

**EDMUND G. BROWN JR.**  
**Attorney General**

**State of California**  
**DEPARTMENT OF JUSTICE**



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December 29, 2010

Charles E. Slyngstad, Esq.  
Burke, Williams & Sorensen, LLP - Los Angeles  
444 South Flower Street, Suite 2400  
Los Angeles, CA 90071

RE: Proposed Sale of Victor Valley Community Hospital

Dear Mr. Slyngstad:

The Attorney General hereby conditionally consents, pursuant to Corporations Code section 5914 *et seq.*, to the sale of Victor Valley Community Hospital to Victor Valley Hospital Real Estate, LLC, a California limited liability corporation, and Victor Valley Hospital Acquisition, Inc., as set forth in the Notice filed on November 19, 2010. Corporations Code section 5917 and section 999.5, subdivision (f), of title 11 of the California Code of Regulations, set forth factors that the Attorney General must consider in determining whether to consent to a proposed transaction between a nonprofit corporation and a for-profit corporation or entity. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions, which are incorporated by reference herein.

Thank you for your cooperation and that of your client and the purchasers throughout the review process.

Sincerely,

[Original Signed]

WENDI A. HORWITZ  
Deputy Attorney General

For EDMUND G. BROWN JR.  
Attorney General

Attachment  
cc: Bill Thomas, Esq.

LA2010600780/60587768.doc

## Conditions to Approval of Sale of Victor Valley Community Hospital

### I.

For the purposes of these conditions, and unless the context indicates otherwise, the term “Buyers” shall mean Victor Valley Hospital Real Estate, LLC, a California limited liability corporation, and Victor Valley Hospital Acquisition, Inc., a California for-profit corporation, the proposed acquirers of Victor Valley Community Hospital<sup>1</sup>, any other subsidiary, parent, general partner, affiliate, successor, or assignee of Victor Valley Hospital Real Estate, LLC or Victor Valley Hospital Acquisition, Inc., any entity succeeding thereto by consolidation, merger or acquisition of all or substantially all of the assets of Victor Valley Community Hospital or the real property on which Victor Valley Community Hospital is located, any entity owned by the Buyers that subsequently becomes the owner or licensed operator of Victor Valley Community Hospital or owner of the real property on which Victor Valley Community Hospital is located, any entity that owns Buyers that subsequently becomes the owner or licensed operator of Victor Valley Community Hospital or owner of the real property on which Victor Valley Community Hospital is located, any future entity that purchases Victor Valley Community Hospital or the real property on which Victor Valley Community Hospital is located from Buyers, and any entity owned by a future purchaser that subsequently becomes the owner or licensed operator of Victor Valley Community Hospital or owner of the real property on which Victor Valley Community Hospital is located. These conditions shall be legally binding on any and all current and future owners or operators of Victor Valley Community Hospital and owners of the real property on which Victor Valley Community Hospital is located. The term “Seller” shall mean Victor Valley Community Hospital, a California nonprofit public benefit corporation.

### II.

The transaction approved by the Attorney General between Buyers and Seller consists of the Asset Sale Agreement dated October 29, 2010, Amendment to Asset Sale Agreement dated December 23, 2010, Interim Management and Lease Agreement dated on or about the time of the transaction closing, Good Faith Deposit Agreement dated December 17, 2010, Limited Power of Attorney for Use of DEA Registration Numbers and DEA Order Forms dated on or about the time of the transaction closing, and any other documents referenced in Sections 1.5 and 1.6 in the Asset Sale Agreement. Buyers and Seller shall fulfill the terms and conditions of the transaction. Buyers and Seller shall notify the Attorney General in writing of any proposed modification of the transaction, including a proposed modification or rescission of any of the above-enumerated agreements. Such notification shall be provided at least thirty (30) days prior to the effective date of such modification in order to allow the Attorney General to consider

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<sup>1</sup>Throughout this document, the term Victor Valley Community Hospital shall mean the general acute care hospital currently called Victor Valley Community Hospital (located at 15248 11th Street, Victorville, California), the Victor Valley Community Hospital Women’s Health Center and Outpatient Imaging, and any other clinics, laboratories, units, services, or beds included on the license issued to Victor Valley Community Hospital by the California Department of Public Health to operate Victor Valley Community Hospital, effective November 1, 2010, unless otherwise indicated.



whether the proposed modification affects the factors set forth in Corporations Code section 5917.

