 28, 2001

The regular meeting of the Board of Directors of Southern California Healthcare Systems was convened on Wednesday, February 28, 2000 in the Board Room of Huntington Memorial Hospital, 100 West California Boulevard, Pasadena, with Chairman John F. Kooken presiding.

VOTING DIRECTORS PRESENT:

James N. Gamble
James Halverson
John F. Kooken
Craig D. Lucas
Leonard M. Marangi
Douglas McEachern
James Rothenberg

EXCUSED:

Lois S. Matthews
Gleeson "Tige" Payne

EX-OFFICIO DIRECTOR PRESENT:

Stephen A. Ralph

ALSO PRESENT:

Tim Carmack
William Caswell
Robert Gordon
Dennis Lee James Maki
Dennis Lee
Dodie Ulrich

As the Chairman was detained, Mr. Ralph called the meeting to order at 4:05 p.m.

NEW DIRECTORS

Mr. Ralph introduced and welcomed the newest Board members, James Rothenberg (representing Huntington Hospital), and James Halverson and Douglas McEachern (representing Methodist Hospital).

CHAIRMAN'S REPORT

MINUTES

The minutes of the Board of Directors meeting held on December 14, 2000 were approved.

SCHS Bylaws

The Chairman requested the Board's approval of the revised SCHS Bylaws, pointing out that the only change was the annual meeting date being changed to December in order to make the SCHS Bylaws consistent with the two hospitals. A redlined copy reflecting those changes previously had been sent to the Directors.

Upon motion made, seconded and unanimously carried, the Board approved the revisions to the SCHS Bylaws. A copy of the Bylaws is attached to the original minutes, along with a redlined copy of the changes.

Mr. Kooken remarked that the SCHS Bylaws had been revised several times, with the addition of Beverly and Verdugo Hills hospitals and again when those hospitals withdrew from the System. He indicated that the Bylaws would be thoroughly reviewed once again to ensure there are no loose ends.

Committee Appointments

Mr. Kooken asked the Board members to indicate their willingness to serve on the Finance Committee or Compensation Committee by indicating on the sign-up sheet that had been placed in their notebooks.

Mr. Ralph noted that the office of Treasurer was still open due to the changes in the Board representation from Methodist Hospital. He commented on the Compensation Committee and its role in creating a compensation structure going forward. Mr. Kooken added that the prior Compensation Committee had a System-wide compensation structure, salary guidelines and comparable incentives. The purpose of the committee was to achieve some degree of uniformity with hospital benefits (e.g., executive compensation). The new committee will revisit all those areas and determine what we want to accomplish.

Ratification of Election of HEVH Directors and Officers

The slate of officers and Directors recently nominated and elected by the Huntington East Valley Hospital Board of Directors was presented for approval.

Upon motion made, seconded and unanimously carried, the Board ratified the election of the following officers and Directors of Huntington East Valley Hospital for the March 1, 2001 through February 28, 2002 term:

Officers	Term Expires
Robert A. Gordon, Sr., Chairman	February 2004
Peter Miller, Vice-Chairman	February 2002
Fred H. Sahhar, M.D., Secretary	February 2003
Edwin C. Heinrich, Treasurer	February 2004

Directors	Term Expires
Sarah Flores	February 2004
Ida Fracasse	February 2002
Rose Liegler, R.N., M.S.N. Ph.D.	February 2003
James W. Maki - ex officio	February 2002
Stephen A. Ralph - ex officio	February 2002
Marc L. Domaguing, M.D., Chief of Staff	December 2001

PRESIDENT'S REPORT

Huntington East Valley Hospital (HEVH)

Mr. Ralph gave a brief background on SCHS and the acquisition of HEVH (formerly Glendora Community Hospital) in 1995, at which time it was operating as a for-profit entity. By the end of 1996, SCHS was a five-hospital system. Two hospitals subsequently left the system in 1998. Last spring, when the SCHS Board decided to focus "west of the 605," it was felt that HEVH was out of the System's market area. Shattuck Hammond was then engaged to review the options for HEVH and it was determined that selling the hospital to a qualified buyer was the best option. At its

December meeting, the SCHS Board approved Shattuck Hammond's recommendation to proceed with negotiations with a potential buyer, PanPacific Health Enterprises ("PanPacific"). An Asset Purchase Agreement with PanPacific was signed earlier in the month.

Mr. Carmack reviewed the "Key Terms and Conditions" of the transaction, a copy of which is attached to the original minutes. Discussion followed. PanPacific has agreed to hire essentially all of the present employees of the hospital and to retain the hospital's existing Board of Directors. It was pointed out that Pan Pacific's main concern was that SCHS agree to not compete in the cities of Glendora, Azusa, La Verne, San Dimas and Covina for a period of three years.

