

Conditions for Transaction Approval by the Attorney General
Sherman Oaks Hospital and Health Center
December 22, 2005

1. For the purposes of these conditions and unless the context indicates otherwise, the term “Buyer” shall mean Prime A Investments, LLC, a Delaware Corporation, and Prime Healthcare Services II, LLC, a Delaware Corporation, the proposed purchaser of Sherman Oaks Hospital and Medical Center, as set forth in the Acquisition Agreement dated September 21, 2005. These conditions apply to any entity owned by the Buyer that subsequently becomes the owner and/or licensed operator of Sherman Oaks Hospital and Medical Center, any future entity who purchases Sherman Oaks Hospital and Medical Center from the Buyer, and any entity owned by a future buyer that subsequently becomes the owner and/or licensed operator of Sherman Oaks Hospital and Medical Center.
2. The Buyer shall fulfill the terms and conditions of the Acquisition Agreement dated September 21, 2005 (hereafter “Agreement”). All parties shall notify the Attorney General in writing of any proposed material modifications of the Agreement. Such notification shall be provided at least 30 days prior to such modification taking effect to allow the Attorney General to consider whether the proposed modification affects the factors set forth in Corporations Code section 5917.
3. For at least five years from the transaction closing date, the Buyer shall continue to operate the Sherman Oaks Hospital and Health Center as a general acute care hospital and maintain emergency room capacity and services at not less than the licensed service levels that were in effect on the date the Agreement was executed (September 21, 2005).
4. For at least five years from the transaction closing date, the Buyer shall maintain the Burn Center at not less than the licensed service levels that were in effect on September 21, 2005.
5. For at least five years from the transaction closing date, the Buyer shall utilize the Sherman Oaks Hospital Foundation’s Board of Directors (“Foundation”), which is made up of medical, business and other community representatives, as an advisory review body prior to initiating any changes to community benefit programs or charity care policies.
6. For at least five years from the transaction closing date, the Buyer shall annually expend not less than \$1.2 million in charity care costs (not charges). The amount of any annual shortfall in charity care shall be contributed to the Foundation. The required annual minimum charity care cost expenditure amount shall be inflated at the end of each fiscal year from the transaction closing date by using the “All Items Consumer Price Index for All Urban Consumers in the Los Angeles-Riverside-Orange County Consolidated Metropolitan Statistical Area” as published by the U.S. Bureau of Labor Statistics. The Buyer shall use substantially the same charity care policies that were in effect on September 21, 2005, which shall include procedures to advise patients of the availability of charity care services and to qualify them to receive such services.

The definition and methodology for calculating charity care costs shall be consistent with the definitions and methodology established by the State of California's Office of Statewide Health Planning and Development.

7. For at least five years from the transaction closing date, the Buyer shall continue to annually expend an average of at least \$562,000 in community benefit services in substantially similar form as provided by Sherman Oaks Health System, including continued support for the Specialized Ambulatory Geriatric Evaluation (SAGE) program. Community benefit commitments shall be decided upon after consultation with the Foundation.

8. Within six months from the transaction closing date, the Buyer shall conduct a more detailed evaluation of the community need and cost/benefit of providing the gero-psychiatric services and submit the evaluation to the Foundation and the Attorney General's office before making a final decision about the continuation of this service. The Buyer shall operate the gero-psychiatric unit until it submits the evaluation to the Attorney General's office.

9. Within three years of the transaction closing date, the Buyer shall make at least \$6 million in capital expenditures at Sherman Oaks Hospital and Health Center for expansion of the emergency department, to add telemetry and imaging equipment, and for other capital equipment and improvements.

10. Within 120 days after the end of each year for five years from the transaction closing date, the Buyer shall submit to the Attorney General a report describing in detail its compliance with each condition set forth herein for the prior calendar year. The Chief Executive Officer of the Buyer, or his/her designated agent, shall verify under penalty of perjury that the report is true and correct.

11. At the request of the Attorney General, Sherman Oaks Health System and the Buyer 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 public interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

12. The Attorney General reserves the right to enforce each and every condition set forth herein to the fullest extent provided by law.