### III.

Buyers and all future owners or operators of Victor Valley Community Hospital shall be required to provide written notice to the Attorney General sixty (60) days prior to entering into any agreement or transaction to do either of the following:

(A) Sell, transfer, lease, exchange, option, convey, or otherwise dispose of Victor Valley Community Hospital.

(B) Transfer control, responsibility, or governance of Victor Valley Community Hospital. The substitution of a new corporate member or members of Buyers that transfers the control of, responsibility for or governance of Buyers shall be deemed a transfer for purposes of this condition. The substitution of one or more members of the governing body of Buyers, or any arrangement, written or oral, that would transfer voting control of the members of the governing body of Buyers, shall also be deemed a transfer for purposes of this Condition.

### IV.

For five years from the date of the transaction closing, Buyers shall operate and maintain Victor Valley Community Hospital as a licensed general acute care hospital (as defined in California Health and Safety Code Section 1250) and shall maintain and provide the following health care services:

- a) Twenty-four hour emergency medical services as currently licensed (minimum of 13 Emergency beds/stations) with the same types and levels of services as currently provided<sup>2</sup>;
- b) Intensive Care Services as currently licensed (minimum of 10 Intensive Care beds) with the same types and levels of services as currently provided;
- c) Obstetrical services as currently licensed (minimum of 9 Perinatal and 4 Labor, Delivery and Recovery beds) with the same types and levels of services as currently provided;
- d) Pediatric services as currently licensed (minimum of 16 Pediatric beds) with the same types and levels of services as currently provided;

Buyers shall not place all or any portion of its above-listed licensed-bed capacity in voluntary suspension or surrender its license for any of these beds.

### V.

For five years from the date of the transaction closing, Buyers shall operate the Victor Valley Community Hospital Women's Health Center and Outpatient Imaging and provide the same types and levels of services as currently provided.

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<sup>2</sup> The term "currently provided" means types and levels of services provided as of November 1, 2010.

## VI.

For five years from the date of the transaction closing, Buyers shall cause Victor Valley Community Hospital, and any other related structures, to be in compliance with all requirements of a general acute care hospital under the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act, (Health & Saf. Code, § 129675-130070).

## VII.

For five years from the date of the transaction closing, Buyers shall:

- a) Be certified to participate in the Medi-Cal program.
- b) Accept assignment of the Inland Empire Health Plan's current contract and amendments with Victor Valley Community Hospital, a California nonprofit public benefit corporation, (which expires December 31, 2011) and shall not terminate the contract without cause until a new contract has been entered into with the Inland Empire Health Plan, on the same terms and conditions as other similarly-situated hospitals offering substantially the same services for Medi-Cal, Healthy Families, Healthy Kids, and Inland Empire Health Plan's Medicare Special Needs Plan, to provide the same types and levels of emergency and non-emergency services at Victor Valley Community Hospital to Medi-Cal beneficiaries as required in these Conditions, and shall maintain such a contract with the Inland Empire Health Plan;
- c) Provide the same types and levels of emergency and non-emergency services at Victor Valley Community Hospital to Medi-Cal beneficiaries (Traditional Medi-Cal and Medi-Cal Managed Care) as required in these Conditions.
- d) Have a Medicare Provider Number to provide the same types and levels of emergency and non-emergency services at Victor Valley Community Hospital to Medicare beneficiaries (both Traditional Medicare and Medicare Managed Care) as required in these Conditions.

## VIII.

For five years from the date of the transaction closing, Buyers shall maintain the following contracts and amendments, without interruption of service or diminution in quality, unless terminated for cause, and shall provide the same services specified in the contracts: San Bernardino County Superintendent of Schools- Regional Occupational Program Agreement for Affiliation; San Bernardino County Department of Public Health-Automated Birth Registration Program (Automated Vital Statistics System); County of San Bernardino Department of Child Support Services-Paternity Opportunity Program Agreement; County of San Bernardino Transitional Assistance Department-Outstationed Medi-Cal Eligibility Worker Services; Inland Counties Emergency Medical Agency-Hospital Preparedness Program; Hospital Association of Southern California Restatement of Reddinet Master Agreement-Emergency Communications System; and County of San Bernardino Arrowhead Regional Medical Center-Medically Indigent Adult Medical Care Program.