There was discussion around the $1.5 million note that PanPacific has asked SCHS to take back and the State Attorney General's review process in this transaction. It was noted that due to the fact that the hospital will revert back to a for-profit entity from a nonprofit status, the Attorney General's office will be closely reviewing this transaction. Mr. Carmack added that there have been no problems with the transaction to date and it has the potential of closing rather quickly. Mr. Carmack emphasized the confidentiality issue and indicated that the buyers were requesting that their names not be released publicly until such time as the transaction is closed. It was therefore determined that no press release would be made until the close of the transaction. It is expected that Huntington's name will be removed and the hospital will be known as East Valley Hospital. Discussion followed.

The issue of the 26 patient beds currently on loan from Methodist Hospital was discussed and Mr. Gordon indicated that HEVH would like to purchase these beds from Methodist.

Mr. Maki expressed his thanks and appreciation to management for the way the entire matter has been handled and that a buyer had been secured who would continue the hospital's present operations.

Planning and Business Development Activity

Mr. Lee summarized the results of several meetings held between himself, Messrs. Ralph and Caswell and Kelly Linden, Vice President of Business Development for Methodist Hospital, regarding where the two hospitals would fit into categories of joint business development. These meetings will focus on trying to gain better information about competitors, and to become more targeted in market share building efforts. The information presently available on competitors is very dated but efforts will be made to gather more current data through physician contracts and managed care organizations. He pointed out that the movement of market share from one hospital to another is very difficult. Joint planning efforts will be made around strategy and technology (e.g., cardiac imaging, radiation oncology, etc.)

Another area where the two hospitals can work together will be in facility planning, especially in view of the 2008 and 2030 deadlines (Senate Bill 1953 – seismic regulations) around the retrofitting or replacement of facilities. Mr. Lee indicated that at the next meeting of the executive team they will be sharing each other's capital plans for the next ten years, which will provide an understanding as to what the two hospitals' plans are. Information technology is another area that will be explored. Mr. Kooken added that he sees the information technology as a great opportunity for the two hospitals to work together. Discussion followed. The joint managed care contracting is one area where the two hospitals working together has proven very successful.

FINANCIAL REVIEW

SCHS Financials

Mr. Carmack reviewed the financial statements. He noted that the System's loss for 2000 was $19,004,000. He reviewed the combined statement of operations and balance sheet, noting that these reports take the place of a formal audit, which the Board agreed was not necessary for last year. He pointed out that each entity would have its own formal audit. The figures in these statements contain all operations of the hospitals, which would include Congress Services and the Huntington Medical Foundation, as well as the Skilled Nursing Facility at Methodist. Mr. McEachern inquired about a comparison between Huntington and Methodist and expressed his concern regarding the outstanding receivables. Discussion followed.

Managed Care Update

Mr. Caswell advised that the final dissolution documents for APPA had been filed with the court. He added that several other entities had been dissolved as of year end (Foothills Physician Services, Medical Value Plan, and Arcadia Health Services dba Southern California Medical Management). We are continuing to maintain solidarity between Huntington and Methodist in our contracting efforts, which has proved beneficial in our negotiations with the health plans. He added that we are still in capitation on one contract with Blue Cross (approximately 15,000 lives) which will terminate on December 31 of this year. Mr. Caswell reported that following public notice of the cancellation of our contract with Health Net, an agreement had been reached where Health Net accepted our proposed rates and terms. Discussion followed. The issue of the growing accounts receivable from health plans was discussed. A meeting was held recently with the hospital auditors, Ernst & Young to review this matter and look for a solution.

1300 East Green Street Lease

Mr. Ralph noted that our lease with the Berger Foundation for the building at 1300 East Green Street ends in February 2003. At the present time the Huntington Medical Foundation (HMF) occupies two-thirds of that space, with the remaining one-third being occupied by the contracting department personnel. The Huntington Medical Foundation has been downsizing and has indicated it would like to vacate these premises. The Berger Foundation is agreeable and has agreed to release us from the lease if we can secure a suitable replacement. Pasadena City College has indicated an interest in taking over the building and HMF is prepared to move in 30 to 60 days.

Future Board Meeting Dates/Times

The Chairman noted and the Board was in agreement that future meetings of the SCHS Board will be held on the fourth Wednesday of the month at 4:30 pm. The meetings will alternate between Huntington and Methodist hospitals.

ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Craig D. Lucas
Secretary

HUNTINGTON EAST VALLEY HOSPITAL
FINANCIAL STATEMENTS
TWELVE MONTHS ENDED DECEMBER 31, 2000

INCOME STATEMENT

CURRENT MONTH						YEAR TO DATE				
DOLLARS			VARIANCE FR BUDGET			DOLLARS			VARIANCE FR BUDGET	
ACTUAL	BUDGET	LAST YEAR	AMOUNT	%		ACTUAL	BUDGET	LAST YEAR	AMOUNT	%
1,878,122	2,003,731	3,548,264	(125,609)	-6.3%	Net Patient Service Revenue	20,524,273	20,000,000	20,613,607	524,273	2.6%
(79,313)	(8,784)	(1,273,403)	(70,529)	802.9%	Net Capitation Revenue	58,801	660,000	494,288	(601,199)	-91.1%
1,798,809	1,994,947	2,274,861	(196,138)	-9.8%	Total Patient Service Revenue	20,583,074	20,660,000	21,107,895	(76,926)	-0.4%
10,616	29,091	(29,897)	(18,475)	-63.5%	Total Other Operating Revenue	31,965	349,100	364,103	(317,135)	-90.8%
1,809,425	**2,024,038**	**2,244,964**	**(214,613)**	**-10.6%**	**TOTAL OPERATING REVENUE**	**20,615,039**	**21,009,100**	**21,471,998**	**(394,061)**	**-1.9%**
					Operating Expenses :					
1,183,289	934,780	909,823	248,509	26.6%	Salaries, Wages & Benefits	11,764,752	10,963,359	11,262,495	801,393	7.3%
341,944	439,418	778,833	(97,474)	-22.2%	Outside Services	4,575,841	5,273,053	6,030,086	(697,212)	-13.2%
232,883	250,857	273,565	(17,974)	-7.2%	Supplies	2,992,852	2,961,731	2,846,775	31,121	1.1%
88,148	68,767	74,684	19,381	28.2%	Depreciation & Amortization	915,399	825,176	818,684	90,223	10.9%
47,905	43,047	43,202	4,858	11.3%	Interest	553,081	516,559	583,929	36,522	7.1%
3,390	33,015	43,990	(29,625)	-89.7%	Rental - Building & Equipment	419,045	396,186	401,942	22,859	5.8%
17,990	17,961	19,000	29	0.2%	Parent Allocation	215,880	215,528	219,658	352	0.2%
(56,857)	22,917	596,699	(79,774)	-348.1%	Provision for Bad Debt	411,169	275,000	983,242	136,169	49.5%
14,725	108,914	125,851	(94,189)	-86.5%	Other	1,098,562	1,306,922	1,430,721	(208,360)	-15.9%
1,873,417	**1,919,676**	**2,865,647**	**(46,259)**	**-2.4%**	**TOTAL OPERATING EXPENSES**	**22,946,581**	**22,733,514**	**24,577,532**	**213,067**	**0.9%**
(63,992)	**104,362**	**(620,683)**	**(168,354)**	**-161.3%**	**SURPLUS (DEFICIT) FROM OPERATIONS**	**(2,331,542)**	**(1,724,414)**	**(3,105,534)**	**(607,128)**	**35.2%**
88,148	68,767	74,684	19,381	28.2%	Add : Depreciation & Amortization	915,399	825,176	818,684	90,223	10.9%
24,156	**173,129**	**(545,999)**	**(148,973)**	**-86.0%**	**CASH FLOW**	**(1,416,143)**	**(899,238)**	**(2,286,850)**	**(516,905)**	**57.5%**

HUNTINGTON EAST VALLEY HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000

	CURRENT MONTH	AUDITED 12/31/1999	NET $ CHANGE
CURRENT ASSETS -			
Cash & Cash Equivalents	26,625	483,194	(456,569)
Patient Accounts Receivable	6,029,637	3,794,376	2,235,261
Due From Third Party - Payors	1,319,363	1,267,419	51,944
Due From Methodist - HEVH POD	48,387	813,929	(765,542)
Due From Affliates - Other	1,097	17,415	(16,318)
Current Portion Bond Trust Funds	60,651	45,647	15,004
Other Receivables	186,916	303,759	(116,843)
Supplies at Cost	464,267	506,351	(42,084)
Prepaid Expenses	168,386	280,115	(111,729)
Deposits	122,730	125,502	(2,772)
TOTAL CURRENT ASSETS	**8,428,059**	**7,637,707**	**790,352**
Cash Restricted As To Use	84,414	233,543	(149,129)
Board Designated - Other Assets	-	45,000	(45,000)
Other Investments - Joint Venture	120,227	120,227	-
Investment In Lab - CHSO	(24,884)	181,214	(206,098)
Deferred Refinance Costs (Net Amort)	380,198	394,267	(14,069)
PLANT AND EQUIPMENT -			
Plant Assets	12,921,975	12,592,059	329,916
Allowance for Depreciation	(3,792,352)	(2,957,129)	(835,223)
Construction in Progress	81,798	33,201	48,597
TOTAL PLANT AND EQUIPMENT	**9,211,421**	**9,668,131**	**(456,710)**
TOTAL ASSETS	**18,199,435**	**18,280,089**	**(80,654)**

HUNTINGTON EAST VALLEY HOSPITAL
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2000