## IX.

For five years from the date of the transaction closing, Buyers shall provide an annual amount of Charity Care (as defined below) at Victor Valley Community Hospital equal to or greater than \$1,380,000 (the "Minimum Charity Care Amount"). For purposes hereof, the term "Charity Care" shall mean the amount of charity care costs (not charges) incurred by Buyers in connection with the operation and provision of services at Victor Valley Community Hospital. The definition and methodology for calculating "charity care" and the methodology for calculating "cost" shall be the same as that used by the California Office of Statewide Health Planning and Development ("OSHPD") for annual hospital reporting purposes.<sup>3</sup> Buyers shall use charity care and collection policies that comply with Federal and California law. Creation of, and any subsequent changes to, the charity care and collection policies and charity care services provided at Victor Valley Community Hospital shall be decided upon in conjunction with input from the Local Governing Board referenced in Condition XII.

Buyers' obligation under this condition for the period from the transaction closing date through the end of Buyers' first fiscal year following the transaction closing date shall be prorated on a daily basis if the transaction closing date is a date other than the first day of Buyers' fiscal year.

For each calendar year after 2011, the Minimum Charity Care Amount shall be increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the "12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100" (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of Charity Care provided by Buyers at Victor Valley Community Hospital for any calendar year is less than the Minimum Charity Care Amount (as adjusted pursuant to the above-referenced Consumer Price Index) required for such year, Buyers shall pay an amount equal to the deficiency to the "Victor Valley Community Hospital Health Fund" specified in Condition XV. Buyers shall pay the deficiency described in the preceding sentence not more than four (4) months following the end of such calendar year.

## X.

For five years from the date of the transaction closing, Buyers shall provide community benefit services at Victor Valley Community Hospital at an annual cost of \$27,500 (hereafter "the Minimum Community Benefit Services Amount"). Community benefit commitments shall be decided upon in conjunction with input from the Local Governing Board referenced in Condition XII.

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<sup>3</sup> OSHPD defines charity care by contrasting charity care and bad debt. According to OSHPD, "the determination of what is classified as ...charity care can be made by establishing whether or not the patient has the ability to pay. The patient's accounts receivable must be written off as bad debt if the patient has the ability but is unwilling to pay off the account."

The Minimum Community Benefit Services Amount shall be annually increased (but not decreased) by an amount equal to the Annual Percent increase, if any, in the “12 Months Percent Change: All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area Base Period: 1982-84=100” (CPI-LA, as published by the U.S. Bureau of Labor Statistics).

If the actual amount of community benefit services provided by Buyers at Victor Valley Community Hospital for any year is less than the Minimum Community Benefit Services Amount (as adjusted pursuant to the above-referenced Consumer Price Index) for such year, Buyers shall pay the deficiency to the “Victor Valley Community Hospital Health Fund” specified in Condition XV. Buyers shall pay the deficiency described in the preceding sentence not more than four (4) months following the end of such calendar year.

## XI.

For five years from the date of the transaction closing, Buyers shall spend no less than \$25,000,000 at Victor Valley Community Hospital for capital improvements, equipment, information technology, infrastructure improvements, and/or working capital; of said amount, no less than \$15,000,000 shall be designated for capital improvements, equipment, information technology, infrastructure improvements at Victor Valley Community Hospital. For calendar years 2011, 2012 and 2013, Buyers shall spend no less than \$4,000,000 per year for capital improvements, equipment, information technology, and infrastructure improvements at Victor Valley Community Hospital. Buyers shall consult with the Local Governing Board, referenced in Condition XII, prior to spending funds for capital improvements, equipment, information technology, and infrastructure improvements.

## XII.

For five years from the date of the transaction closing, Buyers shall maintain a Local Governing Board, as set forth in Section 5.8 of the Asset Sale Agreement. (Exhibit 1) Said Board should include physicians from the medical staff at Victor Valley Community Hospital, the Chief of Staff at Victor Valley Community Hospital, and community representatives from Victor Valley Community Hospital’s service area (as described on page 24 of the Healthcare Impact Report authored by Medical Development Specialists, dated December 1, 2010 and attached here to as Exhibit 2). In addition to the duties of the Local Governing Board designated in Section 5.8 of the Asset Sale Agreement, Buyers shall consult with the Local Governing Board prior to spending funds for capital improvements, equipment, information technology, and infrastructure improvements, making any withdrawals from the separate interest-bearing bank account required in Condition XIV, making any changes to medical services, making any changes to community benefit programs, and making any changes to the charity care and collection policies and charity care services provided at Victor Valley Community Hospital. Such consultation shall occur at least thirty (30) days prior to the effective date of such changes or actions unless done so based upon an emergency. The Local Governing Board shall also approve any reports submitted to the Attorney General regarding compliance with these Conditions.



### XIII.

Within 30 days of the date of the transaction closing, Seller shall transfer all remaining restricted charitable funds held by Victor Valley Community Hospital, a California nonprofit public benefit corporation, to “The Community Foundation Serving Riverside and San Bernardino Counties,” a California nonprofit public benefit corporation, to be used in accordance with the purposes for which said funds are restricted.

### XIV.

Within 30 days of the date of the transaction closing, Buyers shall deposit and maintain an ongoing fund balance of \$3 million in a separate interest-bearing bank account, to be used only for emergency operating and capital needs of Victor Valley Community Hospital, until such time as Victor Valley Community Hospital achieves operating self-sustainability, demonstrated by: 1) a positive “Adjusted Net Revenue” per the calculation and methodology shown in Exhibit 3 (i.e., an “Adjusted Net from Operations” that is greater than 5% of Total Operating Revenue), for three consecutive quarters, and 2) a positive cash flow shown by the total cash collections by Victor Valley Community Hospital for categories related to Net Patient Revenue, as defined by OSHPD, are equal to or greater than Net Patient Revenue, as defined and reported to OSHPD, for three consecutive quarters. The Local Governing Board referenced in Condition XII, shall be consulted prior to any withdrawals. Withdrawals are limited to \$1.5 million for any quarter. Any withdrawals must be redeposited into the account within 30 days of the date the withdrawal is made. Within 14 days of the end of each quarter, Buyers shall provide to the Attorney General quarterly reports including, but not limited to, statements concerning this account from the bank in which the separate interest-bearing bank account is established. Once Victor Valley Community Hospital achieves operating self-sustainability as defined herein and proof is provided to the Attorney General, the Attorney General will release Buyers from the requirement to maintain this ongoing fund.

### XV.

As soon as practicable, but no more than sixty (60) days after entry of an order closing the bankruptcy matter entitled *In re: VICTOR VALLEY COMMUNITY HOSPITAL* (U.S. Bankruptcy Court, Central Districts, Riverside Division Case No. 6:10-39537 CB), Seller shall transfer all net proceeds from the transaction (expected to be \$1,700,000) and any unrestricted charitable assets (expected to be \$320,325) to the “The Community Foundation Serving Riverside and San Bernardino Counties” for deposit in a Donor-Advised Pass-Through Fund called “Victor Valley Community Hospital Health Fund” for the purpose of making grants to charitable healthcare facilities and clinics exempt from taxation pursuant to IRC §501(c)(3) to provide healthcare services to residents in Victor Valley Community Hospital’s service area (11 ZIP codes) as described on page 24 of the Healthcare Impact Report authored by Medical Development Specialists, dated December 1, 2010. (Exhibit 2) These funds shall be maintained and used for a period of at least five years but not more than 10 years from the date of the transaction closing. Seller shall select the initial members of the Advisory Committee to the Donor-Advised Pass-Through Fund which will include the Vice-President of Grant Programs of “The Community Foundation Serving Riverside and San Bernardino Counties.”