	CURRENT MONTH	AUDITED 12/31/1999	NET $ CHANGE
CURRENT LIABILITIES -			
Accounts Payable	3,213,798	3,442,771	(228,973)
Other Current Liabilities	109,513	159,550	(50,037)
Wages & Amounts Withheld	704,307	441,714	262,593
Interest Payable	67,296	60,362	6,934
Due to Third Party Payors	(51,009)	677,473	(728,482)
Due to Affilates - Hunt. Foundation	300,000	453,343	(153,343)
Due to Affilates - Other	1,591,996	42,108	1,549,888
Claims Payable	133,496	2,779,648	(2,646,152)
Current Portion of Long Term Debt	223,506	550,194	(326,688)
TOTAL CURRENT LIABILITIES	**6,292,903**	**8,607,163**	**(2,314,260)**
LONG TERM DEBT -			
1997 Bonds Payable	9,100,000	9,100,000	-
Due to Affiliates - SCHS	1,269,442	1,214,612	54,830
Due to Affilates - Hunt. Foundation	111,748	-	111,748
Due to Affiliates - Other	3,233,888	2,475,399	758,489
GMAC Payable	-	3,142	(3,142)
Sumitomo Payable	7,171	34,007	(26,836)
Leases Payable	115,072	46,174	68,898
TOTAL LONG TERM DEBT	**13,837,321**	**12,873,334**	**963,987**
TOTAL LIABILITIES	**20,130,224**	**21,480,497**	**(1,350,273)**
NET ASSETS (DEFICIT):			
Unrestricted			
Beginning balance (deficit)	(1,466,041)	1,639,493	(3,105,534)
Contributions from/(to) Affiliates	1,866,794	(1,770,289)	3,637,083
Current year surplus (deficit)	(2,331,542)	(3,105,534)	773,992
DECREASE IN UNRESTRICTED NET ASSET	**(1,930,789)**	**(3,236,330)**	**1,305,541**
Temporarily restricted	-	35,922	(35,922)
TOTAL NET ASSETS	**(1,930,789)**	**(3,200,408)**	**1,269,619**
TOTAL LIAB AND NET ASSETS	**18,199,435**	**18,280,089**	**(80,654)**

ASSURANCE AND ADVISORY
BUSINESS SERVICES

AUDITED FINANCIAL STATEMENTS

Huntington East Valley Hospital

Years ended December 31, 1999 and 1998

with Report of Independent Auditors

ERNST & YOUNG

ERNST & YOUNG LLP

AUDITED FINANCIAL STATEMENTS

Huntington East Valley Hospital

Years ended December 31, 1999 and 1998

with Report of Independent Auditors

Huntington East Valley Hospital

Audited Financial Statements

Years ended December 31, 1999 and 1998

Contents

ERNST & YOUNG

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

■ P[illegible] (213) 977-3200
w[illegible]ey.com

Report of Independent Auditors

Board of Directors
Huntington East Valley Hospital

We have audited the accompanying balance sheets of Huntington East Valley Hospital as of December 31, 1999 and 1998, and the related statements of operations and changes in net assets (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huntington East Valley Hospital at December 31, 1999 and 1998, and the results of its operations, changes in net assets (deficit) and cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst + Young LLP

March 14, 2000, except for Note 6
as to which the date is May 24, 2000

Huntington East Valley Hospital

Balance Sheets

	December 31 1999	1998
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 483	$ 244
Patient accounts receivable (less allowance for uncollectible accounts of $945 in 1999 and $540 in 1998)	3,794	5,632
Inventories	506	512
Current portion of assets limited as to use	46	40
Due from third-party payors	590	–
Due from affiliate *(Note 2)*	336	–
Prepaid expenses and other current assets	584	1,332
Total current assets	6,339	7,760
Other assets:		
Property, plant and equipment, net of accumulated depreciation and amortization *(Note 3)*	9,668	9,560
Assets limited as to use, less current portion	279	688
Deferred financing costs	394	408
Other assets *(Note 2)*	427	415
Total assets	$ 17,107	$ 18,831
Liabilities and net assets (deficit)		
Current liabilities:		
Accounts payable	$ 3,503	$ 3,957
Accrued expenses and other liabilities	3,381	574
Due to third-party payors	–	532
Current portion of note payable to affiliate *(Note 2)*	–	189
Current portion of due to affiliate *(Note 2)*	–	1,790
Current maturities of long-term debt *(Note 4)*	550	859
Total current liabilities	7,434	7,901
Due to affiliate, less current portion *(Note 2)*	3,690	659
Long-term debt, less current maturities *(Note 4)*	9,183	9,645
Commitments and contingencies *(Notes 3 and 4)*		
Net assets (deficit):		
Unrestricted net assets (deficit)	(3,236)	618
Temporarily restricted net assets	36	8
Total net assets (deficit)	(3,200)	626
Total liabilities and net assets (deficit)	$ 17,107	$ 18,831

See accompanying notes.

Huntington East Valley Hospital

Statements of Operations

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

See accompanying notes.

Huntington East Valley Hospital

Statements of Changes in Net Assets (Deficit)

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

See accompanying notes.

Huntington East Valley Hospital

Statements of Cash Flows

	Year ended December 31	
	1999	1998
	(In Thousands)	
Operating activities		
Decrease in net assets	$ (3,826)	$ (128)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	819	714
Contributions to affiliate	748	593
Changes in operating assets and liabilities:		
Patient accounts receivable	1,838	(1,570)
Due to/from third-party payors	(1,122)	(39)
Inventories	6	4
Prepaid expenses and other current assets	742	640
Accounts payable and accrued expenses	2,353	1,244
Due to affiliates	(2,126)	1,470
Net cash (used in) provided by operating activities	(568)	2,928
Investing activities		
Purchases of property, plant and equipment	(913)	(890)
Decrease (increase) in assets limited as to use	409	(31)
Increase in other assets	(12)	(202)
Net cash used in investing activities	(516)	(1,123)
Financing activities		
Principal payments on long-term debt	(771)	(1,016)
Increase (decrease) due to affiliates	3,031	(87)
Payment of note payable to affiliate	(189)	(359)
Increase in deferred financing costs	–	(34)
Contributions to affiliates	(748)	(639)
Net cash provided by (used in) financing activities	1,323	(2,135)
Net increase (decrease) in cash and cash equivalents	239	(330)
Cash and cash equivalents at beginning of period	244	574
Cash and cash equivalents at end of period	$ 483	$ 244
Supplemental cash flow information		
Interest paid	$ 549	$ 658
Capital leases	$ –	$ 175
Supplemental noncash investing and financing activities		
Contribution of interest in affiliate	$ –	$ 46

See accompanying notes.

Huntington East Valley Hospital

Notes to Financial Statements

December 31, 1999

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies

Organization

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

Mission Statement

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

Liquidity and Capital Resources

The Hospital incurred a significant operating loss for the year ended December 31, 1999, and has a working capital deficit of $1,095 and net asset deficit of $3,200 at December 31, 1999. The Hospital anticipates additional operating losses in fiscal 2000 and has estimated a fiscal 2000 operating cash flow deficiency of $900. Due to the anticipated cash flow deficiency, the Hospital has obtained commitments from Huntington Memorial Hospital and Methodist Hospital of Southern California to fund two-thirds and one-third, respectively, of the cash flow deficiency through January 1, 2001. In consideration of the funding commitments received by the Hospital, it appears that the Hospital will continue as a going concern in the year 2000.

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

Use of Estimates

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

Net Patient Service Revenue

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

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

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

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

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

Net Patient Service Revenue (continued)

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

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

Charity Care

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

Cash Equivalents

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

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

Concentrations of Credit Risk

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

Property, Plant and Equipment

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

Assets Limited as to Use

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

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

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

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

Inventories

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

Fair Value of Financial Instruments

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

Deferred Financing Costs

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

Professional Liability Insurance

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

Temporarily Restricted Net Assets

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

(Dollars in Thousands)

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

Temporarily Restricted Net Assets (continued)

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

Temporarily restricted net assets are available primarily for capital purposes.

2. Related Party Transactions

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

Amounts due from affiliates are as follows:

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

(Dollars in Thousands)

2. Related Party Transactions (continued)

Amounts due to affiliates are as follows:

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

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

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

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

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

(Dollars in Thousands)

2. Related Party Transactions (continued)

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

Note Payable to Affiliate

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

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31	
	1999	**1998**
Land	**$ 4,163**	$ 4,163
Buildings	**4,718**	4,328
Equipment	**3,711**	3,144
	12,592	11,635
Accumulated depreciation and amortization	**(2,957)**	(2,139)
Construction in progress	**33**	64
	$ 9,668	$ 9,560

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

(Dollars in Thousands)

3. Property, Plant and Equipment (continued)

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

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

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

(Dollars in Thousands)

4. Long-Term Borrowings

Long-term debt consists of the following:

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

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

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

(Dollars in Thousands)

4. Long-Term Borrowings (continued)

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

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

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

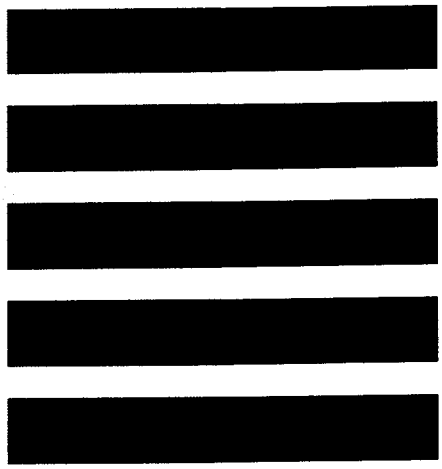
5. Functional Expenses

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

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

6. Subsequent Event

On May 24, 2000, the Hospital announced that SCHS was evaluating alternatives for the Hospital for the purpose of focusing the Hospital's strategic direction and to secure the Hospital's financial viability. SCHS's goal is to secure a stable future for the Hospital with new ownership that will allow the Hospital to continue its mission to provide high quality services to patients in communities it serves.