## **XVI.**

Within 30 days of the date of the transaction closing, Buyers shall deposit the sum of \$3 million in a separate interest-bearing blocked bank or other financial institution account satisfactory to the Attorney General. Such account shall be held by the bank or other financial institution in trust for the benefit of "The Community Foundation Serving Riverside and San Bernardino Counties." The owner of the account shall be the bank or other financial institution. The beneficiary of the account shall be "The Community Foundation Serving Riverside and San Bernardino Counties." Buyers shall retain no interest in the account other than the reversionary interest described below. The initial \$3 million deposit and any interest earned shall be retained in the separate interest-bearing blocked account until the earlier of the following: (1) April 30, 2016, (2) the date on which the Buyers close, sell, transfer, lease, exchange, option, convey, or otherwise dispose of Victor Valley Community Hospital, or (3) the date on which Buyers file for bankruptcy. If on or before April 30, 2016, Buyers close, sell, transfer, lease, exchange, option, convey, or otherwise dispose of Victor Valley Community Hospital or file for bankruptcy, the funds held in the account shall be paid, at the direction of "The Community Foundation Serving Riverside and San Bernardino Counties," to the Victor Valley Community Hospital Health Fund, as described in Condition XIV, for the uses specified therein. If on or before April 30, 2016, Buyers have not closed, sold, transferred, leased, exchanged, optioned, conveyed, or otherwise disposed of Victor Valley Community Hospital, or filed for bankruptcy, Buyers shall be entitled to request return of the funds in the account after April 30, 2016. Within 14 days of the end of each quarter, Buyers shall provide to the Attorney General quarterly reports that include, but are not limited to, statements concerning this account from the bank or financial institution in which the separate interest-bearing blocked account is established.

## **XVII.**

For five years from the date of the transaction closing, Buyers shall submit to the Attorney General, no later than four (4) months after the conclusion of each calendar year, a report describing in detail its compliance with each Condition set forth herein including, but not limited to, an itemization and the actual costs of the capital improvements, equipment, information technology, and infrastructure improvements. The Chief Executive Officers and Chief Financial Officers of Buyers shall certify that the report is true and correct and provide documentation of approval by the Local Governing Board for Victor Valley Community Hospital.

## **XVIII.**

At the request of the Attorney General, Buyers and Seller shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with the terms and conditions of the transaction as set forth herein. The Attorney General shall, at the request of a party and to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.



## **XIX.**

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorney fees and costs incurred in remedying each and every violation.

**Exhibit 1**



Operational Closing Date or such more liberal or generous policies and practices on charity care as Purchasers may have in effect or implement from time to time, (b) continue to provide care to indigent and low-income patients at levels similar to or more generous than those historically provided by the Hospital and (c) assure access to high-quality healthcare services to all persons seeking medical care, regardless of their ability to pay.

5.7 Medical Staff. To ensure continuity of care in the community, Purchasers agree that the Hospital's medical staff members in good standing as of the Effective Time shall maintain medical staff privileges at the Hospital as of the Effective Time. On and after the Effective Time, the medical staff will be subject to the Hospital's Medical Staff Bylaws then in effect.

5.8 Local Governing Board.

(a) Immediately after the Effective Time, Purchasers shall form a local governing board at the Hospital in accordance with the terms of this Section 5.8. Such local governing board shall be an advisory committee to the board of directors of Purchasers comprised of medical staff members, community leaders and the Hospital's Chief Executive Officer. The local governing board shall be subject to the authority of Purchasers' board of directors and the terms of Purchasers' Articles of Incorporation, Bylaws and other organizational documents. The individuals on the local governing board should (i) represent the Hospital in the community and represent the views of the community to the local governing board in its deliberations, (ii) participate in Purchasers' community outreach programs and (iii) supervise the Hospital's charity care policies and practices.

(b) The local governing board of the Hospital shall have responsibilities that are consistent with similar local governing boards at other hospitals, or in other markets, respectively, which are owned directly or indirectly by affiliates of Purchasers. Purchasers shall consult with Seller or a successor established by Seller as to the appointment of community members to serve as members of the local governing board.

5.9 Capital Expenditures. During the period commencing on the Operational Closing Date and ending on the five (5) year anniversary date of the Closing, Purchasers agree that they will invest no less than Twenty-Five Million Dollars (\$25,000,000.00) for capital improvements, equipment, information technology, infrastructure improvements, and/or working capital at the Hospital with no less than Fifteen Million Dollars (\$15,000,000.00) of said amount being spent on capital improvements, equipment, information technology, and infrastructure improvements.

5.10 Maintenance of Services. Purchasers agree that following the Closing, Purchasers will operate the Hospital as a licensed acute care hospital with essential services including labor and delivery, and open and accessible emergency departments. Obstetrics and pediatrics services shall be maintained by Purchasers at the hospital facility for five years following the Closing, *provided, however*, that Purchasers have not yet entered into any agreements to provide such services or agreed on any particular rates.

**Exhibit 2**



## VICTOR VALLEY COMMUNITY HOSPITAL SERVICE AREA ANALYSIS

### *Victor Valley Community Hospital's Service Area Definition*

The Hospital's service area is composed of 11 ZIP Codes, from which approximately 86% of the Hospital's discharges originated in 2009. Almost 57% of the Hospital's discharges were from the top four ZIP Codes, located in Victorville, Hesperia, and Adelanto.

SERVICE AREA PATIENT ORIGIN MARKET SHARE BY ZIP CODE: 2009						
ZIP Codes	Community	VCH Discharges	% of Discharges	Cumulative % of Discharges	Total Discharges	Market Share
92345	Hesperia	1,270	17.9%	17.9%	9,193	14%
92392	Victorville	1,131	16.0%	33.9%	6,573	17%
92395	Victorville	843	11.9%	45.8%	4,409	19%
92301	Adelanto	778	11.0%	56.8%	3,174	25%
92307	Apple Valley	611	8.6%	65.4%	5,032	12%
92308	Apple Valley	547	7.7%	73.1%	4,904	11%
92394	Victorville	542	7.6%	80.8%	2,603	21%
92371	Phelan	138	1.9%	82.7%	1,025	13%
92356	Lucerne Valley	108	1.5%	84.2%	836	13%
92344	Hesperia	90	1.3%	85.5%	1,256	7%
92368	Oro Grande	23	0.3%	85.8%	103	22%
Sub Total		6,160	85.8%		39,843	15.5%
Other ZIPs		177	14.2%	100%		
Total		7,085	100%			

Source: OSHPD Patient Discharge Database

**Exhibit 3**



**Condition XIV: Calculation of Adjusted Net Revenue (FN 1.)**

	FISCAL YEAR 2009	2nd QTR 2010
<b>Total Operating Revenue</b>	\$ 56,561,319	\$ 14,969,074
<b>Minus Total Operating Expenses</b>	\$ (55,256,254)	\$ (15,603,030)
<u><b>Equals Net from Operations</b></u>	<u>\$ 1,305,065</u>	<u>\$ (633,956)</u>
<b>Minus Provision for Bad Debts</b>	\$ (7,817,703)	\$ (1,706,554)
<b>Plus Amortization and Depreciation (FN 2.)</b>	\$ 1,749,268	\$ 588,600
<u><b>Equals Adjusted Net from Operations</b></u>	<u>\$ (4,763,370)</u>	<u>\$ (1,751,910)</u>
Adjusted Net from Operations	\$ (4,763,370)	\$ (1,751,910)
<b>Minus 5% of Total Operating Revenue</b>	\$ (2,828,066)	\$ (748,454)
<u><b>Equals Adjusted Net Revenue</b></u>	<u>\$ (7,591,436)</u>	<u>\$ (2,500,364)</u>

Fn. 1: The definition and methodology for calculating the terms in bold shall be the same as that used by the California Office of Statewide Health Planning and Development ("OSHPD") for annual hospital reporting purposes. The amounts used for the terms in bold shall be the same as those reported to OSHPD on a quarterly basis (Quarterly Financial Data). The FY 2009 figures were based upon the FY 2009 OSHPD Annual Financial Disclosure Report and Independently Audited Financial Statements dated September 30, 2009.

Fn. 2: Amortization and Depreciation shall be obtained from the internally prepared quarterly financial statements using methods acceptable under Generally Accepted Accounting Principles. Amortization and Depreciation can only be added back in if the Total Operating Expenses reported to OSHPD included Amortization and Depreciation. The definition and methodology for calculating the term "Depreciation" shall be the same as that used by OSHPD for annual hospital reporting purposes.