Audited Financial Statements

Huntington East Valley Hospital

Years ended December 31, 1998 and 1997
with Report of Independent Auditors

Ernst & Young LLP

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ERNST & YOUNG LLP

■ 725 South Figueroa Street
Los Angeles, California 90017-5418

■ Phone: 213 977 3200

Report of Independent Auditors

Board of Directors
Huntington East Valley Hospital

We have audited the accompanying balance sheets of Huntington East Valley Hospital as of December 31, 1998 and 1997, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huntington East Valley Hospital at December 31, 1998 and 1997, and the results of its operations, changes in net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young LLP

February 19, 1999

Huntington East Valley Hospital

Balance Sheets

	December 31	
	1998	**1997**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 244**	$ 574
Patient accounts receivable (less allowance for uncollectible accounts of $540 in 1998 and $1,132 in 1997)	**5,632**	4,062
Inventories	**512**	516
Current portion of assets limited as to use	**40**	453
Prepaid expenses and other current assets	**1,332**	1,559
Total current assets	**7,760**	7,164
Other assets:		
Property, plant and equipment, net of accumulated depreciation and amortization *(Note 3)*	**9,560**	9,201
Assets limited as to use, less current portion	**688**	657
Deferred financing costs	**408**	382
Other assets *(Note 2)*	**415**	167
Total assets	**$ 18,831**	$ 17,571
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 3,957**	$ 2,323
Accrued expenses and other liabilities	**574**	964
Due to third-party payors	**532**	571
Current portion of note payable to affiliate *(Note 2)*	**189**	359
Current portion of due to affiliate *(Note 2)*	**1,790**	320
Current maturities of long-term debt *(Note 4)*	**859**	1,020
Total current liabilities	**7,901**	5,557
Note payable to affiliate, less current portion *(Note 2)*	**–**	189
Due to affiliate, less current portion *(Note 2)*	**659**	746
Long-term debt, less current maturities *(Note 4)*	**9,645**	10,325
Commitments and contingencies *(Notes 3 and 4)*		
Net assets:		
Unrestricted net assets	**618**	754
Temporarily restricted net assets	**8**	–
Total net assets	**626**	754
Total liabilities and net assets	**$ 18,831**	$ 17,571

See accompanying notes.

Huntington East Valley Hospital

Statements of Operations and Changes in Net Assets

	Year ended December 31	
	1998	**1997**
	(In Thousands)	
Unrestricted revenues, gains and other support:		
Net patient service revenue *(Note 1)*	**$ 21,135**	$ 19,881
Other operating revenue	**3,658**	2,087
Total revenues, gains and other support	**24,793**	21,968
Expenses:		
Salaries and benefits	**11,176**	10,391
Supplies	**2,712**	2,455
Purchased services *(Note 2)*	**8,441**	5,588
Insurance	**236**	352
Depreciation and amortization	**714**	612
Interest *(Note 4)*	**735**	809
Provision for bad debts	**322**	849
Total expenses	**24,336**	21,056
Operating income	**457**	912
Contributions to affiliate *(Note 2)*	**(593)**	(429)
(Decrease) increase in unrestricted net assets	**$ (136)**	$ 483

See accompanying notes.

Huntington East Valley Hospital

Statements of Operations and Changes in Net Assets (continued)

	Year ended December 31	
	1998	**1997**
	(In Thousands)	
Unrestricted net assets		
Operating income	**$ 457**	$ 912
Contributions to affiliates, net *(Note 2)*	**(593)**	(429)
(Decrease) increase in unrestricted net assets	**(136)**	483
Temporarily restricted net assets		
Contributions	**8**	–
Increase in temporarily restricted assets	**8**	–
(Decrease) increase in net assets	**(128)**	483
Net assets at beginning of year	**754**	271
Net assets at end of year	**$ 626**	$ 754

See accompanying notes.

Huntington East Valley Hospital

Statements of Cash Flows

	Year ended December 31 1998	1997
	(In Thousands)	
Operating activities		
(Decrease) increase in net assets	**$ (128)**	$ 483
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**714**	612
Contributions to affiliate	**593**	429
Changes in operating assets and liabilities:		
Patient accounts receivable	**(1,570)**	(1,692)
Due to third-party payors	**(39)**	621
Inventories	**4**	(53)
Prepaid expenses and other current assets	**640**	(1,347)
Accounts payable and accrued expenses	**1,244**	708
Due to affiliates	**1,470**	265
Net cash provided by operating activities	**2,928**	26
Investing activities		
Purchases of property, plant and equipment	**(890)**	(587)
Increase in assets limited as to use	**(31)**	(657)
Increase in other assets	**(202)**	(126)
Net cash used in investing activities	**(1,123)**	(1,370)
Financing activities		
Proceeds from issuance of long-term debt	**–**	10,133
Principal payments on long-term debt	**(1,016)**	(8,570)
Due to affiliates	**(87)**	183
Payment of note payable to affiliate	**(359)**	(170)
Increase in deferred financing costs	**(34)**	(388)
Contributions to affiliates	**(639)**	(429)
Net cash (used in) provided by financing activities	**(2,135)**	759
Net increase (decrease) in cash and cash equivalents	**(330)**	(585)
Cash and cash equivalents at beginning of period	**574**	1,159
Cash and cash equivalents at end of period	**$ 244**	$ 574
Supplemental cash flow information		
Interest paid	**$ 658**	$ 854
Capital leases	**$ 175**	$ –
Supplemental noncash investing and financing activities		
Contribution of interest in affiliate	**$ 46**	$ –

See accompanying notes.

Huntington East Valley Hospital

Notes to Financial Statements

December 31, 1998

(Dollars in Thousands)

1. Organization and Summary of Significant Accounting Policies

Organization

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

Mission Statement

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

Use of Estimates

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

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

Net Patient Service Revenue

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

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

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

During 1997, the Hospital adjusted its estimated obligation pertaining to the 1996 Medicare cost report. The effect of the adjustment increased 1997 net patient service revenue by $445.

The Hospital is reimbursed for services provided to patients under certain programs administered by governmental agencies. Revenues from the Medicare and Medicaid programs accounted for approximately 46% and 16%, respectively, of the Hospital's net patient service revenue in 1998, and 48% and 12% in 1997. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

Net Patient Service Revenue (continued)

The Hospital is eligible to receive supplemental payments ("SB 855 Funds") for the provision of health care services to low-income patients under the Department of Health and Human Services Disproportionate Share Program ("DSH Program"). Under the DSH Program, the SB 855 Funds are distributable in a period subsequent to the year the services are provided based on DSH Program available funding. For this reason, the Hospital accounts for the SB 855 Funds when they become distributable. The Hospital recorded increases in net patient service revenue of $2,004 and $1,389 in 1998 and 1997, respectively, for services provided in earlier periods.

Charity Care

The Hospital provides care without charge to patients who meet certain criteria under its charity-care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity-care policy. Charity care provided, based on established rates, totaled approximately $1,019 and $576 for the years ended December 31, 1998 and 1997, respectively.

Cash Equivalents

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

Concentrations of Credit Risk

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

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

Property, Plant and Equipment

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

Assets Limited as to Use

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

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

The Hospital accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. The Hospital has determined that no long-lived assets are impaired at December 31, 1998.

Inventories

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

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

Fair Value of Financial Instruments

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

Deferred Financing Costs

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

Professional Liability Insurance

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

Temporarily Restricted Net Assets

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

Unconditional promises to give cash and other assets are reported at fair value at the date the pledge is received, which is then treated as its cost basis. The gifts are reported as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets

(Dollars in Thousands)

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

Temporarily Restricted Net Assets (continued)

are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the statement of operations.

Temporarily restricted net assets are available primarily for capital purposes.

2. Related Party Transactions

SCHS provides management and other administrative services to the Hospital. The charges for these services totaled $283 and $216 for the years ended December 31, 1998 and 1997, respectively, and are included in purchased services.

Amounts due to affiliates are as follows:

	December 31 1998	1997
SCHS	$ 899	$ 746
SoCal Clini Lab	805	–
Huntington Memorial Hospital	317	195
Methodist Hospital of Southern California	385	125
Medical Value Plan	43	–
	2,449	1,066
Less current portion	1,790	320
	$ 659	$ 746

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

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

(Dollars in Thousands)

2. Related Party Transactions (continued)

During 1997, the Hospital transferred $160, $142, $108 and $19 to Huntington Medical Foundation, SCHS, SoCal Clini Lab and Huntington Memorial Hospital, respectively, and accounted for the transfers as a decrease in unrestricted net assets.

Note Payable to Affiliate

During 1997, the Hospital entered into a $718 loan agreement with MHSC to provide for repayment of the working capital assistance. The loan requires monthly principal and interest payments of $32 through June 1999.

Note payable to an affiliate is due as follows:

	December 31 1998	1997
Methodist Hospital of Southern California	$ 189	$ 548
Less current portion	189	359
	$ –	$ 189

3. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31 1998	1997
Land	$ 4,163	$ 4,163
Buildings	4,328	3,763
Equipment	3,144	2,682
	11,635	10,608
Accumulated depreciation and amortization	(2,139)	(1,426)
Construction in progress	64	19
	$ 9,560	$ 9,201

The Hospital has four operating leases for office space. Rent expense for the leases is recognized on a straight-line basis with rental expense of $610 and $459 for the years ended December 31, 1998 and 1997, respectively.

(Dollars in Thousands)

3. Property, Plant and Equipment (continued)

At December 31, 1998 and 1997, the Hospital has capital leases for equipment totaling $931 and $850, respectively. The related accumulated amortization for the leases amounted to $604 and $441 at December 31, 1998 and 1997, respectively.

The following is a schedule, by year, of future minimum lease payments under noncancelable leases (including the present value of minimum lease payments for capital leases) as of December 31, 1998:

	Capitalized Leases	Operating Leases
1999	$ 201	$ 278
2000	140	188
2001	81	36
Thereafter	8	–
Minimum lease payments	430	$ 502
Less amount representing interest	61	
Present value of net minimum lease payments	$ 369	

4. Long-Term Borrowings

Long-term debt consists of the following:

	December 31 1998	1997
California Statewide Communities Development Authority Certificates of Participation, principal payments of $165 to $220 due annually beginning in 2001 through 2008, $500 due 2010, $2,095 due 2017, and $4,950 due 2027, interest payable annually at 4.25% to 5.40%	$ 9,100	$ 9,100
Note payable to seller, principal payments of $338 due semiannually plus interest at 6%, through 2000	1,013	1,688

(Dollars in Thousands)

4. Long-Term Borrowings (continued)

	December 31 1998	1997
Note payable to investment banker, principal payments of $62 due semiannually plus interest at 8%, through 1999	$ 22	$ 147
Capital lease obligations	369	410
	10,504	11,345
Less current maturities	859	1,020
	$ 9,645	$ 10,325

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

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

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

1999	$ 859
2000	460
2201	241
2202	184
2003	180
Thereafter	8,580
	$ 10,504

(Dollars in Thousands)

5. Functional Expenses

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

	Year ended December 31	
	1998	**1997**
Health care services	**$ 14,553**	$ 12,350
General and administrative	**9,783**	8,706
	$ 24,336	$ 21,056

6. Year 2000 Issue (Unaudited)

The Hospital has developed and continues to evolve plans to address Year 2000 issues. All data systems that process patient data and financial data are Year 2000 compliant. Other areas of exposure, including bio-medical, facilities and business relationships are currently under investigation. It is expected that all systems, equipment and processes which have the possibility of disrupting life or business will be evaluated and the risk mitigated by September 30, 1999.

The Hospital has budgeted a total of $153 in operating and capital contingencies for 1999 to address any potential Year 2000 Issues as well as to obtain outside support needed to validate Hospital findings. Prior to 1999, no significant costs were incurred by the Hospital that would be attributable to Year 2000 compliance or mitigation. All updates to the Meditech Healthcare Information System were performed as part of its normal maintenance relationship with Medicare.

HUNTINGTON EAST VALLEY HOSPITAL
PRO-FORMA POST-TRANSACTION BALANCE SHEET
USING DECEMBER 31, 2000 AS A BASIS

	Unadudited Dec 31, 2000	Immediately POST SALE
CURRENT ASSETS -		
Cash & Cash Equivalents	26,625	5,026,625
Patient Accounts Receivable	6,029,637	6,029,637
Note Receivable	-	1,500,000
Due From Third Party - Payors	1,319,363	1,319,363
Due From Methodist - HEVH POD	48,387	48,387
Due From Affliates - Other	1,097	1,097
Current Portion Bond Trust Funds	60,651	60,651
Other Receivables	186,916	186,916
Supplies at Cost	464,267	-
Prepaid Expenses	168,386	-
Deposits	122,730	-
TOTAL CURRENT ASSETS	**8,428,059**	**14,172,676**
Cash Restricted As To Use	84,414	84,414
Investment In Lab - CHSO	(24,884)	(24,884)
Deferred Refinance Costs (Net Amort)	380,198	380,198
PLANT AND EQUIPMENT -		
Plant Assets	12,921,975	-
Allowance for Depreciation	(3,792,352)	-
Construction in Progress	81,798	-
TOTAL PLANT AND EQUIPMENT	**9,211,421**	**-**
TOTAL ASSETS	**18,199,435**	**14,732,631**

	Unadudited Dec 31, 2000	Immediately POST SALE
CURRENT LIABILITIES -		
Accounts Payable	3,213,798	3,213,798
Other Current Liabilities	109,513	109,513
Wages & Amounts Withheld	704,307	-
Interest Payable	67,296	67,296
Due to Third Party Payors	(51,009)	(51,009)
Due to Affilates - Hunt. Foundation	300,000	300,000
Due to Affilates - Other	1,591,996	1,591,996
Claims Payable	133,496	133,496
Current Portion of Long Term Debt	223,506	223,506
TOTAL CURRENT LIABILITIES	**6,292,903**	**5,588,596**
LONG TERM DEBT -		
1997 Bonds Payable	9,100,000	9,100,000
Due to Affiliates - SCHS	1,269,442	1,269,442
Sumitomo Payable	7,171	-
Leases Payable	115,072	-
Due to Affiliates - Other	3,233,888	3,233,888
TOTAL LONG TERM DEBT	**13,837,321**	**13,715,078**
TOTAL LIABILITIES	**20,130,224**	**19,303,674**
NET ASSETS (DEFICIT):		
Unrestricted		
Beginning balance (deficit)	(1,466,041)	(1,466,041)
Gain/(Loss) on Sale	-	(2,640,254)
Contributions from/(to) Affiliates	1,866,794	1,866,794
Current year surplus (deficit)	(2,331,542)	(2,331,542)
DECREASE IN UNRESTRICTED	**(1,930,789)**	**(4,571,043)**
TOTAL NET ASSETS	**(1,930,789)**	**(4,571,043)**
TOTAL LIAB AND NET ASSETS	**18,199,435**	**14,732,631**
	(0)	(0)

prepared by CT